



**We
keep
the
world
moving.**

ANNUAL REPORT
2014

KION Group

Segments

LINDE MATERIAL HANDLING

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick and Baoli brands.

€3,077.2 million

REVENUE

€339.6 million

ADJUSTED EBIT

13,945

EMPLOYEES

STILL

The STILL and OM STILL brands are grouped in the STILL segment.

€1,850.7 million

REVENUE

€133.6 million

ADJUSTED EBIT

7,976

EMPLOYEES

FINANCIAL SERVICES (FS)

The purpose of the Financial Services (FS) segment is to act as an internal financing partner for LMH and STILL, providing finance solutions that promote sales. FS activities include the internal financing of the short-term rental fleet, the financing of long-term leasing business for the KION Group's external customers, and the risk management associated with these operations. In the major sales markets with a high volume of financing and leasing, this business is handled by legally independent FS companies.

€620.9 million

REVENUE

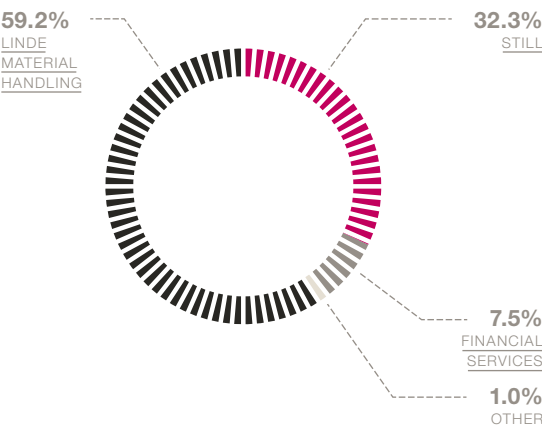
€2.1 million

ADJUSTED EBIT

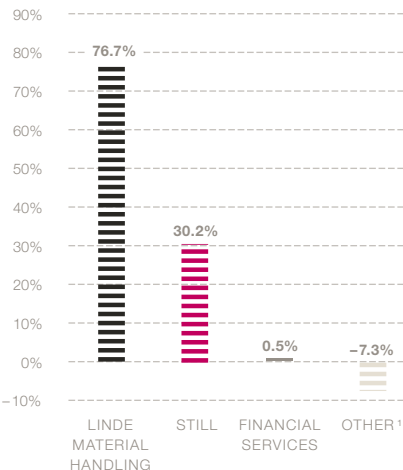
60

EMPLOYEES

BREAKDOWN OF TOTAL REVENUE IN 2014



BREAKDOWN OF ADJUSTED EBIT IN 2014



¹ including effects of consolidation/reconciliation

KION Group

Company profile



Linde is a global premium brand and a technology leader that has many years experience of hydrostatic drive technology. It has also been developing and manufacturing electric drive systems for decades and makes the resulting expertise available to external customers for use in a variety of applications.



STILL is predominantly a global premium provider of trucks with electric and diesel-electric drives. It mainly focuses on the European and Latin American markets. Its portfolio consists of forklift trucks and warehouse trucks plus associated services. STILL has also positioned itself as a leading provider of intelligent intralogistics solutions.



The Baoli brand covers the economy segment in China and other emerging markets in Asia, eastern Europe, the Middle East, Africa, and Central and South America.

FENWICK

In France, Linde products are sold under the Fenwick brand. Fenwick is the biggest material-handling provider in France. The product portfolio ranges from warehouse trucks to heavy trucks and caters to all of the major application areas. Fenwick and Linde meet customers' most sophisticated requirements in terms of technology, efficiency, functionality and design.

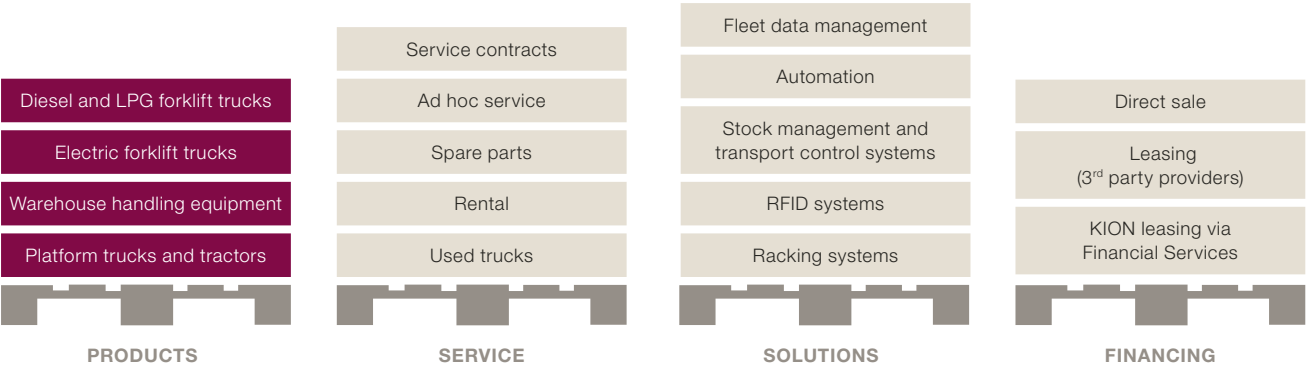


In Italy, STILL products are sold under the OM STILL brand. OM STILL is a market leader in Italy and offers both trucks and fully integrated warehouse systems, including automation and fleet management solutions.

VOLTAS

Voltas is a leading provider of industrial trucks in India. It manufactures diesel trucks, electric forklift trucks and warehouse trucks for the Indian market and can draw on a network of more than 50 dealers providing sales and service.

PRODUCTS AND SERVICES



KION Group

Key figures for 2014

KION Group overview

in € million	2014	2013	2012*	Change 2014/2013
Order intake	4,877.3	4,489.1	4,590.3	8.6%
Revenue	4,677.9	4,494.6	4,559.8	4.1%
Order book ¹	787.2	693.3	807.8	13.5%
Results of operation				
EBITDA	714.2	708.8	914.4	0.8%
Adjusted EBITDA ²	780.4	721.5	700.5	8.2%
Adjusted EBITDA margin ²	16.7%	16.1%	15.4%	–
EBIT	347.0	374.2	549.1	–7.2%
Adjusted EBIT ²	442.9	416.5	408.3	6.3%
Adjusted EBIT margin ²	9.5%	9.3%	9.0%	–
Net income ³	178.2	138.4	161.4	28.8%
Financial position¹				
Total assets	6,128.5	6,026.4	6,213.2	1.7%
Equity	1,647.1	1,610.0	660.7	2.3%
Net financial debt	810.7	979.3	1,790.1	–17.2%
Cash flow				
Free cash flow ⁴	305.9	195.6	513.6	56.4%
Capital expenditure ⁵	133.1	125.8	155.1	5.9%
Employees⁶	22,669	22,273	21,215	1.8%

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011);

Order intake, Revenue, adjusted EBIT and adjusted EBITDA were aligned due to the sale of the Hydraulics Business

1 Values as at balance sheet date 31/12/

2 Adjusted for KION acquisition items and one-off items

3 Net income 2012 included a net gain from the Weichai transaction in the amount of €154.8 million

4 Free cash flow is defined as Cash flow from operating activities plus Cash flow used in investing activities.

Last year's figures were adjusted due to a change in presentation, for details see 'Other disclosures on Consolidated statement of cash flows'

5 Capital expenditure including capitalised R&D costs, excluding leased and rental assets

6 Number of employees in full-time equivalents as at balance sheet date 31/12/

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

We keep the world moving.

The KION Group has a global presence with products, services and solutions provided by its six brand companies. The KION Group is the European market leader and the world's second largest manufacturer of forklift trucks and warehouse technology, and it is one of the leading international suppliers 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.

Building on these strong foundations, the KION Group and its more than 22,000 employees generated revenue of €4.7 billion in 2014, never losing sight of what is most important: our customers.



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KION GROUP WEBSITE

kiongroup.com

What
keeps us
moving?
**Our
customers.**

— P.04 —

Comprehensive.

Fuzhou, China

— P.06 —

Efficient.

Budapest, Hungary

— P.08 —

Intelligent.

Miehlen, Germany

— P.10 —

Global.

Bladensburg, USA

— P.12 —

Synergetic.

Jundiaí, Brazil

— P.14 —

Close.

Aurangabad, India

— P.16 —

Profitable.

Soave, Italy

— P.18 —

Motivated.

Tangier, Morocco

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What keeps us moving? Our customers.

With the KION Group keeping the world moving, everything revolves around just one thing – our customers. From automotive glass in China to building materials in the USA, or from packaging in Germany to refrigerators in India: our customers operate in industries that are as diverse as the opportunities for adding value that we offer our customers to help their businesses succeed. What motivates the brand companies of the KION Group is a desire to provide customers with efficient, intelligent and bespoke solutions for their logistics needs in conjunction with a full range of premium services. Across the world.

FUYAO GROUP

Automotive and safety glass

Comprehensive.

Fuzhou, China

P. 04

HEUCHEMER VERPACKUNG

Packaging

Intelligent.

Miehlen, Germany

P. 08

VIDEOCON

Household appliances

Close.

Aurangabad, India

P. 14

CANTINA DI SOAVE

Winery

Profitable.

Soave, Italy

P. 16

SZABÓ ÖNTÉSZETI

Foundry

Efficient.

Budapest, Hungary

P.06

ERNEST MAIER BLOCK

Building materials

Global.

Bladensburg, USA

P.10

CASAS BAHIA

Retail

Synergetic.

Jundiaí, Brazil

P.12

RENAULT TANGER

Automotive

Motivated.

Tangier, Morocco

P.18

Comprehensive.

FUYAO GROUP

Automotive and safety glass

Trucks and services from a single source – this is the idea at the core of the KION business model. It benefits customers such as Fuyao, a Chinese manufacturer of automotive and safety glass. And is helping it in its quest to become the worldwide number one in the industry.



FUZHOU

China

Creating values.

The foundation for success: The KION Group operates in an attractive market that is growing faster than global economic output. Between 1980 and 2014, the worldwide market for industrial trucks grew at roughly 1.5 times the rate of the global economy. Three global megatrends are driving this growth: industrialisation in emerging markets, globalisation of world trade and increasing fragmentation of supply chains and value chains.

The KION Group closely integrates its products and services. In Europe, more than 40 per cent of new truck sales are made using one of the Company's financing packages. Most financing contracts are linked to service contracts through which the customer benefits from KION's global service network.

At the end of their 'first lives', the trucks return to the KION brand companies to be refurbished and sold as used trucks. Alternatively, they help meet precision logistics demands as part of the rental fleet. The cycle is completed when long-term customers place new orders.

The KION Group business model is increasingly paying dividends outside Europe as well. In China, for example, revenue from services provided by the KION brand company Linde grew by an average of approximately 15 per cent a year between 2008 and 2014.

The KION Group's integrated business model

How KION closely integrates its products and services





01

- 01 Ships to car manufacturers around the world: the Fuyao Group
- 02 Teng Yu, purchasing director at Fuyao Group in Fuzhou
- 03 Linde's quality and service have convinced Fuyao since 2003
- 04 The Fuyao Group sets up new factories – and relies on Linde

Two workers carefully lift the huge plate of glass onto the table. One of them shears right across it using a glass-cutter. Each takes one half and places it on a stand. The two men get through around seven plates a minute. They are protected by special gloves and by helmets that look a little like traditional straw hats. Waiting at all times next to the three cutting tables is a Linde forklift truck that carries away the glass-holding stands as soon as they are full – on to the next stage of the process in the hall, where each of the panes is cut to a windscreen shape.

An everyday occurrence at the automotive glass manufacturer Fuyao, in a suburb of the city of Fuzhou on China's south-eastern coast. But change is afoot. "This work is difficult and dangerous," says a company spokesman looking at the glass-cutters. "Which is why it will soon be automated." At the company, robots are gradually taking over work processes such as the cutting and washing of the windscreens. The workers freed up by this are either operating the robots or trans-



02

ferring to new factories. Fuyao is growing quickly, so there's always demand for labour.

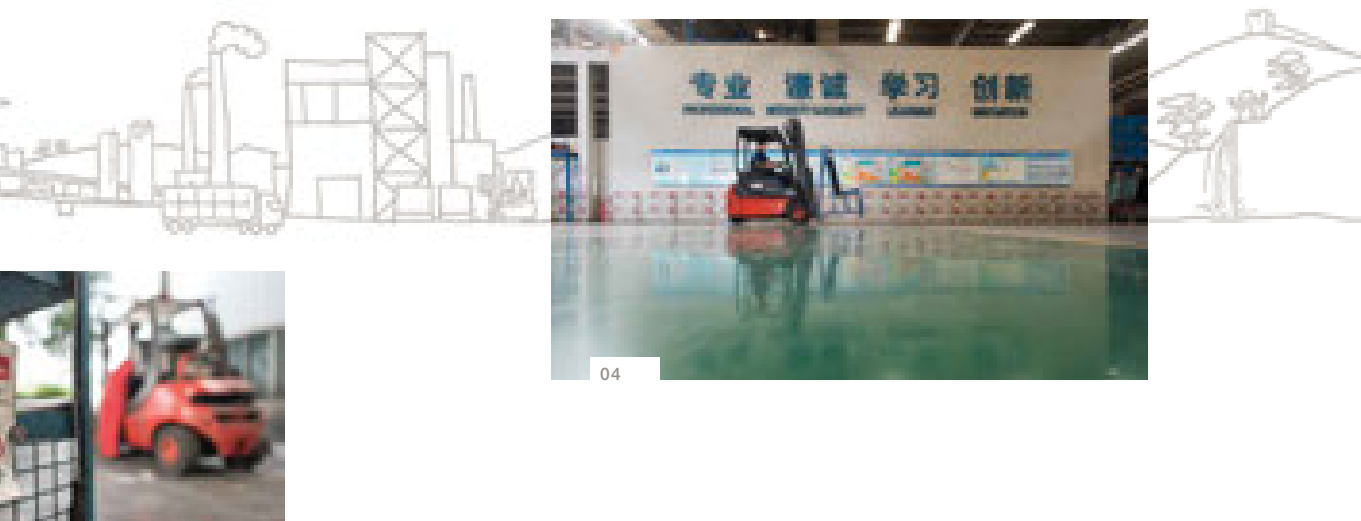
The company, founded in 1987, is one of China's greatest success stories. It focused on quality at an early stage and reaped the rewards of China's legendary car boom. Today the country is the biggest automotive market in the world, and Fuyao is the world's third largest manufacturer of vehicle glass. The company supplies glass to vehicle manufacturers around the globe – including the German powerhouses VW, Audi, BMW and Daimler. Its aim is to be worldwide no. 1 by 2020, says head of purchasing, Teng Yu. "The Chinese market has largely stabilised. We have therefore shifted our focus to overseas markets. They are very important for the next stage in our growth."

New tasks for the trucks

Although Fuyao has a market share of around 70 per cent in China, its global market share is only around 25 per cent. In the US, the company is building two facto-



03



ries; in Germany it has a branch in Heilbronn. A booming international business, in addition to higher safety requirements and rising labour costs in China, is one of the factors that is causing Fuyao to rapidly automate its manufacturing. Experts believe that the resulting increases in quality, precision and efficiency are critical if Chinese companies are to enjoy sustained global success. China is undergoing a wave of automation, mainly in the wider automotive sector and in high-tech industries. “We are in the process of increasing the level of automation from 50 to 80 per cent,” says Teng Yu. “That’s the same level as in industrialised countries.”

Liu Xueshu is head of the Linde Sales Office in Fuzhou: “Linde is working with Fuyao to develop logistics concepts to adapt the company’s factories to this new, automated style of production.” Teng Yu adds: “As automation increases, we need other types of truck – less of the small ones but more of the heavy-duty trucks in excess of three tonnes. This is because when the glass is packed manually, the package sizes are smaller than when robots do this work.” Fuyao manufactures the raw glass it needs for its products at a site near its automotive glass factory – and that too is already a largely automated process.

At this site, the large forklift trucks bring heavy packages to the loading bay. Inside are panes of glass that measure several square metres. Before this stage, robots cut the ribbon of glass that is extruded from the furnace, and stack up the panes of glass into packs. The only work that is done manually is the securing of the panes with cardboard and foam. Trucks glide across the spacious hall, forwards, backwards. To interact with the fast, agile robots, they have to be highly manoeuvrable, says Teng Yu.

Fuyao needs a whole range of different trucks. The spectrum is so broad that the glass manufacturer is known jokingly at both companies as a ‘display cabinet for Linde products’. Fuyao is one of Linde’s ten biggest customers in China. The company ordered its first trucks in 1995. “We initially tried out several brands,” says Teng. “It was Linde’s quality and service that convinced the Fuyao buyers.” In 2003 Linde became the company’s exclusive truck supplier, and it carries out servicing as part of the contract. More than 1,000 trucks made by Linde China are in operation across the 15 Fuyao factories in China and at one factory in Russia. If they break down, they are repaired on site by service engineers from KION’s premium brand company.

Two other plants are currently being built – one in Wuhan in central China and the other in Shenyang in the north-east. For Shenyang – which will be 80 per cent automated from the outset – Fuyao has ordered 21 new trucks. “Previously it might have been a couple more,” says Liu Xueshu. “But that’s OK because automation is helping Fuyao to grow quickly, which in turn will be to the benefit of Linde.” Fuyao is currently building either one or two new factories every year. In each of the past three years, the company has ordered at least 100 trucks from the KION brand company, which is based in the port city of Xiamen in southern China. These orders are far bigger than any previous ones made by Fuyao and exemplify how the two companies are set to continue growing together.



Watch the video online:
reports.kiongroup.com/comprehensive

Efficient.

SZABÓ ÖNTÉSZETI

Foundry

The KION Group offers the right product for every application and for every region, including growth markets such as eastern Europe. Highly robust, affordable and efficient trucks – like the ones offered by Baoli – are particularly popular here. And that is something that foundry owner József Szabó in Budapest appreciates.



BUDAPEST

Hungary

A successful multi-brand strategy for all segments and regions.

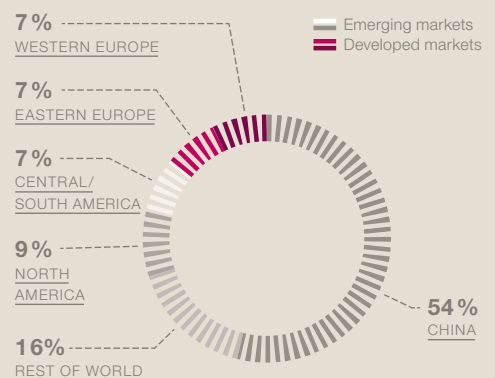
The successful multi-brand strategy is part of the KION DNA: Linde and STILL serve the premium segment worldwide while Baoli focuses on the economy segment. Fenwick is the material-handling market leader in France, OM STILL is a market leader in Italy and Voltas is one of the two market leaders in India. KION's spectrum of products and services offers the optimum, most cost-effective solution for every customer in every region.

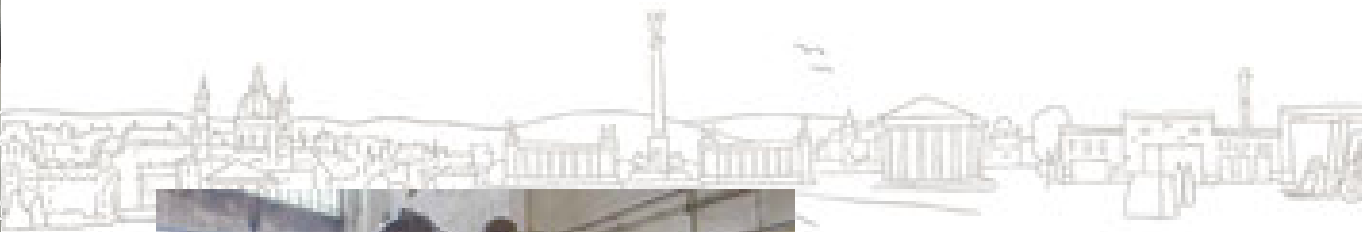
As part of the Strategy 2020, the KION Group is consolidating its strengths outside of Europe and using its multi-brand portfolio to gain new market share. At the end of 2014, KION North America followed the example of KION South America and KION South Asia by bringing together several brand companies in one regional structure.

The Chinese manufacturer Baoli plays a special role in the global multi-brand strategy: it is a economy brand with good potential as volume-provider, and also supplies platforms for robust yet affordable trucks to other members of the KION Group.

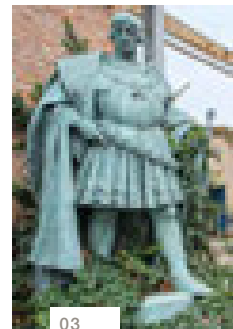
Where the growth comes from

(Share of market order intake unit growth 2004 – 2014)





01



03

- 01 Unique: "Every statue has its own story"
- 02 The foundry's owner: József Szabó
- 03 Always on duty: The robust Baoli truck moves eight tonnes a day
- 04 Szabó: "My customers know that their projects are in good hands"



02

The bitter November cold permeates the plant in eastern Budapest; even the furnace in the centre of the hall does little to counteract the freezing conditions. Using a large pair of tongs, two employees remove a crucible of molten copper from the flames, before carefully pouring the metal into casting units on the dusty floor. It sizzles and sparks fly.

Statues of all shapes and sizes can be seen standing, sitting and lying on shelves and tables – people, oxen, giraffes and garden gnomes. Hungarian soccer star Ferenc Szusza glistens in bronze in a corner. He will soon have pride of place outside Budapest football stadium. "But he is not quite finished," says József Szabó with a laugh.

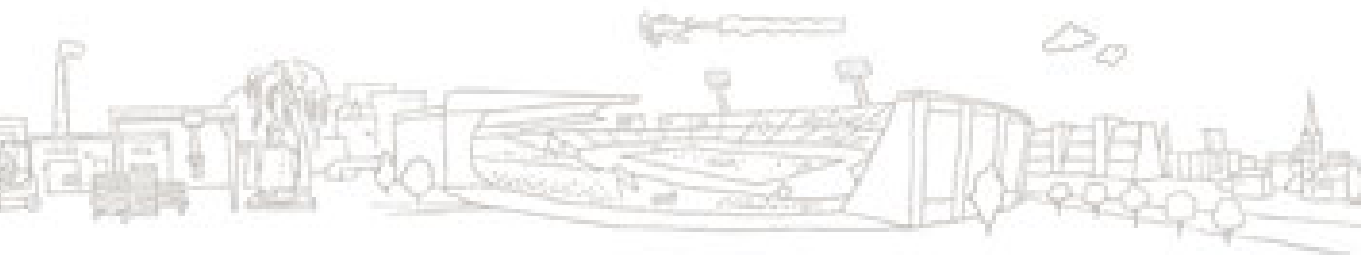
It started as a childhood's dream

Casting art – that was the childhood dream of Szabó, managing director of the Szabó Öntészeti Foundry. After university, he gained experience at various work-

shops before achieving his ultimate ambition of having his own foundry, more than over two decades ago. Later, Szabó purchased the Evig Foundry, which since 1997 has been called Szabó Öntészeti Foundry. Originally it was set up for mass production. In 2007, Szabó sold a large part of the company site to concentrate fully on casting works of art.

With success: the Hungarian has made a name for himself all over Europe. "I not only receive orders from artists in Hungary, but also from Germany, France and Austria. Over the years, I have built up a good network of artists who trust my team to realise their visions."

Szabó's small team of workers have developed a wonderful understanding. Producing statues requires precision and craftsmanship. "Each and every one of my 20 employees has artistic talent," says Szabó. "My customers know that their project is in good hands. We don't produce the works of art in series.



Sometimes, we produce medals in greater numbers, but almost every sculpture, whether large or small, is unique.”

Baoli forklifts get the job done swiftly

In the workshop, an employee is removing a huge bust from its mould with an ear-piercingly loud hammer drill, creating a swirling cloud of dust. A door opens and a forklift truck rolls in. The Baoli diesel truck drives up to the statue, picks it up on its forks, turns and leaves the hall. “You could, of course, carry some statues from A to B by hand,” says József Szabó, “but that would require several employees and I need their manpower elsewhere. And that’s why our truck is in use every day.”

Trucks bearing the Chinese brand Baoli, part of the KION Group since 2009, were mainly used in China to start with. Now, almost 40 per cent of the economy-level trucks are exported, with eastern European countries such as Hungary being one of the target markets. As a result, Baoli has become the third global brand company in the KION Group. While Linde and STILL serve the premium markets, Baoli trucks are renowned for offering good quality at affordable prices.

And that is something that József Szabó appreciates. “The Baoli truck is ideal for our needs. It transports eight tonnes of goods around our site every day.

Without it, we wouldn’t be able to fulfil our customers’ orders so quickly and continue to build on our good reputation.”

When artists commission Szabó Öntészeti to produce a statue, they usually come to Budapest in person and bring a plaster model. It usually takes just one to two weeks until the work is finished, depending on the size and complexity of the order. “We have a reputation for working quickly and with care. Another reason why artists from all over Europe come to us in Budapest.”

You don’t have to visit the small workshop in the eastern part of the Hungarian capital to admire the talents of József Szabó. The restoration of the statues on Heroes’ Square in Budapest is his work. Is that something he is proud of? “Not overly,” he says, shrugging his shoulders. “The way I see it, there aren’t any important and unimportant pieces – every statue has its own unique story.”



Watch the video online:
reports.kiongroup.com/efficient

Intelligent.

HEUCHEMER VERPACKUNG

Packaging

Automation is a key trend in intralogistics. For customers like Heuchemer Verpackung, the KION Group always comes up with intelligent solutions: innovative, tailor-made, offering real customer benefits.



MIEHLEN

Germany

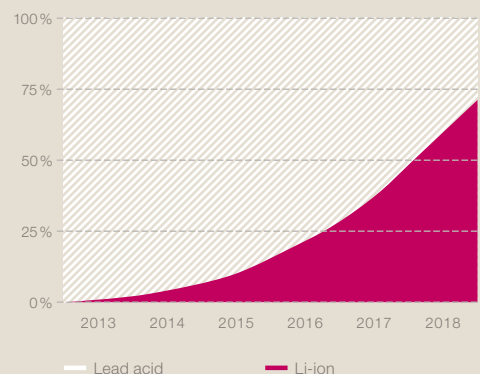
Offering customers unique opportunities to add value.

Industry 4.0, automation, integrated logistics and IT, and lithium-ion batteries – these are key trends in the material handling industry, too.

By 2018 the KION Group wants a significant number of its electric forklift trucks and warehouse trucks to be fitted as standard with lithium-ion batteries, which have a far higher energy density than conventional batteries. In just a few years' time, the operating costs should fall well below those of existing drive systems.

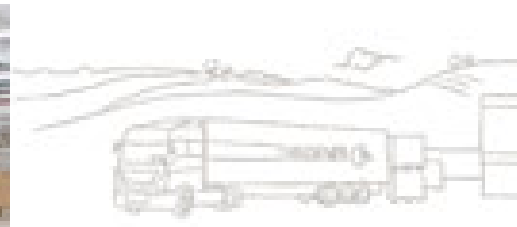
The KION Group also provides sophisticated solutions for automation. Trucks that move as if by magic are already meeting the highest standards in safety, reliability and round-the-clock operation. They can be used for all kinds of applications, including delivering parts to an assembly line, collecting finished products and transporting to high-bay racking. Automation, like lithium-ion batteries, is a growth market for the KION Group.

How the KION Group plans to ramp-up its offering
Share of li-ion truck models of electric and warehouse trucks





01



03

- 01 A pallet's journey: they are brought to the stretch machine by manual lift truck and automatically to the high rack
- 02 Christian Heuchemer (right), managing director, and Thomas Schmitt, the plastics plant's manager
- 03 High-quality packaging: made of plastic, corrugated board and wood
- 04 "We plan to automate our intralogistics. That's why we need our partner STILL"



02

You can taste the plastic in the warm air of the factory. A huge machine is producing a never-ending stream of gold-coloured plastic blocks before an employee casts a critical eye over them. Any defective blocks go straight into a wire mesh crate, while the flawless articles are deposited in a cardboard box as tall as a person. If you look carefully, you can see that the blocks are actually stacks of inserts used in boxes of sweets. The machine takes less than half an hour to make 1,000 of them from a gold-coloured plastic film that is subjected to pressure of 20 tonnes and a temperature of 200° centigrade.

"Once one of the cardboard boxes is full, we use a hand pallet truck to transport it on a pallet to the stretch machine," explains Christian Heuchemer, managing director of Heuchemer Verpackung GmbH & Co. KG. The machine tightly wraps the box and its pallet in clear film. The route taken by the truck passes a number of other machines pounding away. To maintain hygiene, the people working at them wear white caps.

Specialising in plastic, corrugated cardboard, and wooden packaging

In the production hall, which is roughly half the size of a football pitch, Heuchemer Verpackung manufactures plastic packaging for customers in a variety of sectors, including food and beverages, consumer products, automotive, electronics, construction and chemicals. Plastic and corrugated cardboard packaging from Miehlen, close to the German city of Koblenz, are two of the three business lines of this family firm, which was established by the great-grandfather of Christian Heuchemer and his two sisters as a manufacturer of wooden packaging in nearby Bad Ems almost 100 years ago.

Today, business is flourishing more than ever before. This is due to the popularity of discount supermarkets, which do not unpack their products in their stores and instead simply place them on the shelves still in their packaging. Special requests are no problem for Heuchemer Verpackung, which has more than a dozen developers at the ready. Heuchemer Verpackung itself



04

builds the unique and powerful tools with which it shapes and die-cuts the packaging, thereby ensuring the high level of quality that its customers expect.

In order to free up capacity and space for new ideas, the company has automated most of the processes in its factory buildings. “Now we want to automate our intralogistics as well,” explains Christian Heuchemer. “What is important to us is the strategy for the overall system, not just the quality of an individual truck. That’s why we need our partner STILL.” Thomas Schmidt, manager of the plastics plant, adds: “Heuchemer is a flexible and innovative company, and we demand the same of our logistics partner.”

Launch of fully automated intralogistics

STILL iGoEasy provided Heuchemer Verpackung’s entry into fully automated transport technology – a “truck off-the-shelf that we can program for our processes ourselves,” says Heuchemer. An iPad is used to individually configure, control and monitor the truck, while reflectors have been attached to the racks in order to guide the truck along its route.

The pallets containing the cardboard boxes that have been wrapped up by the stretch machine are removed from the roller belt by the iGoEasy truck, which then takes them to the buffer rack. Usually, the iGoEasy receives its orders from the iPad, but in this case a scanner records all of the pallets at the end of the roller belt and sends the orders. Silently the truck then moves

to the belt, brakes gently and raises its fork prongs as it approaches the pallet.

Less than a minute later, the iGoEasy reaches the buffer rack with its load and places the pallet in the correct rack channel of the twelve available. A light barrier identifies the pallet and activates the chain conveyor that pulls it through the channel. It is then collected by a very narrow aisle truck (VNA) at the back of the buffer rack. The VNA picks up the pallet and whizzes backwards along the narrow aisle of the high-bay storage facility while lifting its driver and the pallet to a height of up to 16 metres. The more than 1,000 rack channels contain more than 10,000 storage bays. Once it has reached the necessary height, the VNA places the pallet on a semi-automated STILLPalletShuttle, which takes it to the storage bay in the channel.

“By working closely with STILL on our project, we have created a unique system for our company,” concludes Schmidt, the plant manager. He adds that Heuchemer Verpackung is monitoring the system carefully in order to make decisions about future developments. After all, “we want to fully automate the movement of goods within the foreseeable future,” says Schmidt.



Watch the video online:
reports.kiongroup.com/intelligent

Global.

ERNEST MAIER BLOCK

Building materials

People like building materials manufacturer Brendan Quinn from Maryland are very much aware that the USA is a growth market. After all, his industry is booming. With its global reach, the KION Group wants to harness the potential of North America's upturn. Quinn is happy to confirm that KION products are a reliable choice.



BLADENSBURG

USA



Making further inroads in growth markets.

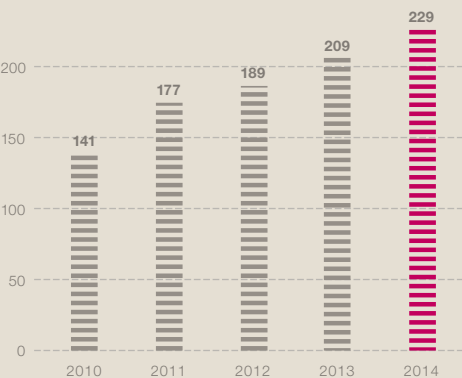
The KION Group has its eye firmly on key growth markets for its products such as China and North America. It is taking an active approach – with the right brand strategies, the right, competitive products, the right sales models and the right local partners.

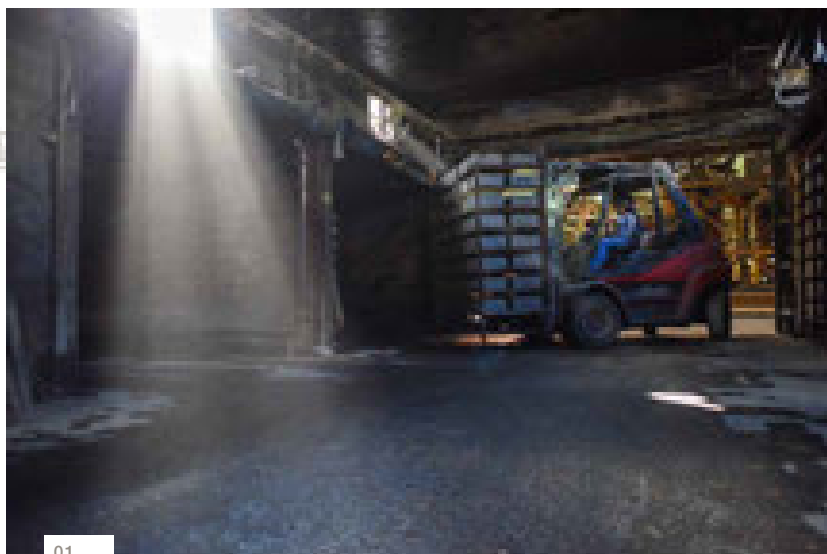
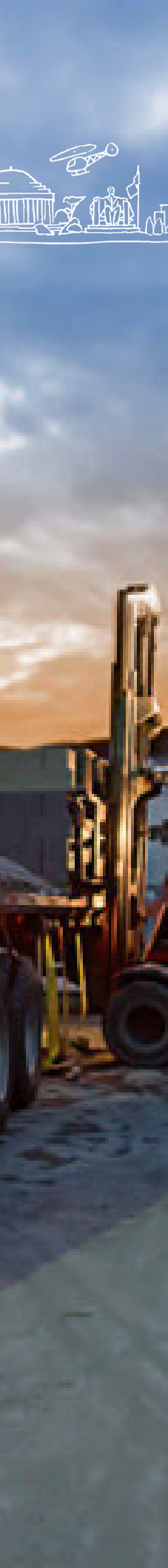
The Strategy 2020 is focused on the North American market, consisting of the USA (the world’s second-largest single market), Canada and Mexico. In the coming years, the KION Group aims to considerably improve its share of this market, which stands at about one per cent.

