KION GROUP

Q3

INTERIM REPORT
2014

We keep the world moving.

Key figures

KION Group overview

in € million	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
Order intake	1,142.2	1,046.4	9.2%	3,566.2	3,296.6	8.2%
Revenue	1,139.0	1,082.3	5.2%	3,372.3	3,316.7	1.7%
Order book[1]				806.4	693.3	16.3%
Results of operation						
EBITDA	159.1	171.4	–7.2%	507.4	516.0	–1.7%
Adjusted EBITDA[2]	196.0	175.9	11.4%	560.8	527.4	6.3%
Adjusted EBITDA margin[2]	17.2%	16.3%	–	16.6%	15.9%	–
EBIT	69.1	88.8	–22.1%	237.7	266.7	–10.9%
Adjusted EBIT[2]	111.8	100.5	11.3%	308.7	300.9	2.6%
Adjusted EBIT margin[2]	9.8%	9.3%	–	9.2%	9.1%	–
Net income for the period	58.0	11.0	> 100%	118.6	81.3	45.9%
Financial position[1]						
Total assets				6,156.3	6,026.4	2.2%
Equity				1,616.0	1,610.0	0.4%
Net financial debt				1,009.5	979.3	3.1%
Cash flow						
Free cash flow[3]	77.7	50.7	53.3%	97.5	63.1	54.5%
Capital expenditures[4]	29.4	27.2	8.1%	87.4	79.2	10.3%
Employees[5]				**22,724**	**22,273**	**2.0%**

1 Value as at 30/09/2014 compared to the balance sheet date 31/12/2013
2 Adjusted for KION acquisition items and one-off items
3 Free cash flow is defined as Cash flow from operating activities plus Cash flow used in investing activities
4 Capital expenditures including capitalised R&D costs, excluding leased and rental assets
5 Number of employees in full-time equivalents as at 30/09/2014 compared to the balance sheet date 31/12/2013

All amounts in this interim report are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in rounding differences of +/– €0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

This interim report is available in German and English at www.kiongroup.com under Investor Relations / Financial Reports. Only the content of the German version is authoritative.

Q3 interim report
2014

We keep the world moving.

The KION Group has a global presence with products, services and solutions provided by its six brand companies. Employing more than 22,000 people, it is the European market leader and the world's second largest manufacturer of forklift trucks and warehouse technology. It is also the leading international supplier in the sector in China.

Linde and STILL serve the premium segment worldwide while Baoli focuses on the economy segment. Fenwick is the material-handling market leader in France, OM STILL is a market leader in Italy and Voltas is one of the two market leaders in India. With these solid foundations, the KION Group generated revenue of approximately €4.5 billion in 2013, of which 44 per cent was attributable to the stable and high-margin service business.

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Highlights of the third quarter of 2014

Strong third quarter thanks to buoyant growth in western Europe and Asia

- Order intake up by more than 9 per cent in third quarter
- In terms of the number of new trucks, the KION Group out-performed the global market between July and September, driven by growth in western Europe, Asia and eastern Europe
- Revenue for the quarter rises by more than 5 per cent year on year
- Further improvement in profitability: adjusted EBIT margin climbs to 9.8 per cent in third quarter
- Free cash flow raised by more than 50 per cent in third quarter

KION GROUP AG joins the MDAX

- KION shares more visible and attractive to investors following promotion to mid-cap segment
- Increased liquidity of KION shares after free float rises to almost 40 per cent
- Broad majority of analysts recommend KION GROUP AG shares as a 'buy'

Contents

KION shares

Inclusion in the MDAX

KION GROUP AG was included in Deutsche Börse's MDAX on 22 September. Before that, the shares had been part of the SDAX for about a year. This promotion to the mid-cap segment, comprising the 50 largest listed companies in Germany after those in the DAX, will make KION shares even more attractive and visible to investors.

Share performance

Amid volatile conditions on the stock market, which has been on a downward trend recently, the price of KION shares fell by 7.5 per cent to €29.29 in the third quarter and was 4.7 per cent below the 2013 year-end closing price of €30.73. The shares' performance was therefore slightly behind that of the MDAX as a whole, which declined by 3.5 per cent over the nine-month period. As at 30 September 2014, the KION Group's market capitalisation amounted to €2.9 billion (of which €1.1 billion was in free float). The average daily Xetra trading volume from the start of the year was 84.6 thousand shares or €2.7 million. >> DIAGRAM 01

Shareholder structure

There was a minor change to the shareholder structure as a result of share buybacks, with KION GROUP AG repurchasing 51,000 shares between 10 September and 30 September 2014. As at 30 September, the Company therefore held a total of 251,000 no-par-value shares in treasury, corresponding to 0.25 per cent of the share capital. Authorisation to acquire treasury shares for an employee share programme had been granted by means of a resolution of the Extraordinary General Meeting on 13 June 2013 before the IPO. At the start of October, the Executive Board of KION GROUP AG decided to imple-

Share price performance between 28 June 2013 and 30 September 2014 >> DIAGRAM 01

ment such an employee share programme. All employees eligible to take part were able to acquire KION shares during an offer period in October. The free float edged down to 39.5 per cent, compared with 39.6 per cent at 30 June.

With its stake unchanged at 33.3 per cent, Weichai Power remains the biggest single shareholder of KION GROUP AG. There is a mutual right of first offer between Weichai Power on the one hand and KKR and Goldman Sachs on the other with respect to their shareholdings. Weichai Power has also undertaken not to acquire more than 49.9 per cent of the KION Group's shares between now and 28 June 2018 (as part of a standstill agreement). The proportion of shares held by KKR and Goldman Sachs via Superlift Holding stands at 26.9 per cent. >> DIAGRAM 02

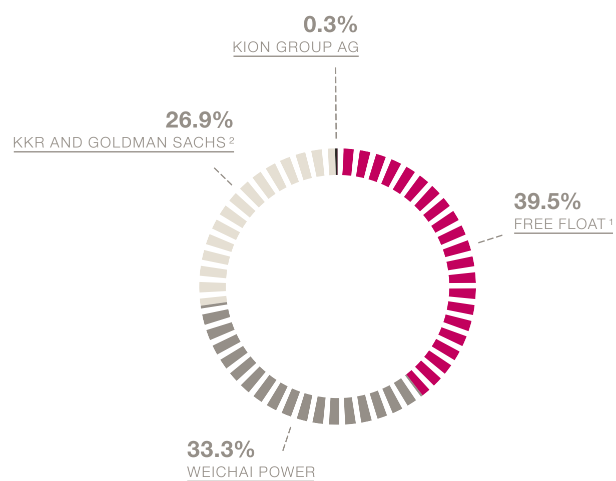
Investor relations

The Executive Board and the KION Group's investor relations team talked directly to institutional investors and analysts on many occasions in the third quarter. In September, for example, the KION Group participated in several conferences and roadshows and held numerous one-on-one meetings.

The Executive Board reported on the quarterly results during an update call. The transcripts from the quarterly update calls along with presentations are available on our website under Investor Relations / Presentations.

During the third quarter, two more brokerage houses began covering the KION Group's shares. Mainfirst recommended the KION Group with a rating of 'outperform', while Bankhaus Lampe's initial rating was 'buy'. A total of 14 brokerage houses now regularly publish research on KION shares. As at 30 September, ten analysts recommended KION shares as a buy and four rated them as neutral. The median target price specified for the shares was €37.00.
>> TABLE 01

Shareholder structure as at 30 September 2014 >> DIAGRAM 02



1 Includes shares that are still held by KION Management Beteiligungs GmbH & Co. KG for members of the Executive Board and Supervisory Board but are no longer subject to a lock-up period and can therefore be sold or transferred to members' private investment accounts.
2 Held via Superlift Holding S.à r.l.

Corporate bond and credit rating

The KION Group has issued a 6.75 per cent fixed-rate corporate bond with a volume of €450.0 million through its subsidiary KION Finance S.A. Placed in 2013, the bond is due to mature in 2020.

The KION Group has been given credit ratings by Standard & Poor's (Ba2 with a stable outlook) and Moody's (BB with a positive outlook).

Share data

>> TABLE 01

Issuer	KION GROUP AG
Registered office	Wiesbaden
Share capital	€98,900,000; divided into 98,900,000 no-par-value shares
Share class	No-par-value shares
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
Index	MDAX
Stock exchange symbol	KGX
ISIN	DE000KGX8881
WKN	KGX888
Bloomberg / Reuters	KGX GR / KGX.DE
Closing price as at 30/09/2014	€29.29
Performance since beginning of 2014	–4.7%
Market capitalisation as at 30/09/2014	€2,896.8 million
Free float	39.5%
Earnings per share*	€1.19

* For the reporting period 01/01/ - 30/09/2014

Interim group management report

FUNDAMENTALS OF THE KION GROUP

Management and control

Olaf Kunz has been an employee representative on the Supervisory Board of KION GROUP AG since 1 September 2014. Thilo Kämmerer stepped down from the Supervisory Board with effect from 31 August 2014.

Strategy of the KION Group

Implementation of the Strategy 2020, which was first presented in March 2014, continued according to plan in the third quarter. The KION Group aims to leverage its strong global position and cross-brand synergies even more effectively and to become the industry leader worldwide. Further details on this strategy were provided in the 2014 half-year report.

At the same time, the KION Group is investing in the optimisation of its European plant structures in order to make them more competitive and cost-efficient. This will involve spending a total of more than €80 million on the plants in Aschaffenburg (Linde Material Handling) and Hamburg (STILL) up to and including 2021. The KION Group is also investing around €12 million on a new plant in Plzeň (Czech Republic). Production is scheduled to start in 2016 and will initially focus on existing warehouse technology products. Later on, the new plant should enable the KION Group to supply trucks for the economy and volume segments – particularly to markets in eastern and southern Europe – more effectively and efficiently.

The KION Group's company profile is unchanged compared with the description in the 2013 group management report. The description of the management system also remains the same.

REPORT ON THE ECONOMIC POSITION

Macroeconomic and sector-specific conditions

Macroeconomic conditions

The global economy has only managed muted growth over the year so far. In October, the International Monetary Fund (IMF) lowered its growth forecast for 2014 to 3.3 per cent (compared with 3.4 per cent in July). The main causes for concern are geopolitical risks in Ukraine and the Middle East, plus resurgent uncertainty in the financial markets. Different rates of growth were observable in the major economic areas. Whereas there has been a robust economic uptrend and rapidly falling unemployment in the United States, growth in the eurozone has been subdued. In particular, recent economic data from Germany, France and Italy proved disappointing. Sentiment was depressed by familiar problems, such as low inflation, persistently high debt levels and geopolitical uncertainty. Nevertheless, there are countries – the United Kingdom and Spain – that continue to generate sound economic growth.

Following a weak start to the year, the IMF predicts slightly slower growth for China, with the rate of growth stabilising at a lower level than last year. Brazil, the largest economy in Latin America, is in recession, however. Economic regulation is still proving to be a particular impediment to investment. Eastern Europe offers a mixed picture. Many countries in the east of the European Union continue to benefit from the, albeit only moderate, economic recovery in the eurozone. By contrast, Russia is still suffering from the economic fallout of the conflict with Ukraine and, more generally, from structural problems.

Sectoral conditions

Sales markets

Over the course of the year, there has been a slight slowdown in the global market for industrial trucks. Measured in terms of trucks sold, the market expanded by 6.4 per cent in the third quarter, which was less than in the first quarter (9.7 per cent) and second quarter (8.9 per cent). The main reason for this trend was weaker demand for diesel trucks (down by 0.6 per cent) during the third quarter. However, electric forklift trucks and warehouse trucks again generated strong growth, gaining 14.0 per cent and 11.9 per cent respectively in the third quarter. In the nine-month period, orders in the market as a whole were up by 8.3 per cent year on year.