The Company has a solid basis on which to build. In the USA, the KION Group operates a production plant in Summerville, South Carolina, with an annual capacity of over 10,000 trucks. It also has a nationwide network of around 60 dealers with more than 100 sales outlets.

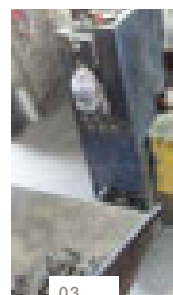
Under the umbrella of KION North America, the brand companies Linde and STILL are to continue serving the requirements of the US, Canadian and Mexican markets with a comprehensive, customised and complementary product portfolio. The medium-term plan is to establish a fleet management system and offer financing.

North America's and Mexico's market for new industrial trucks (USA, Canada, Mexico, in thousands)





01



03

- 01 Tough job: "We put our forklift trucks through so much"
- 02 Brendan Quinn: Ernest Maier's CEO
- 03 The Bladensburg site produces ten to eleven million concrete blocks a year
- 04 'Lindy': the "Mercedes of the forklift world"

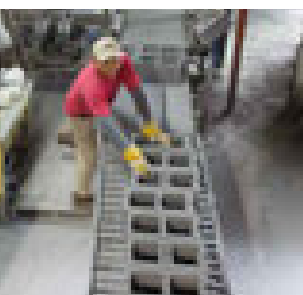


02

The red truck is covered in so much dust that you can hardly make out the Linde logo. With a pallet of heavy cement blocks on its forklift, the truck rolls across the yard at Ernest Maier Block, a manufacturer of concrete blocks in Bladensburg in the US state of Maryland. Driver Jerome Chew skilfully places the pallet on the wide bed of a delivery truck, then steers the forklift towards his next load. 'Lindy', as Chew and his colleagues affectionately call the forklift truck, stirs up concrete dust with its tyres. Thudding noises come from the machines in the open building across the yard, where the compressor hisses and the cement conveyor clatters away. This Ernest Maier factory alone produces between ten and eleven million concrete blocks every year. Following the economic difficulties of the financial crisis, the construction boom now taking place in the USA needs materials to keep it going.

"Each block is good as cash"

"What makes us stand out from other companies is the service we offer. We take charge of the whole supply chain personally – that includes loading up and unloading – whereas our competitors have to rely on outside help. Things can sometimes get broken, which rarely happens to us," says Brendan Quinn, the 42-year-old CEO of the family-owned company that dates back more than 80 years and has German roots. He carefully hand-picked his 125 or so employees. "We need forklift truck drivers who are just that little bit better than the rest. For me, every concrete block represents hard cash. So, if one of them falls off the truck, it is as if you are ripping up dollar bills," continues Quinn. That's why he pays much higher wages than most mid-sized companies, as well as making contributions to health insurance and pension funds – which are by no means a given in the USA.



04

It's no wonder that Quinn feels a bit like the "mayor of a small town," as he puts it. His arrival represented a major career change, switching from banking to the concrete block business aged just 23 years old. "I wanted to do something more tangible. And this is a business that deals with people," he adds. Things weren't going so well for the company, based near the capital Washington, as the founding family had over-stretched themselves in terms of their investment in the business. Quinn helped get the company back on track, a few years after his arrival he was running the company – and expanding it.

President Obama came to visit

News of his success story reached the White House, and in October 2010 President Barack Obama even came to visit Ernest Maier Block, where he gave a talk on the future of America's economy. Obama described "bricks and blocks" as essential to America's recovery from the recession, and said that he was very proud of this company.

Since the US economy has moved back into growth, business has also begun to boom in the all-important construction industry. Ernest Maier is doing better than ever: twelve men work in two shifts per day, six days a week. At the main plant in Bladensburg they're running out of space to dry and store the blocks.

The only answer was to start piling them up. Of course, that's only an option if you have sturdy equipment. "We put our forklift trucks through so much, they're worked really hard. That's why we chose Linde trucks, which can lift higher and take more punishment," explains Hank Keeney, Vice President and Chief Operating Officer at Ernest Maier. He added that Linde had proven highly reliable in terms of maintenance too. There are two forklift trucks in use on the yard, which have a phenomenal 30,000 operating hours under their belts. Other trucks would have given up the ghost after only half that, he says. "Linde is the Mercedes of the forklift world."

Linde forklifts are in use everywhere at Ernest Maier, not only for loading and unloading delivery trucks. They are also invaluable when moving the still-damp blocks from the production machine into the hot kilns. Whilst other manufacturers have long since automated this step of production, Brendan Quinn stands by tried-and-tested methods to produce the grey stone blocks. "We are still a bit old-fashioned in that respect," explains the CEO. "We find that humans on forklift trucks have fewer breakdowns than machines on rails."



Watch the video online:
reports.kiongroup.com/global

Synergetic.

CASAS BAHIA

Retail

Located near São Paulo, South America's largest warehouse resembles a beehive. Productivity is a very valuable asset here. Smooth-running logistics calls for highly sophisticated integration – as provided by the KION Group's modular and platform strategy, which leverages the global synergies of its brands.



JUNDIAÍ

Brazil

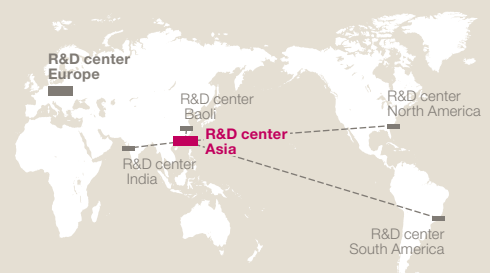
Harnessing potentials through cross-brand modules and platforms.

The KION Group is more than the sum of its individual parts. Its strategy of using shared modules and platforms, part of the wider Strategy 2020, is key to making further long-term profitability gains. And it provides the basis for a global and successful portfolio of trucks that caters specifically to all markets and segments.

In Europe, the Linde and STILL premium brands share modules that can be used wherever common standards reduce costs. The characteristics of a Linde or STILL truck will not change. But customers will benefit: from lower purchase prices and running costs.

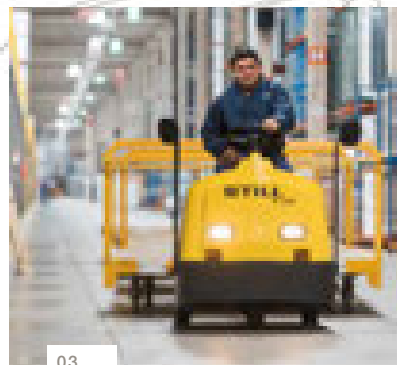
Outside KION's core market, trucks in the volume and economy segments are based on cross-brand platforms that enable rapid market penetration with proven technologies. The R&D team in Xiamen in southern China develops the platform that is then adapted to local requirements in the various growth markets. Successful localisation projects include the use of Baoli-brand trucks as a basis for products in India and Brazil.

How the KION platform strategy works



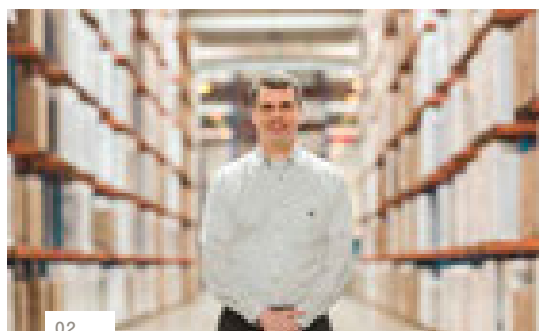


01



03

- 01 Centro de Distribuição: The distribution center in Jundiaí is the largest center of its kind in South America
- 02 Edgard Liberali Filho, head of the logistic unit at Via Varejo
- 03 Up to the ceiling: Several tens of thousands of articles are stored and moved in the warehouse
- 04 Casas Bahia is part of the Via Varejo Group, one of the world's biggest retailers of electrical goods and household appliances



02

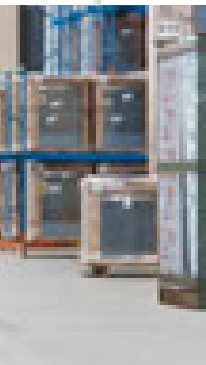
From above, it looks a bit like a scene from a funfair. Dozens of men stand on warehouse trucks. They rattle through the aisles and zoom around corners, their brakes squeaking. The workers, dressed in blue and yellow overalls, steer their order pickers with the same intensity as small boys in bumper cars – and they appear to be having just as much fun. But here in the Centro de Distribuição, instead of ramming into each other, they load up incoming goods such as fridges, mattresses and gas ovens and transport them to their destination.

The Centro de Distribuição, or CD for short, is arranged in a giant L amid gently rolling hills in Jundiaí, just 50 kilometres from the Brazilian metropolis São Paulo. With a footprint of 160,000 square metres – the size of more than 20 football pitches – it is the biggest goods distribution centre in South America. From half past five in the morning, suppliers' trucks bring in goods from production sites across the region, and by three o'clock

the following morning approximately 6,700 consignments will have been sent on their way from Jundiaí. In this huge country, it's not uncommon for them to travel the same distance as from Paris to Moscow.

960 people work here in three shifts; seven days a week and around the clock. Using 163 order pickers, 87 forklift trucks and eight tow tractors, all made by the KION brand company STILL, they move everything from bicycles and hi-fis to flat-pack furniture and pressure cookers. In a precision-planned operation, the goods that arrive at the warehouse end up on the opposite side of the building, where individual consignments that have been sorted by zip code are dispatched to dealers, shops and homes.

By the time the trucks arrive, address labels have been produced for each item, specifying precisely where in the warehouse each package, fridge or sofa is to be stored. At peak times, such as in the run-up to Christ-



mas or Mother's Day, dozens of trucks wait outside for their turn. The warehouse is packed right up to the ceiling. "Sometimes, 35,000 TVs arrive here in three days that will then be sold in the three days after that," says Marcos Antônio Spoldari, who coordinates the incoming goods operation.

From peddler to entrepreneur

Marcão, or "big Marcos" as his team respectfully call him, started work more than 30 years ago as a casual worker at Casas Bahia, and he knew the company's founder personally – the Polish immigrant Samuel Klein. Klein started out as a peddler, before opening his own shop. At first, he tapped into the potential of customers from the lower rungs of society. He allowed them to pay in up to two dozen instalments, even if they didn't have a bank account. Samuel Klein gave them access to consumer goods that they could previously only dream of and he achieved commercial success on an unprecedented scale. Before his company was merged with another in 2009, it was turning over around 14 billion reais a year. Today the Casas Bahia stores are part of the Via Varejo Group, one of the world's biggest retailers of electrical goods and household appliances.

Huge savings thanks to automation

In 1997 Klein had the Centro de Distribuição built in Jundiaí, which now dispatches goods valued at around six to seven million reais on a daily basis. Its processes are continuously being perfected. "We want to auto-

mate as much as possible – in goods inward we are still using lots of manpower, and that's hugely unproductive," says Francisco Tarosso, head of the CD. The latest acquisitions are tow tractors with multiple trailers which make it easier to unload and distribute goods. They buzz up and down the 530-metre-long warehouse, loading and unloading goods at pre-determined points like a bus picking up and dropping off passengers. This 'bus stop' system reduces the volume of traffic and saves space and manpower.

The electric motors hum, the rubber wheels squeak on the concrete floor, the forks and lift masts clatter endlessly. Without order pickers, forklifts and tow tractors the CD in Jundiaí would come to a standstill. "So that logistics can keep pace with productivity here, it's particularly important that the devices are low-maintenance and don't break down," says Edgard Liberali Filho, the centre's logistics director. "Almost all the products we use here are made by STILL. Some of them have been running reliably for 15 years." With a smile, he adds: "We just have to repaint them from time to time, because some of the gaps between the metal shelving units are so narrow that it's impossible to avoid scratches!"



Watch the video online:
reports.kiongroup.com/synergetic

Close.

VIDEOCON

Household appliances

Always being close to the end customer is as essential to Videocon as it is to the KION Group. The washing machines, fridges and microwaves from this Indian household appliances manufacturer provide invaluable help to millions of people. And the trucks are just as invaluable to Videocon.



AURANGABAD

India

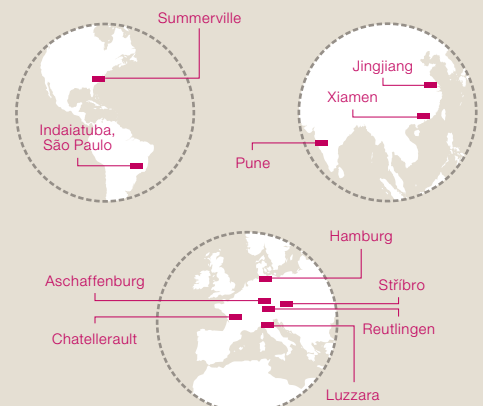
Efficient production via a global network.

The KION Group continually invests in efficient, modern production facilities – around the world.

By 2021, around €83 million will have been spent on making the core Linde and STILL plants in Aschaffenburg and Hamburg even more competitive. From 2016 onwards, KION's new plant in Střibro in the Czech Republic will initially be making existing warehouse technology products, with volume and economy trucks to follow later.

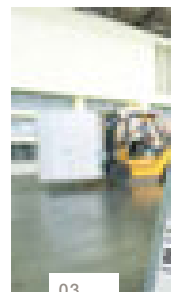
In China, the KION Group is expanding its plant structure, including at the headquarters of Linde Material Handling in Xiamen and in Jingjiang, the home of Baoli. In Brazil, a state-of-the-art production facility came on stream in 2013. And from its base in Pune, the KION Group is tapping into the huge potential of the Indian market. As always, the objective is to manufacture the trucks as near as possible to the end customers.

The KION Group's global production sites





01



03

- 01 Enormous export trade: among others to China, Korea, Sri Lanka
- 02 D.K. Singh: divisional general manager at Videocon
- 03 "Our trucks are essential. Each is equivalent to eight employees"
- 04 Due to great demand: the Aurangabad site produces 100,000 refrigerators a month



02

The vast factory building belonging to Videocon has a calming feel about it, and the drive through the chaotic streets of Aurangabad, around 250 kilometres north-east of Pune, is soon forgotten. Here at the factory, hundreds of refrigerators are packed in brown cardboard boxes and stacked one above the other. The black and yellow forklift trucks from the KION brand company Voltas are efficiently carrying up to six at a time, back and forth between the warehouse and the lorry that is parked outside the factory gate. Thirty-two trucks are in continuous operation.

Videocon is one of the largest companies in India and specialises in the production of electrical home appliances. Founded in 1979, the company today meets high levels of quality that are certainly on a par with the technology standards of Japan or countries in the west. Exports are running at unprecedented levels, mainly to markets such as China, Korea and Sri

Lanka. In India, Videocon is the market leader for washing machines and is among the top five for televisions and refrigerators.

Videocon manufactures 3,000 refrigerators a day

Over 350 lorries loaded with Videocon appliances head out across this vast country every day. In the refrigerator assembly hall in Aurangabad, the production lines never stand still. Depending on the season, the daily output is in excess of 3,000 units. And yet there is no sense of chaos in this clean and well organised factory.

A forklift truck is positioned at the start of the refrigerator production line. It is supplying the punching machine with shiny white plastic sheets from which the inner liner is formed. Men and women wearing light grey t-shirts and gloves are fitting prefabricated components, many of which are imported from China and Korea, on long production lines. They start by



threading cables through eyelets before fixing the casing on the metal housing. Further on, less than five metres away, the freezer compartment is fitted. Lastly, the motor and cooling fins are soldered on.

Refrigerators may be a part of everyday life in the west but in India they are much more than that: they are luxury items. Rather than being tucked away in kitchens, they are positioned in the middle of living rooms. Videocon caters to the requirements of the market by producing appliances not only in white, but also with colourful doors decorated with flowers and stripes.

Middle class: new purchasing power

The company owes its meteoric success to the growth of the middle class in India following the deregulation of industry in the early 1990s. Since then, many families have managed to improve their social and financial standing, often coming from conditions of extreme poverty. Purchasing power is growing and the market for electronic household goods is booming. "Indians are selective in their purchases," says Videocon divisional general manager, D.K. Singh. "We have to offer value for money."

The consumption habits of the Indian people also place considerable demands on production. "We make eighty per cent of our revenue between October and December during the Indian festival season. It would not be possible to achieve this without our forklift trucks. One truck is equivalent to eight employees."

Vijay Potdar, manager of operations of Trinity, an authorised Voltas dealer in Aurangabad, sees a great benefit in manufacturing forklift trucks locally at affordable prices. "But it's not only that," he says. "Voltas trucks are perfect for India. They are suitable for all kinds of terrain and they are robust, even in extreme climate conditions from minus two to plus 50 degrees." Videocon is now planning the next stage of its modernisation: to replace its diesel trucks with quieter electric forklifts. Spare parts are available from a Voltas service centre in Aurangabad.

Videocon is looking to expand further and plans to open another factory in the far south of the country. Staying loyal to the Voltas brand, it has already expressed an interest in purchasing additional forklift trucks for the new factory. Looking ahead to the future, the company intends to manufacture the majority of the components in-house so that it is not dependent on Chinese and Korean imports. It is not only India's new Prime Minister Narendra Modi who wants the 'Made in India' label to become a real mark of quality.



Watch the video online:
reports.kiongroup.com/close

Profitable.

CANTINA DI SOAVE

Winery

Quality is crucial at wine-maker Cantina di Soave, whether in its wines or in its trucks. That is why the cooperative not only obtains its trucks from the KION Group but also uses its services. In turn, these services ensure a stable level of revenue and profitability for the Group.



SOAVE

Italy

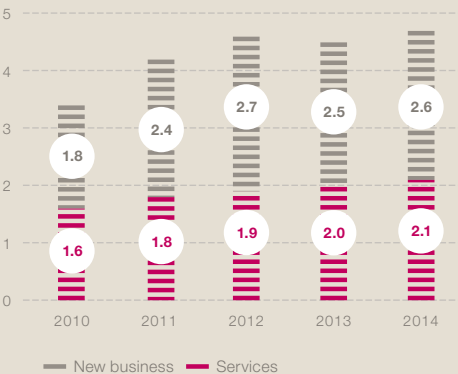
Strengthen resilience through improved capital efficiency and higher margins.

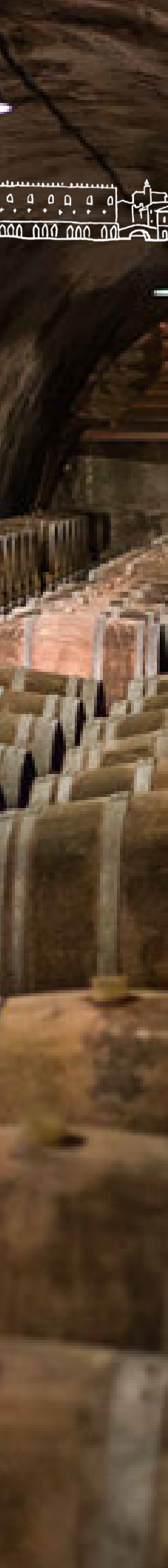
When it comes to profitability and capital efficiency, the KION Group benefits from global synergies and economies of scale, shared modules and platforms, an in-market production network and a strategy of optimised manufacturing.

A wide range of services – including customer services, truck hire and sales of used trucks and spare parts – ensures a stable flow of revenue and attractive margins. The service offering is currently being expanded with the addition of automation solutions and fleet management. The service business already contributes more than 40 per cent of the KION Group's revenue.

Around 1.2 million KION trucks are in operation around the world. The KION Group has potential here to grow its service business even further. It will do so through approximately 1,300 sales and service outlets that are situated near to customers so that support for products can be delivered quickly and efficiently when required.

Resilient service revenues
The KION Group's global revenues (in €bn)





- 01 Cantina di Soave: wine cooperative with 2,200 members and 5,500 hectares under vine
- 02 The winery's technical director: Filippo Pedron
- 03 Team effort: The cooperative delivers more than 100,000 tons of grapes each year
- 04 STILL trucks carry bottles to the bottling plants and warehouse

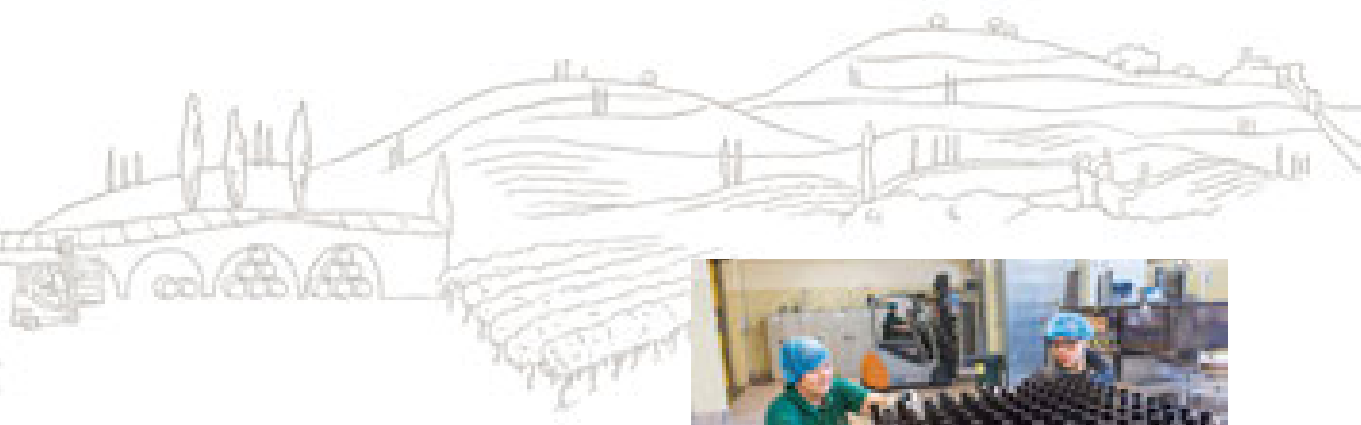


It's a picture-book slice of Italy. The old town of Soave is set amidst scenery dotted with cypress trees and vine-clad hills and is towered over by a medieval castle. Even if you've never visited, you'll have seen the name on the labels of wine bottles. This small town lends its appellation to the most important export of the Veneto region and one of the best-known wines of Italy: the Soave Classico.

The wine is made by growers such as the Cantina di Soave. With around 2,200 members and more than 5,500 hectares under vine, this wine cooperative is one of the region's largest producers – and also one of the oldest, having been founded back in 1898. Countless wooden casks, filled with the cooperative's finest wines, are lined up one after another in long vaulted cellars. However, the winemaking itself is done mainly in the neighbouring modern stainless steel vats. The Cantina di Soave makes more than 30 million bottles of

wine a year at its six sites. They are the fruits of a carefully coordinated production process.

Since 2008 the company has been using forklift trucks made by OM STILL. "Our production processes don't make any excessive demands on the trucks," says Filippo Pedron, oenologist and technical director of the Cantina di Soave. "Extreme temperatures, high humidity, toxic substances: the forklift trucks here don't have to cope with any of this. What's all the more important to us is that we are able to rely on the technology at all times." This includes transporting the grapes into the chilled warehouses, where they are left to ripen on hundreds of pallets for up to three months, bringing consignments into the pressing and bottling plants and loading up the delivery lorries. The fleet is involved in almost every stage of the production process – breakdowns can have dramatic economic consequences.



STILL trucks: economic and versatile

One of the main reasons Pedron puts his trust in the Italian variant of the KION brand company STILL: “The battery is no different than those of other brands – but it lasts longer,” he says. STILL forklift trucks, thanks to their state-of-the-art technology, use less power than other models. Another key feature is their manoeuvrability. Some 13,000 bottles of wine are filled every hour when production is at full capacity at the Cantina di Soave. With all the traffic this generates and with the fragile nature of the products being transported, it is essential that the forklifts are precise and easy to operate.

The trucks help everything to run like clockwork and safeguard the company’s success. At the Cantina di Soave it’s not just about the bottom line: “We don’t want to grow for growing’s sake. It’s more important that we deliver the best quality and that we continually work to improve this – that doesn’t necessarily translate into market share,” says Pedron.

The idea of the cooperative is a simple one: wine-makers pool their expertise and resources in agriculture, business and science in order to produce wine in a more efficient way and to market their products. This gives them freedom to hone their vinicultural craft. “Whereas the winemakers once simply sold on their grapes after the harvest, they are now part of a proper value chain,” says Pedron.



Watch and learn at the “experimental vineyard”

The Cantina di Soave offers its members support in the form of quality assurance seminars and its very own experimental vineyard, which offers stunning panoramic views across Soave. At high season in October, when all the grapes have been harvested and the wine production can begin, the vines take on a deep orange hue. The vineyard is then mainly a tourist attraction. Spring, however, is when the wine experts of the Cantina di Soave show their members how to cut the vines in order to get the best results, and tell them which grape promises to be of particular quality this year. Filippo Pedron: “At the end of the day, if every one of our members can get the best out of their vineyards, we all benefit.”

For Pedron and his team the focus is very much on quality rather than quantity. And that goes as much for the forklift trucks as it does for the wine. There are no plans to expand production volume in the years ahead. And so the Cantina di Soave truck fleet is initially not expected to grow. Nevertheless, the cooperative’s partnership with OM STILL holds further potential. For quality reasons, any decommissioned trucks made by other manufacturers will be replaced by OM STILL equivalents in the future.



Watch the video online:
reports.kiongroup.com/profitable

Motivated.

RENAULT TANGER

Automotive

Motivated employees are the bedrock of innovation, quality, competitiveness, growth and the opening up of new markets – such as Africa. One of the beneficiaries is Renault in Tanger, where it is making speedy progress thanks to its dependable trucks from the KION Group.

TANGIER

Morocco



Promoting employees with a passion for innovation, quality and customer focus.

To serve successfully the markets of tomorrow – such as Africa – you need the best and most motivated employees.

A committed developer of people, the KION Group has exported the German dual vocational training model to China. Offering training courses and giving people scope to develop are as important to business success as having lean and efficient processes. This is how the KION Group is fostering a passion for innovation, quality and, ultimately, customer satisfaction.

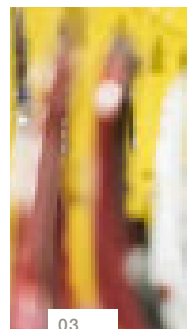
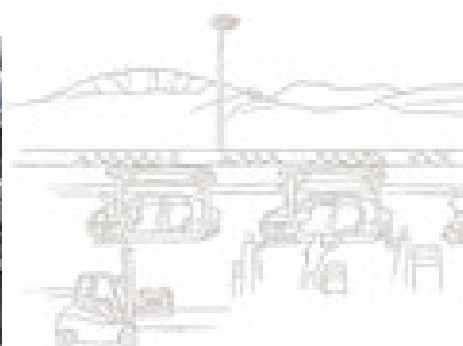
An ongoing optimisation of processes, also in support functions, is another element of the Strategy 2020 that is designed to make the Company more competitive and lay the foundation for further growth.

KION Group employees by country
(full-time equivalents as at 31 December 2014)



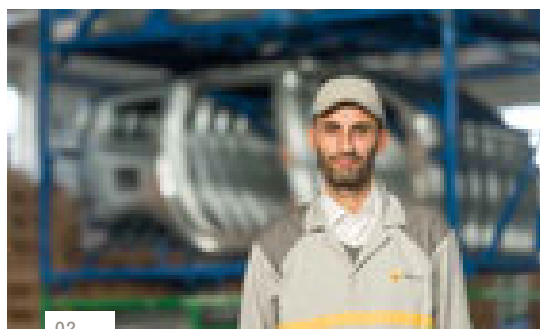


01



03

- 01 Lodgy, Dokker, Sandero: three Dacia models manufactured in Tangier
- 02 In charge for material handling at Renault in Tangier: Mohammed el-Bakrimi
- 03 110 Fenwick trucks help to produce 800 cars a day
- 04 Time to pray in separate areas



02

Red, white and black cars yet to be fitted with interiors hang one and a half meters up in the air, suspended from yellow grippers. Lodgy, Dokker and Sandero are the three models produced by the Renault-owned Dacia brand in the factory in Tangier, Morocco. As for which of these models the shiny new car bodies will emerge as, that's something that only someone like Mohammed el-Bakrimi can know.

The 43-year-old has worked for Renault since the Tangier factory opened back in 2012. Like many others, he moved to this up-and-coming city on the Strait of Gibraltar especially to take up one of the 5,000 or so jobs offered by Africa's biggest car factory. The father of two children from the Casablanca region has always been fascinated by car engines and bodywork: "I used to run a car workshop." Nevertheless, when he joined Renault he had to start where nearly all new employees do: inside the long and narrow training centre that stands right by the entrance to the 300-hectare factory site.

El-Bakrimi spent two months learning how to instruct workers in assembly. He has since gone on to become head of material handling at the factory, making sure that engines, panels, seats and screws reach the assembly line at the right time. Computers monitor what needs to be where when. The materials are stored on huge racks ten metres high, right at the back of the factory building. "This is where the forklift trucks perform their ballet moves," declares el-Bakrimi with pride. 110 trucks from Fenwick, KION's French regional brand, are put to work in the Renault factory, delivering parts to the assembly lines at the precise minute they're needed. That's why they can be seen darting up and down the long aisles, sometimes at breakneck speeds.

Each day, 800 cars roll off the assembly lines

"Sometimes there are accidents," admits el-Bakrimi. All the more reason for the man who never takes off his grey cap, not even at mealtimes, to value anything that improves safety. For example, the BlueSpot warning sys-



tem – an intense blue spotlight that alerts passers-by to the moving truck. Because with all the sirens, the hammering and the hissing of compressed air on the shop-floor, it gets so loud that many drivers have deactivated the reverse warning sound on their trucks.

And out the back in the ‘shop’, as the materials store is otherwise known, the nimble Fenwicks weave in and out of the aisles. Abdelmounim el-Tounani is one of the drivers. “I really appreciate the different ways you can handle materials, with the telescopic forklifts for instance,” says the 27-year-old, who worked in a café in Tangier before joining Renault. The ultra-modern factory, which currently produces some 800 cars each day, is a world away from the hustle and bustle of the old town with its 700,000 residents, its little shops and its street hawkers haggling over every last dirham.

Nevertheless, many employees still make time for their prayers while at work in the factory, which has been built on a greenfield site roughly 30 kilometres outside Tangier. A space next to the staff room has been separated off and laid with carpet, where workers can go for worship. Prayer times are determined by the production process rather than the muezzin. “Allah will forgive me for missing the hours of prayer because I’m at work, I just pray later on instead,” says el-Bakrimi.

He is proud of Renault Tanger’s pioneering green credentials. The factory’s operations produce virtually no

carbon emissions. Over a dozen wind turbines can be seen turning in the hills around the factory, supplying electricity to the site. The hot water used in the paint-shop is heated using biomass obtained from the stones of Moroccan olives.

The biggest sales market for the Moroccan-made Dacias is Renault’s domestic French market, followed by Spain. From the seaside promenade in Tangier, Spain’s coast looks close enough to touch, being only 14 kilometres away. Tangier’s geographical position was another reason Renault chose the site. It only takes a day and a half to ship the vehicles to France from Tangier’s state-of-the-art container port, Tanger-Med. Renault, who invested one billion euro in the facility, also benefits from the location in other ways, such as the lower labour costs in Morocco.

The factory, which has created a further 30,000 or so indirect jobs, is a crown jewel of sorts for the newly industrialising country. It’s no wonder then that King Mohammed VI himself came along for the factory’s opening in February 2012. Mohammed el-Bakrimi remembers the monarch’s appearance as if it were yesterday. “I’d seen His Majesty open many factories before, but he looked especially happy to be opening ours that day,” he recalls.



Watch the video online:
reports.kiongroup.com/motivated



To our Shareholders

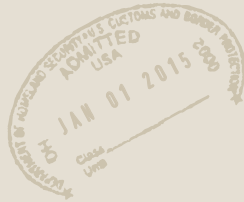
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»Following the most successful year in its history, KION has set itself new and ambitious targets.«

GORDON RISKE

Chief Executive Officer



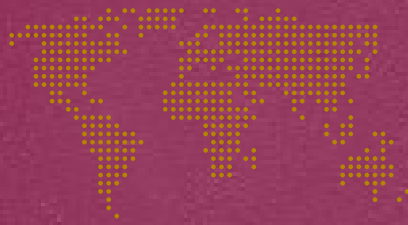
TO OUR SHAREHOLDERS

Letter to shareholders

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Letter to Shareholders



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GORDON RI
Chief Execut

KION Group key figures

**We
keep
the
world
moving.**

1. On
€4

2. Re
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3. Ad
€4

4. To
€1

5. Ne
€17

6. Em
22

7. Fre
€3

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DE000KGX8881 << KGX888 <<

* Adjusted for KION acquisition items and one-off it
** Free cash flow is defined as Cash flow from opera
used in investing activities.

for 2014

der intake

877.3 million

Revenue

677.9 million

justed EBIT *

42.9 million

total R&D spending

19.7 million

Net income (loss)

78.2 million

employees

669

Free cash flow**

05.9 million

[illegible]

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tems

ating activities plus Cash flow

Letter to shareholders

**Dear shareholders, customers, partners, employees
and friends of the KION Group,**

For us, 2014 was a year that flew by – and I mean that literally. We travelled all over the world in order to advance our KION Group Strategy 2020. But as different as the market requirements in each region and country may be, our objective is always the same: to give our customers the best possible support so that they can achieve their goals and do business successfully. We can only truly be satisfied once our products and services offer them the utmost added value.

The objectives that we have set ourselves with the Strategy 2020 are ambitious. They focus on growth, profitability, capital efficiency and resilience. We want to remain highly profitable – even in the event of any future crises – and further consolidate our position as the most profitable supplier in our industry. In the medium term, we are aiming for EBIT margins of above 10 per cent.

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GORDON RI
Chief Execut

Letter to shareholders

2014: a record year

We continued to make good progress along with our sales, setting records with all of our major key performance indicators. adjusted EBIT improved by 6.3 per cent to €442.9 million. The EBIT margin stood at 10.3 per cent with 9.3 per cent in 2013. And we have a strong position with a substantial order book worth €7.2 billion. We can continue to increase our profitability through our further dynamic growth, contain our fixed costs and administrative expenses.

Our orders for new trucks advanced at a strong pace in the market growth. In 2014, global demand for trucks rose up by 7.8 per cent to 1.1 million units. The truck business expanded at an even higher rate. Our orders for 155,000 new forklift trucks, which equates to a rise of 8.5 per cent in volume. The order intake increased in value by 8.6 per cent.

02



TO OUR SHAREHOLDERS

Letter to shareholders

Letter to shareholders

We also made further improvements to our funding structure. In spring 2014, we repaid corporate bonds with a total volume of €525 million. This will lower our interest payments – by more than €20 million per year – and give us greater flexibility as we forge ahead with our growth strategy.

Following the KION Group's record year, conditions are therefore ideal for achieving our objectives going forward.

Streamlined management structures for faster decision-making

We streamlined the Group's management structure at the start of this year. This means we can make decisions more quickly and more effectively. We are creating additional synergies between our brand companies and putting even greater effort into driving our innovations forward, yet still delivering our customary high level of quality. We are working to make our activities even more customer-centric than at present. Our aim is to transfer the market feedback from our sales teams and the ideas of our employees into product innovations and improvements with greater efficiency and speed.



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GORDON RI
Chief Execut

Letter to shareholders

The KION Group is more than the sum of its parts. This added value benefits not only our shareholders, partners and employees. This Company's potential lies – in leveraging even more intensively than we do – in continuing with our successful multi-brand strategy, shared modules and platforms to reduce costs and bring new products to market.

The platforms are developed for fast-growing markets, primarily at the KION Group's Chinese R&D center. In Europe, the focus is on developing new modules. The R&D teams in Europe are sharing knowledge and information. In 2014, we launched more than 20 new trucks.

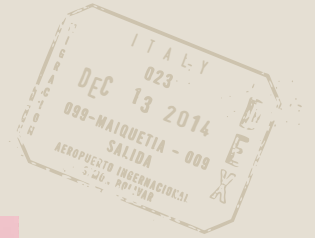
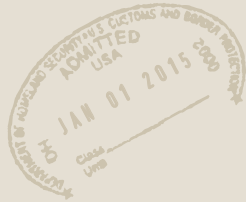
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TO OUR SHAREHOLDERS

Letter to shareholders



Letter to shareholders

Successful initiatives in North America

The platform strategy is one of the reasons for the strong position that the KION Group has held in the South American market for many years. But another excellent example of where and how we are deploying this strategy is North America, a vast market in which we want to establish a far stronger foothold as one of the world's two largest suppliers of forklift trucks, warehouse technology and associated services. In order to increase market share in the USA, Canada and Mexico, we are adapting our product portfolio to local market requirements and offering new services.

The existing Linde plant in the US state of South Carolina was renamed KION North America in 2014 and now manufactures products for various KION brands. Our initiatives are already delivering results: whereas the North American market as a whole expanded by over 9 per cent to 219,500 units, KION North America boosted its order intake in units by 23 per cent.



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GORDON RI
Chief Execut

Letter to shareholders

Just like the Summerville plant, our new plant in the Czech Republic is to build trucks for multiple customers. Following the ground-breaking ceremony, production at our Stříbro plant near Plzeň started in 2016 and the KION Group is investing in expanding it up. The aim is to be able to supply trucks to southern Europe even more efficiently. This is in line with the KION Strategy 2020 objectives of manufacturing as much as possible to the customers who will

At the same time we are consolidating our home market of western Europe. To improve our competitiveness, we will invest roughly €23 million at the core STILL plant in Linde Material Handling's core plant in around €23 million at the core STILL plant in the same period.

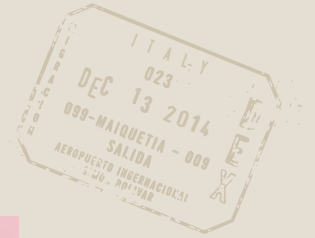
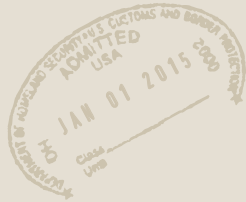


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TO OUR SHAREHOLDERS

Letter to shareholders



Letter to shareholders

This will create capacity for more growth in the medium term. The Linde MH and STILL plants in Aschaffenburg and Hamburg are the centres of excellence for their flagship IC trucks, electric trucks and reach trucks in the premium segment.

Consolidation of market position in China

We of course have our sights firmly fixed on the incredibly important emerging markets of Asia. With our new truck orders up by around 13 per cent in China last year, we outperformed the world's largest single market. This enabled us to cement our position as a major international supplier and the number three overall in the Chinese market. One of the driving forces is Baoli, our third global brand company after Linde and STILL. Serving the Chinese economy segment, the brand has a great deal of potential. It also supplies platforms for robust yet affordable trucks across the Group.



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GORDON RI
Chief Execut

Letter to shareholders

India is another example. This emerging market offers long-term opportunities for our growth strategy. The implementation of our KION Group Strategy in India, particularly in Handling, one of the country's two leading logistics hubs, with trucks and warehouse technology, now underway. This name change symbolises its membership in the KION Group family.

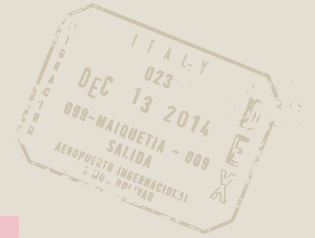
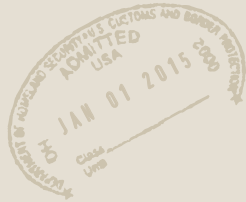
Around the globe, there are now 1.2 million KION brands in operation for our customers. The KION Group's service business has contributed to increasing more than 45 per cent of the KION Group's revenue. Our customers rely on our trucks and handling equipment. Our service portfolio is therefore far more than an integrated business model, and the expansion into new markets are further proof of its effectiveness. At the same time, our service offering represents a major selling

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TO OUR SHAREHOLDERS

Letter to shareholders



Letter to shareholders

Strong demand for employee shares

The popularity of our employee equity programme shows that it is not just my fellow Executive Board members and I who firmly believe in the KION Group's strategy for success and its potential: our employees are convinced of it too. The programme was launched initially in Germany last year and is to be extended to other countries this year. We are making it possible for the KION Group's employees to share in their Company's success to a greater extent than they do at present. Almost a quarter of the employees who were eligible to take part took up this chance to acquire shares – and more than half of those opted for the maximum of 60 shares.



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GORDON RI
Chief Execut

Letter to shareholders

This high level of participation is an indication of the trust that they have in our growth strategy. And it is thanks to the people who can best judge the potential of our shares. I would like to sincerely thank them for their ideas and their loyalty. They are the ones who enable it to be successful. And they are the ones who make our Company.

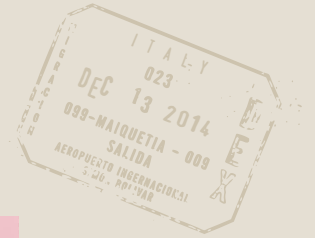
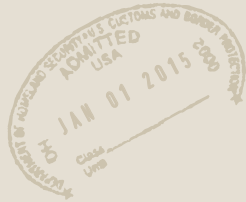
Besides those in our workforce, we also welcome investors from outside the KION Group. Since our listing on the MDAX in September 2014, our shares have become more liquid and tradable. Following sales of shares by KKR, the proportion of shares that can be sold on the stock exchange is now more than 50 percent. This will form the second pillar, providing the strength and stability along our path of profitable growth and the successful implementation of our KION Group Strategy 2020.

22 SEP 2014 MDAX

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TO OUR SHAREHOLDERS

Letter to shareholders



Letter to shareholders

Our customers – whose importance we highlighted at the start – of course form the third pillar. In the front part of this annual report, we describe how our products offer customers genuine added value and explain what they can and should expect from our trucks and services. We are there to help our customers achieve their goals. In every industry, in every region and around the clock:

We keep the world moving.

With best wishes,

Gordon Riske

Chief Executive Officer
KION GROUP AG



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GORDON RI
Chief Execut

Letter to sharehol

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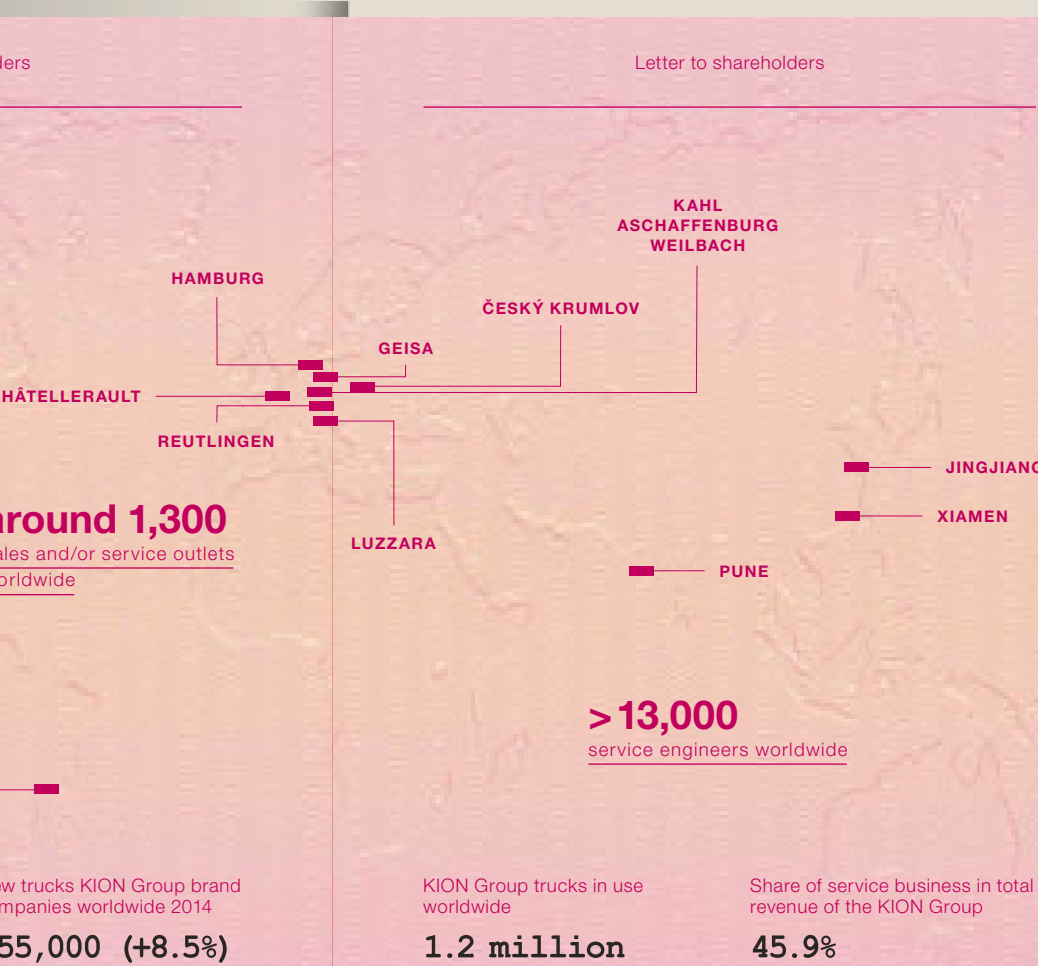
INDAIATUBA / SÃO PAULO

New trucks material handling
market worldwide 2014

1.1 million (+7.8%) 1.1

12

2014



Executive Board

GORDON RISKE

- Chief Executive Officer (CEO)
of KION GROUP AG
- born in 1957 in Detroit (USA)

DR THOMAS TOEPFER

- Chief Financial Officer (CFO) and Labour
Relations Director of KION GROUP AG
- born in 1972 in Hamburg

CHING PONG QUEK

- Member of the Executive Board
of KION GROUP AG
- Chief Asia Pacific Officer
- born in 1967 in Batu Pahat/Johor
(Malaysia)

»We have a clear focus
on growth, profitability,
capital efficiency and
resilience.«

DR THOMAS TOEPFER

Chief Financial Officer



»The KION Group is more than the sum of its brand companies – this added value benefits our customers, partners, employees and shareholders.«

GORDON RISKE

Chief Executive Officer

»We are setting our sights on fast-growing markets such as Asia and North America in order to continue increasing our market share.«

CHING PONG QUEK

Chief Asia Pacific Officer



Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

KION GROUP AG can look back on a successful 2014. It was the first full financial year following the Company's initial public offering (IPO) in June 2013 and was dominated by the first concrete steps in implementing the Strategy 2020, which the Executive Board and Supervisory Board had adopted at the end of 2013. Business picked up strongly where the previous year left off, maintaining the same high level of momentum.

Last year, the Supervisory Board continued to fulfil the tasks and responsibilities imposed on it by the law, the Company's articles of incorporation and the German Corporate Governance Code with dedication and great diligence. There were again many important decisions, transactions requiring approval and other matters to be discussed and resolved upon.

Monitoring and advisory role in dialogue with the Executive Board

The Supervisory Board advised the Executive Board on all significant matters relating to managing the Company and monitored the Executive Board's running of the Company. The Supervisory Board was fully involved in all major decisions affecting the Company from an early stage.

At meetings of the full Supervisory Board, the performance of the business and decisions and transactions that were important for the Company were deliberated on and discussed extensively on the basis of the information provided to the Supervisory Board by the Executive Board. The Executive Board always notified the Supervisory Board of every significant aspect of these transactions promptly and in detail, providing both written and oral reports. The Supervisory Board satisfied itself at all times that the Company was being managed lawfully and diligently.

The Executive Board gave the Supervisory Board sufficient notice of transactions that, according to the law, the Company's articles of incorporation or the rules of procedure for the Executive Board of KION GROUP AG, require the Supervisory Board's consent and presented them in good time for resolutions to be adopted. The Supervisory Board examined closely the resolutions proposed by the Executive Board and deliberated on them before adopting them. In urgent cases, written resolutions were also adopted.

**DR JOHN FELDMANN**

Chairman

The Executive Board informed the Supervisory Board about key financial data at regular intervals. Where there was a discrepancy between the actual figures and the business planning, the Executive Board always provided the Supervisory Board with a detailed oral and written explanation of what it considered the main reasons for the discrepancy. This enabled the Executive Board and Supervisory Board to discuss the reasons in detail and, if necessary, to take effective countermeasures.

In the periods between meetings of the Supervisory Board and between those of its committees, the chairman of the Supervisory Board, who is also chairman of the Executive Committee, remained in close contact at all times with the Chief Executive Officer. This ensured that the Supervisory Board was always kept up to date on the Company's performance and any significant transactions.

Main focus areas discussed by the Supervisory Board

Of particular importance in the Supervisory Board's deliberations in the first half of 2014 were the first concrete steps in implementing the Strategy 2020, which had been developed and adopted in 2013 and aggregates the Executive Board's plans for the Company's further strategic development, as well as the preparations for the Company's

first Annual General Meeting since the IPO. In the second half of the year, the Supervisory Board closely followed the discussion about appropriate restructuring measures at Linde Hydraulics GmbH & Co. KG, in which the Company still holds a minority interest, and the decision on necessary contributions from the Company. Deliberations also focused on the Company's ongoing business performance and financial position, planning of capital expenditure, the employment situation, risk management, individual aspects of corporate strategy and planning, corporate governance matters and, in particular, the areas of responsibility assigned to the Supervisory Board – such as Executive Board remuneration.

The main personnel matter, which the Supervisory Board had to deal with at the end of last year, were the changes made to the membership of the Executive Board at the start of this year. With effect from 15 January 2015, Executive Board members Theodor Maurer and Bert-Jan Knoef stepped down from the Executive Board and resigned from their roles as the CEOs of Linde Material Handling GmbH and STILL GmbH respectively at their own request. The departure of the two Executive Board members and the resulting organisational issues were discussed extensively by the Supervisory Board. As part of measures to improve the efficiency and effectiveness of KION GROUP AG, the Company's Chief Executive Officer, Mr Gordon Riske, has taken over Mr Maurer's and Mr Knoef's functions in addition to his other management responsibilities. The Supervisory Board thanks Mr Maurer and Mr Knoef for their hard work and the outstanding contributions that they have made over the years to KION GROUP AG's successful development and wishes them both all the best and every success in their new endeavours.

In 2014, the Supervisory Board and its committees dealt with these issues and made the necessary decisions at a total of 18 meetings (seven full Supervisory Board meetings and eleven committee meetings). Some of the meetings were held in the form of conference calls. There were also several informal conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information.

KION Strategy 2020

A key area covered by the Supervisory Board's deliberations in 2014 had been the plans to implement the Strategy 2020, particularly the expansion of production at Linde Material Handling GmbH in Aschaffenburg and the accompanying relocation of reach truck production from Aschaffenburg to a new production facility in Střibro in the Czech Republic. The Supervisory Board approved this measure at its meeting on 20 March 2014. The Strategy 2020 was also discussed at the Supervisory Board meeting on 2 June 2014, at which the Executive Board delivered a progress report on the implementation of the measure, and at the Supervisory Board's strategy meeting

on 23 September 2014, when the focus was on opportunities and the product strategy in emerging markets. Last year, the Supervisory Board again followed the Executive Board's considerations relating to the Strategy 2020 with great interest and provided constructive support.

Corporate governance and comply-or-explain statement

The regular reports by the Executive Board and some of the Company's managers on corporate governance matters were a further important subject area discussed by the Supervisory Board and its committees. As part of its monitoring duties in this area required by stock company law, the Supervisory Board itself ensured that it was informed about corporate governance matters by means of appropriate reports covering the internal control system, risk management, internal auditing and compliance within the Group, in addition to its Audit Committee dealing with these matters on a regular basis. The focus was on the processes in place as well as on the content of the individual reports. As a result of these reviews, the Supervisory Board was able to gain an impression of the processes in place and to examine and comment on the proposed developments in these areas.

Owing to the changes to the membership of the Supervisory Board during the year, it was decided to postpone the review of the size and effectiveness of the Supervisory Board and its committees until 2015. The review, which had been planned for 2014, will now be combined with a formal efficiency review.

In accordance with section 3.10 of the German Corporate Governance Code, the Executive Board and the Supervisory Board provide a detailed report on corporate governance in the KION Group in the corporate governance report. This is combined with the declaration on corporate governance pursuant to section 289a of the German Commercial Code (HGB) and can be found on pages 44 to 57 of the annual report. The report is also available on the KION GROUP AG website at kiongroup.com/GovernanceReport. For details of the remuneration paid to the Executive Board and the Supervisory Board for 2014, please refer to the remuneration report, which can be found on pages 58 to 69 of the annual report.

At its meeting on 17 December 2014, the Supervisory Board thoroughly discussed the KION Group's compliance with the recommendations of the current version of the German Corporate Governance Code. The Supervisory Board keeps a close eye on changes to the Code and to governance standards at international level. The Executive Board and Supervisory Board submitted an updated comply-or-explain statement pursuant to section 161 of the German Stock Corporation Act (AktG) on 19 December 2014. It has been made permanently available to the public on the KION GROUP AG website. KION GROUP AG complied with all but one of the re-

commendations in the German Corporate Governance Code (version dated 24 June 2014) and intends to continue to do so in future. As was the case in the previous year, the only recommendation of the Code with which KION GROUP AG does not comply is the recommendation in section 3.8 (3) of the Code for an excess in the D&O insurance policies for members of the Supervisory Board. KION GROUP AG's articles of incorporation do not provide for this type of excess. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany.

Work of the committees

KION GROUP AG's Supervisory Board had four committees last year: the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee and the Nomination Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. In individual cases, the Supervisory Board's decision-making powers were delegated to committees within the scope permitted by law. The chairman of the Supervisory Board is also chairman of all committees except the Audit Committee. At the meetings of the full Supervisory Board, the committee chairmen report in detail on the discussions of the committees to ensure that the Supervisory Board as a whole is always fully informed.

The Executive Committee consists of four shareholder representatives and four employee representatives. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also prepared by the Executive Committee. The Executive Committee is also responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions about any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members and parties related to them and to Supervisory Board members and parties related to them as well as resolutions to approve contracts with Supervisory Board mem-

bers outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

In 2014, the Executive Committee consisted of Dr John Feldmann (chairman), Dr Alexander Dibelius, Mr Joachim Hartig, Mr Denis Heljic, Mr Johannes P. Huth, Mr Thilo Kämmerer (until 31 August 2014), Mr Jiang Kui, Mr Olaf Kunz (from 24 September 2014) and Mr Kay Pietsch. The Executive Committee met four times in 2014. The main topics discussed by the Executive Committee in 2014 were those concerning the Company's first Annual General Meeting and the KION Strategy 2020. It also scrutinised the personnel changes on the Executive Board.

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. If the majority required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within a month. The chairman of the Supervisory Board does not have a second vote on the candidates proposed.

In 2014, the Mediation Committee consisted of Dr John Feldmann (chairman), Mr Joachim Hartig, Mr Johannes P. Huth and Mr Kay Pietsch. The Mediation Committee did not need to be convened in 2014.

The Audit Committee comprises four members. Its purpose is to assist the Supervisory Board in performing its task of monitoring accounting processes, compliance matters and reporting. These responsibilities encompass monitoring the quality and integrity of the consolidated and separate financial statements (as well as related disclosures), the internal control mechanisms, risk management and the internal audit system. The Audit Committee also reviews the other work carried out by the independent auditors in connection with the audit and checks that the independent auditors are qualified and independent. It is also responsible for engaging the independent auditors, determining the focus of the audit and agreeing the fee. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

In 2014, the Audit Committee consisted of Mr Hans Peter Ring (chairman), Dr John Feldmann, Mr Kay Pietsch and Ms Alexandra Schädler. Mr Hans Peter Ring is an independent financial expert within the meaning of sections 100 (5) and 107 (4) AktG. The Audit Committee met five times in 2014. The main topics discussed by the Audit Committee in 2014 were the 2014 annual financial statements, the interim reports, the budget and the regular subject of the key elements of corporate governance within the Company.

The Nomination Committee comprises four members, all of whom are shareholder representatives. The Nomination Committee's only task is to propose candidates for the Supervisory Board to the Supervisory Board for proposal to the Company's Annual General Meeting when Supervisory Board elections are due.

In 2014, the Nomination Committee consisted of Dr John Feldmann (chairman), Dr Martin Hintze, Mr Jiang Kui and Ms Silke Scheiber. The Nomination Committee met twice in 2014. At these meetings, it concentrated on selecting suitable candidates to replace the departing members of the Supervisory Board. This culminated in the proposal of Ms Xu Ping and Ms Behrendt as new Supervisory Board members with effect from 1 January 2015.

All members of the Supervisory Board attended the Supervisory Board meetings in 2014 apart from the following exceptions: at one meeting, five members sent their apologies, at two meetings, three members sent their apologies, at two meetings, one member sent apologies and at one meeting, two members sent their apologies. With the exception of two committee meetings at each of which one member sent apologies, all committee meetings were attended by all members of the respective committee. Supervisory Board member Tan Xuguang participated in fewer than half of all Supervisory Board meetings.

Engagement of the auditors; audit of the separate and consolidated financial statements

The Company's independent auditors, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the Company's separate financial statements and management report and the consolidated financial statements and group management report for the year ended 31 December 2014. Various meetings were held between the chairman of the Audit Committee and the auditors in preparation for the appointment of the auditors. They concerned the suitability and independence of the auditors and the question of fees. The forthcoming engagement of an auditing firm was discussed at the Audit Committee meeting on 10 March 2014 and there was an opportunity to speak to the auditors in person. The key audit issues were discussed and set out accordingly at the Audit Committee's meeting on 10 March 2014. The auditors were appointed by the chairman of the Supervisory Board on 20 November 2014.

The auditors issued an unqualified opinion for the separate financial statements, including the management report, for the year ended 31 December 2014 and the consolidated financial statements, including the group management report, for the year ended 31 December 2014 on 10 March 2015.

In order to inform the Supervisory Board and its Audit Committee as soon as possible about the progress of the audit and the individual audit findings that were emerging, the members of both committees were offered two telephone briefings in which the Executive Board and the auditors took part. The auditors submitted their report and the documents relating to the financial statements to the members of the Audit Committee on 2 March 2015 and to the members of the Supervisory Board on 10 March 2015. The report was discussed in depth at the Audit Committee meeting on 10 March 2015 and at the full Supervisory Board meeting on 18 March 2015, both of which were attended by the auditors. At both of those meetings, the auditors reported in detail on the main findings of the audit and provided comprehensive answers to all questions asked by members of the Audit Committee and Supervisory Board.

Having itself scrutinised the Company's separate financial statements, consolidated financial statements, management report and group management report for the year ended 31 December 2014, the Audit Committee then made one recommendation to the full Supervisory Board, which the chairman of the Audit Committee explained in more detail in his report to the meeting of the full Supervisory Board. On this basis, following further discussion of its own, the Supervisory Board approved the results of the independent audit at its meeting on 18 March 2015. Based on the final outcome of the Supervisory Board's own review, no objections were raised. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended 31 December 2014 prepared by the Executive Board. The annual financial statements were therefore adopted.

At its meeting on 18 March 2015, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €0.55 per no-par-value share. In doing so, the Supervisory Board took account of the Company's financial situation and performance, its medium-term financial and capital-expenditure planning and the interests of the shareholders. The Supervisory Board believes the proposed dividend is appropriate.

Review of the dependency report

The Supervisory Board also considered the report compiled by the Executive Board of KION GROUP AG concerning the Company's relationships with affiliated entities (dependency report). The Company's auditors, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, reviewed the dependency report, compiled an auditors' report on it and issued the following unqualified opinion based on their completed audit on 10 March 2015:

Auditor's opinion

Based on our audit and evaluation conducted in accordance with our professional duties, we hereby confirm that

- 1. the factual information presented in the report is accurate,*
- 2. the consideration paid by the company in the legal transactions listed in the report was not inappropriately high,*
- 3. in respect of the transactions listed in the report, there are no circumstances that would support an assessment materially different from the assessment made by the Executive Board.*

The dependency report and the auditors' report about it were submitted to all the members of the Supervisory Board in good time and were discussed in detail in the presence of the auditors at the Supervisory Board meeting on 18 March 2015. The auditors reported on the main findings of their audit. The Supervisory Board agreed with the findings of the audit. Based on the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's declaration at the end of the report concerning relationships with affiliated entities.

Personnel changes

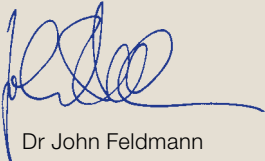
There were no changes on the Executive Board of KION GROUP AG during 2014.

However, there were several changes on the Supervisory Board in 2014. Mr Thilo Kämmerer stepped down from the Supervisory Board on 31 August 2014. He was succeeded by Mr Olaf Kunz as an employee representative with effect from 1 September 2014. Ms Silke Scheiber and Dr Martin Hintze stepped down from the Supervisory Board on 31 December 2014. Ms Xu Ping and Ms Birgit Behrendt were appointed by the courts as their successors with effect from 1 January 2015. The Supervisory Board would like to thank Ms Scheiber, Dr Hintze and Mr Kämmerer for the great dedication with which they have always carried out their work in the interests of the Company. Both appointments will be submitted for confirmation by the shareholders at the Annual General Meeting.

As preparation for their duties as members of the Company's Supervisory Board, the new members were offered a comprehensive programme of information on the Company's business and on the main governance-related processes put in place by the Company in relation to risk management, the internal control system, internal auditing and compliance.

The details of this report were discussed thoroughly at the Supervisory Board meeting on 18 March 2015 when it was adopted.

My colleagues on the Supervisory Board and I would like to thank the members of the Executive Board and the employees of KION GROUP AG and its Group companies in Germany and abroad for their commitment and outstanding achievements in 2014.



Dr John Feldmann
Chairman

KION shares

Volatile stock market environment

The global equity markets experienced severe volatility in 2014. Although investors were increasingly on the buy side because persistently low interest rates provided a strong incentive for investing in equities, sentiment was depressed, mainly by geopolitical tensions in the Middle East and Ukraine as well as fears of a renewed economic downturn in western Europe. As a result, there was a rapid series of sharp price fluctuations in both directions. Despite this high volatility, the DAX – which is regarded as the main barometer for prices in the German stock markets – closed at virtually the same level as at the end of 2013. Over the course of the year, the DAX had risen to 9,806 points, a gain of just 2.7 per cent, while the MDAX was up by 2.2 per cent.

Respectable performance by KION shares

The price of KION shares also ended 2014 virtually unchanged. They closed at €31.74 on 31 December 2014, which was 3.3 per cent higher than their 2013 year-end closing price of €30.73. The shares achieved their highest price of the year on 24 February when they reached €37.07. However, any gains were lost in the months that followed, in line with the performance of the market as a whole. The shares' performance during the year was also influenced by three placements of blocks of shares by major shareholders KKR and Goldman Sachs (see next page). KION shares fell to their lowest price of the year, €25.83, on 15 October before recovering and catching up with the performance of the MDAX once more. > [DIAGRAM 001](#)

Inclusion in the MDAX

On 22 September 2014, KION GROUP AG was promoted from the SDAX to the MDAX, which comprises the 50 largest listed companies in Germany after those in the DAX, making KION shares even more attractive and visible to investors.

> [TABLE 001](#)

Basic information on KION shares

TABLE 001

ISIN	DE000KGX8881
WKN	KGX888
Bloomberg	KGX.GR
Reuters	KGX.DE
Share type	No-par-value shares
Index	MDAX

At the end of the reporting year, the KION Group's market capitalisation amounted to €3.1 billion, of which €1.5 billion was in free float. The average daily Xetra trading volume during the year was 106.3 thousand shares or €3.4 million. > [TABLE 002](#)

Share price performance between 28 June 2013 and 31 December 2014

DIAGRAM 001



Sharp rise in free float

The shareholder structure changed significantly in the year under review, with a shift in favour of the free float. At the end of 2013, Weichai Power exercised its option to acquire shares from KKR and Goldman Sachs and thereby increase its stake from 30.0 per cent to 33.3 per cent. The transaction was completed on 15 January 2014. Weichai Power also undertook not to acquire more than 49.9 per cent of KION shares before 28 June 2018 (standstill agreement).

Meanwhile, KKR and Goldman Sachs carried out several placements that substantially reduced their stakes held indirectly

via Superlift Holding. On 7 January, they sold a total of 10.7 million shares – 10.8 per cent of KION shares – on the stock exchange, followed by the sale of around 7.5 million more shares – 7.6 per cent of KION shares – on 10 June. KKR and Goldman Sachs disposed of a further block of 8.0 million shares – 8.1 per cent of KION shares – on 10 November. As a result of these placements and the increase in Weichai's stake, the proportion of shares held by KKR and Goldman Sachs indirectly via Superlift Holding at the end of 2014 stood at 18.8 per cent, compared with 48.6 per cent at the beginning of the year. Weichai Power is therefore the biggest single shareholder in KION GROUP AG.

Share data

TABLE 002

Closing price on 31/12/2013	€30.73
High for 2014	€37.07
Low for 2014	€25.83
Closing price on 31/12/2014	€31.74
Market capitalisation as at 31/12/2014	€3,138.6 million
Performance in 2014	3.3%
Average daily trading volume in 2014 (no. of shares)	106.3 thousand
Average daily trading volume in 2014 (€)	€3.4 million
Share capital	€98,900,000
Number of shares as at 31/12/2014	98,900,000
Pro forma earnings per share for 2014	€1.79
Dividend per share for 2014 *	€0.55
Dividend payout rate *	31%
Total dividend payout *	€54.3 million
Equity ratio as at 31/12/2014	26.9%

* Proposed dividend for the fiscal year 2014

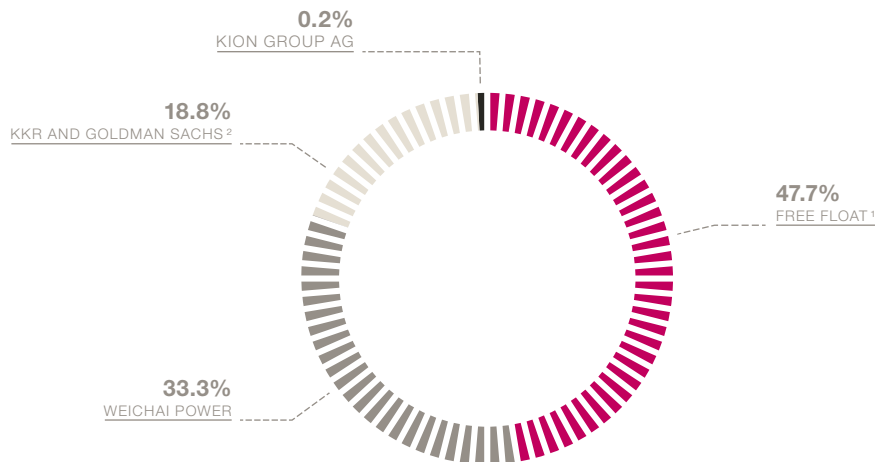
Conversely, the free float increased from 20.3 per cent at the beginning of 2014 to a total of 47.7 per cent by the end of the year. Since October 2014, the shares in free float have also included those held by around 1,800 employees of the KION Group's German companies who received blocks of shares at favourable terms under the KION Employee Equity Programme (KEEP) approved by the Executive Board. As a result of the programme, a total of 87.4 thousand shares – equivalent to 0.1 per cent of share capital – are now broadly distributed among the workforce. The KEEP programme is to be extended to other countries in 2015. In order to implement the KION Employee Equity Programme, KION GROUP AG made use in September of an authorisation granted by a resolution of the Extraordinary General Meeting on

13 June 2013 allowing treasury shares to be acquired for an employee share programme. A total of 251,000 shares have been repurchased since August 2013, 51,000 of them in September 2014. Of these treasury shares, 163,562 were left after the first stage of the KEEP programme – equivalent to 0.2 per cent of share capital – and they remain available for the employee share scheme.

On 28 June 2014, all participants in the KION management partnership plan (MPP) also became entitled to sell their shares or transfer them into their private investment accounts. The shares previously reported as being attributable to KION management are therefore now counted as part of the free float. > **DIAGRAM 002**

Shareholder structure as at 31 December 2014

DIAGRAM 002



¹ Includes shares that are still held by KION Management Beteiligungs GmbH & Co. KG for members of the Executive Board and Supervisory Board but which 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.

On 12 February 2015, KKR and Goldman Sachs placed a further 4.8 million shares (4.9 per cent of KION shares) in the market. As a result of this transaction, the free float increased again, from 47.7 per cent to 52.6 per cent. The proportion of shares held indirectly by KKR and Goldman Sachs via Superlift Holding therefore reduced from 18.8 per cent to 13.9 per cent.