Registering an increase of 12.6 per cent in the first nine months, western Europe continued to be a major growth driver. The rate of expansion in this market remained at a similarly strong level in the third quarter as in the previous quarter. Germany, the largest single market in western Europe, gained 11.2 per cent in the period January to September and was therefore only slightly below the western European average. Italy, Spain and the United Kingdom generated above-average growth. France, the second largest single market, reported stagnant order numbers, however.

The Russian market remained weak, whereas other eastern European countries – such as the Czech Republic, Poland and Hungary – continued to grow.

In China, which accounts for more than a quarter of all new trucks ordered worldwide, market growth tailed off further in the third quarter, primarily due to a slight decline in the volume of diesel trucks. Nevertheless, China generated growth of 12.2 per cent over the first nine months of the year. Orders in South America continued to decline. This was particularly true of the largest market, Brazil, where orders fell by 13.3 per cent. By contrast, Central America achieved an encouraging rise of 18.0 per cent, while the United States registered an increase of 6.3 per cent for the nine-month period. >> TABLE 02

Global industrial truck market (order intake) >> TABLE 02

in thousand units	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
Western Europe	65.8	57.9	13.7%	214.4	190.4	12.6%
Eastern Europe	15.6	14.8	5.3%	44.5	43.4	2.4%
North America	49.7	49.1	1.2%	155.3	147.0	5.7%
Central & South America	12.5	12.1	3.3%	35.7	39.3	–9.2%
Asia (excl. Japan)	86.9	83.4	4.1%	276.3	248.9	11.0%
Rest of world	30.1	27.6	9.1%	90.6	84.9	6.7%
World	**260.5**	**244.8**	**6.4%**	**816.8**	**753.9**	**8.3%**

Source: WITS/FEM

Procurement markets and conditions in the financial markets

Overall, commodity prices were lower in the first nine months of 2014 than in the same period of the previous year, with metals also becoming cheaper in the third quarter. From early July onwards, the oil price continued to fall and was also below the average for the previous year.

The monetary policy of the European Central Bank (ECB) remained expansionary, which was one of the main reasons why the euro began to fall against other reserve currencies from July. The ECB announced that there would be further measures aimed at tackling economic weakness and the risk of deflation.

Financial position and financial performance

Overall assessment of the economic situation

The first nine months of 2014 have been successful for the KION Group. There was a marked year-on-year increase in the value of order intake, which rose by 8.2 per cent.

Compared with the first nine months of 2013, consolidated revenue went up by 1.7 per cent to €3,372.3 million. The strong service business made a significant contribution to the growth in revenue. New truck business improved by 2.5 per cent in the third quarter, which meant that the decline over the nine-month period was just 3.8 per cent.

EBIT, adjusted for non-recurring items, came to €308.7 million in the reporting period, which was slightly up on the comparative prior-year period. The adjusted EBIT margin reached an impressive 9.2 per cent, slightly up on the prior-year figure of 9.1 per cent.

Despite the financial expenses incurred in the second quarter in connection with the early repayment of the two tranches of corporate bonds and the positive non-recurring tax effects included in the 2013 figures, net income increased by a substantial 45.9 per cent year on year to €118.6 million. The full impact of the reduction in interest costs was felt for the first time in the third quarter.

The KION Group's financial position continues to provide it with sufficient scope for implementing the growth strategy. Earnings per share amounted to €1.19, compared with the (pro-forma) earnings of €0.82 in the first nine months of 2013.

Level of orders

The value of new orders for the first nine months of the year totalled €3,566.2 million, a substantial 8.2 per cent increase on the same period of 2013. The LMH and STILL operating segments contributed to this rise, both accelerating their rate of growth over the course of year.

This upward trend was driven by an 8.9 per cent increase in the number of trucks ordered over the nine-month period to a total of 115.2 thousand. The service business also expanded and an increasing proportion of trucks were fitted with customer-specific equipment.

In Europe, the KION Group kept in step with market growth thanks to the sustained recovery in the western European market and higher order numbers in eastern Europe. The main contributor to growth, which was in the low double-digit range, was demand for warehouse technology products and electric forklift trucks. In China, the KION Group saw its order numbers rise by 14.6 per cent, not least due to strong demand for trucks in the Baoli D series. Demand not only for diesel trucks but also for warehouse technology products went up significantly. In Central and South America, the negative sales trend persisted throughout the reporting period, with the weak market conditions in Brazil having a noticeable impact.

Growth markets accounted for around 35 per cent of orders in the first nine months of 2014. The order book amounted to €806.4 million at 30 September 2014, an increase of 16.3 per cent on the value at the end of last year (31 December 2013: €693.3 million).

Revenue by product category >> TABLE 03

in € million	Q3 2014	Q3 2013	Change	Q1–Q3 2014	Q1–Q3 2013	Change
New business	602.4	587.9	2.5%	1,793.8	1,864.3	–3.8%
Service offering	536.6	494.4	8.5%	1,578.5	1,452.4	8.7%
- After sales	315.3	295.9	6.6%	923.7	866.5	6.6%
- Rental business	123.2	111.4	10.5%	360.1	329.1	9.4%
- Used trucks	61.9	54.0	14.7%	194.5	162.7	19.6%
- Other	36.2	33.1	9.2%	100.2	94.2	6.4%
Total	**1,139.0**	**1,082.3**	**5.2%**	**3,372.3**	**3,316.7**	**1.7%**

Revenue

In the nine months under review, the KION Group's revenue went up by 1.7 per cent to €3,372.3 million. Adjusted for negative currency effects of €39.7 million, the increase in revenue was 2.9 per cent.

At €1,793.8 million, revenue from new trucks was 3.8 per cent down on the prior-year level (Q1–Q3 2013: €1,864.3 million), but the year-on-year decline was mitigated by the strong revenue figure in the third quarter. Revenue from the high-margin service business advanced by 8.7 per cent to €1,578.5 million (Q1–Q3 2013: €1,452.4 million). There were increases in revenue from the spare-parts business and from servicing and maintenance work. The rental business and the used truck business registered particularly significant year-on-year gains. The proportion of the KION Group's total revenue generated by the service business grew to 46.8 per cent (Q1–Q3 2013: 43.8 per cent). This marked rise was partly attributable to the dealer Willenbrock, in which the KION Group acquired a majority stake at the end of 2013. >> TABLE 03

In western Europe, revenue was up slightly compared with the first nine months of last year. Sharp increases in Italy, the United Kingdom and Germany contrasted with a reduction in France. Despite the situation in Ukraine remaining tense, revenue in eastern Europe rose substantially; revenue gains in Poland and the Czech Republic had a particularly positive impact. The considerable decline in Brazil due to the slump in the market there was more than offset by the growth in Europe. The KION Group's revenue in Asia was on a par with the prior-year figure. Overall, the growth markets accounted for 24.4 per cent of total revenue (Q1–Q3 2013: 25.1 per cent), while the proportion generated outside Germany came to 73.9 per cent. >> TABLE 04

Revenue by customer location

>> TABLE 04

in € million	Q3 2014	Q3 2013	Change	Q1–Q3 2014	Q1–Q3 2013	Change
Western Europe	819.6	773.2	6.0%	2,468.7	2,385.4	3.5%
Eastern Europe	97.1	85.4	13.7%	276.5	261.6	5.7%
Americas	62.0	68.6	–9.7%	178.8	209.2	–14.5%
Asia	125.1	116.4	7.5%	337.9	335.9	0.6%
Rest of world	35.1	38.7	–9.3%	110.4	124.7	–11.5%
Total revenue	**1,139.0**	**1,082.3**	**5.2%**	**3,372.3**	**3,316.7**	**1.7%**

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) for the nine-month period declined year on year to €237.7 million (Q1–Q3 2013: €266.7 million) and were significantly affected by a €32.0 million impairment charge on the 30 per cent stake held in Linde Hydraulics GmbH & Co. KG, which had a negative impact on the profit (loss) from equity-accounted investments.

Adjusted EBIT came to €308.7 million, which was up on the comparable prior-year figure of €300.9 million despite higher administrative expenses following the IPO. The adjusted EBIT margin improved slightly to reach 9.2 per cent, compared with 9.1 per cent for the first nine months of 2013.

The adjusted EBIT figure does not include any current earnings-related items from the KION acquisition. The figure is also adjusted for non-recurring items such as the purchase-price-related, non-operating items resulting from the sale of Linde Hydraulics. In the quarter under review, the €32.0 million impairment charge on Linde Hydraulics was recognised as a non-cash, non-recurring item.

>> TABLE 05

EBIT

>> TABLE 05

in € million	Q3 2014	Q3 2013	Change	Q1–Q3 2014	Q1–Q3 2013	Change
Net income for the period	58.0	11.0	> 100%	118.6	81.3	45.9%
Income taxes	–29.8	–7.4	<–100%	–57.2	–3.1	<–100%
Net financial expenses	18.7	–70.3	> 100%	–61.8	–182.4	66.1%
EBIT	**69.1**	**88.8**	**–22.1%**	**237.7**	**266.7**	**–10.9%**
+ Non-recurring items	37.5	4.7	> 100%	47.0	11.9	> 100%
+ KION acquisition items	5.2	7.0	–25.4%	24.1	22.3	8.0%
Adjusted EBIT	**111.8**	**100.5**	**11.3%**	**308.7**	**300.9**	**2.6%**

EBITDA declined by 1.7 per cent to €507.4 million due to the impairment charge on Linde Hydraulics. Adjusted EBITDA was a considerable 6.3 per cent higher than the prior-year figure (Q1-Q3 2013: €527.4 million). This equates to an adjusted EBITDA margin of 16.6 per cent (Q1 – Q3 2013: 15.9 per cent). >> TABLE 06

EBITDA >> TABLE 06

in € million	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
EBIT	69.1	88.8	– 22.1%	237.7	266.7	– 10.9%
Amortisation and depreciation	90.0	82.6	8.9%	269.7	249.3	8.2%
EBITDA	**159.1**	**171.4**	**– 7.2%**	**507.4**	**516.0**	**– 1.7%**
+ Non-recurring items	37.0	4.7	> 100%	46.1	11.0	> 100%
+ KION acquisition items	0.0	– 0.2	> 100%	7.4	0.4	> 100%
Adjusted EBITDA	**196.0**	**175.9**	**11.4%**	**560.8**	**527.4**	**6.3%**

Key influencing factors for earnings

The cost of sales was virtually unchanged year on year at €2,390.0 million (Q1–Q3 2013: €2,388.0 million). Gross profit therefore rose by 5.8 per cent to reach €982.3 million (Q1–Q3 2013: €928.8 million). The key reasons for this trend were the improved product mix and a greater proportion of service business.

Selling expenses went up by 4.3 per cent year on year to €421.0 million (Q1–Q3 2013: €403.7 million). The reasons for this rise included the first-time consolidation of the German dealer Willenbrock and the appearances at trade fairs by Linde Material Handling and STILL in the second quarter. The increase in administrative expenses, which advanced by 7.9 per cent to €236.6 million (Q1-Q3 2013: €219.3 million), was due in part to higher costs incurred since the IPO and higher IT costs.