Optimised funding structure, improved rating

On 15 April 2014, the KION Group redeemed two of its outstanding bond tranches before maturity in order to further optimise its corporate funding. The bonds had been issued prior to the IPO. The fixed-rate tranche of the corporate bond issued in 2011, which had a volume of €325.0 million, and the floating-rate tranche of the bond issued in 2013, which had a volume of €200.0 million, were repaid early in full. This was financed by drawdowns under the existing revolving credit facility and an increase of €198.0 million to the facility. By refinancing these bond tranches, the KION Group expects to save around €20 million in annual interest payments.

The fixed-rate (6.75 per cent) tranche of the bond issued in 2013, which has a volume of €450.0 million and a maturity date of 2020, remains in place.

On 7 April 2014, Moody's raised the rating of the KION Group and the bonds from Ba3 to Ba2 with a stable outlook. Then, on 15 April 2014, S&P raised its rating for the KION Group from BB– with a positive outlook to BB, still with a positive outlook.

Overwhelming majority of financial analysts recommend KION shares

In 2014, the following six brokerage houses began to cover KION Group's shares: HSBC, Baader Bank, MainFirst, Bankhaus Lampe, LBBW and NordLB. This brings the total number of brokerage houses that now regularly publish research on KION shares to 16. At the year end, twelve of the analysts recommended KION shares as a buy while four rated them as neutral. The median target price specified for the shares was €36.00.

Dividend of €0.55 per share planned

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.55 per share to the Annual General Meeting on 12 May 2015. This equates to a dividend payout rate of about 31 per cent of net income. Pro-forma earnings per share for 2014 came to €1.79.

Services for shareholders

Active investor relations

The Executive Board and the KION Group's investor relations team talked directly with investors and analysts on numerous occasions during the year. As well as attending a total of 15 investor conferences in Germany and abroad, they ran a multitude of roadshows and held a number of one-on-one meetings.

The KION Group's first Capital Markets Day for analysts and investors, which was held in Mainz on 2 December, was also a focal point of investor activities. At the event, the Executive Board addressed the key aspects of the KION Group Strategy 2020 that had been announced during the year, explained them in detail and answered questions about the Group's business model. To provide representatives from the capital markets with an insight into KION's business, various forklift and warehouse trucks were put on display and shown in operation.

The first Annual General Meeting held by KION GROUP AG as a listed company took place on 19 May 2014 and was attended by around 150 shareholders. Those in attendance, representing 90.21 per cent of the voting share capital, approved all the draft resolutions put forward by the Company's management with a large majority, including the resolution to distribute a dividend of €0.35 per share. The total dividend payout of €34.5 million was equivalent to a dividend payout rate of roughly 25 per cent of net income. Other agenda items related to approval of the Executive Board remuneration system and the creation of authorised and conditional capital – equating in total to 10 per cent of the existing share capital – with the option of excluding pre-emptive rights. The speeches of the Chief Executive Officer and the chairman of the Supervisory Board were broadcast live at kiongroup.com/agm. A webcast of the Chief Executive Officer's speech is also available on the Company's website.

Each of the KION Group's financial reports was explained in detail. The Executive Board of KION GROUP AG had presented the key aspects of the KION Group Strategy 2020 during a conference call on 20 March 2014 when the 2013 annual report was published, and the strategy was also one of the key themes of the Annual General Meeting. The Executive Board held update calls to report on each set of quarterly results. The transcripts from the quarterly update calls along with the presentations form part of the extensive information for investors available on the Company's website at kiongroup.com/ir/presentations.

Data about KION shares and bonds, press releases and presentations as well as information about the Annual General Meeting and corporate governance within the Group can be found at kiongroup.com/ir. You can register for the IR newsletter under IR Contact & Services, which will enable you to receive our press releases and more. The contact details of the IR team and the financial calendar can also be found here. The KION Group's financial reports are available both as PDF files and as interactive online versions. They also contain a download section where, for example, you can download all of the tables as an Excel file.

KION GROUP INVESTOR RELATIONS

kiongroup.com/ir



B

Corporate Governance

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Corporate governance report

Corporate governance covers the whole system of managing and monitoring an enterprise, the principles and guidelines that shape its business policy and the system of internal and external control and monitoring mechanisms. The Executive Board and Supervisory Board of KION GROUP AG believe that an uncompromising commitment to the most ambitious standards of corporate governance is essential to the Company's long-term success. Compliance with these principles also promotes the trust that our investors, employees, business partners and the public have in the management and monitoring of the Company.

There is a close correlation between the corporate governance report required by section 3.10 of the German Corporate Governance Code as amended on 24 June 2014 (the Code) and the content of the corporate governance declaration required by section 289a German Commercial Code (HGB). For this reason, the Executive Board and the Supervisory Board of KION GROUP AG have combined the two statements.

DECLARATION PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

The corporate governance declaration required by section 289a HGB includes the comply-or-explain statement in accordance with section 161 of the German Stock Corporation Act (AktG) (see 1. below), relevant disclosures on corporate management practices extending beyond statutory requirements (see 2. below), a description of the working methods of the Executive Board and the Supervisory Board, and a description of the working methods and composition of the Supervisory Board committees (see 3. below). The declaration on corporate governance pursuant to section 289a HGB is part of the management report. According to section 317 (2) sentence 3 HGB, the information provided in accordance with section 289a HGB does not have to be included in the audit of financial statements.

1. Comply-or-explain statement pursuant to section 161 (1) AktG

Section 161 (1) AktG requires the management board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, or intends to comply with, the recommendations of the Code and also stating the recommendations with which it has not complied or does not intend to comply, and the reasons why. Detailed reasons must be given for any departure from the recommendations of the Code. The comply-or-explain statement must be made permanently available to the public on the company's website.

Following KION GROUP AG's listing on the Regulated Market at Frankfurt Stock Exchange on 28 June 2013, the Executive Board and Supervisory Board issued the Company's first comply-or-explain statement on 19 December 2013.

Both decision-making bodies considered the recommendations of the amended Code in detail and on 17 December 2014 they issued the second comply-or-explain statement of KION GROUP AG as required by section 161 (1) AktG as follows:

1. Since the last comply-or-explain statement was issued in December 2013, KION GROUP AG has complied with all of the recommendations of the German Corporate Governance Code (the Code) as amended on 13 May 2013 with one exception.

In departure from section 3.8 (3) of the Code, the articles of incorporation of KION GROUP AG do not provide for an excess in the D&O insurance policies for members of the Supervisory Board. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany.

2. The Code as amended on 24 June 2014 was announced in the German Federal Gazette on 30 June 2014. Since then, KION GROUP AG has complied with all of the recommendations in the Code as amended on 24 June 2014 with the one exception described above, and intends to continue to do so in future.

Wiesbaden, 19 December 2014

For the Executive Board:

Gordon Riske

Dr Thomas Toepfer

For the Supervisory Board:

Dr John Feldmann

The comply-or-explain statement is available on the website of KION GROUP AG at kiongroup.com/comply_statement

2. Relevant disclosures on corporate governance

The corporate governance of KION GROUP AG is essentially, but not exclusively, determined by the provisions of the German Stock Corporation Act and those of the Codetermination Act (MitbestG) and also follows the recommendations of the German Corporate Governance Code. KION GROUP AG complies with all the Code's recommendations, with one exception. These fundamental principles are combined with a commitment to sustainable business, taking account of society's expectations in the markets in which the Company operates.

In 2014, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the

German Stock Corporation Act. For example, the Supervisory Board's Audit Committee, which was set up partly for this purpose, received regular reports on the accounting processes and the effectiveness of the internal monitoring and risk management systems and of the audit of financial statements, and then reported back to the full Supervisory Board on these matters.

2.1 Internal control system

KION GROUP AG has an internal control system designed to meet the specific needs of the Company. Its processes are intended to ensure the correctness of the internal and external accounting processes, the efficiency of the Company's business operations and compliance with key legal provisions and internal policies. These control processes also include the Company's strategic planning, where the underlying assumptions and plans are reviewed on an ongoing basis and refined as necessary.

The Supervisory Board and in particular the Supervisory Board's Audit Committee regularly obtain information on the processes put in place as part of the internal control system and have satisfied themselves as to their efficiency.

2.2 Accounting-related internal control system

For its accounting process, the KION Group has defined suitable structures and processes as part of its internal control and risk management system and implemented them throughout the Group. Besides defined control mechanisms, it includes, for example, system-based and manual reconciliation processes, clear separation of functions, strict compliance with the double-checking principle and written policies and procedures. The overarching aim is for the separate financial statements, consolidated financial statements, management report and group management report to be fully compliant with the relevant statutory and regulatory requirements and, in particular, the applicable financial reporting standards. Changes to these requirements and standards are analysed on an ongoing basis and taken into account as appropriate. Details can be found in the risk report, which is part of the group management report.

2.3 Risk management system

For the Company to be managed professionally and responsibly, the Executive Board must regularly obtain information about existing risks and whether they have changed from the risk-management system established in the Company, and then report on this to the Supervisory Board's Audit Committee. The KION Group's risk-management system is documented in a Group risk policy that defines tasks, processes and responsibilities and sets out the rules for identifying, assessing, reporting and managing risk. Specific individual risks are then reported by each Group entity using an online reporting tool. Reporting on cross-segment risks and groupwide risks is carried out by Controlling and the relevant departments. The risks that have been reported are reviewed on a quarterly basis and re-assessed until there is no longer any reason to report a risk.

2.4 Compliance management system

The Executive Board and Supervisory Board of KION GROUP AG consider that adhering uncompromisingly to broad-ranging compliance standards is essential to sustained financial success. That is why a comprehensive compliance programme, centring around the KION Group Code of Compliance, has been set up for KION GROUP AG and its Group companies worldwide.

The KION Group Code of Compliance, which is available in all of the main languages relevant to the Group companies of KION GROUP AG, provides every employee with clear guidance on how to conduct their business in accordance with sound values and ethics and in compliance with the law. The aim is that all employees should receive regular training on the most important compliance subjects (e.g. competition law, data protection, communication and anti-corruption). Desk-based employees can use e-learning tools to complete the mandatory training.

Compliance activities focus on anti-corruption, foreign trade/export controls, liability of senior management, directors' and officers' liability, capital markets compliance, IT security and data protection.

KION GROUP's compliance organisation is made up of the following committees, functions and duties:

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management

within the Group; the compliance department reports to the Chief Executive Officer of KION Group AG. Responsibility for implementing compliance management has been delegated to the Chief Compliance Officer, the CEOs of the STILL and LMH segments, and the heads of the KION regions. Responsibility for monitoring of course remains with the CEO of the Group. The KION compliance department, the KION compliance team and the KION compliance committee provide operational support to the aforementioned functions. The KION compliance department focuses mainly on preventing compliance violations by providing guidance, information, advice and training. It manages the KION compliance team, in which local and regional compliance officers of the Group are represented.

The members of the compliance team at KION GROUP AG are available to advise all Group employees and answer their questions at any time. They are also responsible for the implementation of the compliance programme, particularly for providing advice, information and training.

Actual or suspected incidents of non-compliance can be reported by post, email or fax. All employees can also report any cases of non-compliance via a compliance hotline and can choose to remain anonymous.

As part of its work, the compliance department at KION GROUP AG cooperates closely with the legal and internal audit departments. The KION compliance committee is staffed by the heads of these departments and the head of human resources, operating as a cross-functional committee that primarily advises on, examines and, if relevant, punishes incidents of non-compliance that are reported. While the KION compliance department is responsible for preventing compliance violations, the internal audit unit is tasked with checking the facts of reported non-compliance cases. On behalf of the Executive Board, the internal auditors also monitor subsidiaries for compliance with regulations. If their audits confirm cases of non-compliance, it is the task of HR or Legal to remedy the violations and sanction those responsible, if appropriate.

The Management Boards of the KION brand parent companies and their subsidiaries are responsible for ensuring compliance. The Local Compliance Representatives advise and support the directors and senior managers in ensuring compliance throughout the Group.

2.5 Audit-relevant processes

The KION Group's separate financial statements and management report, and the consolidated financial statements and group management report, which are prepared by the Executive Board of KION GROUP AG, are audited by an independent auditor, discussed by the Audit Committee and approved by the Supervisory Board.

The independent auditor reviews the condensed consolidated interim financial statements and the condensed interim group management report for the first half of the year. The Executive Board discusses all interim reports with the Audit Committee before they are published.

2.6 Avoiding conflicts of interest

Conflicts of interest between the governing bodies and other decision-makers in the Company or significant shareholders go against the principles of good corporate governance and are likely to be harmful to the Company. KION GROUP AG and its governing bodies therefore adhere strictly to the Code's recommendations on this subject. The employees of KION GROUP AG and its investees are made aware of the problem of conflicts of interest as part of compliance training and are bound by rules on how to behave in the event of actual or potential conflicts of interest.

The Company attaches high priority to preventing possible conflicts of interest from occurring in the first place and to dispelling any impression that they might exist. This is especially important given the involvement of Weichai Power, whose stake has risen to 33.3 per cent, and of long-standing shareholders Goldman Sachs and KKR, who exerted considerable influence over the Company's Executive Board in the years before KION GROUP AG's conversion to a public limited company and its IPO. As at 31 December 2014, they still held 18.8 per cent of the Company's shares via their joint equity investment company Superlift. The Company aims to avoid business scenarios or personnel scenarios that could give the impression of a conflict of interest and by taking transparent steps that effectively prevent concerns about conflicts of interest.

The Company's Chief Executive Officer, Mr Gordon Riske, was appointed a non-executive director of Weichai Power with effect from 24 June 2013, for which the Supervisory Board had previously given its consent. Appropriate precautions have been

taken to ensure that this role at a major shareholder of the Company does not create a conflict of interest relating personally to Mr Riske. Formal processes have been put in place to ensure that Mr Riske, in his role as a non-executive director of Weichai Power, will not be involved in transactions that could give rise to a conflict with the interests of the KION Group. Nor will Mr Riske be involved in transactions relating to the exercise of voting rights by Weichai Power or its subsidiaries at the Annual General Meeting of KION GROUP AG. It has been ensured that Mr Riske maintains a strict separation between his duties as a non-executive director of Weichai Power and his duties as Chief Executive Officer of KION GROUP AG and that he fulfils all of his legal obligations in the interests of the Company.

3. Working methods of the Executive Board and Supervisory Board and composition of the committees of the Supervisory Board

The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship. It focuses on ensuring the sustained success of the Company. The members of the Executive Board regularly attend Supervisory Board meetings, unless the Supervisory Board decides to meet without the Executive Board.

The Board of Management promptly, comprehensively and regularly reports to the Supervisory Board on the performance of the KION Group. Besides the reporting obligations defined by law, the rules of procedure for the Executive Board of KION GROUP AG set out further reporting requirements and reservations of approval in favour of the Supervisory Board.

3.1 Working methods of the Executive Board

Until the departure of Executive Board members Theodor Maurer and Bert-Jan Knoef on 15 January 2015, the Executive Board of KION GROUP AG comprised five members. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the Company's strategy, discusses it with the Supervisory Board and ensures that it is implemented.

Every Executive Board member is responsible for his or her own area of responsibility, and keeps his or her fellow board members informed of developments on an ongoing basis. > **TABLE 003**

Responsibilities within the Executive Board **TABLE 003**

Executive Board	Responsibilities
Gordon Riske	CEO KION GROUP AG CEO STILL GmbH (from 15 January 2015) CEO Linde Material Handling GmbH (from 15 January 2015) Strategy/Business Development Corporate Communications Corporate Office Internal Audit Compliance KION Warehouse Systems KION Synergies/Platforms North America Region South America Region Quality (from 15 January 2015)
Dr Thomas Toepfer	CFO KION GROUP AG Accounting, Tax & Financial Services Corporate Finance/Investor Relations/M&A Controlling HR/Labour Relations Director Legal IT Purchasing Data Protection Logistics/Urban (from 15 January 2015) Facility Management/Health Safety Environment (from 15 January 2015)
Bert-Jan Knoef (until 15 January 2015)	Executive Board member KION GROUP AG CEO STILL GmbH Logistics/Urban
Theodor Maurer (until 15 January 2015)	Executive Board member KION GROUP AG CEO Linde Material Handling GmbH Quality Facility Management/Health Safety Environment
Ching Pong Quek	Executive Board member KION GROUP AG/ Chief Asia Pacific Officer Asia Pacific Region

Every Executive Board member must disclose potential conflicts of interest to the Supervisory Board immediately and must also inform the other Executive Board members. All transactions between KION GROUP AG and Executive Board members or parties or companies closely associated with them must be concluded on an arm's-length basis.

Rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and meetings are chaired by the CEO. Individual Executive Board members sometimes take part via video conference. At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, require the approval of the full Executive Board. Resolutions of the full Executive Board are passed by simple majority unless a greater majority is required by law. The chairman has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings. Taking account of the requirements of section 90 AktG, the Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all matters of relevance to the business as a whole relating to operating policy, strategic planning, business performance, financial position, financial performance and business risks. The Chief Executive Officer meets regularly with the chairman of the Supervisory Board to discuss these matters.

The Executive Board's rules of procedure specify that important transactions are subject to approval by the Supervisory Board. Budget planning, major acquisitions or capital expenditure, for example, require the consent of the Supervisory Board.

The Company is represented by two members of the Executive Board, by one member of the Executive Board acting conjointly with a Prokurist (person with full commercial power of representation), or by two Prokurists.

3.2 Working methods of the Supervisory Board

The Supervisory Board of KION GROUP AG advises and monitors the Executive Board in its management of the Company and reviews its work. The Supervisory Board is fully involved from an early stage in all decisions that are fundamental to KION GROUP AG.

The Supervisory Board of KION GROUP AG consists of 16 members, eight of whom are employee representatives and eight are shareholder representatives. The shareholder representatives are elected individually by the Annual General Meeting by simple majority.

The Supervisory Board has drawn up rules of procedure for its work. These apply in addition to the requirements of the articles of incorporation and also define the Supervisory Board committees. According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs its meetings and represents it externally. The Supervisory Board meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. Between these meetings, resolutions may also be adopted in writing, by telephone or by other similar forms of voting, provided that the chairman of the Supervisory Board or, in his absence, his deputy, decides on this procedure for the individual case concerned. The Supervisory Board adopts resolutions by a simple majority of the votes cast unless a different procedure is prescribed by law. If a vote is tied, the matter will only be renegotiated if the majority of the Supervisory Board vote in favour of this option. Otherwise the Board must vote again without delay. If this new vote on the same matter also results in an equal number of votes for and against, the chairman of the Supervisory Board has a casting vote.

3.3 Objectives for the composition of the Supervisory Board

The Supervisory Board strives to ensure that its composition is appropriate to its responsibilities and obligations. In particular, this means considering members' individual qualities and skills as well as the specific requirements resulting from the global business activities of KION GROUP AG and its Group companies. The Supervisory Board is therefore of the opinion that the priority in aiming for a board composition based on diversity must be on the expertise of the individual members and on a balanced mix of personal qualities, experience, skills, qualifications and knowledge of all members in line with the requirements of the business. Consequently, it has agreed upon guidelines for the selection of Supervisory Board members in the form of a diversity statement. This also means that the Supervisory Board's aim is to have an appropriate number of women on the Supervisory Board and to comply with the new statutory

requirements for the proportion of female members of supervisory boards. Since the appointment of Ms Birgit Behrendt and Ms Xu Ping as members of the KION GROUP AG Supervisory Board with effect from 1 January 2015, there have been three female members. The Supervisory Board will also support the inclusion of other female Board members who meet the above criteria.

3.4 Working methods and composition of the committees of the Executive Board and Supervisory Board

In the year under review, there were four committees at KION GROUP AG whose tasks, responsibilities and work processes comply with the provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code. The chairman of each committee reports regularly to the full Supervisory Board on the committee's work. The committees have each drawn up rules of procedure that define their tasks and working methods.

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also prepared by the Executive Committee. The Executive Committee is also responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions about any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory

Board members and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

In 2014, the members of the Executive Committee were:

Dr John Feldmann (chairman)
 Joachim Hartig (deputy chairman)
 Dr Alexander Dibelius
 Denis Heljic
 Johannes P. Huth
 Jiang Kui
 Thilo Kämmerer (until 31 August 2014)
 Olaf Kunz (from 24 September 2014)
 Kay Pietsch

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. If the two-thirds-of-votes majority required by section 27 (3) and section 31 (3) of the German Code-termination Act (MitbestG) is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a casting vote on the candidates proposed.

In 2014, the members of the Mediation Committee were:

Dr John Feldmann (chairman)
 Joachim Hartig (deputy chairman)
 Johannes P. Huth
 Kay Pietsch

Audit Committee

The Audit Committee has four members, who are elected by the Supervisory Board. Its purpose is to assist the Supervisory Board in performing its task of monitoring accounting processes, compliance matters and reporting. These responsibilities encompass monitoring the quality and integrity of the consolidated and separate financial statements (as well as related disclosures), the internal control mechanisms, risk management and the internal audit system. The Audit Committee also reviews the work carried out by the independent auditor and checks that the independent auditor is qualified and independent. It is also responsible for engaging the independent auditor, determining the focus of the audit and agreeing the fee. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

In 2014, the members of the Audit Committee were:

Hans Peter Ring (chairman)
 Kay Pietsch (deputy chairman)
 Dr John Feldmann
 Alexandra Schädler

As an independent member of the Audit Committee, the chairman, Hans Peter Ring, has the required expertise in the areas of accountancy and auditing specified in sections 100 (5) and 107 (4) AktG.

Nomination Committee

The Nomination Committee has four members, all of whom are shareholder representatives and are elected by the shareholder representatives on the Supervisory Board. The Nomination Committee's only task is to propose new candidates for the Supervisory Board to the Company's Annual General Meeting.

In 2014, the members of the Nomination Committee were:

Dr John Feldmann (chairman)
 Dr Martin Hintze (deputy chairman,
 until 31 December 2014)
 Dr Alexander Dibelius (from 1 January 2015)
 Dr Johannes Huth (from 1 January 2015)
 Jiang Kui
 Silke Scheiber (until 31 December 2014)

EXECUTIVE BOARD AND SUPERVISORY BOARD SHAREHOLDINGS AND DIRECTORS' DEALINGS

1. Shareholdings

As at 31 December 2014, the shares in KION GROUP AG or related financial instruments held directly or indirectly by all members of the Executive Board and Supervisory Board equated to less than 1 per cent of all the shares issued by the Company.

2. Directors' dealings

Pursuant to section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and the Supervisory Board and related parties are obliged to disclose transactions involving shares in the Company or related financial instruments (such as derivatives) if the value of these transactions reaches €5,000 or more within one calendar year. > **TABLE 004**

Transactions pursuant to section 15a (WpHG) in 2014

TABLE 004

Buyer/Seller	Type of transaction	Date of transaction	Share price (€)	Number of shares	Total value (€)
Holger Brandt	Sale	24 February 2014/ 24 March 2014*	35.1681	5,175	181,994.92
Theodor Maurer	Sale	13 August 2014	29.20	25,000	730,000.00
Bert-Jan Knoef	Sale	10 November 2014	30.702	24,350	747,593.70

* The report dated 24 March 2014 refers to the report dated 26 February 2014, in which it was only possible to state a provisional sale price of €36.7250 for the 5,175 shares. The report dated 26 February 2014 also stated that a second report concerning these 5,175 shares would be made once the final sale price had been determined. Mr Brandt has known the final sale price since 19 March 2014. It was determined by adjusting the provisional price of €36.725 per share, which was set on the day the shares were transferred to the broker, when the sale of the shares was completed in such a way as to avoid disrupting the market (which required an extended selling period). The price was adjusted by the payment of a premium of €1.5569, which was equivalent to the weighted average sale price achieved on each trading day. At the end of the sale period, this produced a final sale price of €35.1681.

Disclosures relevant to acquisitions, section 315 (4) HGB

The disclosures relevant to acquisitions pursuant to section 315 (4) HGB together with the explanatory report form an integral part of the group management report.

1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to €98.9 million as at 31 December 2014. It is divided into 98.9 million no-par-value bearer shares. The share capital is fully paid-up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions. As at 31 December 2014, the Company held 163,562 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Programme (KEEP).

2. Restrictions on voting rights or the transfer of shares

There are generally no restrictions with respect to voting rights or the transfer of shares in the Company. In accordance with the legal provisions applicable to bearer shares, all of the shares in the Company can be traded freely.

As at 31 December 2014, KION Management Beteiligungs GmbH & Co. KG (KMB) held shares in the Company on behalf of managers employed by the Company and its subsidiaries. KMB made an undertaking to the syndicate banks underwriting the IPO regarding the shares held by KMB for members of the Executive Board of the Company, the Executive Board of KION Material Handling GmbH and the Management Boards of Linde Material Handling GmbH and STILL GmbH at the time the underwriting agreement was signed as part of the IPO. It undertook not to dispose of these shares within a period of twelve months from the day after the Company's first day of trading on the stock exchange, i.e. until 29 June 2014. This obligation also included other securities of the Company, including securities that can be

converted into shares in the Company or options that can be exercised or exchanged to obtain shares in the Company. Under this agreement, KMB was not permitted to offer, pledge, allocate, sell or undertake to sell the shares concerned, sell call options or call contracts, buy put options, or grant call options, purchasing rights or subscription rights. It complied in full with this obligation until it lapsed on 29 June 2014.

The Executive Board understands that KION GROUP AG's two major shareholders, Superlift Holding S.à r.l. ('Superlift') and Weichai Power (Luxembourg) Holding S.à r.l. ('Weichai Power') have entered into a shareholder agreement in which they have both undertaken to coordinate their voting at the Annual General Meeting of the Company in respect of certain resolutions. Furthermore, the Executive Board understands that Superlift and Weichai Power have come to an arrangement in the shareholder agreement to grant each other a mutual right of first offer in respect of the shares held by the other shareholder, but this arrangement expired in the course of 2014.

KION GROUP AG has no rights arising from the treasury shares that it holds (section 71b AktG).

3. Direct or indirect shareholdings in the Company that represent more than 10 per cent of the voting rights

As far as the Company is aware, the following companies directly or indirectly held more than 10 per cent of the voting rights in KION GROUP AG as at 31 December 2014:

- Superlift with a direct shareholding of 18.8 per cent of the voting rights

Pursuant to the German Securities Trading Act (WpHG), the shareholding held by Superlift is deemed to belong to the following other companies:

> TABLE 005

Companies to which Superlift is deemed to belong TABLE 005

Company	Registered office
KKR & Co. L.P.	Wilmington, USA
KKR 1996 Overseas, Limited	George Town, Cayman Islands
KKR 2006 Fund (Overseas), Limited Partnership	George Town, Cayman Islands
KKR 2006 Limited	George Town, Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	George Town, Cayman Islands
KKR Associates Europe II, Limited Partnership	Calgary, Canada
KKR Europe II Limited	George Town, Cayman Islands
KKR European Fund II, Limited Partnership	Calgary, Canada
KKR Fund Holdings GP Limited	George Town, Cayman Islands
KKR Fund Holdings L.P.	George Town, Cayman Islands
KKR Group Holdings L.P.	George Town, Cayman Islands
KKR Group Limited	George Town, Cayman Islands
KKR Management LLC	Wilmington, USA
KKR Partners (International), Limited Partnership	Calgary, Canada
KKR PEI Associates, L.P.	St. Peter Port, Guernsey
KKR PEI GP LIMITED	George Town, Cayman Islands
KKR PEI Investments, L.P.	St. Peter Port, Guernsey
GS Capital Partners V Employee Fund, L.P.	Wilmington, USA
GSCP V Institutional AIV, L.P.	George Town, Cayman Islands
GS Capital Partners V Offshore, L.P.	George Town, Cayman Islands
GS Capital Partners V GmbH & Co. KG	Frankfurt am Main, Germany
GS Advisors V, L.L.C.	Wilmington, USA

Companies to which Superlift is deemed to belong TABLE 005

Company	Registered office
GSCP V AIV, L.P.	George Town, Cayman Islands
GS Capital Partners V Employee Funds GP, L.L.L.	Wilmington, USA
GS Advisors V AIV, Ltd.	George Town, Cayman Islands
Goldman, Sachs & Co.	New York, USA
The Goldman Sachs Group, Inc.	Wilmington, USA

■ Weichai Power with a direct shareholding of 33.3 per cent of the voting rights

Pursuant to WpHG, the shareholding held by Weichai Power is deemed to belong to the following other companies:

> TABLE 006

Companies to which Weichai Power is deemed to belong TABLE 006

Company	Registered office
Shandong Heavy Industry Group Co., Ltd.	Jinan, People's Republic of China
Weichai Group Holdings Limited	Weifang, People's Republic of China
Weichai Power Co., Ltd.	Weifang, People's Republic of China
Weichai Power Hong Kong International Development Co., Ltd.	Hong Kong, People's Republic of China
Other	Registered office
People's Republic of China	Beijing, People's Republic of China

On 12 February 2015, KKR and Goldman Sachs placed a further 4.8 million shares (4.9 per cent of KION shares) in the market. As a result of this transaction, the free float increased again, from 47.7 per cent to 52.6 per cent. The proportion of shares held indirectly by KKR and Goldman Sachs via Superlift Holding therefore reduced from 18.8 per cent to 13.9 per cent.

Since the reporting date, there may have been further changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the Company only learns about changes to the size of shareholdings if they are notifiable pursuant to the WpHG or other regulations.

4. Shares with special rights that confer authority to exert control over the Company

There are no shares with special rights that confer the authority to exert control over the Company.

5. Type of voting right controls in cases where employees hold some of the Company's capital and do not exercise their control rights directly

In connection with the acquisition of the business of the current KION GROUP AG from Linde AG in 2006, a relatively large group of managers and executives in the KION Group were given the opportunity to indirectly acquire shares in KION GROUP AG's legal predecessor, the former KION Holding 1 GmbH, through a limited partnership in KMB (see under 2 above). When KION Holding 1 GmbH was transformed into KION GROUP AG, these holdings were exchanged for shares in the new Company. The shares are not subject to internal restrictions, unless lock-up provisions apply because the executives concerned are members of the Executive Board of KION GROUP AG or members of the management board of a consolidated German subsidiary (see under 2 above).

At the Annual General Meetings of KION GROUP AG, KMB is represented either by its general partner, KION Management Beteiligungs GmbH, or by its managing limited partners. Before

important resolutions of the Annual General Meeting, these partners must convene a partners' meeting of KMB and obtain the approval of the limited partners with regard to how to vote. The limited partners pass resolutions by simple majority when taking a decision on how they should vote at the Shareholders' Meeting of KION GROUP AG.

6. Appointment and removal of members of the Executive Board; amendments to the articles of incorporation

Members of the Company's Executive Board are appointed and removed in accordance with the provisions of sections 84 and 85 AktG and section 31 MitbestG. Pursuant to article 6 (1) of the articles of incorporation of the Company, the Executive Board must have a minimum of two members. The Supervisory Board determines the number of Executive Board members. Pursuant to section 84 AktG and section 6 (3) of the Company's articles of incorporation, the Supervisory Board may appoint a Chief Executive Officer and a deputy.

Section 179 (1) sentence 1 AktG requires that amendments to the articles of incorporation be passed by resolution of the Annual General Meeting. In accordance with article 23 of the articles of incorporation in conjunction with section 179 (2) sentence 2 AktG, resolutions at the Annual General Meeting on amendments to the articles of incorporation are passed by simple majority of the votes cast and by simple majority of the share capital represented in the voting unless a greater majority is specified as a mandatory requirement under statutory provisions. The option to stipulate a larger majority than a simple majority in any other cases has not been exercised in the articles of incorporation.

The Supervisory Board is authorised in article 10 (3) of the articles of incorporation to amend the articles of incorporation provided that such amendments relate solely to the wording.

7. Authority of the Executive Board to issue or buy back shares

The Extraordinary General Meeting on 13 June 2013 authorised the Company, in the period up to 12 June 2016, to acquire for

treasury up to 10 per cent of all the shares in issue at the time of the resolution or in issue on the date the authorisation is exercised, whichever is the lower. Together with other treasury shares in possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorisation must not exceed 10 per cent of the Company's share capital at any time. The Company may sell the purchased treasury shares through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business or equity investments. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership programme. The treasury shares can also be retired. Share buyback for trading purposes is prohibited. The authorisation may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by a subsidiary or by third parties for the account of the Company or the account of a subsidiary. At the choice of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders or by way of a public invitation to shareholders to tender their shares.

After acquiring 200,000 shares in 2013, the Company again made use of the authorisation in 2014 and purchased a further 51,000 shares in the period from 10 September to 15 October 2014. During the reporting year, 87,438 of the shares acquired were used as part of the KEEP employee share programme for the employees of the Company and certain Group companies in Germany.

Subject to the consent of the Supervisory Board, the Company's Annual General Meeting resolved on 19 May 2014 to authorise the Executive Board to increase the Company's share capital by up to €9.89 million by issuing up to 9.89 million new no-par-value ordinary bearer shares for cash and/or non-cash contributions on one or more occasions up to and including 18 May 2019 (2014 Authorised Capital).

On 19 May 2014, for the period up to and including 18 May 2019, the Company's Annual General Meeting also resolved to authorise the Executive Board to issue, on one or more occasions, bearer and/or registered convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with or without

conversion rights, warrants, mandatory conversion requirements or option obligations, or any combinations of these instruments, which can be perpetual and/or fixed-term (also referred to jointly as 'debt instruments') for a total par value of up to €800 million. To enable shares to be allocated to the holders/beneficial owners of the convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with conversion rights, warrants, mandatory conversion requirements or option obligations issued on the basis of this authorisation granted by the Executive Board of KION GROUP AG or of a German or non-German company in which KION GROUP AG directly or indirectly holds the majority of voting rights and capital, the share capital was increased by conditional capital of up to €9.89 million by issuing up to 9.89 million new, no-par-value bearer shares in KION GROUP AG (2014 Conditional Capital).

Restrictions were placed on the issuance of new shares and debt instruments in accordance with the resolutions adopted by the Company's Annual General Meeting on 19 May 2014. Together, the proportion of the Company's share capital attributable to the shares issued on the basis of the 2014 Authorised Capital and the total number of shares issued to service the debt instruments issued on the basis of the aforementioned authorisation must not exceed 10 per cent of the Company's share capital, either on the effective date of the authorisation or the date on which it is exercised. This 10 per cent limit includes shares that are issued during the term of the authorisation based on the 2014 Authorised Capital, those that are issued, are required to be issued or may be issued from the 2014 Conditional Capital to service debt instruments, or shares that have been or will be issued on the basis of a different authorisation, or are still required to be issued to service a debt instrument or may be issued to do so.