The main factor in the sharp decrease to €0.8 million reported under 'Other' (Q1–Q3 2013: €49.7 million) was the €32.0 million impairment charge on Linde Hydraulics, which was recognised under the share of profit (loss) of equity-accounted investments. In the first nine months of 2013, the 'Other' item had included a positive non-recurring item of €8.1 million from the sale of the hydraulics business. >> TABLE 07

(Condensed) income statement >> TABLE 07

in € million	Q3 2014	Q3 2013	Change	Q1–Q3 2014	Q1–Q3 2013	Change
Revenue	1,139.0	1,082.3	5.2%	3,372.3	3,316.7	1.7%
Cost of sales	–800.4	–769.8	–4.0%	–2,390.0	–2,388.0	–0.1%
Gross profit	**338.6**	**312.5**	**8.3%**	**982.3**	**928.8**	**5.8%**
Selling expenses	–138.3	–130.4	–6.1%	–421.0	–403.7	–4.3%
Research and development costs	–29.7	–30.0	1.0%	–87.8	–88.7	1.0%
Administrative expenses	–80.8	–67.0	–20.6%	–236.6	–219.3	–7.9%
Other	–20.6	3.6	<–100%	0.8	49.7	–98.3%
Earnings before interest and taxes (EBIT)	**69.1**	**88.8**	**–22.1%**	**237.7**	**266.7**	**–10.9%**
Net financial expenses	18.7	–70.3	>100%	–61.8	–182.4	66.1%
Earnings before taxes	**87.8**	**18.5**	**>100%**	**175.8**	**84.4**	**>100%**
Income taxes	–29.8	–7.4	<–100%	–57.2	–3.1	<–100%
Net income for the period	**58.0**	**11.0**	**>100%**	**118.6**	**81.3**	**45.9%**

Net financial expenses

In the first nine months of 2014, net financial expenses improved to €61.8 million, compared with €182.4 million in the corresponding prior-year period. The remeasurement of existing options in connection with Linde Hydraulics resulted in financial income of €43.0 million. Early repayment of two tranches of the corporate bonds in the second quarter of 2014 led to non-recurring financial expenses of €23.2 million. Adjusted for these effects, net financial expenses amounted to €81.6 million in the reporting period.

Income taxes

Income tax expenses amounted to €57.2 million. The tax rate in the first nine months of the year was 32.5 per cent. The lower tax expense in the comparative period of 2013 was mainly attributable to the recognition of deferred tax assets on previously unusable loss carryforwards.

Net income for the period

The KION Group's net income after taxes totalled €118.6 million. This was significantly higher than the prior-year figure of €81.3 million. One of the main factors in the improvement was lower interest expenses following optimisation of the funding structure. Diluted and basic earnings per share for the nine-month period came to €1.19. Based on an average of 98.9 million no-par-value shares, pro-forma earnings per share for the first nine months of 2013 came to €0.82.

Business situation and financial performance of the segments

Linde Material Handling segment

New truck business in the Linde Material Handling (LMH) segment has been encouraging over the year so far. LMH consolidated its global market position with a 9.9 per cent increase in the number of trucks ordered during the first nine months. In western Europe and Asia, LMH could not quite keep pace with market growth, but in eastern Europe and North America it increased its market share.

The value of order intake amounted to €2,350.0 million in the nine-month period, an increase of 10.5 per cent year on year (Q1-Q3 2013: €2,126.8 million).

Segment revenue rose by 5.0 per cent year on year to reach €2,237.5 million. Slight falls in revenue from new truck business were more than outweighed by strong growth in the service business – in part due to the first-time consolidation of Willenbrock.

Adjusted EBIT reached €241.1 million, which was up on the figure for the first nine months of last year (Q1 – Q3 2013: €231.1 million). The adjusted EBIT margin was 10.8 per cent (Q1 – Q3 2013: 10.8 per cent). >> TABLE 08

Key figures – LMH – >> TABLE 08

in € million	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
Order intake	740.4	673.6	9.9%	2,350.0	2,126.8	10.5%
Revenue	760.8	672.3	13.2%	2,237.5	2,131.5	5.0%
EBITDA	81.3	101.8	–20.1%	308.4	328.4	–6.1%
Adjusted EBITDA	115.6	105.5	9.6%	353.0	332.7	6.1%
EBIT	43.4	62.2	–30.3%	180.1	208.2	–13.5%
Adjusted EBIT	82.8	71.7	15.5%	241.1	231.1	4.3%
Adjusted EBITDA margin	15.2%	15.7%	–	15.8%	15.6%	–
Adjusted EBIT margin	10.9%	10.7%	–	10.8%	10.8%	–

STILL segment

In the STILL segment, the value of order intake amounted to €1,405.9 million in the first nine months of 2014, an increase of 13.1 per cent year on year (Q1 – Q3 2013: €1,243.2 million). There were particularly strong gains in the volume of orders in Germany, Italy and eastern Europe, more than offsetting the persistent downward trend in Brazil. Nonetheless, STILL's growth in the reporting period was slightly behind that of the global market, with the number of trucks ordered rising by 7.1 per cent. The improved situation with regard to sales of electric forklift trucks, above all in western Europe, was eclipsed by a decline in diesel truck sales.

Segment revenue rose by 4.4 per cent to €1,318.6 million (Q1 – Q3 2013: €1,263.6 million). This was predominantly attributable to growth in western and eastern Europe. The service business generated substantial gains in all of the main sales regions except Brazil.

The segment's adjusted EBIT reached €83.9 million in the first nine months, just above the equivalent figure for the previous year (Q1 – Q3 2013: €82.0 million). The adjusted EBIT margin was 6.4 per cent (Q1 – Q3 2013: 6.5 per cent). >> TABLE 09

Key figures – STILL – >> TABLE 09

in € million	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
Order intake	446.8	386.1	15.7%	1,405.9	1,243.2	13.1%
Revenue	440.7	421.1	4.7%	1,318.6	1,263.6	4.4%
EBITDA	60.3	53.1	13.6%	160.2	149.2	7.4%
Adjusted EBITDA	60.5	54.8	10.5%	162.2	154.5	5.0%
EBIT	32.8	28.0	17.1%	80.8	72.5	11.4%
Adjusted EBIT	33.6	31.2	7.8%	83.9	82.0	2.3%
Adjusted EBITDA margin	13.7%	13.0%	–	12.3%	12.2%	–
Adjusted EBIT margin	7.6%	7.4%	–	6.4%	6.5%	–

Financial Services segment

The Financial Services (FS) segment is the central financing partner for end-customer leasing and short-term rental fleet financing for the LMH and STILL brand segments. It benefited from growing demand in the first nine months. Intra-group revenue from financing for the short-term rental business – for which the LMH and STILL brand segments have operational responsibility – rose considerably, from €151.3 million to €190.0 million. Long-term leasing with external end customers generated revenue of €237.1 million, which was virtually unchanged year on year (Q1 – Q3 2013: €233.5 million).

At €1,325.8 million, segment assets had grown compared with the end of 2013 (31 December 2013: €1,249.4 million) and were 19.5 per cent higher than the figure at 30 September 2013 of €1,109.4 million.

Net interest income, which is a key element of the segment's earnings, fell to €2.3 million (Q1 – Q3 2013: €3.3 million). Nevertheless, earnings before tax came to €3.9 million, just higher than in the prior-year period (Q1 – Q3 2013: €3.5 million). As at 30 September 2014, the FS segment had intra-group lease receivables of €474.4 million from the LMH and STILL brand segments relating to the intra-group financing of the short-term rental fleet (31 December 2013: €449.1 million; 30 September 2013: €389.0 million). The funding of these intra-group long-term leases (finance leases) with LMH and STILL resulted in lease liabilities of €338.7 million (31 December 2013: €319.7 million; 30 September 2013: €268.8 million).

Net financial debt amounted to €160.9 million as at 30 September 2014 (31 December 2013: €163.6 million; 30 September 2013: €184.0 million). Return on equity (ROE) stood at 13.0 per cent, making it virtually unchanged on the comparative prior-year figure. >> TABLE 10

Key figures – Financial Services – >> TABLE 10

in € million	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
Revenue	149.8	129.8	15.4%	427.1	384.8	11.0%
Adjusted EBITDA	24.0	17.3	38.9%	62.5	48.5	28.9%
Adjusted EBIT	0.8	–0.0	> 100%	1.6	0.2	> 100%
Earnings before taxes (EBT)	1.3	1.1	15.2%	3.9	3.5	13.6%
Lease receivables[1]	960.3	812.5	18.2%	960.3	812.5	18.2%
thereof to third parties	485.9	423.5	14.7%	485.9	423.5	14.7%
Lease liabilities[2]	1,004.0	804.7	24.8%	1,004.0	804.7	24.8%
thereof liabilities from funding of the short-term rental business	338.7	268.8	26.0%	338.7	268.8	26.0%
Net financial debt	160.9	184.0	–12.5%	160.9	184.0	–12.5%
Equity	42.8	38.6	10.9%	42.8	38.6	10.9%
Return on equity[3]				13.0%	12.8%	–

1 Includes intra-group lease receivables from LMH and STILL segments from funding of the short-term rental business
2 Includes liabilities from financing of the short-term rental fleet reported as other financial liabilities
3 Earnings before taxes / Average equity tied up during the reporting period excluding the net income of the period

Other segment

Group head office functions that do not come under any other segment, plus KION India Private Limited and its Voltas brand, are reported in the 'Other' segment. The small year-on-year decrease in total revenue was primarily attributable to a reduction in revenue from external customers. The revenue generated outside the KION Group totalled €31.3 million (Q1 – Q3 2013: €34.2 million) and mainly related to KION India. The Other segment's adjusted EBIT of €35.3 million (Q1 – Q3 2013: €56.0 million) included intra-group dividend income of €53.0 million that was eliminated during consolidation. >> TABLE 11

Key figures – Other – >> TABLE 11

in € million	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
Order intake	61.9	56.7	9.2%	177.8	178.9	– 0.6%
Revenue	62.0	56.8	9.2%	177.0	178.8	– 1.0%
EBITDA	14.4	71.7	– 79.9%	41.1	66.9	– 38.5%
Adjusted EBITDA	16.9	70.8	– 76.2%	48.1	68.6	– 30.0%
EBIT	10.4	67.9	– 84.8%	28.4	54.3	– 47.8%
Adjusted EBIT	12.8	66.9	– 80.9%	35.3	56.0	– 37.0%

Consolidation / reconciliation

Besides the intra-group supply relationships between the brand segments and with Financial Services, the main factor in the EBIT effect of minus €53.2 million (Q1 – Q3 2013: minus €68.4 million) was the intra-group dividend income.

Financial position

The KION Group made further improvements to its funding structure during the reporting period by repaying two corporate bonds ahead of schedule in April 2014 and, at the same time, taking on bank debt at a lower rate of interest.

Analysis of capital structure

Long-term borrowing amounted to €973.0 million as at 30 September 2014 and largely comprised the fixed-rate tranche of the corporate bond issued in 2013, which is due to mature in 2020 (€450.0 million), and the long-term portion of the revolving credit facility (€523.0 million). As at the reporting date, an amount of €108.7 million had also been drawn down from the revolving credit facility on a short-term basis (31 December 2013: €184.4 million). The unused, unrestricted loan facility therefore stood at €611.3 million as at 30 September 2014, or €741.7 million including unrestricted cash and cash equivalents.

At €1,140.3 million, financial debt was lower overall than at the end of last year (31 December 2013: €1,198.6 million). After deduction of cash and cash equivalents of €130.8 million, the remaining net financial debt came to €1,009.5 million (31 December 2013: €979.3 million). Net debt was 1.3 times adjusted EBITDA for the past twelve months and was therefore greatly improved relative to earnings in the third quarter. >> TABLE 12

Net financial debt >> TABLE 12

in € million	30/09/2014	31/12/2013	Change
Corporate bond – fixed rate (2011/2018) – gross	–	325.0	–
Corporate bond – fixed rate (2013/2020) – gross	450.0	450.0	–
Corporate bond – floating rate (2013/2020) – gross	–	200.0	–
Liabilities to banks (gross)	694.0	233.7	> 100%
Liabilities to non-banks (gross)	3.5	6.6	–46.7%
./. Capitalised borrowing costs	–7.2	–16.7	56.7%
Financial debt	**1,140.3**	**1,198.6**	**–4.9%**
./. Cash and cash equivalents	–130.8	–219.3	40.4%
Net financial debt	**1,009.5**	**979.3**	**3.1%**

At €711.6 million, pension provisions were higher than they had been at the end of last year (31 December 2013: €560.1 million), largely owing to interest rate changes.

The lease liabilities resulting from sale and leaseback transactions used to fund long-term leases with end customers rose to €667.6 million (31 December 2013: €617.1 million) due to further growth in the volume of financial services activities. Of this amount, €429.7 million related to non-current lease liabilities and €237.9 million to current lease liabilities.

Other financial liabilities also included liabilities of €343.7 million from sale and leaseback transactions used to finance the short-term rental fleet (31 December 2013: €327.5 million).

The level of equity changed only marginally. Despite the other comprehensive loss of €106.8 million caused by the reduction in the interest rate for pensions, equity remained virtually the same as at the end of last year at €1,616.0 million (31 December 2013: €1,610.0 million) thanks to the encouraging earnings performance in the first nine months of 2014. The equity ratio of 26.2 per cent was also at roughly the same level compared with the end of the previous year (31 December 2013: 26.7 per cent).

>> *TABLE 13*

(Condensed) balance sheet, equity and liabilities *>> TABLE 13*

in € million	30/09/2014	in %	31/12/2013	in %	Change
Equity	**1,616.0**	**26.2%**	**1,610.0**	**26.7%**	**0.4%**
Non-current liabilities	**2,877.1**	**46.7%**	**2,709.8**	**45.0%**	**6.2%**
thereof:					
Retirement benefit obligation	711.6	11.6%	560.1	9.3%	27.0%
Financial liabilities	969.7	15.8%	971.1	16.1%	–0.1%
Deferred tax liabilities	295.5	4.8%	306.2	5.1%	–3.5%
Lease liabilities	429.7	7.0%	403.7	6.7%	6.4%
Current liabilities	**1,663.3**	**27.0%**	**1,706.6**	**28.3%**	**–2.5%**
thereof:					
Financial liabilities	170.6	2.8%	227.5	3.8%	–25.0%
Trade payables	564.6	9.2%	550.5	9.1%	2.6%
Lease liabilities	237.9	3.9%	213.3	3.5%	11.5%
Total equity and liabilities	**6,156.3**		**6,026.4**		**2.2%**

Analysis of capital expenditure

The KION Group's capital expenditure reached €87.4 million, compared with €79.2 million in the first nine months of 2013. As was the case in 2013, this spending mainly constituted capitalised development costs in the Linde Material Handling and STILL brand segments. In addition, the KION Group continued to modernise its production sites, especially in Germany. A portion of capital expenditure was channelled into ongoing improvements to the IT infrastructure.

Analysis of liquidity

Net cash provided by the KION Group's operating activities totalled €293.7 million (Q1–Q3 2013: €243.6 million). The year-on-year increase in cash outflows resulting from the change in working capital plus tax payments contrasted with significant effects such as depreciation, amortisation and impairment as well as the loss from equity-accounted investments included in EBIT. Overall, there was a year-on-year rise in the net cash provided by operating activities.

The net cash used for investing activities increased to €196.2 million (Q1–Q3 2013: €180.5 million; adjusted for rental business, which was previously reported under cash flow from operating activities). Cash payments made in respect of capital expenditure and intangible assets rose by €8.2 million to €87.4 million. Net disbursals for the rental fleet business advanced to €122.9 million (Q1–Q3 2013: €107.2 million), primarily due to replacement investment.

Free cash flow increased year on year to €97.5 million (Q1–Q3 2013: €63.1 million).

Cash flow from financing activities amounted to minus €187.8 million (Q1–Q3 2013: minus €390.5 million) and included the net cash of €34.5 million used to pay a dividend of €0.35 per share to the shareholders of KION GROUP AG in the second quarter. The net repayment of financial debt in the period under review totalled €70.9 million. The financial debt taken up, which came to €1,133.5 million and was largely drawn down from the revolving credit facility, was more than offset by repayments totalling €1,204.5 million. These repayments included €525.0 million in respect of the early redemption of the bond tranches. Current net interest payments resulted in an outflow of funds of €74.9 million, which included the early repayment charges of €14.8 million paid in relation to redemption of the bond tranches in the second quarter. In the third quarter, 51,000 treasury shares worth €1.5 million were purchased on the stock exchange for the employee share programme.

Overall, cash and cash equivalents had declined to €130.8 million as at 30 September 2014, down by a total of €88.5 million compared with the end of 2013. >> TABLE 14

(Condensed) cash flow statement* >> TABLE 14

in € million	Q3 2014	Q3 2013	Change	Q1–Q3 2014	Q1–Q3 2013	Change
EBIT	69.1	88.8	–22.1%	237.7	266.7	–10.9%
Cash flow from operating activities	142.4	118.9	19.8%	293.7	243.6	20.6%
Cash flow from investing activities	–64.7	–68.3	5.2%	–196.2	–180.5	–8.7%
Free cash flow	**77.7**	**50.7**	**53.3%**	**97.5**	**63.1**	**54.5%**
Cash flow from financing activities	–84.3	–335.0	74.8%	–187.8	–390.5	51.9%
Currency effects on cash	2.6	–2.8	>100%	1.8	–4.3	>100%
Change in cash and cash equivalents	**–4.1**	**–287.1**	**98.6%**	**–88.5**	**–331.7**	**73.3%**

* Adjusted due to a change in presentation, for details see ‚Information on the consolidated statement of cash flows'

Net assets

Non-current assets had changed only insignificantly compared with the end of 2013 and stood at €4,422.8 million (31 December 2013: €4,435.8 million). Intangible assets accounted for €2,421.1 million (31 December 2013: €2,428.7 million). Goodwill and the KION Group's brand names represented €2,091.9 million of that amount (31 December 2013: €2,089.4 million). Leased assets under leases with end customers that are classified as operating leases rose slightly, from €251.9 million at 31 December 2013 to €269.2 million at 30 September 2014. Long-term lease receivables arising from leases with end customers that are classified as finance leases were slightly higher than at the end of the previous year at €317.0 million (31 December 2013: €308.8 million). There was also a small increase in the rental assets in the brand segments' short-term rental fleet, which stood at €477.8 million (31 December 2013: €461.2 million).

The growth in current assets to €1,733.5 million (31 December 2013: €1,590.7 million) was primarily the result of increased inventories and trade receivables. There was also a rise in short-term lease receivables from end customers, which reached €189.2 million at the end of the reporting period (31 December 2013: €170.8 million).

Better utilisation of intra-group cash on hand outside Germany aimed at reducing bank liabilities led to a sharp decline in cash and cash equivalents in the third quarter, which fell by €88.5 million to €130.8 million (31 December 2013: €219.3 million). Taking into account the credit facility that was still available, the cash and cash equivalents available to the KION Group at 30 September 2014 amounted to €741.7 million. >> TABLE 15

(Condensed) balance sheet, assets >> TABLE 15

in € million	30/09/2014	in %	31/12/2013	in %	Change
Non-current assets	**4,422.8**	**71.8%**	**4,435.8**	**73.6%**	**–0.3%**
thereof:					
Goodwill	1,496.7	24.3%	1,494.7	24.8%	0.1%
Brand names	595.2	9.7%	594.7	9.9%	0.1%
Deferred tax assets	313.0	5.1%	295.5	4.9%	5.9%
Rental assets	477.8	7.8%	461.2	7.7%	3.6%
Leased assets	269.2	4.4%	251.9	4.2%	6.9%
Lease receivables	317.0	5.1%	308.8	5.1%	2.7%
Current assets	**1,733.5**	**28.2%**	**1,590.7**	**26.4%**	**9.0%**
thereof:					
Inventories	619.9	10.1%	511.8	8.5%	21.1%
Trade receivables	616.2	10.0%	558.7	9.3%	10.3%
Lease receivables	189.2	3.1%	170.8	2.8%	10.8%
Other current assets	167.4	2.7%	114.7	1.9%	46.0%
Cash	130.8	2.1%	219.3	3.6%	–40.4%
Total assets	**6,156.3**		**6,026.4**		**2.2%**

Non-financial performance indicators

Employees

There was an increase in the number of employees (full-time equivalents, FTEs), with 22,724 people employed as at 30 September 2014 compared with 22,273 at the end of 2013. The addition of 513 FTEs in the third quarter was primarily due to the expansion of production, service and development in the Linde Material Handling and STILL segments. Most of the hiring took place in western Europe and Asia; this affected the regional breakdown only marginally.

Personnel expenses went up by 3.8 per cent to €862.7 million (Q1 – Q3 2013: €830.8 million) on the back of changes to collective bargaining agreements and the additions to the group of consolidated companies. >> TABLE 16

Employees (full-time equivalents) >> TABLE 16

	30/09/2014	31/12/2013	Change
Western Europe	16,059	15,841	1.4%
Eastern Europe	1,745	1,689	3.3%
Americas	640	649	– 1.4%
Asia	3,725	3,526	5.6%
Rest of world	555	568	– 2.3%
Total	**22,724**	**22,273**	**2.0%**

Research and development

The KION Group spent €88.0 million on research and development (R&D) in the first nine months of 2014, up by 2.9 per cent compared with the same period of the previous year (Q1 – Q3 2013: €85.5 million). This total amount included capitalised development costs of €31.5 million. Expressed as a proportion of revenue, this total R&D expenditure remained steady at 2.6 per cent.

The number of full-time jobs in R&D stood at 1,024 as at 30 September 2014 (31 December 2013: 944).

The main R&D projects in 2013 continued during the reporting period. They are described in detail in the 2013 group management report. The focus was on developing platform concepts for China and other growth markets and reducing the harmful emissions and energy consumption of industrial trucks, for example through the introduction of new drive concepts such as lithium-ion batteries.

Linde Material Handling launched new reach trucks on the market in August. These entry-level models are designed for lighter to medium-duty applications with a load capacity of between 1.0 and 1.6 tonnes. Two new tow tractors with a towing capacity of 6 – 8 tonnes also made their debut. In the third quarter, STILL brought out a refrigerated warehouse variant of its FMX NG reach truck, which had premiered in April. >> TABLE 17

Customers

The KION brand companies regularly exhibit at the leading trade fairs for their sector so that they can strengthen their relationships with customers and partners and showcase their latest innovations. Linde Material Handling appeared at its own trade fair, World of Material Handling, during the first half of 2014, while STILL was represented at LogiMAT and CeMAT. Then in the third quarter, STILL featured at CeMAT Russia. In September, 150 existing and prospective customers were invited to an international efficiency day at the STILL Arena in Hamburg, where they attended presentations and workshops.

Awards also help to increase brand awareness and affinity. In the LOGISTRA best practice: Innovations 2014 awards, which are voted for by the readers of trade journal LOGISTRA, the fuel-cell powered trucks of Linde Material Handling received the most votes and were designated 'best innovation' in the industrial truck category.

Total R&D spending >> TABLE 17

in € million	Q3 2014	Q3 2013	Change	Q1 – Q3 2014	Q1 – Q3 2013	Change
Research and development costs (P&L)	29.7	30.0	– 1.0%	87.8	88.7	– 1.0%
Amortisation expense	– 10.8	– 11.8	8.6%	– 31.3	– 34.1	8.3%
Capitalised development costs	9.9	10.0	– 1.6%	31.5	30.9	1.9%
Total R&D spending	**28.8**	**28.2**	**2.0%**	**88.0**	**85.5**	**2.9%**
R&D spending as percentage of revenue	2.5%	2.6%	–	2.6%	2.6%	–

EVENTS AFTER THE REPORTING DATE

Between the reporting date of these interim financial statements and 3 November 2014, there were no events or developments that would have led to a material change in the recognition or measurement of the individual assets and liabilities reported as at 30 September 2014 or that it would be necessary to disclose.