In accordance with the resolutions adopted by the Company's Annual General Meeting on 19 May 2014, new shares and debt instruments can be issued for cash or non-cash contributions. They must be offered for subscription to existing shareholders. Pursuant to section 186 (5) AktG, the new shares can also be acquired by one or more banks provided they undertake to offer them to existing shareholders for subscription (indirect rights issue). However, subject to the consent of the Supervisory Board, the Executive Board is authorised to disapply some or all of the pre-emptive rights of existing shareholders in the following cases:

- in order to remove fractional amounts from shareholders' subscription rights;
- where new shares are issued for cash during a capital increase and the price at which the new shares are issued is not significantly lower (as defined by section 186 (3) sentence 4 AktG) than the market price for shares in the Company with the same rights, or if debt instruments are issued for cash and the Executive Board reaches a view after due examination that the issue price is not significantly lower than their theoretical market value determined according to recognised principles of financial mathematics (section 186 (3) sentence 4 AktG states that subscription rights can be excluded provided the capital increase is less than 10 per cent of share capital);
- where necessary in order to grant the same pre-emption rights to holders/beneficial owners of conversion rights or warrants and/or holders/beneficial owners of mandatory convertible bonds issued or to be issued by KION GROUP AG or a company in which it has a majority shareholding as those to which they would be entitled after exercising conversion rights or warrants or meeting conversion obligations;
- where new shares are issued during capital increases in return for non-cash contributions, particularly for the acquisition of a business, parts of a business or equity investments or if debt instruments are issued in return for non-cash capital contributions and the exclusion of pre-emption rights is in the interest of the Company.

If new shares are issued from the 2014 Authorised Capital, the Executive Board is also authorised, subject to the consent of the Supervisory Board, to exclude shareholders' pre-emption rights in order to allot shares to people who are employees or directors of the Company or its subsidiaries. This exclusion of pre-emption rights is limited to a maximum of 5 per cent of share capital, both on the effective date of this authorisation and at the time it is exercised.

When profit-sharing rights and/or income bonds with no conversion rights, warrants, mandatory conversion obligations or option obligations are issued in return for cash or non-cash capital contributions, the Executive Board is authorised, subject to the consent of the Supervisory Board, to exclude all pre-emption rights of shareholders, provided these profit-sharing rights and/or income bonds have a debt-like structure and do not give rise to rights to membership of the Company or entitle the holder to a share of the proceeds of any liquidation and the coupon rate is not based on levels of net income, distributable profit or dividends. In this case, the coupon rate and issue price of the profit-sharing rights and/or income bonds must also correspond to the market terms and conditions for comparable forms of finance prevailing at the time they are issued.

Subject to the consent of the Supervisory Board, the Executive Board is authorised to determine the further details of the capital increase relating to the 2014 Authorised Capital and its implementation, particularly the rights conferred by the shares and their terms and conditions of issue. In relation to debt instruments, it is authorised to determine further details about their issuance, terms of issue and the supply of shares or to determine them by mutual consent with the governing bodies of any majority-held company that is issuing the debt instruments.

8. Material agreements that the Company has signed and that are conditional upon a change of control resulting from a takeover bid, and the consequent effects

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following contracts concluded between Group companies of KION GROUP AG and third parties:

- Covenant agreement dated 14 February 2013 in connection with the €450,000,000, 6.75 per cent, senior secured notes maturing in 2020 issued by KION Finance S.A., concluded between Deutsche Trustee Company Limited as trustee, KION Finance S.A. and KION Group GmbH (now KION Material Handling GmbH).

In the event that a third party (with the exception of KKR and Goldman Sachs, companies affiliated with them or funds or limited partnerships/partnerships owned by them or that are advised or managed by them) acquires beneficial ownership of more than 50 per cent of all shares in KION GROUP AG, KION GROUP AG will be obliged to submit an offer to acquire the aforementioned debt instruments at a price of 101 per cent of their nominal value. This offer must remain valid for a minimum of 30 days from the date of the change of control.

- Senior facility agreement dated 23 December 2006 (and amended on several occasions thereafter), concluded between KION Group GmbH (now named KION Material Handling GmbH) and, among others, the London branch of UniCredit Bank AG.

In the event that a third party (with the exception of KKR and Goldman Sachs, companies affiliated with them or funds or limited partnerships/partnerships owned by them or that are advised or managed by them) acquires beneficial ownership of more than 50 per cent of all shares in KION GROUP AG, any loan facilities drawn down would be immediately repayable and any that had not been drawn down would be automatically cancelled.

- KION Material Handling GmbH has entered into an agreement with Volkswagen AG for the supply of internal combustion engines. This agreement includes a provision under which either party may terminate the agreement without notice if there is a change in ownership involving more than 50 per cent of the shares in either case.

9. Compensation agreements that the Company has signed with the Executive Board members or employees and that will be triggered in the event of a takeover bid

No such agreements have been concluded between the Company and its current Executive Board members or employees.

Remuneration report

This remuneration report forms an integral part of the group management report for KION GROUP AG. In accordance with statutory requirements and the recommendations of the German Corporate Governance Code as amended 24 June 2014 (DCGK), it explains the main features of the remuneration system used for the Executive Board and the Supervisory Board of the Company and also discloses the remuneration paid to the individual members of the Executive Board and the Supervisory Board in return for the work that they carried out on behalf of the Company and its subsidiaries in 2014.

EXECUTIVE BOARD REMUNERATION

Remuneration system

Essential features of the Executive Board remuneration system

The remuneration of the Executive Board of KION GROUP AG is determined in accordance with the requirements of the German Stock Corporation Act (AktG) and the DCGK. It reflects the size and complexity of the KION Group, its business and financial situation, its performance and future prospects, the normal amount and structure of executive board remuneration in comparable companies and the internal salary structure. The Supervisory Board also took into account the relationship between the Executive Board remuneration and the remuneration paid to senior managers and the workforce of the Company as a whole, including increases over the course of time. Other criteria used to determine remuneration included the remit and work to be carried out by the individual members of the Executive Board. The remuneration system was designed with support from external consultants working independently of the Executive Board and the Company.

The total remuneration paid to the Executive Board comprises a non-performance-related salary and non-performance-related non-cash benefits, performance-related (variable) remuneration and pension entitlements. When the variable remuneration structure was defined, the emphasis was on creating

a measurement basis covering a number of years, thus providing the members of the Executive Board with an incentive to contribute to the sustained and long-term growth of the Company. The structure also takes into account both positive and negative performance.

In addition, the remuneration for all members of the Executive Board is subject to upper limits on the amounts payable, both overall and also in terms of the variable components.

The pension entitlements consist of entitlements in respect of retirement, invalidity and surviving dependants' benefits. The Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

Non-performance-related remuneration

The Executive Board members of KION GROUP AG receive non-performance-related remuneration in the form of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary is paid at the end of each month in twelve equal instalments, the last payment being made for the full month in which the Executive Board service agreements ends. The additional non-cash benefits essentially comprises use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

Additional special benefits have been agreed for Mr Quek because he has been sent from Singapore to China on foreign assignment.

Mr Quek's remuneration is therefore structured as if he were liable for taxes and social security contributions in Singapore. KION GROUP AG pays the additional taxes and social security contributions that Mr Quek incurs in China and Germany. In 2014, the additional amount involved totalled €284,897 (2013: €316,045). The additional benefits agreed with Mr Quek include moreover the cost of trips home to Singapore for Mr Quek and his family, a company car, rental payments in Xiamen and private health insurance. In 2014, the special additional benefits for Mr Quek amounted to a total of €107,997 (2013: €117,161). These special benefits will be granted for as long as Mr Quek's designated place of work is Xiamen or until his service agreement with KION GROUP AG ends.

Performance-related remuneration

The performance-related remuneration components consist of a variable remuneration component measured over one year and a variable remuneration component measured over several years in the form of a rolling performance share plan with a three-year term.

One-year variable remuneration

The one-year variable remuneration is a remuneration component linked to the business profitability and productivity of the KION Group in the relevant financial year. Its amount is determined by the achievement of targets based on the following KPIs: earnings before interest, taxes and amortisation (EBITA), return on capital employed (ROCE), revenue and net debt. They are weighted as follows: 30 per cent for EBITA, 30 per cent for ROCE, 20 per cent for revenue and 20 per cent for net debt. The target values for the financial components are derived from the annual budget and specified by the Supervisory Board.

The possible range for target achievement is 0 per cent to 200 per cent. If the targets derived from the annual budget are achieved in full, target achievement is 100 per cent. The target achievement levels for the weighted Company targets (EBITA, ROCE, revenue and net debt) are added together to give the total target achievement.

The individual performance of the Executive Board members is rated using a discretionary performance multiple with a factor of between 0.8 and 1.2. The factor is determined by the Supervisory Board with reference to achievement of the individual targets defined by the Supervisory Board in a target agreement form at the start of the year. The factor is applied to total target achievement for the budget targets and results in payment of the individual target bonus. The amount paid as one-year variable remuneration is capped at 200 per cent of the target bonus.

In the event that an Executive Board member is not entitled to remuneration for the entire year on which the calculation is based, the remuneration is reduced pro rata temporis.

Multiple-year variable remuneration

The multiple-year variable remuneration component is structured in the form of a performance share plan. At the start of the three-year performance period, a conditional entitlement to a certain target number of performance shares is granted. This number is calculated by dividing the allocation value (in euros) for the particular Executive Board member by the fair value of one performance share at the time of grant. The number of preliminary performance shares defined in this way is adjusted depending on achievement of the two target values – total shareholder return (TSR) for KION shares compared with the STOXX® Europe Total Market Index (TMI) Industrial Engineering index and return on capital employed (ROCE) – over the performance period. Each target has a 50 per cent weighting.

The possible range for target achievement for both elements is 0 per cent to 150 per cent. If KION shares outperform the STOXX® Europe TMI Industrial Engineering index by 10 per cent and the ROCE targets defined each year on the basis of the budget are achieved, total target achievement will be 100 per cent.

The amount paid for each tranche is determined by the final number of performance shares multiplied by the price of the Company's shares (average price over the preceding 60 trading days) at the end of the performance period. Depending on achievement of the individual targets defined by the Supervisory Board at the start of the performance period (three-year target agreement form), the Supervisory Board can use a discretionary factor to make a final adjustment to the calculation of the amount to be paid out at the end of the performance period by plus or minus 20 per cent, although the maximum payment may not exceed 200 per cent of the allocation value.

The plan is a cash-settled long-term incentive plan that does not include the right to receive any actual shares. The first payment under the plan will be made in 2016.

Under the requirements of German accounting standard (GAS) 17 and IFRS 2, the total expense arising from share-based payments and the fair value of the performance share plan on the date of granting must be disclosed. > **TABLE 007**

Performance Share Plan 2014

TABLE 007

	Fair value of the performance share plan on the date of grant	Number of performance shares granted ¹	Fair value per performance share on date of grant	Expense for share-based remuneration in 2014
Gordon Riske	€1,500,000	54,427	€27.56	€486,033
Bert-Jan Knoef	€1,000,000	36,284	€27.56	€324,016
Theodor Maurer	€1,000,000	36,284	€27.56	€324,016
Ching Pong Quek	€830,000	30,116	€27.56	€268,936
Dr Thomas Toepfer	€1,000,000	36,284	€27.56	€324,016
Total	€5,330,000	193,395		€1,727,017

¹ The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

Performance Share Plan 2013

	Fair value of the performance share plan on the date of grant	Number of performance shares granted ¹	Fair value per performance share on date of grant	Expense for share-based remuneration in 2013	Expense for share-based remuneration in 2014
Gordon Riske	€1,500,000	73,710	€20.35	€349,975	€859,620
Bert-Jan Knoef	€1,000,000	49,140	€20.35	€233,317	€573,080
Theodor Maurer	€1,000,000	49,140	€20.35	€233,317	€573,080
Ching Pong Quek	€830,000	40,786	€20.35	€193,652	€475,654
Dr Thomas Toepfer	€1,000,000	49,140	€20.35	€233,317	€573,080
Total	€5,330,000	261,916		€1,243,578	€3,054,514

¹ The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

The total expense in 2014 amounted to €4,781,531 (2013: €1,243,578).

Prior to the IPO in 2013, Executive Board member Dr Thomas Toepfer was granted a special bonus (to be payable in two tranches) dependent on a successful IPO and subject to the condition that Dr Toepfer remained employed by KION GROUP AG after the IPO for a period of twelve months (for tranche 1) and 18 months (for

tranche 2). The amount of the bonus depends on the weighted average price of KION shares in the four weeks immediately preceding the payment of each tranche. The pro-rata expense for 2014 was €0.8 million (2013: €0.6 million). In connection with the provision of this special bonus entitlement, Dr Toepfer paid a one-off capital contribution of €200,000 into the Company, which the Company deducted from the net amount of a bonus for 2012 that

was due to be paid to Dr Toepler in 2013. The IPO bonus became payable in 2014. Besides the capital contribution repayment, Dr Toepler was paid €755,285 for tranche 1 and €679,058 for tranche 2.

Pension entitlements

KION GROUP AG grants its Executive Board members direct entitlement to a company pension plan consisting of retirement, invalidity and surviving dependants' benefits.

When the Company was floated, the defined benefit entitlement for the Company's Chief Executive Officer that had been granted to Mr Riske in his original service agreement was transferred to his Executive Board service agreement. The benefit amounted to a maximum of 50 per cent of the most recent fixed annual salary after the end of the tenth year of service based on his original service agreement.

For the ordinary members of the Executive Board, the present value of the previous defined benefit plan at the time of the IPO was transferred as a starting contribution for new pension arrangements in the form of a defined-contribution plan. The new defined-contribution plan is structured as a cash balance plan. For each of the ordinary members of the Executive Board, a fixed annual contribution of €150,000 (€124,500 for Mr Quek) is paid into their pension accounts for the duration of the member's period of service on the Executive Board.

Interest is paid on the pension account at the prevailing statutory guaranteed return rate for the life insurance industry (applicable maximum interest rate for the calculation of the actuarial reserves of life insurers pursuant to section 2 (1) German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV)) until an insured event occurs. If higher interest is generated by investing the pension account, it will be credited to the pension account when an insured event occurs (surplus). The standard retirement age for the statutory pension applies. Once Executive Board members have reached their 62nd birthday, they are entitled to early payment of the pension. In the event of invalidity or death, the contributions that would have been made until the age of 60 are added to the pension account, although only a maximum of ten contributions will be added. When an insured event occurs, the pension is paid as a lump sum or, following a written request, in ten annual instalments.

Termination benefits

In line with the DCGK, all Executive Board service agreements provide for a severance payment equivalent to no more than two years' annual remuneration payable in the event of the contract being terminated prematurely without good cause. The amount of annual remuneration is defined as fixed salary plus the variable remuneration elements, assuming 100 per cent target achievement and excluding non-cash benefits and other additional benefits, for the last full financial year before the end of the Executive Board service agreement. If the Executive Board service agreement was due to end within two years, the severance payment is calculated pro rata temporis. If a service agreement is terminated for good cause for which the Executive Board member concerned is responsible, no payments are made to the Executive Board member in question. The Company does not have any commitments for the payment of benefits in the event of a premature termination of Executive Board agreements following a change of control.

Executive Board members are subject to a post-contractual non-compete agreement of one year. In return, the Company pays the Executive Board member compensation for the duration of the non-compete agreement amounting to 100 per cent of his or her final fixed salary. Other income of the Executive Board member is offset against the compensation.

In the event that Mr Riske's appointment is not extended for reasons for which he is not responsible and he has not reached the standard retirement age for the statutory pension or in the event that Mr Riske resigns for good cause before the end of his appointment or suffers permanent incapacity after his period of service as a result of sickness, he will receive transitional benefits of €264,000 per annum on the basis of previous contracts. During his current term of office, the amount of the transitional benefits will rise by €12,000 each year up to a maximum amount of €300,000 per annum. Severance payments in the event of early termination of his appointment without good cause, compensation for the post-contractual non-compete agreement, pension benefits that Mr Riske receives due to his previous work for other employers and income from other use of his working capacity (with the exception of remuneration for work as a member of a supervisory or advisory board or a board of directors) will be offset against these transitional benefits.

If an Executive Board member suffers temporary incapacity, he or she will receive their full fixed salary for a period of six months plus the one-year variable remuneration. In the event of temporary incapacity for a further six months, the Executive Board member will receive 80 per cent of his or her fixed salary, but only up to a point at which the service agreement is terminated.

If an Executive Board member ceases to be employed by the Company as a result of death, the Executive Board member or his/her family members will be entitled to the fixed monthly remuneration for the month in which the service agreement ends and

for the three subsequent months, but only up to the point at which the service agreement would otherwise have come to an end.

Remuneration paid to members of the Executive Board in 2014

The total remuneration granted to Executive Board members for 2014 was €11,839,561 (minimum: €3,928,961, maximum: €19,750,161) (2013: €12,528,938). Of this amount, €2,839,850

Benefits granted in 2014

			Gordon Riske CEO KION GROUP AG			
Benefits granted			2013	2014	2014 (min)	2014 (max)
Non-performance-related components		Fixed remuneration	€700,000	€800,000	€800,000	€800,000
		Non-cash remuneration and other benefits ¹	€25,606	€18,560	€18,560	€18,560
		Total	€725,606	€818,560	€818,560	€818,560
Performance-related components	Short-term incentive	One-year variable remuneration ^{2,3}	€877,303	€700,000	€0	€1,400,000
		Multiple-year variable remuneration	€1,500,000	€1,500,000	€0	€3,000,000
	Share-based long-term incentive ⁴	Performance share plan ² (29 Jun 2013 – 31 Dec 2015)	€1,500,000			
		Performance share plan ² (1 Jan 2014 – 31 Dec 2016)		€1,500,000	€0	€3,000,000
		IPO bonus tranche 1 (29 Jun 2013 – 29 Jun 2014)				
		IPO bonus tranche 2 (29 Jun 2013 – 31 Dec 2014)				
		Total	€3,102,909	€3,018,560	€818,560	€5,218,560
		Pension expense ⁶	€422,727	€510,056	€510,056	€510,056
		Total remuneration	€3,525,636	€3,528,616	€1,328,616	€5,728,616

1 Other, non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.

2 The amount shown for Mr Quek includes a flat-rate allowance of 30 per cent as part of a tax equalisation agreement.

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement).

4 Fair value on the date of grant.

5 Former members of the Executive Board of KION Holding 1 GmbH.

6 Service cost (IAS).

(2013: €2,534,753) was attributable to fixed non-performance-related remuneration components, €7,910,600 (minimum: €0, maximum: €15,821,200) (2013: €9,141,827) to variable one-year and multiple-year performance-related remuneration components, €175,254 (2013: €221,744) to non-performance-related non-cash remuneration and other non-performance-related benefits, and €913,857 (2013: €630,614) to the pension expense. The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement). The

figure shown for multiple-year variable remuneration is the fair value of the performance share plans at the date of grant, which is equivalent to a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement). The first payment will be made in 2016, provided the Company's long-term targets are achieved.

The additional benefits were measured at the value calculated for tax purposes. > **TABLE 008**

TABLE 008

Bert-Jan Knoef				Theodor Maurer			
Executive Board member KION GROUP AG				Executive Board member KION GROUP AG			
Since 11 Jan 2013				Since 11 Jan 2013			
2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
€440,761	€500,000	€500,000	€500,000	€440,761	€500,000	€500,000	€500,000
€21,310	€18,898	€18,898	€18,898	€23,495	€17,547	€17,547	€17,547
€462,071	€518,898	€518,898	€518,898	€464,256	€517,547	€517,547	€517,547
€391,356	€400,000	€0	€800,000	€391,356	€400,000	€0	€800,000
€1,000,000	€1,000,000	€0	€2,000,000	€1,000,000	€1,000,000	€0	€2,000,000
€1,000,000				€1,000,000			
	€1,000,000	€0	€2,000,000		€1,000,000	€0	€2,000,000
€1,853,427	€1,918,898	€518,898	€3,318,898	€1,855,612	€1,917,547	€517,547	€3,317,547
€89,965	€101,631	€101,631	€101,631	€56,967	€104,401	€104,401	€104,401
€1,943,392	€2,020,529	€620,529	€3,420,529	€1,912,579	€2,021,948	€621,948	€3,421,948

Benefits granted in 2014 (continued)

			Ching Pong Quek			
			Executive Board member KION GROUP AG/ Chief Asia Pacific Officer			
			Since 11 Jan 2013			
Benefits granted			2013	2014	2014 (min)	2014 (max)
Non-performance-related components		Fixed remuneration	€480,566	€539,850	€539,850	€539,850
		Non-cash remuneration and other benefits ¹	€123,502	€107,997	€107,997	€107,997
		Total	€604,068	€647,847	€647,847	€647,847
Performance-related components	Short-term incentive	One-year variable remuneration ^{2,3}	€438,989	€431,600	€0	€863,200
	Share-based long-term incentive ⁴	Multiple-year variable remuneration	€1,079,000	€1,079,000	€0	€2,158,000
		Performance share plan ² (29 Jun 2013 – 31 Dec 2015)	€1,079,000			
		Performance share plan ² (1 Jan 2014 – 31 Dec 2016)		€1,079,000	€0	€2,158,000
		IPO bonus tranche 1 (29 Jun 2013 – 29 Jun 2014)				
		IPO bonus tranche 2 (29 Jun 2013 – 31 Dec 2014)				
		Total	€2,122,057	€2,158,447	€647,847	€3,669,047
		Pension expense ⁶		€96,836	€96,836	€96,836
		Total remuneration	€2,122,057	€2,255,283	€744,683	€3,765,883

1 Other, non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.

2 The amount shown for Mr Quek includes a flat-rate allowance of 30 per cent as part of a tax equalisation agreement.

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement).

4 Fair value on the date of grant.

5 Former members of the Executive Board of KION Holding 1 GmbH.

6 Service cost (IAS).

The total remuneration allotted to/earned by Executive Board members for 2014 was €7,694,904 (2013: €5,851,985). Of this amount, €2,839,850 (2013: €2,534,753) was attributable to fixed non-performance-related remuneration components, €3,765,943 (2013: €2,464,874) to variable one-year and multiple-year performance-related remuneration components, €175,254 (2013: €221,744) to non-performance-related non-cash remuneration

and other non-performance-related benefits, and €913,857 (2013: €630,614) to the pension expense. The figure shown for one-year variable remuneration is based on a preliminary total target achievement rate of 100 per cent calculated using preliminary earnings figures at the end of 2014. This preliminary variable remuneration for each Executive Board member is also subject to adjustment by the Supervisory Board in line with the individual

TABLE 008

Dr Thomas Toepfer				Former Executive Board members ⁵			
CFO KION GROUP AG							
2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
€462,520	€500,000	€500,000	€500,000	€10,145	€0	€0	€0
€26,605	€12,252	€12,252	€12,252	€1,226	€0	€0	€0
€489,125	€512,252	€512,252	€512,252	€11,371	€0	€0	€0
€577,362	€400,000	€0	€800,000	€15,748			
€1,870,713	€1,000,000	€0	€2,000,000	€0	€0	€0	€0
€1,000,000							
	€1,000,000	€0	€2,000,000				
€433,141							
€437,572							
€2,937,200	€1,912,252	€512,252	€3,312,252	€27,119	€0	€0	€0
€58,758	€100,933	€100,933	€100,933	€2,197			
€2,995,958	€2,013,185	€613,185	€3,413,185	€29,316	€0	€0	€0

performance of the Executive Board member. This adjustment may vary by +/- 20 per cent of the variable remuneration.

The additional benefits were measured at the value calculated for tax purposes. > TABLE 009

Allocation in 2014

			Gordon Riske		Bert-Jan Knoef	
			CEO KION GROUP AG		Executive Board member KION GROUP AG	
			Since 11 Jan 2013			
Allocation			2013	2014	2013	2014
Non-performance-related components		Fixed remuneration	€700,000	€800,000	€440,761	€500,000
		Non-cash remuneration and other benefits ¹	€25,606	€18,560	€21,310	€18,898
		Total	€725,606	€818,560	€462,071	€518,898
Performance-related components	Short-term incentive	One-year variable remuneration ²	€763,744	€700,000	€354,701	€400,000
		Multiple-year variable remuneration	€0	€0	€0	€0
	Share-based long-term incentive	Performance share plan (29 Jun 2013 – 31 Dec 2015)				
		Performance share plan (1 Jan 2014 – 31 Dec 2016)				
		IPO bonus tranche 1 (29 Jun 2013 – 29 Jun 2014)				
		IPO bonus tranche 2 (29 Jun 2013 – 31 Dec 2014)				
		Total	€1,489,350	€1,518,560	€816,772	€918,898
		Pension expense ⁴	€422,727	€510,056	€89,965	€101,631
		Total remuneration	€1,912,077	€2,028,616	€906,737	€1,020,529

1 Other, non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.

2 The figure shown for one-year variable remuneration for 2013 is the actual amount paid out, which differs from the estimated value listed in the 2013 consolidated financial statements.

3 Former members of the Executive Board of KION Holding 1 GmbH.

4 Service cost (IAS).

At its meeting on 17 December 2014, the Supervisory Board authorised the chairman of the Supervisory Board to hold talks with Mr Bert-Jan Knoef and Mr Theodor Maurer about the early termination of their appointment as members of the KION GROUP AG's Executive Board, about the termination of their Executive Board service agreements and about the conclusion of appropriate termination agreements. The Supervisory Board also authorised its chairman to conclude the necessary agreements in accordance with contractual and statutory require-

ments. Subsequently, agreement was reached with Mr Knoef and Mr Maurer that they would resign from office with effect from 14 January 2015 and that their Executive Board service agreements would end on 31 March 2015.

As is the case with the remuneration paid to the Executive Board, the benefits granted to the two men comprise a non-performance-related salary and non-performance-related non-cash benefits, performance-related remuneration and pension entitlements.

TABLE 009

Theodor Maurer		Ching Pong Quek		Dr Thomas Toepfer		Former Executive Board members ³	
Executive Board member KION GROUP AG		Executive Board member KION GROUP AG/ Chief Asia Pacific Officer		CFO KION GROUP AG			
Since 11 Jan 2013		Since 11 Jan 2013					
2013	2014	2013	2014	2013	2014	2013	2014
€440,761	€500,000	€480,566	€539,850	€462,520	€500,000	€10,145	
€23,495	€17,547	€123,502	€107,997	€26,605	€12,252	€1,226	
€464,256	€517,547	€604,068	€647,847	€489,125	€512,252	€11,371	€0
€372,773	€400,000	€459,925	€431,600	€500,355	€400,000	€13,376	
€0	€0	€0	€0	€0	€1,434,343	€0	€0
					€755,285		
					€679,058		
€837,029	€917,547	€1,063,993	€1,079,447	€989,480	€2,346,595	€24,747	€0
€56,967	€104,401		€96,836	€58,758	€100,933	€2,197	
€893,996	€1,021,948	€1,063,993	€1,176,283	€1,048,238	€2,447,528	€26,944	€0

Mr Knoef's total amount of €4,546,755 breaks down into a non-performance-related component of €4,070,712, a performance-related component without a long-term incentive of €84,444, a performance-related component with a long-term incentive – at the fair value for the 2013 and 2014 tranches pursuant to the terms of the performance share plan as at 31 December 2014 – of €194,562, plus the pro-rata value for 2015 of the shares allotted of €70,370 and pension expenses of €126,667.

Mr Maurer's total amount of €4,248,034 breaks down into a non-performance-related component of €3,771,991, a performance-related component without a long-term incentive of €84,444, a performance-related component with a long-term incentive – at the fair value for the 2013 and 2014 tranches pursuant to the terms of the performance share plan as at 31 December 2014 – of €194,562, plus the pro-rata value for 2015 of the shares allotted of €70,370 and pension expenses of €126,667.

The table below shows the pension contributions (additions to the plan) attributable to each individual Executive Board member and their separate present values. > **TABLE 010**

The total remuneration paid to former members of the Executive Board amounted to €209,616 (2013: €207,561). Provisions for

defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €6,082,485 (2013: €5,171,114) were recognised in accordance with IAS 19.

In the year under review, no advances were made to members of the Executive Board, and there were no loans.

Pensions

TABLE 010

	2014 service cost	2013 service cost	Present value (DBO) 31 Dec 2014	Present value (DBO) 31 Dec 2013
Gordon Riske	€510,056	€422,727	€4,562,340	€3,180,565
Bert-Jan Knoef	€101,631	€89,965	€1,905,632	€1,642,647
Theodor Maurer	€104,401	€56,967	€637,569	€492,380
Ching Pong Quek	€96,836	€0	€426,727	€265,443
Dr Thomas Toepfer	€100,933	€58,758	€523,314	€341,416

SUPERVISORY BOARD REMUNERATION

Remuneration system

The Supervisory Board's remuneration is defined in article 18 of KION GROUP AG's articles of incorporation. Members of the Supervisory Board receive fixed remuneration plus reimbursement of out-of-pocket expenses. The annual remuneration amounts to €45,000 for ordinary members of the Supervisory Board, €75,000 for the deputy chairman of the Supervisory Board and €105,000 for the chairman of the Supervisory Board.

Additional remuneration is paid for being a member or chairman of a committee, although this does not apply in the case of the Nomination Committee or the Mediation Committee pursuant to section 27 (3) German Codetermination Act (MitbestG). The

annual remuneration for members of a committee is €8,000, while the chairman of a committee receives double this amount.

If a member of the Supervisory Board or one of its committees does not hold their position for a full financial year, remuneration is reduced pro rata temporis.

The members of the Supervisory Board receive an attendance fee of €1,250 per day for meetings of the Supervisory Board and its committees, although they only receive this amount once if they attend more than one meeting on the same day.

The Company reimburses each member for any VAT incurred in connection with his or her remuneration.

A D&O insurance policy without an excess has been taken out for the members of the Supervisory Board.

Remuneration paid to members of the Supervisory Board in 2014

The total remuneration paid to the Supervisory Board in 2014 was €1,183,555. Of this amount, €1,019,927 was attributable to remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work totalled €163,628. The following table shows the breakdown of remuneration paid to each Supervisory Board member for 2014. > **TABLE 011**

In 2014, no company in the KION Group paid or granted any remuneration or other benefits to members of the Supervisory Board for services provided as individuals, such as consulting or brokerage activities. Nor were any advances or loans granted to members of the Supervisory Board.

Supervisory Board remuneration

TABLE 011

	Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
Dr John Feldmann (chairman)	€105,000	€24,000	€18,750	€147,750
Joachim Hartig (deputy chairman)	€75,000	€8,000	€15,000	€98,000
Holger Brandt	€45,000	–	€13,750	€58,750
Dr Alexander Dibelius	€45,000	€8,000	€10,000	€63,000
Denis Heljic	€45,000	€8,000	€15,000	€68,000
Dr Martin Hintze	–	–	–	–
Johannes P. Huth	€65,838	€11,704	€10,973	€88,515
Thilo Kämmerer	€29,959	€5,326	€7,500	€42,785
Olaf Kunz	€15,041	€2,170	€6,250	€23,461
Jiang Kui	€65,838	€11,704	€18,288	€95,830
Özcan Pancarci	€45,000	–	€13,750	€58,750
Kay Pietsch	€45,000	€16,000	€21,250	€82,250
Hans Peter Ring	€45,000	€16,000	€15,000	€76,000
Alexandra Schädler	€45,000	€8,000	€18,750	€71,750
Silke Scheiber	€65,838	–	€16,459	€82,297
Tan Xuguang	€65,838	–	€1,829	€67,667
Hans-Peter Weiß	€45,000	–	€13,750	€58,750
Total	€848,352	€118,904	€216,299	€1,183,555



Group Management Report

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Fundamentals of the KION Group

PROFILE OF THE KION GROUP

Organisational structure

The KION Group is the world's second-largest supplier of forklift trucks, warehouse trucks and associated services and solutions. With three global brands – Linde, STILL and Baoli – and three regional brands, it is represented in all of the major sales markets and price segments.

The KION Group's strategic management holding company, KION GROUP AG, is listed on the Frankfurt Stock Exchange, where it is part of the MDAX. KION GROUP AG indirectly owns all the shares in KION Material Handling GmbH. Its head office functions, consisting of administrative, financial and technical services, and human resources, were transferred to the KION GROUP AG on 1 September 2014 by means of a purchase and transfer agreement. Therefore KION GROUP AG replaced KION Material Handling GmbH as the operational parent company of the KION GROUP.

The strategic anchor shareholder of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, a subsidiary of Weichai Power Co. Ltd., which held 33.3 per cent of the shares at the end of 2014 as far as the Company is aware. Another 18.8 per cent of the shares were held, through Superlift Holding S.à r.l., Luxembourg, by investment funds that are advised by group companies of The Goldman Sachs Group, Inc. (Goldman Sachs) and companies that are advised by or affiliated with Kohlberg Kravis Roberts & Co. L.P. (KKR). The free float accounted for 47.7 per cent of the shares.

Management and control

Corporate governance

The KION Group follows generally accepted standards of sound, responsible corporate governance. The German Corporate Governance Code (DCGK) provides the framework for management and control. As required by section 289a German Commercial Code (HGB), the corporate governance standards that the Group

applies are set out in the declaration on corporate governance. This declaration also contains the comply-or-explain statement pursuant to section 161 German Stock Corporation Act (AktG), which was issued by the Executive Board and Supervisory Board of KION GROUP AG on 19 December 2014, and the corporate governance report pursuant to section 3.10 German Corporate Governance Code, which also provides information about the compliance standards in the Group. The declaration on corporate governance can be viewed and downloaded on the Company's website (kiongroup.com/governancereport). It also forms part of this annual report.

The essential features of the remuneration system are described in the remuneration report, which is part of the 2014 group management report and can be found in the 'remuneration report' section of this annual report. The total amounts for Executive Board remuneration and Supervisory Board remuneration are reported in the notes to the consolidated financial statements (note [43]).

Disclosures relevant to acquisitions

The disclosures relevant to acquisitions (pursuant to section 315 (4) HGB) together with the explanatory report form an integral part of the group management report and can be found in the 'disclosures relevant to acquisitions' section of this annual report.

Executive Board

The Executive Board of KION GROUP AG is responsible for the operational management of the KION Group. The responsibilities of the Executive Board members are allocated as follows:

- Gordon Riske, Chief Executive Officer (CEO), is responsible, among other things, for the strategy/business development, corporate communications, the corporate office, internal audit, compliance, KION Warehouse Systems, KION synergies/platforms, the North America region and the South America region. Since 15 January 2015, he has also been CEO of both the Linde Material Handling GmbH and the STILL GmbH brand companies and has assumed responsibility for quality.

- Dr Thomas Toefer, Chief Financial Officer (CFO), is in charge, among other things, of accounting, tax & financial services, corporate finance/investor relations/M&A, controlling, HR (Labour Relations Director), legal affairs, IT, purchasing and data protection. On 15 January 2015, he also assumed responsibility for facility management/health, safety & environment (HSE) and logistics/Urban.
- Ching Pong Quek is Chief Asia Pacific Officer and heads up the KION Group's entire Asia business.