OUTLOOK, OPPORTUNITY AND RISK REPORT

Outlook

Forward-looking statements

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, several of which are beyond the control of the KION Group, affect the Group's business activities and profitability. Any unexpected developments in the global economy would result in the KION Group's performance and profits differing significantly from those forecast below. The KION Group does not undertake to update forward-looking statements to reflect subsequently occurring events or circumstances. Furthermore, the KION Group cannot guarantee that future performance and actual profits generated will be consistent with the stated assumptions and estimates and can accept no liability in this regard.

Actual business performance may deviate from the forecasts due, among other factors, to the opportunities and risks described in the 2013 group management report. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and political situation.

Expected business performance

Nine months on, the KION Group continues to adhere to the forecast for 2014 as a whole that was published in the 2013 group management report. The KION Group continues to aim for a slight increase in order intake and consolidated revenue, a marked rise in adjusted EBIT and – despite growing capital expenditure – a significantly higher level of free cash flow.

The expectations regarding sector-specific conditions still apply, even though overall economic growth has slowed slightly.

The KION Group's financial position has improved thanks to the measures implemented in the second quarter and is not expected to change substantially between now and the end of the year.

Overall, the KION Group is forecasting profitable growth for 2014 as a whole and aims to achieve a sustained improvement in its market positions worldwide.

Opportunity and risk report

The KION Group's overall risk and opportunity situation has not changed significantly compared with the description in the 2013 group management report. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern.

Condensed consolidated interim financial statements

Consolidated income statement

>> TABLE 18

in € million	Q3 2014	Q3 2013	Q1 – Q3 2014	Q1 – Q3 2013
Revenue	1,139.0	1,082.3	3,372.3	3,316.7
Cost of sales	–800.4	–769.8	–2,390.0	–2,388.0
Gross profit	**338.6**	**312.5**	**982.3**	**928.8**
Selling expenses	–138.3	–130.4	–421.0	–403.7
Research and development costs	–29.7	–30.0	–87.8	–88.7
Administrative expenses	–80.8	–67.0	–236.6	–219.3
Other income	24.3	17.2	62.2	84.0
Other expenses	–11.1	–10.0	–30.0	–34.0
Loss from at-equity investments	–33.8	–3.6	–31.5	–0.3
Earnings before interest and taxes	**69.1**	**88.8**	**237.7**	**266.7**
Financial income	52.2	8.7	74.0	38.4
Financial expenses	–33.5	–79.1	–135.9	–220.7
Net financial expenses	**18.7**	**–70.3**	**–61.8**	**–182.4**
Earnings before taxes	**87.8**	**18.5**	**175.8**	**84.4**
Income taxes	**–29.8**	**–7.4**	**–57.2**	**–3.1**
Current taxes	–14.5	–9.2	–39.7	–41.3
Deferred taxes	–15.3	1.8	–17.5	38.3
Net income for the period	**58.0**	**11.0**	**118.6**	**81.3**
Attributable to shareholders of KION GROUP AG	57.8	12.1	117.4	81.4
Attributable to non-controlling interests	0.2	–1.1	1.2	–0.1
Earnings per share according to IAS 33 (in €)				
Basic earnings per share	0.59	0.12	1.19	1.07
Earnings per share – diluted	0.59	0.12	1.19	1.07

Consolidated statement of comprehensive income

>> TABLE 19

in € million	Q3 2014	Q3 2013	Q1 – Q3 2014	Q1 – Q3 2013
Net income for the period	**58.0**	**11.0**	**118.6**	**81.3**
Items that will not be reclassified subsequently to profit or loss	**–48.5**	**0.8**	**–106.8**	**18.3**
Gains / losses on employee benefits	–48.5	0.8	–106.8	18.3
thereof changes in unrealised gains and losses	–68.5	2.1	–150.4	24.7
thereof tax effect	20.0	–1.3	43.6	–6.4
Items that may be reclassified subsequently to profit or loss	**25.9**	**0.8**	**24.8**	**–7.0**
Impact of exchange differences	29.0	–8.9	29.5	–24.6
thereof changes in unrealised gains and losses	29.0	–8.9	29.5	–24.6
Gains / losses on cash flow hedges	–3.3	9.8	–5.5	17.8
thereof changes in unrealised gains and losses	–4.6	29.0	–6.6	68.9
thereof realised gains (–) and losses (+)	0.1	–14.4	–0.7	–43.3
thereof tax effect	1.2	–4.9	1.9	–7.9
Gains / losses from at-equity investments	0.2	–0.1	0.8	–0.1
thereof changes in unrealised gains and losses	0.2	–0.1	0.8	–0.1
Other comprehensive loss (income)	**–22.6**	**1.6**	**–81.9**	**11.4**
Total comprehensive income	**35.4**	**12.6**	**36.7**	**92.7**
Attributable to shareholders of KION GROUP AG	35.2	13.8	35.4	92.9
Attributable to non-controlling interests	0.3	–1.2	1.3	–0.2

Consolidated statement of financial position – Assets

>> TABLE 20

in € million	30/09/2014	31/12/2013
Goodwill	1,496.7	1,494.7
Other intangible assets	924.4	934.0
Leased assets	269.2	251.9
Rental assets	477.8	461.2
Other property, plant and equipment	490.3	499.4
At-equity investments	109.6	138.6
Lease receivables	317.0	308.8
Other non-current financial assets	24.8	51.7
Deferred taxes	313.0	295.5
Non-current assets	**4,422.8**	**4,435.8**
Inventories	619.9	511.8
Trade receivables	616.2	558.7
Lease receivables	189.2	170.8
Current income tax receivables	10.1	15.4
Other current financial assets	167.4	114.7
Cash and cash equivalents	130.8	219.3
Current assets	**1,733.5**	**1,590.7**
Total assets	**6,156.3**	**6,026.4**

Consolidated statement of financial position – Equity and liabilities

>> TABLE 21

in € million	30/09/2014	31/12/2013
Subscribed capital	98.6	98.7
Capital reserve	1,993.6	2,223.2
Retained earnings	–207.1	–524.9
Accumulated other comprehensive loss	–274.1	–192.0
Non-controlling interests	4.9	5.0
Equity	**1,616.0**	**1,610.0**
Retirement benefit obligation	711.6	560.1
Non-current financial liabilities	969.7	971.1
Lease liabilities	429.7	403.7
Other non-current provisions	72.4	76.5
Other non-current financial liabilities	398.2	392.1
Deferred taxes	295.5	306.2
Non-current liabilities	**2,877.1**	**2,709.8**
Current financial liabilities	170.6	227.5
Trade payables	564.6	550.5
Lease liabilities	237.9	213.3
Current income tax liabilities	23.7	27.7
Other current provisions	81.0	110.3
Other current financial liabilities	585.4	577.3
Current liabilities	**1,663.3**	**1,706.6**
Total equity and liabilities	**6,156.3**	**6,026.4**

Consolidated statement of cash flows

>> TABLE 22

in € million	Q1 – Q3 2014	Q1 – Q3 2013*
Earnings before interest and taxes	**237.7**	**266.7**
Amortisation, depreciation and impairment charges of non-current assets	269.7	249.3
Other non-cash income (–) and expenses (+)	47.6	15.9
Gains (–) / losses (+) on disposal of non-current assets	5.3	– 4.5
Changes in leased assets (excluding depreciation) and lease receivables / liabilities	– 52.1	– 56.2
Change in inventories	– 97.7	– 41.6
Change in trade receivables / payables	– 40.8	– 82.2
Cash payments for defined benefit obligations	– 15.6	– 18.0
Change in other provisions	– 36.5	– 34.2
Change in other operating assets / liabilities	17.6	– 12.0
Taxes paid	– 41.5	– 39.5
Cash flow from operating activities	**293.7**	**243.6**
Cash payments for purchase of non-current assets	– 87.4	– 79.2
Cash receipts from disposal of non-current assets	6.9	8.2
Change in rental assets (excluding depreciation)	– 122.9	– 107.2
Dividends received	7.3	6.3
Acquisitions of subsidiaries, net of cash acquired	0.0	– 3.9
Cash payments for sundry assets	0.0	– 4.6
Cash flow from investing activities	**– 196.2**	**– 180.5**

Consolidated statement of cash flows (continued) >> TABLE 22

in € million	Q1–Q3 2014	Q1–Q3 2013*
Capital contribution from shareholders for the carried out capital increase	0.0	741.8
Acquisition of treasury shares	–1.5	–5.6
Dividend of KION GROUP AG	–34.5	0.0
Dividends paid to non-controlling interests	–1.6	–2.1
Cash receipts/cash payments for changes in ownership interests in subsidiaries without loss of control	0.2	–16.3
Financing costs paid	–5.5	–42.3
Proceeds from borrowings	1,133.5	949.0
Repayment of borrowings	–1,204.5	–1,937.3
Interest received	5.0	4.6
Interest paid	–79.9	–97.4
Cash receipts from other financing activities	1.0	15.0
Cash flow from financing activities	**–187.8**	**–390.5**
Effect of foreign exchange rate changes on cash and cash equivalents	1.8	–4.3
Change in cash and cash equivalents	**–88.5**	**–331.7**
Cash and cash equivalents at the beginning of the period	219.3	562.4
Cash and cash equivalents at the end of the period	130.8	230.6

* Adjusted due to a change in presentation, for details see 'Information on the consolidated statement of cash flows'

Consolidated statement of changes in equity

in € million	Subscribed capital	Contributions for carrying out the approved capital increase	Capital reserves	Retained earnings
Balance as at 1/1/2013	**0.5**	**1,132.6**	**348.5**	**–647.7**
Effects from first-time adoption IAS 19R*				–3.0
Balance as at 1/1/2013 (restated)	**0.5**	**1,132.6**	**348.5**	**–650.7**
Net income for the period				81.4
Other comprehensive income (loss)				
Comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**81.4**
Capital increase	98.4	–1,132.6	1,894.0	
Transaction costs			–15.1	
Dividends paid to non-controlling interests				
Acquisition of treasury shares	–0.2		–5.4	
Effects from the acquisition / disposal of non-controlling interests				–13.0
Balance as at 30/09/2013	**98.7**	**0.0**	**2,222.0**	**–582.3**
Balance as at 1/1/2014	**98.7**	**0.0**	**2,223.2**	**–524.9**
Net income for the period				117.4
Other comprehensive income (loss)				
Comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**117.4**
Withdrawal from capital reserve			–228.1	228.1
Dividend of KION GROUP AG				–34.5
Dividends paid to non-controlling interests				
Acquisition of treasury shares	–0.1		–1.5	
Effects from the acquisition / disposal of non-controlling interests				
Changes from first-time application of the equity-method				6.9
Balance as at 30/09/2014	**98.6**	**0.0**	**1,993.6**	**–207.1**

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also ‘Accounting policies’ in the consolidated financial statements 2013

>> TABLE 23

	Accumulated other comprehensive income (loss)						
	Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on cash flow hedges	Gains/losses from at-equity investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
	–32.8	**–130.4**	**–16.9**	**0.4**	**654.2**	**6.2**	**660.3**
		3.4			0.3	0.0	0.3
	–32.8	**–127.0**	**–16.9**	**0.4**	**654.5**	**6.2**	**660.7**
					81.4	–0.1	81.3
	–24.5	18.3	17.8	–0.1	11.5	–0.1	11.4
	–24.5	**18.3**	**17.8**	**–0.1**	**92.9**	**–0.2**	**92.7**
					859.9	0.0	859.9
					–15.1	0.0	–15.1
					0.0	–2.1	–2.1
					–5.6	0.0	–5.6
					–13.0	–2.9	–15.9
	–57.3	**–108.7**	**0.9**	**0.3**	**1,573.5**	**1.0**	**1,574.5**
	–66.5	**–126.3**	**0.5**	**0.3**	**1,605.0**	**5.0**	**1,610.0**
					117.4	1.2	118.6
	29.4	–106.8	–5.5	0.8	–82.0	0.1	–81.9
	29.4	**–106.8**	**–5.5**	**0.8**	**35.4**	**1.3**	**36.7**
					0.0	0.0	0.0
					–34.5	0.0	–34.5
					0.0	–1.6	–1.6
					–1.5	0.0	–1.5
					0.0	0.1	0.1
					6.9	0.0	6.9
	–37.1	**–233.1**	**–5.0**	**1.1**	**1,611.1**	**4.9**	**1,616.0**

Notes to the condensed consolidated interim financial statements

BASIS OF PRESENTATION

General information on the Company

KION GROUP AG, whose registered office is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, is entered in the commercial register at the Wiesbaden local court under reference HRB 27060.