Bert-Jan Knoef and Theodor Maurer stepped down as members of the Company's Executive Board with effect from 15 January 2015. Until then, Mr Knoef had been CEO and Labour Relations Director of the brand company STILL GmbH. He oversaw all cross-brand logistics activities and managed the intra-group logistics service provider, Urban. Before his departure from the KION Group Executive Board, Mr Maurer was CEO and Labour Relations Director of the brand company Linde Material Handling GmbH until his departure from the KION GROUP AG Executive Board on 15 January 2015. He was also responsible for quality, facility management and health, safety & environment (HSE).

The Executive Board maintains a relationship of trust with, and is monitored by, the Company's Supervisory Board.

Supervisory Board

The Supervisory Board, which was formed in accordance with the German Codetermination Act (MitbestG), comprises 16 people. It advises the Executive Board in its handling of significant matters and business transactions. To increase the efficiency of its work, the Supervisory Board is supported by four committees: the Nomination Committee, the Executive Committee, the Audit Committee and the Mediation Committee.

Thilo Kämmerer stepped down as an employee representative on the Supervisory Board with effect from 31 August 2014. He was replaced by Olaf Kunz on 1 September 2014. Ms Silke Scheiber and Dr Martin Hintze stepped down from the Supervisory Board with effect from 1 January 2015. Ms Birgit Behrendt and Ms Xu Ping were appointed to the Supervisory Board in their place.

Business model

In order to fully cater to the needs of its material handling customers worldwide, the KION Group's business model covers every step of the value chain: product development, manufacturing, sales and logistics, spare parts business, truck rental and used trucks, system and software solutions, plus financial services that support the Group's core industrial business. The KION Group operates a multi-brand strategy involving the three global brands Linde, STILL and Baoli plus the three regional brands Fenwick, OM STILL and Voltas MH.

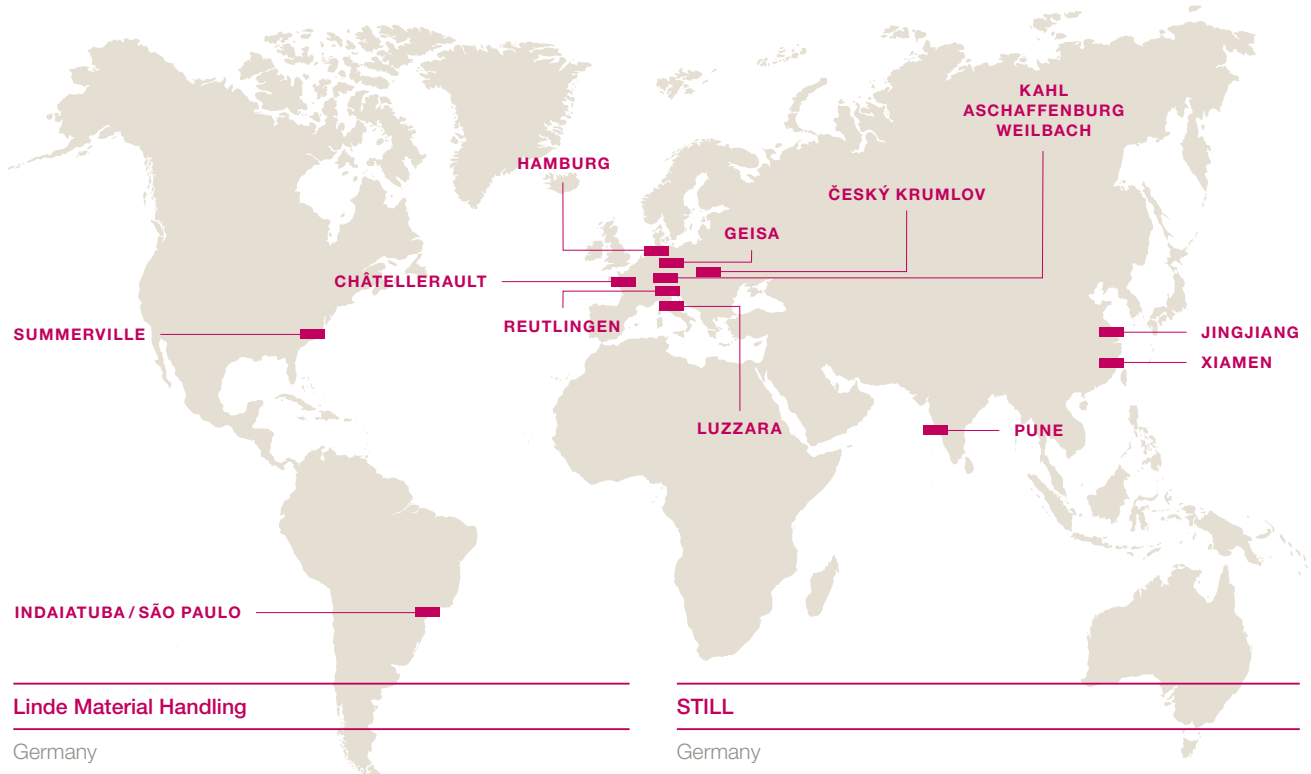
The KION Group earns most of its consolidated revenue – 54.1 per cent in the year under review – from the sale of industrial trucks. The product portfolio includes counterbalance trucks powered by an internal combustion engine or electric drive, warehouse technology (ride-on and hand-operated industrial trucks) and towing vehicles for industrial applications. It covers all load capacities, from 1 tonne to 16 tonnes.

Worldwide research and development activities (R&D) enable the KION Group to consolidate and extend its technology leadership. The Company plays a pioneering role in hydrostatic and diesel-electric drive systems and in innovative energy-efficient and low-emission drive technologies. As at the end of 2014, the KION Group employed a total of 1,023 developers, of whom 282 worked in Asia. Total research and development spending amounted to €119.7 million in the year under review. This corresponded to 2.6 per cent of consolidated revenue, putting the KION Group above the industry average. The focus of the Group's R&D activities is described in the 'research and development' section.

The KION Group operates a total of 14 production facilities for industrial trucks and components in eight countries. Another plant is currently being built in the Czech Republic, with production due to start there in 2016. Owing to the particular requirements of its business, the KION Group manufactures major components itself – notably lift masts, axles, counterweights and safety equipment – in order to ensure security of supply and the availability of spare parts for important components. Other components – such as hydraulic components, electronic components, rechargeable batteries, engine components and industrial tyres – are purchased through the KION Group's global procurement organisation. > **DIAGRAM 003**

Production sites of the KION Group

DIAGRAM 003

**Linde Material Handling**

Germany

Aschaffenburg: Counterbalance trucks with IC engine or electric drive, warehouse technology**Weilbach:** Component production**Kahl:** Spare parts warehouse, component production

France

Châtellerault: Warehouse technology

Czech Republic

Český Krumlov: Component production

United States

Summerville: Counterbalance trucks with IC engine or electric drive, warehouse technology

China

Xiamen: Counterbalance trucks with IC engine or electric drive, heavy trucks, warehouse technology**Jingjiang:** Counterbalance trucks with IC engine or electric drive, warehouse technology**STILL**

Germany

Hamburg: Counterbalance trucks with IC engine or electric drive, warehouse technology, components**Reutlingen:** Very narrow aisle trucks**Geisa:** Component production

Italy

Luzzara: Warehouse technology

Brazil

Indaiatuba/São Paulo: Counterbalance trucks with IC engine, warehouse technology**Other (KION India)**

India

Pune: Counterbalance trucks with IC engine or electric drive, warehouse technology

The KION Group offers customers tailor-made solutions and only makes trucks specifically to order. More than a third of new trucks are fitted with technical components developed especially for a particular order. Advantages for customers in terms of total cost of ownership (TCO) underpin the Linde and STILL brands' premium positioning. The trucks' hallmarks are cost-efficiency, high productivity, comparatively low maintenance and high residual values.

The KION brand companies have an extensive sales and service network comprising around 1,300 outlets staffed by more than 13,000 service employees in over 100 countries. Approximately half of them are employed by the KION Group. In other cases, the Company relies on external dealers. The sales network in western Europe consists of exclusive dealers and Company-owned dealerships. In China, Linde has built up a broad network of more than 100 proprietary sales and service outlets. By contrast, distribution partners in Asia and South America usually offer more than one brand of truck.

The installed base, which comprised 1.2 million trucks worldwide at the end of 2014, is a source of spare parts, maintenance and repair business within the KION Group's integrated business model.

The service business – spare parts, rental and used trucks, system and software solutions, and financial services – helps to smooth out fluctuations in consolidated revenue and reduces dependency on market cycles. In the reporting year, it contributed 45.9 per cent of consolidated revenue. This business also strengthens customer relationships, thereby helping to generate sales of new trucks.

Financial services support new truck business in many markets, forming another pillar of the service business within the integrated business model. Approximately 50 per cent of new truck business involves some form of financing via KION companies, external banks or dealers. Offering finance is therefore part of the truck sales process, and end customer finance is generally linked to a service contract throughout the term of the finance agreement. In the main sales markets with a high volume of financing and leasing, financial services are handled by legally independent financial services companies. These include long-term leasing to customers and internal financing of the brand companies' short-term rental fleets.

There are also individual orders for repairs and maintenance work as well as for spare parts. In addition, the KION Group looks after entire customer fleets, using special fleet management software to monitor the trucks in the fleets.

The brand companies also have extensive used truck and rental truck businesses, allowing peaks in capacity requirements to be met and customers to be supported after their leases have expired. Once a lease has expired, the used truck is serviced at a reconditioning centre and can then be rented on a flexible, short-term basis, for example. The used and rental truck business is integrated into the LMH and STILL segments in terms of its operations, and its fleet of well in excess of 50,000 trucks is financed internally by Financial Services.

Market and influencing factors

Industrial trucks are deployed for a wide variety of applications. Material handling products are used for tasks such as loading and unloading, linking production steps and moving pallets in logistics centres or in retail/wholesale operations. They therefore form part of the production processes and supply chains of many different industries around the world.

Measured in terms of unit sales of new trucks, the growth of the market for industrial trucks has exceeded global economic growth over the past ten years (2004–2014), rising at an average of 4.5 per cent per year. However, it should be noted that these statistics do not include price effects or the contribution from the service business.

The main growth driver across all regions is the advancing interconnectivity of the global economy, which requires additional transport services between what are becoming increasingly fragmented value chains and supply chains. The specialisation of companies and the growth of internet-based commerce are also making logistics processes more segmented and more complex.

In regional terms, emerging markets – particularly China, eastern Europe, Central America and South America – are the major source of market growth. Demand for logistics services on the back of increasing consumer spending is being fuelled by expansion of industrial and public infrastructure as well as rising living standards.

The lower (economy) and middle (volume) price segments are growing at an above-average rate thanks to demand from emerging markets, where inexpensive industrial trucks are particularly popular. Simple counterbalance trucks with an internal combustion engine (diesel trucks) make up a comparatively high proportion of the total volume in these markets. Above-average growth opportunities are presented by eco-friendly, reliable diesel trucks on the one hand and, on the other, counterbalance trucks with an electric motor (electric forklift trucks) and warehouse technology.

In mature markets, where supply chains are highly sophisticated, the large number of trucks in use provides a strong base for replacement business. A survey conducted by Peerless Research Group found that the majority of trucks are replaced within ten years. The KION Group estimates that around 90 per cent of sales in western Europe are currently accounted for by replacement investments. In highly developed economies, electric forklift trucks and warehouse technology, as well as diesel trucks in the premium price segment, make up the bulk of market volume.

Measured in terms of units ordered, around 44 per cent of the global market was attributable to diesel trucks in 2014, while electric forklift trucks accounted for around 17 per cent and warehouse technology for 39 per cent. According to the KION Group's estimates, the premium price segment and the economy price segment each accounted for between 25 and 30 per cent of units ordered. The remainder is accounted for by the volume price segment, making it the largest in terms of units sold.

Economic conditions in the different regions and the rates of growth in global trade are key influencing factors for the KION Group. Its financial situation is also affected by competition levels, exchange rates and changes in commodity prices.

The products and services of companies in the KION Group also have to comply with specific legal requirements in their respective markets. Compliance with the different requirements has to be verified or certified. Many of the legal requirements are enshrined in product-specific and other standards (e.g. EN, ISO and DIN).

The tightening of emissions standards is not only taking place in developed markets, it is also increasingly observable in emerging markets such as China. This trend benefits the KION Group with its high-tech products.

Legal requirements also apply to the construction and operation of production facilities, including in relation to air pollution avoidance, noise reduction, waste production & disposal and health & safety. Furthermore, the KION Group fulfils all of the legal requirements pertaining to exports and financing business.

Market position

The KION Group is one of the world's leading manufacturers of industrial trucks. Measured in terms of units sold, it maintained its leading position in western Europe in the year under review. It is also one of the top players in eastern Europe, Brazil and India, where one in four trucks sold now bears the name of a KION brand. In China, the KION Group is among the leading non-domestic manufacturers, whereas it is still considered a niche provider in the USA. The KION Group achieved a global market share of 14.2 per cent in 2014 and therefore remained the second-largest supplier worldwide.

The segments and their products and services

The KION Group is represented in the market by three global brands – Linde, STILL and Baoli – and three regional brands: Fenwick (France), OM STILL (Italy) and Voltas MH (India). While the brand companies have full operational and commercial responsibility within their markets, KION GROUP AG is the strategic management holding company and is responsible for the groupwide strategy and groupwide business standards.

> TABLE 012

Segments 2014

TABLE 012

	Revenue		Adjusted EBIT ¹		Employees ²	
in € million	2014	2013	2014	2013	2014	2013
LMH	3,077.2	2,881.1	339.6	309.1	13,945	13,824
STILL	1,850.7	1,717.5	133.6	123.9	7,976	7,715
Financial Services	620.9	539.4	2.1	0.7	60	59
Other	235.7	235.1	135.5	73.5	688	675
Consolidation / reconciliation	-1,106.6	-878.5	-167.9	-90.6	-	-
Total	4,677.9	4,494.6	442.9	416.5	22,669	22,273

¹ Adjusted for KION acquisition items and one-off items

² Number of employees in full-time equivalents as at 31 December

For internal management purposes, the KION Group has divided its business into operating segments that correspond to the reportable segments, as required by international financial reporting standards (IFRS 8).

Linde Material Handling (LMH) segment

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick and Baoli brands.

Linde is a global premium brand and a technology leader. Among its other selling points, it has decades of experience with hydrostatic drive technology and meets customers' highest requirements regarding technology, efficiency, functionality and design. The product portfolio ranges from warehouse trucks to heavy trucks and caters to all of the major application areas. Linde has been developing and manufacturing electric drive systems for decades and uses the resulting expertise in a variety of applications. In France, Linde products are sold under the Fenwick brand.

Baoli is the global brand for the economy segment. Building on its base in China and other growth markets in Asia, it has established sales structures in Europe, Central America and South America.

STILL segment

The STILL and OM STILL brands are grouped in the STILL segment. STILL is predominantly a global premium provider of trucks with electric and diesel-electric drives. It mainly focuses on the European and Latin American markets, with the regional brand OM STILL serving the Italian market.

The segment's portfolio consists of forklift trucks and warehouse trucks plus associated services. STILL has also positioned itself as a leading provider of intelligent intralogistics solutions, offering trucks and fully integrated warehouse systems, including automation and fleet management solutions.

Financial Services (FS) segment

The Financial Services (FS) segment is an internal financing partner for LMH and STILL, providing finance solutions that promote sales. Its activities comprise the financing of long-term leasing business for external customers of the KION Group, the internal financing of the short-term rental business of the LMH and STILL operating segments, and the related risk management. In the large sales markets with a high volume of financing and leasing, legally independent FS companies handle this business.

When long-term leasing business is being conducted, FS itself acts as the contractual partner to external customers and offers various financing models.

Operational responsibility for the short-term rental business (short-term rental fleet) lies with the LMH and STILL brand segments. FS acts as the contractual partner to the brand segments, providing the internal financing for this short-term rental fleet.

FS refinances both long-term leasing with end customers and the short-term rental fleet, mostly on the basis of sale and leaseback agreements.

In addition, a substantial portion of sales financing for external customers is offered indirectly, with an external leasing company to which the business is referred by the KION Group acting as lessor rather than the KION Group. The financial services provider purchases the truck from the KION Group and provides the financing to the end customer. The KION Group carries out the majority of the servicing for the truck and, once the financing has expired, may also take on its reconditioning and remarketing.

Other segment

The Other segment mainly comprises holding companies and service companies, the latter providing cross-segment services such as IT and logistics. In the reporting year, the subsidiary KION India (formerly Voltas Material Handling Pvt. Ltd.) also belonged to this segment. KION India manufactures diesel trucks, electric forklift trucks and warehouse trucks for the Indian market under the Voltas brand. It has a network of more than 60 branches and dealers providing sales and service.

STRATEGY OF THE KION GROUP

Objectives of the Strategy 2020

The KION Group presented its Strategy 2020 in March 2014, clearly setting out its goals for the next few years:

- **Growth:** The KION Group wants to accelerate its growth and close the gap to the global market leader by 2020. To this end, it is strengthening its leading positions in the European and Brazilian markets so that it can go on to capture additional market share in growth markets, particularly those in Asia and North America. This growth is to be accompanied by a far greater presence in the largest price segment (volume).
- **Profitability:** The KION Group aims to further improve its EBIT margin in order to expand its position as the most profitable supplier in the market. It has therefore set a target of a sustained EBIT margin of above 10 per cent. This requires not only an increase in the gross margin but also strict control of fixed costs.
- **Efficient use of capital:** The KION Group is working steadfastly to optimise the return on capital employed (ROCE). Besides increasing earnings, the focus here is on managing assets and finance.
- **Resilience:** The KION Group aims to improve its ability to cope with economic downturns. It is therefore stepping up efforts to diversify its business in terms of regions and customer sectors alongside its initiatives to optimise the production network and expand the service business.

Strategic focus areas of the Strategy 2020

The Strategy 2020 essentially encompasses six closely related areas of focus.

Multi-brand strategy

The starting point is the further development of the successful multi-brand strategy, coupled with greater differentiation within it. The premium brands, Linde and STILL, are to consolidate their presence at the upper end of the volume segment on the basis of the platform strategy (see below), particularly in North America and the emerging markets. As the global brand for the economy segment, Baoli is to gain a foothold at the lower end of the volume segment with a tailored product and sales strategy. In future, all three global brands – Linde, STILL and Baoli – will be represented in these regions and cater to all price segments.

Global modular and platform strategy

Further development of the multi-brand strategy requires the product portfolio to be managed end to end on the basis of a global modular and platform strategy. For this reason, a Product & Module Committee was formed in the reporting year. The KION Group will establish shared, cross-brand and cost-efficient platforms for product development and production that are geared to the volume and economy segments outside western Europe. However, market success depends on these platforms allowing a strong degree of regional differentiation in the industrial trucks. One example is Baoli's diesel truck platform, which is used for region-specific trucks in India (Voltas) and Brazil (STILL). The global deployment of platforms is managed by the research and development centre in Xiamen, China, which was significantly expanded in 2014.

In western Europe, the premium brands, Linde and STILL, will continue to use different platforms in order to maintain the defining characteristics of their brands, but will increasingly deploy shared modules. Innovation underpins the premium positioning of the two brands. Currently, the focus is on optimising lithium-ion batteries for electric and hybrid trucks, which are superior to lead-acid batteries in many regards. The first models were launched on the market in October 2014. Sales in the premium segment are also boosted by innovative intralogistics solutions, such as fleet data management and automated

industrial trucks as part of Industry 4.0 scenarios (see 'research and development').

Global production network

The KION Group wants to build its industrial trucks close to the markets in which they will be sold. To this end, production facilities worldwide are being efficiently integrated – utilising economies of scale and ensuring a high level of capacity utilisation. A programme of capital expenditure is aimed not only at updating and expanding existing plants but also at establishing factories in new locations.

The core element in western Europe is the modernisation of the plants in Aschaffenburg (Linde) and Hamburg (STILL), with a clear focus on increasing capacity, improving processes and containing costs. Approximately €83 million will be made available for these projects between now and 2021. Both sites will collaborate closely with the new plant in Stříbro, near Plzeň in the Czech Republic. The ground-breaking ceremony for the new factory was held in November 2014. Due to open in 2016, it will initially produce warehouse trucks currently manufactured in Aschaffenburg. Capital expenditure on this undertaking amounts to approximately €12 million. At the same time, capacity is to be significantly increased and processes optimised at sites in China (Xiamen and Jingjiang), the USA (Summerville) and Brazil (São Paulo).

In October 2013, small-scale production of heavy trucks was ended at a dedicated production site in Wales and transferred to a contract manufacturing facility in the Czech Republic. The winding-up of the former production site was completed in the reporting year.

Regional growth strategies

Having enhanced its multi-brand strategy and its modular and platform strategy, as well as increasing integration between the sites in its production network, the KION Group has put everything in place to increase its market share in strategically important regions.

In North America, one of the largest markets for industrial trucks, the KION Group aims to move from being a niche provider to a major market player offering a full portfolio of products by 2020. This will enable it to capture an increasing share of this growing market. As part of the new multi-brand approach, Linde North America was renamed KION North America in November

2014. The plant in Summerville is to be expanded so that it can start manufacturing IC trucks, electric forklift trucks and warehouse technology. The region-specific configuration of the platform products is especially important here. Particular emphasis will be placed on the volume market, which is very well developed in North America. As well as expanding the range of products, KION North America is also strengthening its sales and service network.

New products for the volume segment are aimed at increasing market share in the fast-growing markets of Asia. They are based on the economy product platform developed by Baoli.

Strategy for aftersales and service business

The strategy for the aftersales business is designed to unlock more of the potential offered by the installed base, which is expanding worldwide. This will help to boost revenue. The KION Group is continually extending its portfolio of services and improving their quality at every stage of the product lifecycle. Because the premium segment is already well covered, the focus is on expanding sales and service structures in the economy and volume markets. Financial services are also a key component of the service portfolio as they support the KION Group's core industrial business. The Company also intends to increase its market share by, for example, opening additional service outlets in attractive growth markets and stepping up the short-term rental business.

Strategy for back-office functions

In addition, the KION Group is aligning its groupwide back-office services to the growing requirements of the global organisation in order to leverage economies of scale and synergies. For example, KION Group IT – a global shared services organisation with four functions: IT governance, key account management, application services and infrastructure services – will focus even more on increasing its contribution to the success of the Company and on providing cost-efficient and reliable IT services.

MANAGEMENT SYSTEM

Core key performance indicators

The KION Group's strategy, which centres on value and growth, is reflected in how the Company is managed. It uses four core key performance indicators (KPIs) to continuously monitor market success, profitability, financial strength and liquidity. The performance targets of the Group and the segments are based on selected financial KPIs, as is the performance-based remuneration paid to managers. Each month, the KPIs are measured and made available to the Executive Board in a comprehensive report. This enables the management team to take prompt corrective action in the event of variances compared with target figures.

> TABLE 013

Key performance indicators

TABLE 013

in € million	Order intake	Revenue	Adjusted EBIT ¹	Free cash flow ²
2014	4,877.3	4,677.9	442.9	305.9
2013	4,489.1	4,494.6	416.5	195.6
2012*	4,590.3	4,559.8	408.3	513.6

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011);

Order intake, Revenue and Adjusted EBIT were aligned due to the sale of the Hydraulics Business

¹ Adjusted for KION acquisition items and one-off items

² Last year's figures were adjusted due to a change in presentation, for details see 'Other disclosures on Consolidated statement of cash flows'

KPIs related to business volume

Order intake and revenue

Order intake and revenue are broken down by region, segment and product category in the KION Group's management reporting so that growth drivers and pertinent trends can be identified and analysed at an early stage. Order intake is a leading indicator for revenue. The length of time between receipt and invoicing of an order varies between business units and product groups.

Earnings-related KPI

Adjusted EBIT

The key figure used for operational management and analysis of the KION Group's financial performance is adjusted earnings before interest and tax (EBIT). It is calculated in the same way as EBIT, except that it does not take account of the KION Group purchase price allocation or any non-recurring items.

Liquidity-related KPI

Free cash flow

Free cash flow is the main KPI for managing leverage and liquidity. It is determined by the KION Group's operating activities and investing activities. Free cash flow does not include interest arising from financing activities. Carefully targeted management of working capital and detailed planning of capital expenditure are used to help in controlling the level of free cash flow.

Other key performance indicators

Besides the aforementioned core KPIs, the KION Group uses a wealth of additional financial KPIs. The main ones are net debt, which is used to manage the capital structure, as well as the EBIT margin and return on capital employed (ROCE), which form the basis for a component of remuneration and are defined as targets in the Strategy 2020. There are also non-financial KPIs, which primarily relate to customers, employees, sustainability and technology. Some of them are used operationally as leading indicators for the financial KPIs.

The KPIs used to manage the brand segments are order intake, revenue and adjusted EBIT. Earnings before tax (EBT) and return on equity (ROE) are the KPIs used to manage the Financial Services segment.

Report on the economic position

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Macroeconomic conditions

In 2014, growth in the global economy was less dynamic than anticipated, remaining almost unchanged from 2013. Adverse factors included the greater geopolitical risks caused by the conflicts in Ukraine and the Middle East, plus resurgent uncertainty in the financial markets.

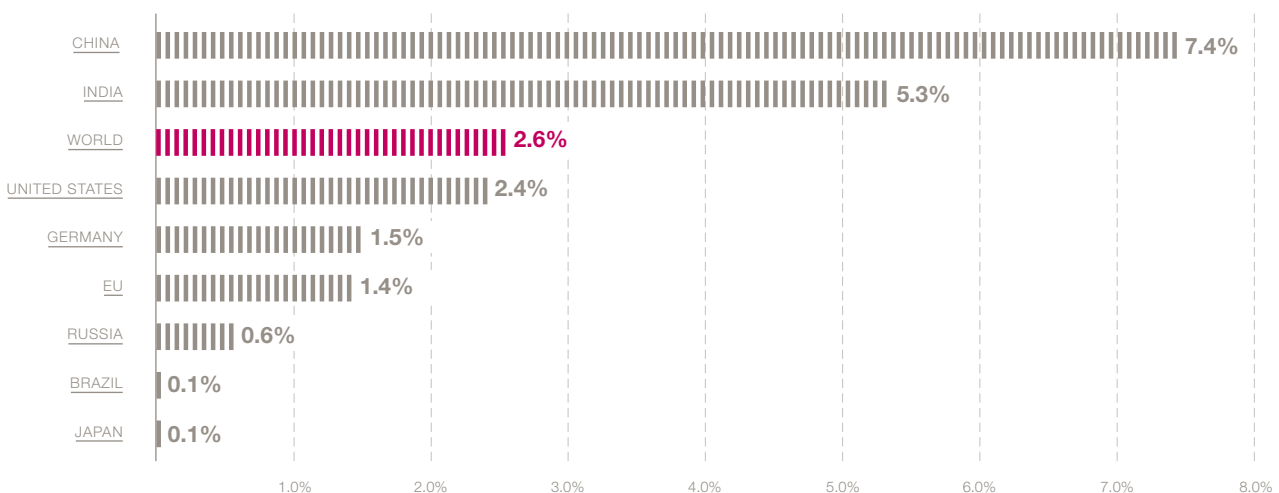
Another noticeable feature was the muted growth in emerging markets, which were unable to build overall on the growth rates achieved in 2013. The weaker pace of growth in China led to a drop in demand from key trading partners, even though the shift towards a sustainable growth trajectory can be seen as a positive development over the longer term. Growth rates in the other newly industrialising countries in Asia were sound but nevertheless still down year on year on average, although India managed to increase its growth rate again.

In South America, the main factor acting as a brake on growth other than the fall in commodity prices was the political uncertainty in individual countries. Brazil, the largest economy in Latin America, entered recession in the first half of the year and ended 2014 with close to zero growth for the year as a whole. Growth across eastern Europe was uneven and overall not as strong as in 2013. The economies of Poland and the Czech Republic enjoyed growth, whereas the Russian economy contracted significantly as a consequence of the sanctions imposed in connection with the crisis in Ukraine and as a result of the steep drop in the value of the rouble and the persistently low price of oil.

On balance, the industrialised nations achieved a somewhat higher level of growth than in 2013, but likewise still fell short of expectations. Economic recovery in the eurozone was particularly disappointing with unexpectedly weak growth in Germany compounding the impact from the recession in Italy and stagnation in France. In contrast, the picture in the United Kingdom was positive, boosted by higher consumer spending and stronger growth in services, a key sector of the economy. In the US, the growth rate almost exceeded that achieved in 2013, with both consumer spending and corporate capital investment rising substantially during the course of the year.

Gross domestic product in 2014 – real year-on-year change

DIAGRAM 004



Source: Oxford Economics (as at 16 January 2015)

Demand for industrial trucks is primarily driven by investment confidence and world trade volumes as well as GDP growth. The increase in spending on capital equipment was spread unevenly around the globe, reflecting the varying rates of market growth. Whereas the US saw a considerable rise in this spending, businesses in the eurozone, including Germany in particular, remained noticeably reticent. Over the whole of 2014, the expansion in global trade was weaker than anticipated and once again fell short of the long-term trend. The growth in imports and exports in the emerging markets was more subdued than in 2013.

Sectoral conditions

Sales markets

In 2014, the global market for industrial trucks hit a new record level of almost 1.1 million vehicles ordered, with even stronger market growth than in 2013. Across all regions and product types, the number of new trucks ordered was up by 7.8 per cent (2013: 6.9 per cent). The sharpest upturn was in the sales figures for electric forklift trucks (up by 13.3 per cent), an area of business that had lagged behind the overall market in 2013. Sales of ware-

house technology products also increased significantly by 10.8 per cent but unit sales of IC trucks failed to match the 2013 growth rate, achieving a rise of just 3.5 per cent.

Most of the growth in unit sales was accounted for by western Europe (up by 11.5 per cent), China (up by 10.2 per cent) and North America (up by 9.2 per cent). The western European market therefore rallied significantly following the stagnation in 2013 (0.3 per cent growth), the principal growth drivers in this case being pent-up demand (primarily in southern European markets) and, at a more structural level, the replacement of old trucks. Germany, the largest single market in western Europe, gained 10.3 per cent and was therefore almost at the western European average. Growth in Spain (up by 42.6 per cent), the United Kingdom (up by 12.6 per cent) and Italy (up by 15.7 per cent) was more rapid than in other neighbouring European countries, but there was hardly any gain in the French market at all.

In overall terms, the eastern European market flatlined (down by 0.7 per cent). The significant drop in unit sales in Russia (down by 19.2 per cent) was almost offset by gains elsewhere, particularly higher sales figures in Poland, the Czech Republic and in Hungary.

As in 2013, China notched up double-digit growth (10.2 per cent), the main impetus coming from electric forklift trucks and

Global industrial truck market (order intake)

TABLE 014

in thousand units	2014	2013	Change
Western Europe	289.2	259.4	11.5%
Eastern Europe	57.6	58.0	-0.7%
North America	219.5	201.0	9.2%
Central & South America	48.5	52.3	-7.3%
Asia (excl. Japan)	357.5	327.0	9.3%
Rest of world	119.0	114.5	4.0%
World	1,091.3	1,012.2	7.8%

Source: WITS/FEM

warehouse technology equipment. In contrast, the total number of units sold in Brazil, the largest single market in South America, fell by 13.0 per cent. > **TABLE 014**

Procurement markets

Commodity prices continue to have a direct impact on approximately one quarter of the cost of the materials needed to manufacture an industrial truck in the KION Group.

The average price over the year for steel, the most important commodity, fell compared with 2013 owing to the persistently modest level of economic growth. Manufacturing costs are also influenced to a lesser extent by the prices for copper and rubber, which were also down year on year. The price of oil, a useful price indicator for plastic products, fell markedly during the second half of the year and overall was below the average for 2013.

On the other hand, however, higher payroll and ancillary wage costs had an adverse impact on unit costs. In overall terms, producer prices for input goods in the eurozone only fell by a negligible amount.

Financial markets

The KION Group bills the bulk of its revenue in euros; the proportion was 62.8 per cent in 2014 and was therefore unchanged compared with 2013. The remainder is billed in foreign currencies, notably the Chinese renminbi, pound sterling and the Brazilian real.

In the first half of 2014, the strong euro combined with the devaluation of currencies in relevant emerging markets had a negative impact on the KION Group's order intake. In the second half of the year, however, the euro weakened as the monetary policy of the European Central Bank (ECB) became increasingly expansionary and the currency fell against other key reserve currencies.

Over the year, the euro fell by approximately 10 per cent against the Chinese renminbi but the average exchange rate for the year remained largely around the level of 2013. The pound sterling strengthened by approximately 5 per cent on average in 2014 whereas the Brazilian real lost further ground (down by around 9 per cent) despite the weakness of the euro. All things considered, changes in exchange rates only had a slight negative effect on the KION Group's order intake, revenue and profits.

> **TABLE 015**

Currencies

TABLE 015

Average rate per Euro	2014	2013
Australia (AUD)	1.47	1.38
Brazil (BRL)	3.12	2.87
Switzerland (CHF)	1.21	1.23
China (CNY)	8.19	8.17
United Kingdom (GBP)	0.81	0.85
Russia (RUB)	50.92	42.33
U.S.A. (USD)	1.33	1.33

Source: Reuters

Business performance

On 15 April 2014, the KION Group repaid early and in full 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. 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 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 on the basis of bilateral lending agreements with a group of banks. These additional loans mature in April 2019 and have a variable interest rate.

On 7 April 2014, Moody's raised the rating of the KION Group and the bonds from Ba3 to Ba2 with a stable outlook. Then, on 15 April 2014, Standard & Poor's raised its rating for the KION Group from BB- to BB, retaining the positive outlook.

On 1 October 2014, the Executive Board of KION GROUP AG approved the introduction of a share option programme for employees in Germany and the issue of an offer as part of this share option programme. The offer deadline for eligible employees was 31 October 2014.

The KION Group sold its indirect controlling interest in Willenbrock Arbeitsbühnen GmbH & Co. KG (referred to below as Willenbrock Arbeitsbühnen) in full with effect from 16 December 2014.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Overall assessment of the economic situation

The year under review was the KION Group's most successful year to date. Following flat revenue growth in the first half of the year, the Group was able to generate significant gains over the rest of the year, increasing revenue by 4.1 per cent to €4,677.9 million over the year as a whole. Thanks to a strong final quarter, revenue from new trucks business reached the 2013 level, but service business was up by 8.6 per cent, a considerable year-on-year gain which made a substantial contribution to the strong revenue growth at Group level.