The condensed consolidated interim financial statements were prepared by the Executive Board of KION GROUP AG on 3 November 2014.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the nine months ended 30 September 2014 have been prepared in line with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and other International Financial Reporting Standards (IFRSs) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council concerning the application of international accounting standards for interim financial statements. A condensed scope of interim reporting has been prepared in accordance with IAS 34.

All of the IFRSs and the related interpretations (IFRICs/SICs) of the IFRS Interpretations Committee (IFRS IC) that had been issued by the reporting date and that were required to be applied for financial years commencing on or after 1 January 2014 have been applied in preparing these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not contain all the information and disclosures required of a set of consolidated annual financial statements and should therefore be read in conjunction with the consolidated financial statements prepared for the year ended 31 December 2013.

The reporting currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in rounding differences of +/– €0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

Financial reporting standards to be adopted for the first time in the current financial year

The following financial reporting standards were adopted for the first time with effect from 1 January 2014:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 27 'Separate Financial Statements': amendments relating to the consolidation of investment entities
- IAS 27R 'Separate Financial Statements'
- IAS 28R 'Investments in Associates and Joint Ventures'
- Amendments to IAS 32 'Financial Instruments: Presentation': offsetting
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement': amendments relating to the novation of derivatives and continuation of hedge accounting.

The first-time adoption of these standards has had no significant effect on the financial performance, financial position or notes to the interim financial statements of the KION Group.

Financial reporting standards released but not yet adopted

In its condensed consolidated interim financial statements for the nine months ended 30 September 2014, the KION Group has not applied – besides the standards and interpretations reported as at 31 December 2013 – the following standards, which have been issued by the IASB but are not yet required to be applied in 2014:

- IFRS 9 'Financial Instruments'
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': amendments relating to the sale or contribution of assets between an investor and its associate or joint venture

- Amendments to IFRS 11 'Joint Arrangements': clarification relating to the acquisition of interests in joint operations
- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 15 'Revenue from Contracts with Customers'
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': clarification relating to revenue-based depreciation and amortisation
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture': amendments relating to the financial reporting of plants used to grow agricultural produce
- Amendments to IAS 27 'Separate Financial Statements': amendments relating to the application of the equity method for subsidiaries, joint ventures and associates in separate financial statements
- Annual Improvements to IFRSs (2012–2014).

These standards are expected to be applied by the entities included in the KION Group only from the date on which they must be adopted for the first time. Their effects on the financial performance and financial position of the KION Group are still being analysed.

Basis of consolidation

As was the case at 31 December 2013, a total of 22 German and 77 foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at 30 September 2014.

In addition, nine joint ventures and associates were consolidated and accounted for using the equity method (31 December 2013: eight). Two equity investments have been accounted for using the equity method since 1 January 2014 owing to their increased financial significance. One equity investment has become insignificant and is now accounted for at cost rather than using the equity method.

52 (31 December 2013: 53) companies with minimal business volumes or no business operations were not included in the consolidation. Baoli Material Handling Europe s.r.o., Prague, Czech Republic, was established in January 2014 and is carried at cost. STILL VILICAR d.o.o., Ljubljana, Slovenia, was dissolved in July 2014.

Accounting policies

With the exception of the new and amended IFRSs described above, the accounting policies applied in these condensed consolidated interim financial statements are fundamentally the same as those used for the year ended 31 December 2013. These condensed consolidated interim financial statements are based on the interim financial statements of the parent company and its consolidated subsidiaries prepared in accordance with the standard accounting policies applicable throughout the KION Group.

Assumptions and estimates

The preparation of these condensed IFRS consolidated interim financial statements requires the use of assumptions and estimates for certain line items that affect recognition and measurement in the statement of financial position and the income statement. The actual amounts realised may differ from estimates. Assumptions and estimates are applied in particular:

- in assessing the need for and the amount of impairment losses on intangible assets, property, plant and equipment, and inventories;
- in determining the useful life of non-current assets;
- in classifying leases;
- in measuring options;
- in the recognition and measurement of defined benefit pension obligations, provisions for tax, and other provisions; and
- in assessing the recoverability of deferred tax assets.

The estimates may be affected, for example, by deteriorating global economic conditions or by changes in exchange rates, interest rates or commodity prices. Production errors, the loss of key customers and changes in financing can also impact on the Company's performance going forward. Changes are recognised in profit or loss when they become known and assumptions are adjusted accordingly.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Share of profit (loss) of equity-accounted investments

The share of profit (loss) of equity-accounted investments in the first nine months of 2014 amounted to a loss of €31.5 million (Q1 – Q3 2013: loss of €0.3 million) and was largely the result of a write-down on the stake held in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics), in the third quarter, which in turn was due to a downturn in business. The non-cash impairment loss calculated on the basis of an impairment test was €32.0 million.

Net financial income / expenses

Interest expenses arising from loan liabilities decreased by a substantial €48.1 million in the first nine months of 2014 because the IPO resulted in a vastly improved funding structure and funding conditions compared with the corresponding period of 2013. There was a countervailing effect on net financial expenses from the early redemption in April 2014 of the fixed-rate tranche of the corporate bond issued in 2011, which was due to mature in 2018 and had a volume of €325.0 million, and the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million. An amount of €8.4 million representing the pro-rata deferred borrowing costs and a payment of €14.8 million representing early repayment charges were recognised as financial expenses.

Measurement of the put option of Linde Material Handling GmbH, Aschaffenburg, and the two call options of Weichai Power Co. Ltd., Weifang, China (referred to below as Weichai Power), on the remaining shares in Linde Hydraulics resulted in total income of €43.0 million in the first nine months of 2014 (Q1 – Q3 2013: expenses of €16.6 million). This income was offset by the expenses resulting from measurement of the equity investment in Linde Hydraulics, which are recognised under the share of profit (loss) of equity-accounted investments.

Income taxes

In the consolidated interim financial statements, current income taxes for the reporting period are calculated on the basis of the expected income tax rate for the full year. The rise in the deferred tax expense in the third quarter of 2014 was predominantly due to utilisation of loss carryforwards and interest carryforwards in respect of which deferred tax assets have been recognised.

Earnings per share

Basic earnings per share are calculated by dividing the net income (loss) accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (Q1 – Q3 2014: 98,697,898 no-par-value shares; Q1 – Q3 2013: 76,346,342 no-par-value shares; Q3 2014: 98,693,761 no-par-value shares; Q3 2013: 98,863,795 no-par-value shares). In the first nine months of 2014, the KION Group generated net income accruing to the shareholders of KION GROUP AG of €117.4 million (Q1 – Q3 2013: €81.4 million). Diluted and basic earnings per share for the reporting period came to €1.19 (Q1 – Q3 2013: €1.07). The 251,000 no-par-value treasury shares which were repurchased by KION GROUP AG as part of a buy-back programme were not included in this figure as at 30 September 2014.

As at 30 September 2014, there were no equity instruments that diluted the earnings per share for the number of shares issued.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

The change in the amount of goodwill in the first nine months of 2014 was the result of currency effects.

The total carrying amount for technology and development assets as at 30 September 2014 was €217.5 million (31 December 2013: €216.9 million). Development costs of €9.9 million were capitalised in the third quarter of 2014 (Q3 2013: €10.0 million); the corresponding figure for the first nine months of 2014 was €31.5 million (Q1 – Q3 2013: €30.9 million). Total research and development costs of €29.7 million were expensed in the third quarter of 2014 (Q3 2013: €30.0 million), while €87.8 million was expensed in the first nine months of 2014 (Q1 – Q3 2013: €88.7 million). Of these respective amounts, €10.8 million related to amortisation in the third quarter of 2014 (Q3 2013: €11.8 million) and €31.3 million to amortisation in the first nine months of 2014 (Q1 – Q3 2013: €34.1 million).

Inventories

The rise in inventories compared with 31 December 2013 was largely attributable to the increase in materials and supplies (up by 19.3 per cent), work in progress (up by 28.0 per cent) and finished goods (up by 20.4 per cent). Impairment losses of €2.0 million were recognised on inventories in the third quarter of 2014 (Q3 2013: €1.9 million) and of €8.0 million in the first nine months of 2014 (Q1 – Q3 2013: €8.4 million). Reversals of impairment losses had to be recognised in the amount of €0.6 million in the third quarter of 2014 (Q3 2013: €1.4 million) and in the amount of €2.2 million in the first nine months of 2014 (Q1 – Q3 2013: €4.2 million) because the reasons for impairment no longer existed.

Trade receivables

The rise in trade receivables compared with 31 December 2013 was primarily due to the increase of €50.4 million in receivables due from third parties and the increase of €8.1 million in receivables due from associated companies and joint ventures. Valuation allowances of €43.7 million (31 December 2013: €42.4 million) were recognised for trade receivables.

Equity

As at 30 September 2014, the Company's share capital amounted to €98.9 million, which was unchanged on 31 December 2013, and was fully paid up. It was divided into 98,900,000 no-par-value shares, each with a value of €1. The total number of shares outstanding as at 30 September 2014 was 98.6 million no-par-value shares. At the reporting date, KION GROUP AG held 251,000 treasury shares.

The distribution of a dividend of €0.35 per share to the shareholders of KION GROUP AG resulted in an outflow of funds of €34.5 million.

The Annual General Meeting on 19 May 2014 voted to create authorised capital that will enable the KION Group to meet its funding needs quickly and flexibly. Subject to the consent of the Supervisory Board, the Executive Board is authorised until 18 May 2019 to increase the Company's share capital by up to €9.89 million by way of an issue of up to 9,890,000 new no-par-value bearer shares.

To safeguard the Company's funding options, the Executive Board is also authorised until 18 May 2019 to issue warrant-linked bonds, convertible bonds or profit-sharing rights with a total par value of up to €800 million that contain pre-emptive rights / obligations for up to 9,890,000 no-par-value shares. To this end, a conditional increase was decided upon in order to increase the Company's share capital by up to €9.89 million by way of an issue of up to 9,890,000 new no-par-value bearer shares.

The total amount attributable to shares that was spent in connection with this approved / conditional capital may not exceed 10 per cent of the share capital. In both cases, the pre-emptive right of shareholders can be excluded in certain circumstances. The corresponding amendments to the Articles of Incorporation were entered in the commercial register on 16 June 2014.

Retirement benefit obligation

For the purposes of the interim report, a qualified estimate of the defined benefit obligation was made based on the change in actuarial parameters and taking into account any particular effects in the period under review.

The retirement benefit obligation was higher than it had been at the end of 2013 owing, above all, to actuarial losses resulting largely from lower discount rates. The estimated present value of the defined benefit obligation was calculated on the basis of the discount rates shown in >> TABLE 24.

Discount rate >> TABLE 24

	30/09/2014	31/12/2013
Germany	2.60%	3.60%
UK	3.95%	4.40%
Other (weighted average)	2.05%	2.95%

The change in estimates in relation to defined benefit pension entitlements resulted in a decrease of €106.8 million in equity as at 30 September 2014 (after deferred taxes).

In connection with the so-called 2012 valuation of the pension plans for the employees of the KION Group's UK companies, the Company and the trustees of the pension funds agreed on a calculation method in May 2014, according to which the deficit for all pension plans amounted to €8.3 million as at 1 July 2013. On this basis, the KION Group agreed with the trustees that it would pay approximately the equivalent of €5.0 million in 2015 and €2.5 million in 2016 in order to reduce the deficit. However, these payments are subject to the condition that the annual review of the pension plans' funding position continues to reveal a deficit. If a payment would result in the pension plans being overfunded, the KION Group would be exempt from its payment obligation in that year. Between January and May 2014, the KION Group made one-off payments equivalent to €1.4 million. Under the new agreement, no further payments are due in 2014.

In addition, KION Material Handling GmbH has given default guarantees to the trustees of two pension plans (Blackwood Schemes) under which, if the employer defaults, KION Material Handling GmbH will assume all obligations of the employer up to the amount of the buy-out deficit, provided certain conditions are met. These guarantees replace the letters of support issued in 2013, which themselves had replaced the guarantees given to Blackwood Schemes by KION Material Handling GmbH (formerly KION GROUP GmbH) after KION GROUP AG's IPO, as set forth in the original guarantee agreements. Where these letters of support had been given in respect of UK pension plans other than the Blackwood Schemes, these letters of support were amended by mutual agreement so that the trustees were able to measure the deficits of the pension plans at any time in future without losing the entitlements in the relevant letter of support.

The trustees were also granted collateral in rem in the form of charges on the real estate of Group companies in the UK and flexible collateral in respect of the rental fleets of UK dealers within a maximum overall limit of approximately €23.1 million. The term of this collateral is limited to five years (1 July 2018), and the overall limit will not be reduced by payments made by the KION Group.

Financial liabilities

On 15 April 2014, the fixed-rate tranche of the corporate bond issued in 2011, which was due to mature in 2018 and had a volume of €325.0 million, and the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million, were repaid early in full. The funds used for the repayment mainly originated from a revolving credit facility, which has a term to maturity of five years after the IPO in June 2013. This credit facility currently has far lower interest rates than the two corporate bonds.

Against this background, the revolving credit facility was increased by €198.0 million to a total of €1,243.0 million in April 2014. This was achieved through bilateral lending agreements with a group of banks. These additional loans mature in April 2019 and have a variable interest rate. The transaction costs of €1.0 million directly attributable to increasing the revolving credit facility have been expensed over the term of the credit facility.

OTHER DISCLOSURES

Information on the consolidated statement of cash flows

At the start of 2014, changes were made to how information is disclosed in the three categories of the consolidated statement of cash flows. The LMH and STILL brand segments have operational responsibility for the short-term rental business (rental assets) and use it to generate operating income – in the same way as they would with capital expenditure on property, plant and equipment. That is why the changes relating to the rental fleet business (net disbursals) will be reported in cash flow from investing activities in future. The figures for the first nine months of 2013 have been restated to reflect this disclosure change. As a result, cash flow from operating activities in the first nine months of 2013 has improved by €107.2 million, while cash flow from investing activities has decreased by the same amount. In addition, interest received has been reclassified from cash flow from investing activities to cash flow from financing activities because the KION Group's cash and cash equivalents are also used to repay existing financial debt. Accordingly, both interest payments and interest received will, as a component of financing, be allocated to cash flow from financing activities in future. As a result, cash flow from investing activities in the first nine months of 2013 has decreased by €4.6 million, while cash flow from financing activities has increased by the same amount.

Information on financial instruments

The carrying amounts and fair values of financial assets and liabilities in accordance with IFRS 7 are shown in >> *TABLE 25*.

Whereas lease liabilities stood at €667.6 million (31 December 2013: €617.1 million), lease receivables arising from sale and leaseback transactions amounted to €454.3 million (31 December 2013: €431.4 million) and leased assets under sale and leaseback transactions totalled €222.3 million (31 December 2013: €201.2 million).

The finance lease obligations reported in other liabilities comprise liabilities arising from the sale and leaseback financing of industrial trucks of €343.7 million (31 December 2013: €327.5 million). These are mainly allocated to the Financial Services segment and result from the intra-group financing provided by the Financial Services segment for the short-term rental business of the Linde Material Handling and STILL brand segments.

The investments in unconsolidated subsidiaries that are shown in >> *TABLE 25* are carried at amortised cost less impairment losses, as observable fair values are not available and reliable results cannot be obtained using other permitted measurement techniques. At present there is no intention to sell these financial instruments.

Carrying amounts and fair values broken down by class >> *TABLE 25*

in € million	30/09/2014 Carrying amount	30/09/2014 Fair value	31/12/2013 Carrying amount	31/12/2013 Fair value
Financial assets				
Investments in non-consolidated subsidiaries / Other investments	11.4	11.4	11.9	11.9
Loans receivable	0.6	0.6	0.8	0.8
Financial receivables	11.7	11.7	11.6	11.6
Available-for-sale investments	0.8	0.8	0.8	0.8
Lease receivables*	506.2	505.7	479.6	478.4
Trade receivables	616.2	616.2	558.7	558.7
Other receivables	80.1	80.1	55.0	55.0
thereof non-derivative receivables	41.8	41.8	35.7	35.7
thereof derivative receivables	38.4	38.4	19.4	19.4
Cash and cash equivalents	130.8	130.8	219.3	219.3
Financial liabilities				
Liabilities to banks	694.0	694.2	233.7	234.1
Corporate bond	442.8	482.7	958.3	1,040.8
Other financial liabilities	3.5	3.5	6.6	6.6
Lease liabilities*	667.6	669.0	617.1	619.2
Trade payables	564.6	564.6	550.5	550.5
Other liabilities	546.3	547.1	554.4	555.5
thereof non-derivative liabilities	156.1	156.1	162.4	162.4
thereof liabilities from finance leases*	376.1	376.9	363.0	364.1
thereof derivative liabilities	14.1	14.1	29.1	29.1

* as defined by IAS 17

Fair value measurement and assignment to classification levels

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 13 for financial instruments measured at fair value. >> TABLES 26–27

Financial instruments measured at fair value >> TABLE 26

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	30/09/2014
Financial assets				**39.2**
thereof available-for-sale	0.8			0.8
thereof derivative instruments		3.5	34.9	38.4
Financial liabilities				**14.1**
thereof derivative instruments		10.8	3.4	14.1

Financial instruments measured at fair value >> TABLE 27

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	31/12/2013
Financial assets				**20.2**
thereof available-for-sale	0.8			0.8
thereof derivative instruments		3.6	15.7	19.4
Financial liabilities				**29.1**
thereof derivative instruments		1.9	27.2	29.1

Level 1 comprises available-for-sale assets for which the fair value is calculated using prices quoted in an active market.

All currency forwards are classified as Level 2. The fair value of the currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures.

The financial assets and liabilities allocated to Level 3 relate to a put option held by Linde Material Handling GmbH, Aschaffenburg, and two call options held by Weichai Power on the remaining shares in Linde Hydraulics. The Black-Scholes model and probability-weighted scenario analysis are used to calculate the fair value of the put option and the two call options. The measurement is based on the following significant, unobservable input parameters as at 30 September 2014. An amount of €64.0 million has been recognised as the fair value of the remaining shares in Linde Hydraulics, both for the put option and for the two call options (31 December 2013: €116.1 million). A base exercise price of €77.4 million and a term to maturity of 0.74 – 2.74 years have been assumed for the put option. For the measurement of call option 1, a base exercise price of €77.4 million and a term to maturity of 3.24 years was used, while a base exercise price of €38.7 million and a term to maturity of 0.74 – 3.24 years was used for call option 2. At 30 September 2014, the material changes in fair value and the impact on the income statement for the first nine months of the year were as follows. >> TABLE 28

As at 30 September 2014, the net value calculated for the options on the remaining shares in Linde Hydraulics came to €31.5 million (31 December 2013: minus €11.5 million). If the fair value of the shares had been 10.0 per cent lower on the reporting date, the net value arising from the options would have increased by €5.4 million (31 December 2013: by €9.4 million) to €36.9 million (31 December 2013: minus €2.1 million) and led to an additional gain of €5.4 million (31 December 2013: lower expense of €9.4 million). A 10.0 per cent rise in the fair value of the shares in Linde Hydraulics would have reduced the net value arising from the options by €5.6 million (31 December 2013: by €9.4 million) to €25.9 million (31 December 2013: minus €20.9 million) and the gain would have decreased by €5.6 million (31 December 2013: €9.4 million).

In order to eliminate default risk to the greatest possible extent, the KION Group only ever enters into derivatives with investment-grade counterparties.

If events or changes in circumstances make it necessary to reclassify financial instruments as a different level, they are reclassified at the end of a reporting period. No financial instruments were transferred between Levels 1, 2 or 3 in the first nine months of 2014.

KION performance share plan

As part of the KION GROUP AG performance share plan, the Executive Board members are allocated virtual shares over a fixed period (two-and-a-half years for the 2013 tranche and three years for all subsequent tranches). The total carrying amount for liabilities in connection with share-based remuneration (2013 tranche) as at 30 September 2014 was €3.2 million (31 December 2013: €1.2 million). A liability of €1.2 million in respect of the new tranche allocated on 1 January 2014 was recognised as a pro-rata expense for nine months in the period January to September 2014.

Development of financial assets / liabilities classified as level 3 >> TABLE 28

in € million	
Value as at 1/1/2014	**–11.5**
Gains recognised in net financial expenses	43.0
Value as at 30/09/2014	**31.5**
Gains of the period relating to financial assets / liabilities held as at 30/09/2014	43.0
Change in unrealised gains for the period relating to financial assets / liabilities held as at 30/09/2014	43.0

Segment report

The Executive Board divides the KION Group into financial services activities, the activities grouped in the 'Other' segment and the Linde Material Handling (LMH) and STILL brands for management purposes. Segment reporting follows the same breakdown, taking into account the relevant organisational structures and corporate strategy of the KION Group.

The KPIs used to manage the brand segments are order intake, revenue and adjusted EBIT. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) – including KION acquisition items and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT').

Earnings before tax (EBT) and return on equity (ROE) are the KPIs used to manage the Financial Services segment. ROE is calculated on the basis of average equity employed excluding net income (loss) for the current period. As at 30 September 2014, ROE – earnings before tax as a percentage of average equity – remained unchanged compared with 31 December 2013 at 13.0 per cent.