The encouraging rise in order intake of 8.6 per cent or €388.1 million was attributable to the successful sales activities in the two operating brand segments. At the same time, the 13.5 per cent rise in the order book (€787.2 million) represents a good starting position for 2015. Based on an 8.5 per cent increase in units ordered, the KION Group outperformed the global market in terms of growth and consolidated its position as the second-largest provider worldwide. One of the contributing factors in this regard was the targeted expansion of the international business beneath the premium segment.

EBIT, adjusted for non-recurring items, came to €442.9 million, a year-on-year increase of 6.3 per cent. The adjusted EBIT margin improved from 9.3 per cent in 2013 to 9.5 per cent in the reporting period.

The further optimisation of the funding structure in the year under review was reflected in the significant decline in financial expenses. Despite non-recurring expenses in connection with the early redemption of two corporate bond tranches, the Group more than halved the interest expenses on loan obligations and capital market liabilities. In total, the KION Group generated net income for the year of €178.2 million. The earnings per share attributable to the shareholders in the KION Group amounted to €1.79. KION GROUP AG will propose a dividend of €0.55 per share to the Annual General Meeting, €0.20 per share more than in 2013.

The KION Group is well positioned to use its own resources over the next years to fund and implement the action necessary as part of its Strategy 2020. The aim of this strategy is to enable the Group to catch up with the global market leader within five years.

Comparison between actual and forecast growth

In the past year, the KION Group was consistently able to fulfil, and in some cases even exceed, the forecasts for 2014 specified in the outlook section of the 2013 group management report. For example, in the case of order intake, the Group was able to exceed the slight increase forecast for the year. As for consolidated revenue, the actual year-on-year increase was in line with the anticipated slight increase in this figure and the Group certainly achieved the significant rise in adjusted EBIT expected for the year. In the case of free cash flow, the KION Group managed to exceed the substantial forecast increase. The funds generated as a result were used to bring down borrowing, enabling the Group to markedly reduce its net debt in the year under review.

Business situation and financial performance of the KION Group

Level of orders

Order intake totalled €4,877.3 million, exceeding the 2013 level of €4,489.1 million by 8.6 per cent. The LMH and STILL operating segments contributed to this rise, both accelerating their rate of growth over the course of year.

The KION Group brand companies increased orders for new trucks by 8.5 per cent to 155.0 thousand units. In the case of diesel trucks, the KION Group generated slight growth and maintained its share of the global market. A noticeable feature was the demand for Baoli's D series trucks in emerging markets. The KION Group benefited from growth in the market for electric forklift trucks and warehouse technology products, responding in particular to the rising demand in western Europe and China.

In the reporting year, high-growth markets accounted for some 35 per cent of new truck orders, driven in the main by growth in eastern Europe and China.

Factors contributing to the rise in order intake in terms of value included the higher unit sales of vehicles, the further slight increase in the proportion of customised equipment and the expansion of the service business. Over the course of 2014, the order book increased by 13.5 per cent to €787.2 million (2013: €693.3 million).

Revenue

Revenue in the KION Group amounted to €4,677.9 million, an increase of 4.1 per cent on the 2013 figure of €4,494.6 million. After a subdued start to the year, revenue growth gathered pace markedly with the Group generating an 8.2 per cent increase in revenue in the second half of the year. The LMH and STILL brand segments both shared in the growth. The acquisition of the majority stakes in the dealers Arser (August 2013) and Willenbrock (end of 2013) also contributed to the improved consolidated revenue, although the restructuring of the heavy truck business did lead to a modest loss of revenue.

Revenue by product category

The trend in new trucks business in the second half of the year was encouraging. The Group was able to make up for the deficit in the first six months of the year in full, so that ultimately the revenue for the year amounted to €2,533.0 million, which was actually slightly higher than the prior-year figure of €2,519.6 million. Higher unit sales of warehouse technology products and electric forklift trucks more than offset the slight drop in revenue from diesel trucks and the negative impact from the heavy truck business.

In the service business, the KION Group generated a significant increase in revenue of 8.6 per cent to €2,144.9 million (2013: €1,975.0 million). This substantial rise was partly attributable to the dealer Willenbrock, in which the KION Group had acquired a majority stake. There were increases in revenue from the spare-parts business and from servicing and maintenance work. The rental business and the used truck business also registered significant year-on-year gains. The proportion of the KION Group's total revenue generated by the service business grew to 45.9 per cent (2013: 43.9 per cent). > TABLE 016

Revenue by product category

TABLE 016

in € million	2014	2013	Change
New business	2,533.0	2,519.6	0.5%
Service offering	2,144.9	1,975.0	8.6%
– Aftersales	1,250.4	1,174.2	6.5%
– Rental business	486.9	443.1	9.9%
– Used trucks	264.9	226.4	17.0%
– Other	142.7	131.3	8.7%
Total	4,677.9	4,494.6	4.1%

Revenue by customer location

In western Europe, the KION Group increased revenue appreciably and made up in full for the loss of revenue incurred in 2013. Significant gains in Germany, Italy and the United Kingdom more than compensated for a drop in revenue in other areas, notably France. Strong growth in eastern Europe was based primarily on the expansion of business in Poland and the Czech

Republic and the Group therefore did not feel an impact from the loss of revenue in Russia and Ukraine as a consequence of the geopolitical situation there. In Brazil, the KION Group was unable to escape the effects from the negative trends in the market, but revenue in Asia was slightly up year on year. Of the total consolidated revenue, 73.9 per cent was generated outside Germany, with growth markets accounting for 24.8 per cent (2013: 25.3 per cent). > TABLE 017

Revenue by customer location

TABLE 017

in € million	2014	2013	Change
Western Europe	3,411.0	3,223.9	5.8%
Eastern Europe	403.3	369.7	9.1%
Americas	245.3	279.4	–12.2%
Asia	470.7	453.5	3.8%
Rest of world	147.5	168.1	–12.2%
Total revenue	4,677.9	4,494.6	4.1%

Earnings

EBIT and EBITDA

The Group improved earnings before interest and tax (EBIT), adjusted for KION acquisition items and non-recurring items, to €442.9 million, an increase of 6.3 per cent compared with 2013 (€416.5 million). The higher administrative expenses since the IPO and the higher IT costs in connection with the infrastructure changes throughout the Group were more than offset by the higher gross profit. The adjusted EBIT margin improved from 9.3 per cent in 2013 to 9.5 per cent in the reporting period.

EBIT including KION acquisition items and non-recurring items amounted to €347.0 million (2013: €374.2 million). This decline was largely attributable to the recognition of an impairment loss related to the 30 per cent equity investment in Linde

Hydraulics GmbH & Co. KG (referred to below as Linde Hydraulics), which had become necessary because of the downturn in the business performance of Linde Hydraulics. EBIT for the KION Group was also adversely impacted by the earnings and the pro rata purchase-price-related non-operating effects on earnings from Linde Hydraulics. Overall, the non-cash effects from Linde Hydraulics came to a total loss of €33.9 million, which was recognised under share of profit (loss) of equity-accounted investments. Other material non-recurring items included non-recurring administrative expenses in connection with the growth strategy and expenses arising from the early termination of service contracts for members of the Executive Board. In addition to depreciation/amortisation, earnings-related items from the KION acquisition also included significant expenses arising from the disposal of assets amounting to €10.7 million (2013: €0.4 million). > **TABLE 018**

EBIT

TABLE 018

in € million	2014	2013	Change
Net income	178.2	138.4	28.8%
Income taxes	-80.0	-15.9	<-100.0%
Net financial expenses	-88.8	-219.8	59.6%
EBIT	347.0	374.2	-7.2%
+ Non-recurring items	57.0	12.8	>100.0%
+ KION acquisition items	38.9	29.5	31.6%
Adjusted EBIT	442.9	416.5	6.3%

EBITDA**TABLE 019**

in € million	2014	2013	Change
EBIT	347.0	374.2	-7.2%
Amortisation and depreciation	367.2	334.6	9.7%
EBITDA	714.2	708.8	0.8%
+ Non-recurring items	55.6	12.3	>100.0%
+ KION acquisition items	10.7	0.4	>100.0%
Adjusted EBITDA	780.4	721.5	8.2%

EBITDA amounted to €714.2 million and was therefore close to the equivalent figure in 2013 (€708.8 million). In contrast, adjusted EBITDA rose significantly to €780.4 million (2013: €721.5 million). As a consequence, the adjusted EBITDA margin improved from 16.1 per cent to 16.7 per cent. > **TABLE 019**

Key influencing factors for earnings

Compared with the rise in revenue, there was a disproportionately low year-on-year increase of 2.5 per cent in the cost of sales to €3,337.4 million (2013: €3,255.2 million). Gross profit therefore improved by 8.2 per cent to €1,340.5 million (2013: €1,239.4 million) and the gross margin improved from 27.6 per cent to 28.7 per cent. One of the main factors behind this improvement in margin was the greater proportion of revenue accounted for by the high-margin service business. In addition, the new trucks business benefited from a better margin based on the high proportion of customised equipment.

Selling expenses went up by €32.3 million year on year, for the most part because the dealers Willenbrock and Arser were consolidated for the first time for the whole of the year. Trade fair participation expenses incurred by LMH and STILL also had an impact. One of the causes of the rise in R&D costs was the development of platform concepts. The rise of 11.6 per cent in administrative expenses to €323.6 million (2013: €290.0 million) was attributable to the enhanced requirements associated with the IPO, salary increases and the early termination of service contracts for members of the Executive Board.

The 'other' item amounting to €26.4 million accounted for a much smaller proportion of net income than in 2013 (€76.6 million). In particular, the share of profit (loss) of equity-accounted investments reported under 'other' went from a share of profit of €1.7 million in 2013 to an overall share of loss of €24.8 million in the year under review. The negative amount arose primarily from Linde Hydraulics (loss of €33.9 million); some of this loss was offset by a total share of profit of €9.1 million from the other equity-accounted investments. > **TABLE 020**

Net financial income/expenses

The change in the balance of financial income and financial expenses reflected the much improved funding structure resulting from the IPO and the subsequent redemption of financial liabilities. Net financial expenses amounted to just €88.8 million, less than half of the net financial expenses in 2013 (€219.8 million). The net financial expenses for the year under review included significant effects from two non-recurring items. Firstly, the early redemption of two corporate bond tranches in the second quarter of 2014 gave rise to non-recurring financial expenses of €23.2 million. This amount comprised pro-rata borrowing costs of €8.4 million and early-redemption charges of €14.8 million. The second non-recurring item was financial income amounting to €43.2 million from the measurement of the put option held by Linde Material Handling GmbH and the two call options held by Weichai Power relating to shares in Linde Hydraulics. The net financial expenses in 2013 also included non-recurring expense items arising from capitalised

(Condensed) income statement

TABLE 020

in € million	2014	2013	Change
Revenue	4,677.9	4,494.6	4.1%
Cost of sales	-3,337.4	-3,255.2	-2.5%
Gross profit	1,340.5	1,239.4	8.2%
Selling expenses	-570.5	-538.2	-6.0%
Research and development costs	-125.7	-113.6	-10.6%
Administrative expenses	-323.6	-290.0	-11.6%
Other	26.4	76.6	-65.6%
Earnings before interest and taxes (EBIT)	347.0	374.2	-7.2%
Net financial expenses	-88.8	-219.8	59.6%
Earnings before taxes	258.3	154.3	67.4%
Income taxes	-80.0	-15.9	<-100.0%
Net income	178.2	138.4	28.8%

borrowing costs (€24.5 million), the termination of interest-rate hedges (€18.3 million) and from the remeasurement of the Linde Hydraulics options (€14.7 million). Adjusted for these non-recurring items, net financial expenses in 2014 amounted to €108.8 million, a significant improvement on the adjusted net financial expenses in 2013 totalling €162.4 million.

Income taxes

Income tax expenses amounted to €80.0 million. The tax rate therefore increased to 31.0 per cent compared with the unusually low rate of 10.3 per cent in 2013. The low tax expense in 2013 was primarily attributable to the recognition of deferred tax assets related to loss carryforwards and interest carryforwards that were only able to be utilised after KION Material Handling GmbH and Linde Material Handling GmbH had entered into a profit-and-loss transfer agreement. In contrast, a deferred tax expense of €16.5 million arose in 2014 (2013: deferred tax income of €43.1 million), attributable mainly to the utilisation of loss carryforwards and interest carryforwards in Germany. The current income tax expense compared with 2013 was accounted for, in particular, by the improved net income before tax in individual foreign companies.

Net income and appropriation of profit

The KION Group generated net income of €178.2 million in 2014, a year-on-year increase of €39.8 million (2013: €138.4 million). The decline in EBIT and the higher tax expense were offset by the significant improvement in net financial expenses. Net income of €176.7 million (2013: €138.8 million) was attributable to the shareholders of KION GROUP AG. Basic and diluted earnings per share came to €1.79 (2013: €1.69) based on an average number of no-par-value shares in the year of 98.7 million (2013: 82.0 million). This did not include 163,562 no-par-value treasury shares that were repurchased by KION GROUP AG as part of a buy-back to support the KION Employee Equity Programme.

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.55 per share to the Annual General Meeting on 12 May 2015. This equates to a total dividend payout of €54.3 million based on 98,736,438 dividend-bearing shares on the reporting date of 31 December 2014. Approximately 31 per cent of the net income attributable to the shareholders in KION GROUP AG will therefore be distributed in dividends.

Business situation and financial performance of the segments

LMH segment

Business performance and order intake

The Linde Material Handling segment reported a significant increase in orders and revenue, consolidating its position as one of the leading global manufacturers and the market leader in Europe. Order intake rose to €3,234.4 million, an increase of 11.5 per cent on the 2013 figure of €2,901.8 million, and thereby exceeded the €3 billion mark for the first time. Measured on the basis of the number of vehicles ordered, LMH and its brand companies were able to defend their market position in western Europe and in Asia, and expand in eastern Europe. In the case of counterbalance trucks and warehouse trucks, LMH visibly outperformed the global market in terms of growth. Contributing factors included the electric forklift trucks in the six to eight tonne load capacity category launched in the year under review and the broadening of the range of reach trucks and double stackers. In addition, order intake in terms of value included an increasing contribution from the service business, which was also boosted by the acquisition of the dealer Willenbrock at the end of 2013.

In 2014, LMH put in place the basis for Strategy 2020, preparing for the comprehensive modernisation of its Aschaffenburg facility and the construction of a new plant in the Czech Republic. Further activities included the design of the product and sales offensive in North America and the expansion of the sales and service network for all three brand companies in the segment: Linde, Baoli and Fenwick. The realignment of the heavy trucks business was also completed in the year under review.

Revenue

The LMH segment improved revenue by 6.8 per cent to €3,077.2 million (2013: €2,881.1 million). There were particularly strong gains in the service and spare-parts business, the rental business and the used trucks business. A significant contribution to revenue came from the full-year consolidation of the dealer Willenbrock. LMH generated a noticeable upturn in revenue from new trucks, driven primarily by greater unit sales of electric forklift trucks and warehouse trucks. This more than offset the modest contraction in revenue from diesel trucks, which was also partially caused by the realignment of the heavy trucks business. From a regional perspective, Germany, the United Kingdom and China were the main contributors to the revenue growth.

Key figures – LMH –

TABLE 021

in € million	2014	2013	Change
Order intake	3,234.4	2,901.8	11.5%
Revenue	3,077.2	2,881.1	6.8%
EBITDA	441.2	442.1	–0.2%
Adjusted EBITDA	486.6	444.5	9.5%
EBIT	270.3	282.4	–4.3%
Adjusted EBIT	339.6	309.1	9.9%
Adjusted EBITDA margin	15.8%	15.4%	–
Adjusted EBIT margin	11.0%	10.7%	–

Earnings

Adjusted EBIT rose by 9.9 per cent year on year to €339.6 million (2013: €309.1 million). The inclusion of the dealer Willenbrock and the realignment of the heavy trucks business also had a positive impact on this figure. The adjusted EBIT margin was 11.0 per cent, a further improvement on the already high figure of 10.7 per cent in 2013.

With the inclusion of non-recurring items, EBIT fell year on year to €270.3 million (2013: €282.4 million). The main reason behind this decrease was the negative impact on EBIT from the equity-accounted investment in Linde Hydraulics, as already described at Group level.

Adjusted EBITDA for the LMH segment amounted to €486.6 million (2013: €444.5 million). This equated to an adjusted EBITDA margin of 15.8 per cent (2013: 15.4 per cent). > **TABLE 021**

STILL segment

Business performance and order intake

The STILL segment enjoyed profitable growth in 2014. Order intake increased by 12.0 per cent to €1,895.1 million (2013: €1,692.0 million). The comparative order intake figures for 2013 were exceeded in all sales regions, except in South America. New truck orders grew by 7.9 per cent, roughly in line with market growth. Electric forklift trucks and warehouse technology accounted for a higher share of orders than before, whereas unit sales of diesel trucks declined. STILL notched up significant gains, especially in western Europe, with the segment outperforming the market in terms of order growth in a number of areas, notably in Scandinavia and Italy.

The acquisition of a majority stake in the dealer Arser in August 2013 had a positive impact on the order volume in Turkey. In June 2014, STILL signed up the French company A.PSV Diffusion as a new sales partner for the North African market. In April 2014, STILL opened a new European reconditioning centre for used trucks at Rokietnica in Poland. This centre has the capacity to recondition approximately 2,000 trucks each year and further reinforces the strong market position of this segment in eastern Europe. At the same time, product innovations such as a new series of tow tractor models helped to secure the positioning of STILL in the premium segment.

Revenue

Revenue in the STILL segment amounted to €1,850.7 million, exceeding the 2013 figure of €1,717.5 million by 7.8 per cent. Revenue from the new trucks business was up by 1.9 per cent year on year. In the service business, STILL generated significantly higher revenue than in 2013 in all categories (servicing, spare parts, rentals and used trucks), the overall year-on-year revenue growth amounting to 14.3 per cent.

Earnings

Adjusted EBIT for the segment grew in proportion to revenue and amounted to €133.6 million (2013: €123.9 million). The adjusted EBIT margin at 7.2 per cent remained at the same level as in 2013 (7.2 per cent). EBIT including non-recurring items improved year on year to €118.4 million (2013: €109.9 million).

Adjusted EBITDA rose to €240.4 million (2013: €223.0 million). The adjusted EBITDA margin remained unchanged at 13.0 per cent. > **TABLE 022**

Key figures – STILL –

TABLE 022

in € million	2014	2013	Change
Order intake	1,895.1	1,692.0	12.0%
Revenue	1,850.7	1,717.5	7.8%
EBITDA	231.1	214.4	7.8%
Adjusted EBITDA	240.4	223.0	7.8%
EBIT	118.4	109.9	7.7%
Adjusted EBIT	133.6	123.9	7.8%
Adjusted EBITDA margin	13.0%	13.0%	–
Adjusted EBIT margin	7.2%	7.2%	–

Financial Services (FS) segment

Business performance

The Financial Services (FS) segment is the central financing partner in the KION Group. The FS segment benefited from the increase in business in the LMH and STILL brand segments, enjoying growth in the financing of short-term rental business (which is the operational responsibility of the brand segments) and in the long-term leasing business with external end customers. As in 2013, a large proportion of the financing portfolio was focused on business in western Europe, with some countries, notably in southern Europe, accounting for a disproportionately high amount of volume growth. FS was also able to expand its business outside western Europe, generating significant growth particularly in eastern Europe.

FS has attracted further funding partners in connection with the growing business. It has focused on banks operating at a regional level, providing useful additions to the already well-developed network of global partners. FS has also initiated discussions with potential banking partners in North America with a view to supporting the planned expansion of business in the region.

Financial position and financial performance

Revenue from long-term leasing business with external end customers once again increased markedly compared with the

already high level achieved in 2013 to €350.1 million (2013: €314.7 million). As a consequence of the expansion in the short-term rental fleet, intra-group revenue rose by 20.5 per cent to €270.7 million (2013: €224.7 million). Total segment revenue therefore amounted to €620.9 million (2013: €539.4 million). Earnings before tax came to €5.2 million, exceeding the figure of €4.7 million in 2013. The return on equity (ROE) was 13.0 per cent (2013: 13.0 per cent).

As at 31 December 2014, total segment assets amounted to €1,361.3 million and had therefore increased by €111.9 million in the year under review. Of this total, €521.9 million was accounted for by lease receivables due from external customers (31 December 2013: €458.1 million), while €473.0 million (31 December 2013: €449.1 million) related to the financing of the short-term rental fleet in the LMH and STILL segments. Leased assets under operating leases relating to external customer contracts amounted to €267.4 million (31 December 2013: €240.7 million).

The funding of leases with external end customers gave rise to leasing liabilities with external funding partners amounting to €702.9 million (31 December 2013: €615.5 million). The leasing liabilities arising from the funding of intra-group leases with LMH and STILL relating to the short-term rental fleet business amounted to €334.5 million (31 December 2013: €319.7 million). The net financial debt attributable to the FS segment was €155.1 million (31 December 2013: €163.6 million). > TABLE 023

Key figures – Financial Services –

TABLE 023

in € million	2014	2013	Change
Revenue	620.9	539.4	15.1%
Adjusted EBITDA	82.6	66.2	24.8%
Adjusted EBIT	2.1	0.7	> 100.0%
Earnings before taxes (EBT)	5.2	4.7	12.3 %
Total segment assets	1,361.3	1,249.4	9.0 %
Lease assets	267.4	240.7	11.1%
Lease receivables	994.9	907.2	9.7%
thereof lease receivables from long-term leases to third parties	521.9	458.1	13.9%
thereof lease receivables from LMH and STILL from funding of the short-term rental business	473.0	449.1	5.3%
Lease liabilities ¹	1,037.5	935.2	10.9%
thereof liabilities from funding of the long-term leases with third parties	702.9	615.5	14.2%
thereof liabilities from funding of the short-term rental business of LMH and STILL	334.5	319.7	4.6%
Net financial debt	155.1	163.6	–5.2%
Equity	46.5	41.7	11.4%
Return on equity ²	13.0%	13.0%	–

¹ Includes liabilities from financing of the short-term rental fleet reported as other financial liabilities

² Earnings before taxes / Average equity tied up during the reporting period excluding the net income of the period

Other segment

Business performance

Group head office functions that do not come under any other segment are reported in the Other segment. These functions include the holding and service companies in the KION Group. KION India (formerly Voltas Material Handling) is also reported in the Other segment. In 2014, KION India expanded its sales and service network and now has access to more than 60 sales outlets. Since the start of 2015, KION India has been included in the LMH brand segment.

Earnings

The total revenue generated by the segment amounted to €235.7 million, roughly the same level as in 2013 (€235.1 million). As in the previous year, the main revenue drivers were internal IT and logistics services as well as KION India. Revenue generated outside the KION Group totalled €47.6 million (2013: €48.2 million). Business volume at KION India increased slightly compared with 2013.

Adjusted EBIT for the segment reached €135.5 million, which was substantially up on the figure for 2013 (€73.5 million). For the most part, this increase was attributable to improved earnings in

Key figures – Other –

TABLE 024

in € million	2014	2013	Change
Order intake	236.5	235.1	0.6%
Revenue	235.7	235.1	0.3%
EBITDA	141.1	88.7	59.2%
Adjusted EBITDA	152.5	90.4	68.7%
EBIT	124.1	71.8	72.8%
Adjusted EBIT	135.5	73.5	84.3%

subsidiaries compared with 2013, as a consequence of which intra-group dividend income for the segment rose to €169.4 million (2013: €117.3 million). This was significantly more than enough to offset the primary costs for the Group head office functions. These earnings are eliminated as part of the consolidation for the KION Group. > TABLE 024

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 €167.9 million (2013: minus €90.6 million) across all segments was the intra-group dividend income.

Financial position

Principles and objectives of financial management

By pursuing an appropriate financial management strategy, the KION Group makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. In addition, the KION Group optimises its financial relationships with customers and suppliers, manages any collateral security offered and mitigates the financial risk to its enterprise value and profitability, notably currency risk, interest-rate risk, price risk, counterparty risk and country

risk. In this way, the KION Group creates a stable funding position to maintain profitable growth.

The financial resources within the KION Group are provided based on an internal funding approach. The KION Group collects liquidity surpluses of the Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. This funding enables the KION Group to present a united front in the capital markets and strengthens its bargaining position with banks and other market participants.

As a listed group of companies that also obtains funding using corporate bonds and loan facilities, the KION Group considers the interests of shareholders, bond holders and banks in its financial management. For the sake of these stakeholders, the KION Group makes sure that it maintains an appropriate ratio of internal funding to borrowing.

The KION Group's borrowing is based on a long-term approach. The core components of this borrowing will become due for repayment in the years 2018 to 2020. The Group occasionally arranges additional credit lines for KION Group companies with local banks or leasing companies in order to comply with legal, tax and other regulations.

Among other things, the loan facility and the contractual conditions relating to the issuance of the corporate bonds require compliance with loan conditions ('covenants'). The loan facility also requires compliance with specific financial covenants during the term of the agreement. Non-compliance with the covenants may, for example, give lenders the right to terminate the loan or

permit bondholders to put the corporate bonds back to the issuer prior to their maturity date. All covenants and restrictions were comfortably complied with in the past financial year.

Depending on requirements and the market situation, the KION Group will also avail itself of the funding facilities offered by the public capital markets in future. The KION Group therefore seeks to maintain a strong credit profile in the capital and funding markets by rigorously pursuing a value-based strategy, implementing proactive risk management and ensuring a solid funding structure. On 7 April 2014, Moody's raised the rating of the KION Group and the bonds from Ba3 to Ba2 with a stable outlook. Then, on 15 April 2014, Standard & Poor's raised its rating for the KION Group from BB- with a positive outlook to BB, still with a positive outlook.

The KION Group maintains a liquidity reserve in the form of unrestricted, bindingly committed credit lines and cash in order to ensure financial flexibility and solvency.

The KION Group only uses derivatives to hedge underlying operational transactions; in particular, hedging for currency and interest-rate risks. To the greatest possible extent, only cash flow hedges were used for this purpose in the reporting year.

Main financing activities in the reporting period

On 15 April 2014, the KION Group repaid early and in full 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. The funds used for the repayment mainly originated from a revolving credit facility maturing in June 2018. Also in April 2014, this revolving credit facility was increased by €198.0 million to a total of €1,243.0 million on the basis of bilateral lending agreements with a group of banks. These additional loans mature in April 2019 and also have a variable interest rate. This credit facility currently has lower interest rates than the two repaid corporate bond tranches. A further core component of the long-term funding of the KION Group is the remaining fixed-rate corporate bond with a volume of €450 million, which is due for repayment in 2020.

In September 2014, KION GROUP AG purchased 51,000 no-par-value treasury shares as part of a share buy-back pro-

gramme; the shares equated to approximately 0.052 per cent of the total share capital. Together with the 200,000 treasury shares already bought in 2013, these shares were offered from October initially to employees of the German companies of the KION Group participating in the KION Employee Equity Programme in order to enable the employees to share in the benefits from the performance of the business. Employees had acquired 87,438 shares by the end of the year. Over the coming years, it is planned to extend the KION Employee Equity Programme to cover subsidiaries outside Germany.

Analysis of capital structure

Financial debt

Long-term borrowing totalled €648.0 million as at 31 December 2014 (31 December 2013: €975.0 million) and comprised the corporate bond due to mature in 2020 (€450.0 million) and the draw-downs under the revolving credit facility classified as long term (€198.0 million). The fixed-rate bond with a volume of €325.0 million and a maturity date of 2018 was repaid early in April 2014. As at the reporting date, an amount of €204.0 million had also been drawn down from the revolving credit facility on a short-term basis (31 December 2013: €184.4 million). As at 31 December 2014, the unused, unrestricted loan facility stood at €841.0 million or – including unrestricted cash and cash equivalents – at €939.7 million.

At €909.6 million, financial debt was lower overall at the end of 2014 than at the end of 2013 (31 December 2013: €1,198.6 million). The main reason for this was the lower level of short-term borrowing. After deduction of cash and cash equivalents of €98.9 million, the remaining net financial debt came to €810.7 million (31 December 2013: €979.3 million). Net debt was approximately 1.0 times adjusted EBITDA compared with 1.4 times as at 31 December 2013 and declined therefore significantly relative to earnings. > TABLE 025

Net financial debt

TABLE 025

in € million	2014	2013	Change
Corporate bond – fixed rate (2011/2018) – gross	–	325.0	– 100.0%
Corporate bond – fixed rate (2013/2020) – gross	450.0	450.0	0.0%
Corporate bond – floating rate (2013/2020) – gross	–	200.0	– 100.0%
Liabilities to banks (gross)	459.9	233.7	96.8%
Liabilities to non-banks (gross)	6.6	6.6	– 0.1%
./. Capitalised borrowing costs	– 6.9	– 16.7	58.8%
Financial debt	909.6	1,198.6	– 24.1%
./. Cash and cash equivalents	– 98.9	– 219.3	54.9%
Net financial debt	810.7	979.3	– 17.2%

Retirement benefit obligation

The KION Group supports pension plans in many countries. These plans comply with legal requirements, local practice and the situation in the country in question. They are either defined benefit pension plans, defined contribution pension plans or multi-employer benefit plans. As at 31 December 2014, the retirement benefit obligation under defined benefit pension plans amounted to a total of €787.5 million (31 December 2013: €560.1 million). Most of this obligation related to pension plans in Germany. The significant year-on-year increase overall was largely attributable to changes in the discount rate, given the prevailing low level of interest rates. After deduction of the pension plan assets amounting to €21.6 million, the remaining net obligation came to €765.8 million (31 December 2013: €537.7 million).

Contributions to pension plans that are entirely or partly funded via funds are paid in as necessary to ensure sufficient assets are available and to be able to make future pension payments to pension plan participants. These contributions are determined by various factors, such as the funded status, legal and tax considerations, and local practice. The payments made by the KION Group under retirement pension obligations in 2014 totalled €20.4 million, comprising €14.4 million for direct pension payments and €5.6 million for employer contributions to plan assets. Transfers to external pension funds resulted in further payments of €0.4 million.

Further details about the retirement benefit obligation are provided in note [28] in the notes to the consolidated financial statements.

Lease liabilities

Continuing growth in the leasing business with end customers in 2014 led to a correspondingly higher funding requirement. Lease liabilities under sale-and-leaseback arrangements rose to €707.7 million (31 December 2013: €617.1 million). Of this total, €461.7 million was accounted for by non-current lease liabilities (31 December 2013: €403.7 million) and €246.0 million by current lease liabilities (31 December 2013: €213.3 million).

Short-term rentals and procurement leases are allocated to the brand companies. The corresponding liabilities are reported under other financial liabilities (see note [33] in the notes to the consolidated financial statements). As at 31 December 2014, other financial liabilities included liabilities of €339.1 million (31 December 2013: €327.5 million) arising from sale-and-leaseback transactions used to finance the short-term rental fleet. The item also included liabilities from residual value guarantees amounting to €18.5 million (31 December 2013: €17.3 million). These residual-value liabilities relate to residual-value guarantees provided in connection with the sale of assets to leasing companies, where the guaranteed amount is more than 10.0 per cent of the fair value of the asset in question.

Equity

The level of equity changed only marginally in the reporting year. As at the reporting date, equity amounted to €1,647.1 million, an increase of 2.3 per cent year on year (31 December 2013: €1,610.0 million). In addition to the positive effect from net income there were significant negative effects recognised in other comprehensive income amounting to €112.7 million, primarily as a result of the reduction in the discount rate used for pension obligations. The equity ratio nevertheless improved slightly to 26.9 per cent (31 December 2013: 26.7 per cent). > **TABLE 026**

Funding vehicles not reported on the statement of financial position

The KION Group also makes use of funding vehicles not reported in the statement of financial position. As part of its financing activities, the KION Group has entered into leases both for its own use and for transfer to customers. In accordance with the relevant IFRS requirements, such leases are not reported as either an asset or a liability on the statement of financial position. The nominal amount of the contractual obligations arising from such leases not reported in the statement of financial position was €250.8 million as at 31 December 2014 (31 December 2013: €206.0 million; see note [34] in the notes to the consolidated financial statements).

(Condensed) balance sheet, equity and liabilities

TABLE 026

in € million	2014	in %	2013	in %	Change
Equity	1,647.1	26.9%	1,610.0	26.7%	2.3%
Non-current liabilities	2,688.3	43.9%	2,711.1	45.0%	-0.8%
thereof:					
Retirement benefit obligation	787.5	12.8%	560.1	9.3%	40.6%
Financial liabilities	646.8	10.6%	971.1	16.1%	-33.4%
Deferred tax liabilities	320.9	5.2%	306.2	5.1%	4.8%
Lease liabilities	461.7	7.5%	403.7	6.7%	14.4%
Current liabilities	1,793.0	29.3%	1,705.3	28.3%	5.1%
thereof:					
Financial liabilities	262.9	4.3%	227.5	3.8%	15.5%
Trade payables	564.6	9.2%	550.5	9.1%	2.6%
Lease liabilities	246.0	4.0%	213.3	3.5%	15.3%
Total equity and liabilities	6,128.5	-	6,026.4	-	1.7%

Analysis of capital expenditure

Capital expenditure (excluding leased and rental assets) was again funded using cash flow from operating activities in the reporting year. The volume of capital expenditure went up by 5.9 per cent year on year to €133.1 million (2013: €125.8 million). As was the case in 2013, one major item of capital spending took the form of capitalised development costs in the Linde Material Handling and STILL segments, for example in relation to the enhancement of electric forklift trucks, warehouse technology products, innovative intralogistics solutions and lithium-ion technology. In addition, the KION Group continued to modernise its production and technology sites, especially in Germany and Asia. Another area of capital expenditure was the ongoing improvement of the IT infrastructure, including standardisation of the global sales systems.

The volume of capital expenditure rose in both brand segments, above all due to the modernisation of equipment and production facilities. The construction of the new plant in the Czech Republic will only have a material impact on the volume of capital expenditure from 2015 onwards.

Analysis of liquidity

Liquidity management is an important aspect of central financial management. The sources of liquidity are cash and cash equivalents, cash flow from operating activities and amounts available under credit facilities. As at 31 December 2014, cash and cash equivalents had declined to €98.9 million owing to better utilisation of intra-group cash on hand outside Germany (31 December 2013: €219.3 million). Taking into account the undrawn credit facilities, the KION Group had unrestricted cash and cash equivalents of €939.7 million at the end of 2014, compared with €1,079.6 million as at 31 December 2013. Net debt decreased by €168.6 million.

The KION Group's net cash provided by operating activities totalled €603.8 million, which was significantly higher than the prior-year figure of €506.3 million after restatement to reflect the rental assets. The main reason for this was the €68.8 million decrease in tax payments, which had a positive impact on cash flow. This decrease was due to the fact that there had been one-off tax payments in connection with the sale of the hydraulics

business. A higher level of working capital at the reporting date had the effect of reducing cash flow.