The following tables show information on the KION Group's operating segments for the third quarters of 2014 and 2013 and for the first nine months of 2014 and 2013. >> TABLES 29–32

Segment report Q3 2014 >> TABLE 29

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	682.3	360.2	84.6	11.9	–	1,139.0
Intersegment revenue	78.5	80.5	65.2	50.1	–274.4	–
Total revenue	760.8	440.7	149.8	62.0	–274.4	1,139.0
Earnings before taxes	**84.4**	**24.5**	**1.3**	**–4.6**	**–17.8**	**87.8**
Financial income	45.5	0.5	16.9	1.9	–12.5	52.2
Financial expenses	–4.5	–8.7	–16.4	–16.8	12.9	–33.5
= Net financial expenses	41.0	–8.3	0.5	–14.9	0.4	18.7
EBIT	**43.4**	**32.8**	**0.8**	**10.4**	**–18.2**	**69.1**
+ Non-recurring items	34.8	0.2	0.0	2.4	–	37.5
+ KION acquisition items	4.6	0.6	0.0	0.0	–	5.2
Adjusted EBIT	**82.8**	**33.6**	**0.8**	**12.8**	**–18.2**	**111.8**
Loss from at-equity investments	–33.8	–0.0	0.0	0.0	–	–33.8
Capital expenditures[1]	15.1	11.4	0.0	3.0	–	29.4
Depreciation[2]	21.3	10.2	0.0	4.1	–	35.6
Order intake	740.4	446.8	148.6	61.9	–255.4	1,142.2

1 Capital expenditures including capitalised R&D costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excl. leased and rental assets

Segment report Q3 2013

>> TABLE 30

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	622.4	372.9	76.1	10.9	–	1,082.3
Intersegment revenue	49.9	48.2	53.7	45.9	–197.7	–
Total revenue	672.3	421.1	129.8	56.8	–197.7	1,082.3
Earnings before taxes	**59.8**	**18.2**	**1.1**	**8.5**	**–69.1**	**18.5**
Financial income	2.1	0.4	13.2	3.1	–10.1	8.7
Financial expenses	–4.5	–10.2	–12.0	–62.5	10.2	–79.1
= Net financial expenses	–2.4	–9.8	1.2	–59.4	0.1	–70.3
EBIT	**62.2**	**28.0**	**0.0**	**67.9**	**–69.3**	**88.8**
+ Non-recurring items	3.8	1.7	0.0	–0.7	–	4.7
+ KION acquisition items	5.8	1.5	0.0	–0.2	–	7.0
Adjusted EBIT	**71.7**	**31.2**	**0.0**	**66.9**	**–69.3**	**100.5**
Loss from at-equity investments	–3.5	–0.1	0.0	0.0	–	–3.6
Capital expenditures[1]	15.6	9.6	0.0	3.9	–1.7	27.2
Depreciation[2]	22.5	10.4	0.0	4.6	–2.3	35.2
Order intake	673.6	386.1	129.8	56.7	–199.8	1,046.4

1 Capital expenditures including capitalised R&D costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excl. leased and rental assets

Segment report Q1 – Q3 2014

>> TABLE 31

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	2,025.5	1,078.4	237.1	31.3	–	3,372.3
Intersegment revenue	212.0	240.3	190.0	145.7	–787.9	–
Total revenue	2,237.5	1,318.6	427.1	177.0	–787.9	3,372.3
Earnings before taxes	**215.2**	**56.5**	**3.9**	**–46.6**	**–53.3**	**175.8**
Financial income	54.3	1.5	44.9	8.3	–35.0	74.0
Financial expenses	–19.2	–25.8	–42.6	–83.2	34.9	–135.9
= Net financial expenses	35.2	–24.3	2.3	–74.9	–0.1	–61.8
EBIT	**180.1**	**80.8**	**1.6**	**28.4**	**–53.2**	**237.7**
+ Non-recurring items	38.8	1.3	0.0	6.9	–	47.0
+ KION acquisition items	22.3	1.8	0.0	0.0	–	24.1
Adjusted EBIT	**241.1**	**83.9**	**1.6**	**35.3**	**–53.2**	**308.7**
Segment assets	4,825.7	2,167.7	1,325.8	701.5	–2,864.4	6,156.3
Segment liabilities	1,618.8	1,291.8	1,283.0	3,199.6	–2,852.9	4,540.3
Carrying amount of at-equity investments	87.8	4.3	17.5	0.0	–	109.6
Loss from at-equity investments	–35.2	1.1	2.7	0.0	–	–31.5
Capital expenditures[1]	45.1	32.2	0.0	10.2	–	87.4
Depreciation[2]	64.5	29.9	0.0	12.6	–	107.0
Order intake	2,350.0	1,405.9	432.0	177.8	–799.5	3,566.2
Number of employees[3]	14,048	7,934	61	681	–	22,724

1 Capital expenditures including capitalised R&D costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excl. leased and rental assets
3 Number of employees in full-time equivalents as at balance sheet date; Allocation according to the contractual relationship

Segment report Q1 – Q3 2013

>> TABLE 32

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	1,945.8	1,103.2	233.5	34.2	–	3,316.7
Intersegment revenue	185.6	160.4	151.3	144.6	–641.9	–
Total revenue	2,131.5	1,263.6	384.8	178.8	–641.9	3,316.7
Earnings before taxes	**200.0**	**47.4**	**3.5**	**–97.2**	**–69.2**	**84.4**
Financial income	6.7	1.3	38.7	21.4	–29.7	38.4
Financial expenses	–14.9	–26.4	–35.4	–172.9	28.9	–220.7
= Net financial expenses	–8.2	–25.1	3.3	–151.5	–0.8	–182.4
EBIT	**208.2**	**72.5**	**0.2**	**54.3**	**–68.4**	**266.7**
+ Non-recurring items	4.9	5.2	0.0	1.8	–	11.9
+ KION acquisition items	18.0	4.3	0.0	0.0	–	22.3
Adjusted EBIT	**231.1**	**82.0**	**0.2**	**56.0**	**–68.4**	**300.9**
Segment assets	4,538.4	2,108.1	1,109.4	810.3	–2,592.4	5,973.9
Segment liabilities	1,405.3	1,185.0	1,070.8	3,324.6	–2,586.4	4,399.3
Carrying amount of at-equity investments	127.2	6.0	15.8	0.0	–	149.0
Loss from at-equity investments	–4.5	0.7	3.5	0.0	–	–0.3
Capital expenditures[1]	44.7	25.0	0.0	9.6	–	79.2
Depreciation[2]	64.6	28.9	0.0	12.6	–	106.1
Order intake	2,126.8	1,243.2	384.8	178.9	–637.1	3,296.6
Number of employees[3]	13,336	7,756	58	669	–	21,819

1 Capital expenditures including capitalised R&D costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excl. leased and rental assets
3 Number of employees in full-time equivalents as at balance sheet date; Allocation according to the contractual relationship

The non-recurring items mainly comprise consultancy costs, as well as expenses in connection with severance payments, social plan costs and costs relating to the relocation of production and closure of production facilities. In addition, the purchase-price-related depreciation, amortisation and impairment (PPA) are eliminated from the non-operating profit (loss) of Linde Hydraulics reported in the profit (loss) from equity-accounted investments. The non-recurring items included expenses in connection with the impairment charge of €32.0 million recognised on the equity-accounted investment in Linde Hydraulics, which relate to the LMH segment. Non-recurring items resulted in an overall net expense of €47.0 million in the first nine months of 2014 (Q1 – Q3 2013: net expense of €11.9 million).

The KION acquisition items relate to the acquisition of the KION Group, which was formed at the end of 2006 when it was spun off from Linde AG, Munich. These items comprise net write-downs on the hidden reserves identified as part of the purchase price allocation.

Related party disclosures

In addition to the subsidiaries included in these condensed consolidated interim financial statements, the KION Group maintains direct or indirect relationships with a large number of unconsolidated subsidiaries, joint ventures and associates in the course of its ordinary business activities. According to IAS 24, related parties include entities that have control or significant influence over KION GROUP AG. An entity is usually assumed to have control (parent) if it holds more than 50 per cent of the shares in another entity. Significant influence generally exists if an entity holds between 20 per cent and 50 per cent of the shares in another entity.

The related parties that are solely or jointly controlled by the KION Group or over which significant influence can be exercised are included in the list of shareholdings as at 31 December 2013. In addition, Weichai Power Co. Ltd., Weifang, China, which indirectly holds 33.3 per cent of the shares in KION GROUP AG and is also the largest single shareholder, Superlift Holding S.a r.l., Luxembourg, which holds 26.9 per cent of the shares in KION GROUP AG, Kohlberg Kravis Roberts & Co L.P., New York, USA, and Goldman, Sachs & Co., New York, USA, are also related parties.

Weichai Power

In the first nine months of 2014, the revenue from transactions with Weichai Power Co. Ltd., Weifang, China and its subsidiaries (referred to below as Weichai Power), which resulted from the sale of goods and a plot of land, amounted to €3.8 million, most of which was generated in the second quarter.

In addition, Weichai Power indirectly has a controlling interest (70.0 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics). The remaining shares (30.0 per cent) in Linde Hydraulics are held by the KION Group. During the first nine months of 2014, the KION Group earned revenue of €15.1 million from selling goods and services to Linde Hydraulics and its subsidiaries (Q1 – Q3 2013: €12.3 million). Of this amount, €4.9 million relates to the third quarter of 2014 (Q3 2013: €4.2 million). Over the same period, companies in the KION Group obtained goods and services from Linde Hydraulics and its subsidiaries amounting to €83.2 million (Q1 – Q3 2013: €88.5 million). Of this amount, €28.6 million relates to the third quarter of 2014 (Q3 2013: €25.7 million). The receivables arising from the sale of goods and services stood at €2.7 million as at 30 September 2014 (31 December 2013: €6.0 million). No valuation allowances for trade receivables had been recognised as at the reporting date, a situation that was unchanged on 31 December 2013. As at 30 September 2014, liabilities to Linde Hydraulics and its subsidiaries resulting from the purchase of goods and services came to €4.8 million (31 December 2013: €2.7 million).

Superlift Holding

KION GROUP AG, KKR and Goldman, Sachs & Co. concluded a new global advisory agreement on 7 June 2013, which stipulates a fixed annual fee of €125,000 each. Under the agreement, KKR and Goldman, Sachs & Co. will continue to provide limited advisory services for the KION Group after its IPO in the event that the KION Group decides it wishes to draw on this expertise. In the first to third quarter of 2014, a total of €0.2 million was recognised as an expense. Of this amount, €0.1 million relates to the third quarter of 2014. A pro-rata amount of €2.4 million (Q3 2013: €0.1 million) had been recognised as an expense in the first nine months of 2013, mainly under the old advisory agreement.

Material events after the reporting date

Between the reporting date of these interim financial statements and 3 November 2014, there were no events or developments that would have led to a material change in the recognition or measurement of the individual assets and liabilities reported as at 30 September 2014 or that it would be necessary to disclose.

Wiesbaden, 3 November 2014

The Executive Board

Gordon Riske

Bert-Jan Knoef

Theodor Maurer

Ching Pong Quek

Dr Thomas Toepfer

Quarterly information

Quarterly information

>> TABLE 33

in € million	Q3 2014	Q2 2014	Q1 2013	Q4 2013	Q3 2013	Q2 2013
Order intake	1,142.2	1,227.9	1,196.1	1,192.5	1,046.4	1,104.8
Revenue	1,139.0	1,144.4	1,088.9	1,177.8	1,082.3	1,149.3
EBIT	69.1	91.5	77.0	107.4	88.8	91.5
Adjusted EBIT	111.8	109.5	87.4	115.6	100.5	107.6
Adjusted EBIT margin	9.8%	9.6%	8.0%	9.8%	9.3%	9.4%
Adjusted EBITDA	196.0	193.5	171.2	194.2	175.9	183.5
Adjusted EBITDA margin	17.2%	16.9%	15.7%	16.5%	16.3%	16.0%

DISCLAIMER

Forward-looking statements

This interim report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of KION GROUP AG. These statements only take into account information that was available up to and including the date that this interim report was prepared. The management of KION GROUP AG makes no guarantee that these forward-looking statements will prove to be right. The future development of KION GROUP AG and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of KION GROUP AG and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic conditions and the competitive situation, changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the 2013 group management report and in this interim group management report. However, other factors could also have an adverse effect on our business performance and results. KION GROUP AG neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this interim report.

Rounding

Certain numbers in this interim report have been rounded to the nearest whole number. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown as well as between the numbers in the tables and the numbers given in the corresponding analyses in the text of the interim report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

12 February 2015
Preliminary Financials 2014

19 March 2015
Financial statements press conference
Publication of 2014 annual report

7 May 2015
Interim report for the period ended
31 March 2015

12 May 2015
Annual General Meeting

6 August 2015
Interim report for the period ended
30 June 2015

5 November 2015
Interim report for the period ended
30 September 2015

Subject to change without notice

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