Net cash used for investing activities was lower than in the previous year at €297.8 million (2013: net cash used of €310.7 million). Capital expenditure on developments (R&D), property, plant and equipment, and the rental fleet business (net) rose by €20.5 million year on year. In the previous year, net cash totalling €25.1 million had been used to acquire Arser and the remaining shares in Willenbrock. The main inflows from investing activities related to the disposal of an equity investment of the Willenbrock Group, dividend payments and net inflows from disposals of property, plant and equipment.

Free cash flow – the sum of cash flow from operating activities and investing activities – increased by €110.3 million to €305.9 million in the reporting period (2013: €195.6 million). As in 2013, a large part of it was used for repayments.

At minus €428.1 million, cash flow from financing activities was down significantly on the prior-year figure (2013: minus €531.6 million), which had been particularly affected by the IPO and the restructuring of financial debt. The net repayment of financial debt in the year under review totalled €301.2 million (2013: €1,105.7 million). The financial debt taken up during the year, which came to €1,375.2 million, was more than offset by repayments totalling €1,676.4 million. These repayments included €525.0 million in respect of the early redemption of the bond tranches plus early repayment charges of €14.8 million. Net cash of €82.5 million was also used for regular interest payments (2013: €112.6 million). The distribution of a dividend for 2013 of €0.35 per share resulted in an outflow of funds of €34.5 million, while the acquisition of a further 51,000 shares for employees in 2014 generated an outflow of €1.5 million. **> TABLE 027**

(Condensed) cash flow statement*

TABLE 027

in € million	2014	2013	Change
EBIT	347.0	374.2	-7.2%
Cash flow from operating activities	603.8	506.3	19.2%
Cash flow from investing activities	-297.8	-310.7	4.2%
Free cash flow	305.9	195.6	56.4%
Cash flow from financing activities	-428.1	-531.6	19.5%
Currency effects on cash	1.8	-7.0	> 100.0%
Change in cash and cash equivalents	-120.4	-343.0	64.9%

* Last year's figures were adjusted due to a change in presentation, for details see 'Other disclosures on Consolidated statement of cash flows'

Net assets

Non-current assets

Non-current assets had risen by €89.1 million compared with the end of 2013, reaching €4,524.8 million. Intangible assets accounted for €2,412.5 million (31 December 2013: €2,428.7 million). Goodwill and the KION Group's brand names represented €2,092.4 million of that amount (31 December 2013: €2,089.4 million). Property, plant and equipment (including capitalised development costs) declined moderately because the capital expenditure of €133.1 million was more than offset by depreciation of €150.3 million. Rental assets in the brand segments' short-term rental fleet rose to €487.1 million (31 December 2013: €461.2 million).

Financial services activities also contributed to the increase in non-current assets. Leased assets under leases with end customers that are classified as operating leases rose slightly due to the overall growth in business, advancing by €27.1 million to €279.0 million (31 December 2013: €251.9 million). Long-term lease receivables arising from leases with end customers that are classified as finance leases went up by €36.4 million to €345.3 million, compared with €308.8 million at the end of 2013. Another major factor in the rise in non-current assets was the recognition of deferred tax assets. However, the increase in assets was partly offset by the impairment charge recognised on the stake held in Linde Hydraulics. Overall, equity-accounted investments fell from €138.6 million to €114.6 million.

An explanation of the change in deferred tax assets is provided in note [14] in the notes to the consolidated financial statements.

Current assets

The 0.8 per cent growth in current assets to €1,603.7 million (31 December 2013: €1,590.7 million) was the result of higher trade receivables and a slight increase in inventories. Inventories had fallen again significantly from their level at 30 June 2014. The increase in the volume of receivables is attributable to higher product sales, especially in the second half of the year. There was only an insignificant change in the average number of days outstanding of receivables.

Another factor was the rise in other current financial assets. The main reason for this was the remeasurement of existing options relating to Linde Hydraulics.

Lease receivables from external end customers advanced from €170.8 million as at 31 December 2013 to €202.5 million on the reporting date owing to the increase in business volume.

The rise in current assets was restricted by the sharp decrease in cash and cash equivalents to €98.9 million (31 December 2013: €219.3 million), which was attributable to the increased use of Group liquidity to reduce financial debt.

> TABLE 028

Inventories

TABLE 028

in € million	2014	2013	Change
Materials and supplies	122.2	108.3	12.8%
Work in progress	71.5	66.7	7.1%
Finished goods and merchandise	330.8	331.2	-0.1%
Advances paid	4.7	5.5	-14.5%
Total inventories	529.2	511.8	3.4%

Working capital (inventories and trade receivables less trade payables) was €562.8 million as at the reporting date, which was higher than it had been a year earlier (31 December 2013: €520.0 million). > **TABLE 029**

(Condensed) balance sheet, assets**TABLE 029**

in € million	2014	in %	2013	in %	Change
Non-current assets	4,524.8	73.8%	4,435.8	73.6%	2.0%
thereof:					
Goodwill	1,497.1	24.4%	1,494.7	24.8%	0.2%
Brand names	595.4	9.7%	594.7	9.9%	0.1%
Deferred tax assets	357.9	5.8%	295.5	4.9%	21.1%
Rental assets	487.1	7.9%	461.2	7.7%	5.6%
Leased assets	279.0	4.6%	251.9	4.2%	10.7%
Lease receivables	345.3	5.6%	308.8	5.1%	11.8%
Current assets	1,603.7	26.2%	1,590.7	26.4%	0.8%
thereof:					
Inventories	529.2	8.6%	511.8	8.5%	3.4%
Trade receivables	598.2	9.8%	558.7	9.3%	7.1%
Lease receivables	202.5	3.3%	170.8	2.8%	18.6%
Other current assets	168.2	2.7%	114.7	1.9%	46.7%
Cash and cash equivalents	98.9	1.6%	219.3	3.6%	-54.9%
Total assets	6,128.5		6,026.4		1.7%

NON-FINANCIAL PERFORMANCE INDICATORS

The KION Group's enterprise value is determined not only by financial KPIs but also by non-financial influencing factors. These factors relate to the Company's relations with its customers and employees, to its technological position and to environmental considerations – and they also have an impact on the success of the Strategy 2020. The overarching objective of establishing the KION Group as the global market leader with above-average profitability, efficiency and resilience can only be achieved if the Group succeeds in:

- being an attractive and responsible employer that can retain competent and committed employees at all sites;
- developing products that are closely tailored to customers' needs and environmental requirements now and in future;
- continually increasing the customer benefits provided by its products and services and designing production processes in such a way that resources are conserved and emissions are avoided as far as possible.

The KION Group firmly believes that these aspects are crucial to its positioning as a pioneering company in a highly competitive environment.

Employees

HR strategy

The KION Group's success is founded on the capabilities and commitment of its employees. Its human resources (HR) strategy is geared towards providing the best possible support for strategic development and international growth. The KION Group aims to always have a sufficient number of qualified, committed employees at all levels of its operations and to offer them attractive working conditions and the opportunities afforded by working for an international group of companies. This strategy also

enables the Company to tackle the challenges of demographic change.

The KION Group has strengthened its employer brands, particularly those of LMH and STILL. In 2014, STILL was recognised as one of Germany's best employers by the Top Employers Institute, an international certification organisation, for the third time in a row. It also received a 'Germany's Top Employers' award from the CRF Institute.

Headcount

The average number of employees (full-time equivalents (FTEs), including trainees and apprentices) in the KION Group was 22,438 in 2014 (2013: 21,632 FTEs). As at 31 December 2014, the KION Group companies employed 22,669 FTEs, 396 more than a year earlier.

Much of this increase was accounted for by the rise in headcount at STILL GmbH in Hamburg – mainly in production and logistics departments – and at LMH China. This increase was partly offset by a reduction in employee numbers, primarily accounted for by the loss of 66 jobs at the plant in Merthyr Tydfil (UK), which closed in 2014, and the disposal of Willenbrock Arbeitsbühnen GmbH & Co KG, which included the transfer of its 58 employees.

At regional level, there were only slight changes in headcount overall. The increases in Germany and China were attributable to the factors mentioned above. There were also substantial rises in growth markets such as Poland. > **TABLE 030**

Employees (full-time equivalents)*

TABLE 030

31/12/2014	LMH	STILL	FS	Other	Total
Western Europe	8,607	6,792	60	526	15,985
Eastern Europe	1,096	671	0	0	1,767
Americas	138	513	0	0	651
Asia	3,560	0	0	162	3,722
Rest of world	544	0	0	0	544
Total	13,945	7,976	60	688	22,669

31/12/2013	LMH	STILL	FS	Other	Total
Western Europe	8,704	6,559	59	519	15,841
Eastern Europe	1,060	629	0	0	1,689
Americas	122	527	0	0	649
Asia	3,370	0	0	156	3,526
Rest of world	568	0	0	0	568
Total	13,824	7,715	59	675	22,273

* Number of employees in full-time equivalents as at balance sheet date; Allocation according to the contractual relationship

Personnel expenses amounted to €1,231.9 million. The main reason for this advance of 7.7 per cent compared with 2013 was the increase in average headcount for 2014 and changes to collective bargaining agreements. > TABLE 031

Personnel expenses

TABLE 031

in € million	2014	2013	Change
Wages and salaries	966.4	900.5	7.3%
Social security contributions	215.7	203.7	5.9%
Post-employment benefit costs and other benefits	49.7	39.5	25.8%
Total	1,231.9	1,143.8	7.7%

Diversity

The KION Group sees itself as a global manufacturer with strong intercultural awareness: as at 31 December 2014, people from 69 different countries were employed across the KION Group.

One of the ways in which the Company promotes international collaboration between employees is the KION expat programme, which gives employees the opportunity to transfer to different countries where the KION Group is represented.

The KION Group tackles the challenges of demographic change by providing working conditions that are suited to employees' age-related requirements and organising healthy-living programmes so that it can continue to benefit from older employees' experience. As at 31 December 2014, 24.2 per cent of employees were over the age of 50 (31 December 2013: 23.5 per cent). A total of 192 employees were participating in partial retirement models as at the reporting date (31 December 2013: 250).

An important diversity objective is increasing the proportion of female employees. The proportion of the total workforce made up of women remained stable at 16.1 per cent in 2014 (2013: 16.1 per cent). However, the proportion of management positions occupied by women rose slightly, from 8.0 per cent in 2013 to 8.2 per cent in 2014. Back in 2013, the Executive Board resolved to double the proportion of women in management positions by 2020. Going forward, the KION Group intends to fill more management positions with employees from outside Germany in order to better reflect the Company's international make-up.

The KION Group offers flexible working-time models that promote a good work-life balance. In addition, Linde Material Handling has implemented a company agreement about 'teleworking/home office', which stipulates the terms on which employees can work at home on a mutually agreed and voluntary basis.

Development of specialist workers and executives

Finding highly qualified people to fill specialist and executive positions is crucial to the KION Group's success. As a result, one of the focuses of HR work across the Group was again the recruitment and development of suitable young talent in 2014.

The KION Group endeavours to offer its employees interesting career opportunities and flexible, family-friendly working-time models. The Group companies also collaborate closely on areas such as talent management and training & development programmes. This helps to systematically identify and support staff with potential, high performers and experts in key functions. Organised in cooperation with the European School of Management and Technology (ESMT), KION Campus is an international, cross-brand executive development programme aimed at the Group's 300 or so top executives. In addition, new managers at STILL receive support under the First Leading programme during their first few years. Prospective managers can enhance their skills through STILL's Young Professional programme, while highly talented staff around the world can participate in the International Junior Circle. The STILL Academy offers subject-specific and interdisciplinary training courses. Opportunities at Linde Material Handling include a virtual assessment centre for future managers.

Training and professional development

The companies in the KION Group currently offer training for 21 professions in Germany. They employed a total of 577 trainees and apprentices as at 31 December 2014 (31 December 2013: 591). The ratio of trainees and apprentices to other employees therefore remains at a steady, high level. Besides providing dual vocational training schemes, KION Group companies offer work placements for students combining vocational training with a degree course in cooperation with various universities.

Sharing in the Company's success

Having successfully floated on the stock exchange, the KION Group launched the KION Employee Equity Programme (KEEP) in 2014. Initially limited to Germany, the programme is to be successively rolled out to other countries. In 2014, around 1,800 employees in Germany participated in this share matching programme, which means around 24 per cent of the employees in Germany who were eligible to take part became employee shareholders. Following the successful introduction in Germany, the plan for 2015 is to extend KEEP to China, France, Italy and the

United Kingdom so that employees there also have the opportunity to share in the Company's success.

In 2014, the remuneration of the Group's 300 or so top executives was aligned with that of the Executive Board by introducing a remuneration component designed to provide a long-term incentive. The first tranche of the KION Long-Term Incentive Programme (LIFT) was issued in the reporting year.

Employee commitment

The KION Group's products and services destined for its customers are produced by committed and motivated employees. That is why all KION companies aim to ensure a high level of employee commitment. LMH surveyed a total of 8,480 employees in China, France, Germany and the United Kingdom on this subject in 2014, with a response rate of 74 per cent. The results of the survey were presented and discussed in all departments, enabling improvement measures to then be identified. These measures were focused on establishing a culture of open dialogue and discussion within teams and between the Company and its employees.

Health and safety in the workplace

In the reporting year, the KION Group continued to expand its activities relating to health, safety and the environment (HSE). A corporate policy sets out the KION Group's obligations, which include taking comprehensive precautions to create a safe working environment and ensuring employees know how to avoid risks and accidents.

HSE activities centre on an internal audit programme, which covers all of the Group's production facilities. The aim of the regular audits is to systematically document existing HSE measures and processes and provide specific ideas for how they can be developed further (more details can be found in the 'sustainability' section).

The health rate for 2014 stood at the high level of 96.5 per cent. Fewer workplace accidents were registered than in 2013.

STILL worked on implementing its detailed three-step concept for health, safety and the environment in the year under review. All managers had attended comprehensive training on HSE in 2013, and the courses were extended to all production

and logistics employees in 2014. Two pilot projects on behaviour-based safety were also launched. Their objective is to create greater awareness of health and safety in the workplace and therefore to further reduce the number of accidents. At STILL in Hamburg, the company doctor works closely with safety officers to optimise ergonomics at employees' workstations in order to lower health risks and the risk of accidents caused by working conditions. Healthy-eating initiatives also continued.

Last year, more than 2,300 Linde Material Handling employees attended training courses designed to promote a culture of safety.

Research and development

Strategic focus of research and development

The focus of research and development (R&D) is aligned with the Strategy 2020. The KION Group pursues the primary objective of increasing the customer benefits in all price segments and sales regions and, by adhering to modular and platform strategies, offering high quality at competitive prices. To this end, R&D is designed to be as cost-effective as possible in order to reduce the complexity and diversity of products and shorten development times. The cross-brand R&D platform enables research results and technological expertise to be shared, although responsibility for product development lies mainly with the individual companies.

In the premium segment, the focus remains on total cost of ownership (TCO) – including purchase price, maintenance and repair costs and fuel consumption – while complying with environmental targets and regulatory requirements. The objective here is to ensure ongoing enhancement of the portfolio, which will secure the Company's position as a leading technology provider. Another aim is to integrate the KION Group's logistics solutions into customers' value chains and harness the potential of new application areas. In the volume and economy segments, the KION Group is establishing shared, cross-brand and cost-efficient platforms that enable low-cost production yet allow a strong degree of regional differentiation in the industrial trucks.

Key R&D figures

In 2014, the KION Group actively stepped up its total spending on research and development, which amounted to €119.7 million. This constituted a year-on-year rise of 4.8 per cent (2013: €114.2 million). The KION Group therefore channelled 2.6 per cent of total revenue (2013: 2.5 per cent), or 4.7 per cent of revenue from new truck business (2013: 4.5 per cent), into R&D and was thus once again higher than the industry average in its R&D spending. Total R&D expenditure included €43.7 million in capitalised development costs (2013: €45.7 million). These expenses were offset by depreciation and amortisation of €49.7 million (2013: €45.1 million) (see note [17] in the notes to the consolidated financial statements).

The number of full-time jobs in R&D teams grew by 79 to 1,023. Within the R&D organisation, the development centre in the southern Chinese city of Xiamen carries out cross-brand development work, focusing mainly on the economy and volume price segments in emerging markets. It is playing a crucial role in bringing the groupwide platform strategy to fruition. That is why R&D headcount at the centre again increased particularly strongly, climbing from 232 FTEs in the previous year to 282 FTEs in 2014. > **TABLE 032**

The KION Group takes comprehensive measures to protect the products it develops against imitations. In 2014, the KION companies were granted a total of 140 patents (2013: 85). As at 31 December 2014, the companies of the KION Group held a total of 1,689 patent applications and issued patents (31 December 2013: 1,596 patent applications and issued patents).

Focus of R&D in 2014

Reduction of emissions and fuel consumption

Tighter emissions standards for diesel trucks and the sustained trend for e-mobility have pushed up demand for zero-emission electric forklift trucks, including those with large load capacities. In response, both LMH and STILL have extended their range of electric counterbalance trucks that can lift up to eight tonnes.

In June, STILL presented its reworked RX 20 with much improved performance capabilities. LMH launched the new E12-E20 EVO electric counterbalance truck models in the 1.2-2 tonne load capacity category. Thanks to this facelift, the new models consume up to 17 per cent less energy than their predecessors. One of the reasons for this saving was the use of different driving dynamics programmes that provide the optimum balance between high performance and low energy consumption for the specific situation.

Research and development (R&D)

TABLE 032

in € million	2014	2013	Change
Research and development costs (P&L)	125.7	113.6	10.6%
Amortisation expense (R&D)	-49.7	-45.1	-10.3%
Capitalised development costs	43.7	45.7	-4.2%
Total R&D spending	119.7	114.2	4.8%
R&D spending as percentage of revenue	2.6%	2.5%	-

To provide customers with clear information on how their environmental footprint is affected as a result of deploying a Linde truck, Linde Material Handling worked with the Fraunhofer Institute for Building Physics (IBP) to develop a method for assessing the environmental impact of its forklift trucks and warehouse trucks throughout the product lifecycle. In addition, lifecycle assessments for the company's seven main product groups were prepared.

Modular and platform strategy

The KION Group is establishing shared, cross-brand and cost-efficient platforms for product development and production that are geared to the volume and economy segments. However, market success depends on these platforms allowing a strong degree of regional differentiation in the industrial trucks. One example is the diesel truck platform developed by Baoli in China, which is used for region-specific economy trucks in India (Voltas) and Brazil (STILL). Another platform, developed in Xiamen, was also launched for the global volume segment in 2014.

In western Europe, the premium brands, Linde and STILL, will continue to use different platforms for their counterbalance trucks in order to maintain the defining characteristics of their brands, but will increasingly deploy shared modules. Some of their warehouse technology products have always had shared roots, such as the very narrow aisle trucks that are produced for both brands in Reutlingen.

Drive technology

As in the previous year, development of new drive technologies centred on powerful lithium-ion batteries for electric trucks. In October 2014, LMH and STILL added warehouse trucks (pedestrian pallet trucks) fitted with lithium-ion batteries to their product ranges for the first time. Both solutions are highly efficient because each truck, including the controls, electronics, battery and charger, forms a system whose different components communicate with each other.

LMH and STILL are also pushing forward with the development of lithium-ion batteries for counterbalance trucks in higher weight categories along with the necessary charging technology. The fuel-cell powered trucks of Linde Material Handling were designated 'best innovation' in the industrial truck category of the LOGISTRA best practice: Innovations 2014 awards, which are voted for by readers of the trade journal LOGISTRA.

Automation and networking

In May 2014, STILL received the International Forklift Truck of the Year Award (IFOY Award) in the Automated Guided Vehicles category for its iGoEasy automation solution, the world's first system solution for facilities with small transport volumes. All configuration, control and monitoring of the system is carried out using an iPad. Last year, STILL also created a raw materials warehouse equipped with all the necessary automated components: for the first time, semi-automated shuttles communicate with fully automated reach trucks so that raw materials can be carried to the right production supply area at the right time.

Growing demand for individualised products means customers need increasingly flexible material flow strategies. That is why more and more manufacturers are deploying tugger trains to move materials around their premises. Both STILL and Linde updated their tugger train solutions in 2014. STILL launched the first tow tractors in its LTX model series in July. Available in many variants, this series provides custom transport solutions for various industries and applications. In May, LMH presented two new logistics train solutions: the Linde Logistic Train and Linde Factory Train are designed for the cycle-based flow of materials found in modern production facilities.

The automation and networking of supply chains remains an important subject. In May 2014, LMH presented the latest generation of its 'connect:' fleet management solution. This product family consists of a local database and a cloud-based data portal, new management and analysis software, and a suite of software modules that can be combined to form individual functional packages that are tailored to the specific customer requirements. The solution connects forklift trucks and warehouse trucks with the local database or the servers of the Linde Data Cloud via Bluetooth or wireless. Because it can be retrofitted, the system can be installed on all trucks in a fleet, including older and third-party vehicles.

During the reporting year, 'connect:' was used in a self-driving car for the first time. In the XchangE concept vehicle developed by Rinspeed AG of Switzerland, the system uses RFID technology to manage access control and transmits the technical data needed to monitor autonomous driving. It therefore performs the same technical functions that it does in a fleet truck. Another application for 'connect:' was showcased in a service vehicle developed jointly with Deutsche Telekom. The interaction

between 'connect:' and Deutsche Telekom's Arrival Control app enables customers to track the service vehicle's current location and estimated time of arrival minute by minute. Deutsche Telekom and LMH have signed a cooperation agreement under which the app solution will be tested by LMH's customer service organisation. Customers will benefit from more transparency and a greater ability to plan.

Workplace safety and ergonomics

There was a world premiere for LMH in May 2014: the Linde Safety Pilot is an electronic driver assistance system that helps to prevent operating and driving errors when trucks are used at their limits, thereby reducing the risk of accidents caused by trucks tipping over. Not only does the system provide the driver with visual and acoustic warnings, the truck control unit also actively intervenes by regulating the truck.

Another driver assistance system has been developed especially for Linde reach trucks with tall masts, which are becoming ever more common due to increasingly high racks. The Dynamic Mast Control (DMC) system compensates for mast oscillations and deflections quickly, precisely and energy-efficiently. This means the driver does not have to wait for the load to stop moving and can work much faster and more safely. In April 2014, STILL began offering a new reach truck (FM-X) with active load stabilisation, the first to achieve a lift height of up to 13 metres. Active load stabilisation reduces the time that a driver has to wait before lifting a load onto a high rack by up to 80 per cent.

Furthermore, LMH brought out two compact double stackers with enhanced safety features in February 2014. They are designed for light-duty logistics applications, such as in supermarkets. The features include SafetySpeed, which regulates driving speed, and SafetyLift, which prevents the accidental raising or lowering of the lifting equipment. To avoid collisions, the double stackers are fitted with four different braking systems.

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. Contact with customers at trade fairs also makes it possible to gauge interest in the product innovations on show among new and existing customers. In May, LMH teamed up with 18 partners and suppliers to demonstrate intralogistics in an interactive exhibition entitled World of Material Handling, which was held over a number of weeks in the grounds of Mainz's exhibition centre. Some 6,000 customers, prospects, journalists and employees from more than 40 countries took up the invitation to attend talks, exhibitions and product demonstrations. Linde Material Handling exhibited its 'connect:' connectivity solution at the Geneva International Motor Show in 2014.

STILL showcased its trucks and system solutions at LogiMAT as well as at the CeMAT trade fairs in Hannover and Russia. Visitors were also able to see the cubeXX concept truck in action for the first time, following its unveiling in the previous year. In September, existing and prospective customers were invited to an international efficiency day at the STILL Arena in Hamburg, where they attended presentations and workshops.

Sustainability

The KION Group strives for a balance between environmental, economic and social considerations in its business activities. This focus on sustainability is reflected in its eco-friendly and safe products that help customers to conserve energy, reduce emissions and comply with strict workplace safety standards (see the 'research and development' section). Furthermore, the KION Group ensures that its production processes have as minimal an impact on the environment as possible and that it offers safe and discrimination-free working conditions.

The KION Code of Compliance lays down binding rules of conduct for all companies in the Group and their employees. All other standards and initiatives relating to health, safety and the environment (HSE) are derived from this code. The corporate policy on workplace safety, health and the environment defines a number of requirements for the KION Group companies, including:

- as a minimum, complying with all relevant national laws, codes of conduct and industry standards;
- ensuring safe working conditions and providing employees with the necessary training;
- avoiding the release of pollutants, discharge and emissions into the environment as far as possible;
- reducing the volume of waste by making better use of raw materials and using recyclable materials;
- using materials, products and processes that comply with best environmental practice;
- using resources, energy and raw materials efficiently.

In 2014, the KION Group established new minimum standards for employment based on the fundamental conventions drawn up by the International Labour Organization (ILO). These include freedom of association, the right to collective bargaining, elimination of forced and child labour, and a ban on discrimination in respect of employment and occupation. Furthermore, the KION Group is committed to ensuring health and safety standards in the workplace and to paying its employees remuneration that is appropriate to the industry in the particular country and, at the very least, provides a living wage.

Regular audits at all production sites increase awareness of workplace safety and environmental protection. The standardised system of HSE KPIs introduced in 2013 is proving its worth. It serves to bring HSE standards into line worldwide and to create a shared culture of awareness regarding the environment and safety. All audits in the reporting year showed a clear improvement in the individual units compared with 2013.

The KION Safety Championship was introduced in 2014 as a way of providing additional impetus and motivation for employees to engage with HSE matters. All production facilities take part. Based on regular reporting from the individual units, a panel of judges decides which units deserve to be rewarded for special dedication or considerable progress in an area of HSE. The assessment takes account of the units' different economic and cultural situations.

Safety experts at the KION Group's various production facilities began to collaborate more closely last year. For a number of years now, the HSE managers at all production sites have met annually for an international summit at which they discuss current topics and share best practice. In 2014, a summit for the HSE

managers in sales & service was held for the first time. Following the same approach as the production departments, the aim is to set up a standardised reporting and analysis system for accidents and risks in the sales & service organisation.

All plants capture data about their energy consumption, volumes of waste and recycling, water consumption and emissions of CO₂ and volatile organic compounds (VOC). This data is included in an annual internal environmental report. Data for 2014 was not available at the time this group management report was compiled, so the key data from the 2013 environmental report is presented below.

The total volume of primary energy consumed by all production sites in the KION Group in 2013 amounted to 285.5 gigawatt hours, a far lower figure than in 2012. The largest source of energy was electricity (36.9 per cent), followed by gas (32.1 per cent) and coal (22.3 per cent).

At 39,735 tonnes, the volume of waste was also much smaller than in previous years. Of this total amount, 91.8 per cent was recycled (2012: 92.2 per cent). There was a fall in both the absolute volume of non-recycled waste and the proportion of that volume that consisted of environmentally hazardous waste compared with 2012. Furthermore, the figures reported for water consumption and emissions of volatile organic compounds and the greenhouse gas CO₂ were also lower in 2013 than in the previous year.

The KION Group's objective is to gradually establish a certified system for quality, environmental and safety management at all sites. At the end of the year, KION sites had been certified in accordance with the following international standards:

- ISO 9001 (quality management): 12 production sites, 16 sales & service units
- ISO 14001 (environmental management): 6 production sites, 11 sales & service units
- ISO 50.001 (energy management): 1 production site
- OHSAS 18001 (occupational health & safety): 4 production sites, 8 sales & service units

Linde Material Handling continued the work that it had begun in 2013 to implement a system for analysing environmental impact using lifecycle assessments. At the end of 2014, certified lifecycle assessment studies were available for seven product clusters.

A project was also launched to implement a sustainability reporting system and an internal sustainability policy was issued.

Energy efficiency is one of the major areas of focus when it comes to the ongoing development of products. Electric-drive variants were developed for further models in 2014. STILL now includes its Blue-Q energy-saving programme in all new trucks as standard.

Checking compliance with minimum social standards and human rights is also becoming increasingly important in the purchasing function. To satisfy its own requirements and the wish of many big-ticket customers for end-to-end monitoring of the supply chain, the KION Group has developed a supplier policy that forms the basis for incorporating environmental and ethical stipulations into the supplier management process.

Furthermore, all KION Group brands acknowledge their responsibilities as corporate citizens. This is demonstrated by the fact that both the Executive Board and employees personally support numerous different environmental and charitable projects in different countries. One example is LMH's donation to the Spessart Hills Nature Park in connection with a sales campaign in Germany for the new EVO diesel truck. Five oaks were planted for every truck sold. Many of the oak seedlings were planted by interns and apprentices from the local LMH site under the guidance of an expert.

The plant in Pune (India) held an environmental day in which all employees including the management team took part. Employees adopted the new trees that were planted during the day as a lasting, tangible reminder to look after the environment.

Events after the reporting date

On 12 February 2015, KKR and Goldman Sachs placed a further 4.8 million shares (4.9 per cent of KION shares) in the market. As a result of this transaction, the free float increased again, from 47.7 per cent to 52.6 per cent. The proportion of shares held indirectly by KKR and Goldman Sachs via Superlift Holding therefore reduced from 18.8 per cent to 13.9 per cent.

Outlook, risk report and opportunity 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 our forecasts due, among other factors, to the opportunities and risks described here. 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.

Forecast for 2014

The overall assessment of the financial situation compares the forecasts included in the 2013 group management report and subsequent interim reports with actual performance in 2014.

Assumptions

The forecasts in this section are derived from the KION Group's multiple-year market, business and financial plan, which is based on certain assumptions. Market planning takes into account macroeconomic and industry-specific performance, which is described below. Business planning and financial planning are based on expected market performance, but also draw on other

assumptions, such as those relating to changes in the cost of materials, the KION Group's ability to command higher prices from customers and movements in exchange rates.

Expected macroeconomic conditions

In the opinion of the International Monetary Fund (IMF), the pace of global economic growth will pick up in 2015, although not as strongly as forecast previously. In its January outlook, the IMF expects the global economy to grow at a rate of 3.5 per cent and the eurozone at 1.2 per cent in 2015. Growth of 2.4 per cent is predicted for the industrial countries in 2015 compared with 1.8 per cent in 2014, with the United States as the biggest growth driver. In view of slower growth in China and the anticipated slump in Russia, growth in the emerging and developing countries is only expected to stay at around the same level of 4.3 per cent. The forecast for economic conditions is based on the assumption that, alongside tightening public finances, monetary policy will remain expansionary and geopolitical tensions will ease. Moreover, the IMF believes advantages created by low oil prices will be offset by unfavourable factors worldwide.

Expected sectoral conditions

The overall market for industrial trucks will continue to depend heavily on economic conditions in key sales markets, with the level of capital investment and the growth in global trade being particularly crucial. In 2014, the global market for industrial trucks expanded by around 8 per cent, a slightly stronger rate than in the previous year despite mixed economic conditions overall. This increase was primarily driven by a recovery of demand in western Europe coupled with strong growth in China and North America. Given the overall economic prospects and in anticipation of a stable investment climate, the KION Group expects a further increase, albeit moderate, in the worldwide market volume in 2015. Besides the predicted growth in the emerging markets of Asia, the major factors will be stabilisation of the sales situation in western Europe with sustained replacement and catch-up investment plus healthy market conditions in North America. However, risks are presented by the unstable geopolitical situation and the related significant slowdown in Russia's growth. This could have a negative impact on neighbouring countries in eastern Europe

and for the eurozone. In addition deflationary tendencies could dampen companies' willingness to invest.

Market expectations also remain positive over the longer-term perspective. Based on current macroeconomic forecasts and in view of the rise in global trade volumes, the KION Group expects an average annual growth rate (in units) of about 4 per cent for the global market over the next few years and does not expect there to be significant changes in the proportion of total revenue generated by each product segment.

Expected business situation and financial performance

By continuing with the implementation of its Strategy 2020, the KION Group intends to achieve even better results in 2015 than the record figures reported for 2014.

Based on the forecasts for market conditions, the KION Group expects both order intake and consolidated revenue to be slightly higher than in 2014. The growth in consolidated revenue will continue to be underpinned by a strong contribution from the service business in western Europe and the emerging markets in 2015.

The KION Group also expects a slight year-on-year rise in adjusted EBIT in 2015. Costs resulting from implementation of the Strategy 2020 will have to be factored in, which should lead to a sustained improvement in the EBIT margin in subsequent years. For this reason, the Group expects the adjusted EBIT margin for 2015 to remain at the record level reached in 2014. The forecast is based on the assumption that material prices will remain stable.

The KION Group expects free cash flow in 2015 to be slightly below the very high level achieved in the previous year. This is due to increased capital expenditure on the one hand, and to higher anticipated tax payments on the other.

Expected financial position

Having repaid the corporate bonds in an amount exceeding €500 million using funds from the revolving credit facility and other bank loans, the KION Group was able to further optimise its funding structure last year and considerably decrease the level of interest payable in subsequent years. There was also a substantial reduction in net debt, which dropped to €811 million in 2014.

In 2015, the KION Group plans to use free cash flow to lower its net debt still further.

Overall statement on expected performance

The basis for the long-term success of the KION Group is the strong position occupied by its global and regional brands in western Europe and the emerging markets. The global brands Linde Material Handling and STILL, in particular, safeguard their technology leadership and underline their status as premium brands by maintaining high levels of capital expenditure and R&D spending.

By pursuing its Strategy 2020 and other measures, the KION Group is expecting profitable growth for 2015 overall and aims to achieve a sustained improvement in its market position worldwide.

RISK REPORT

Risk strategy

The business activities of the KION Group necessarily involve risk. Dealing responsibly with risk and managing it in a comprehensive manner is an important element of corporate management. The overarching aim is to fully harness business opportunities while ensuring that risk always remains under control. Using its groupwide risk management system, the KION Group contains all identified risks by implementing suitable measures and takes appropriate precautions. This ensures that the losses expected if these risks arise will be largely covered and therefore will not jeopardise the Company's continuation as a going concern.

At the KION Group, risk management has always been embedded in the Accounting & Finance function and now plays an active and wide-ranging role due to the strategic focus of Accounting & Finance. The operational units' business models, strategic perspectives and specific plans of action are examined systematically.

Principles of risk management

To ensure that the risk management systems are fully integrated into the KION Group's overall financial planning and reporting process, they are located in the Group Accounting & Finance function.

The procedures governing the KION Group's risk management activities are laid down in internal risk guidelines. For certain types of risk, such as financial risk or risks arising from financial services, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with inherent risks. Risk management is organised in such a way that it directly reflects the structure of the Group itself. Consequently, risk officers supported by risk managers have been appointed for each company and each division. A central Group risk manager is responsible for the implementation of risk management processes in line with procedures throughout the

Group. His or her remit includes the definition and implementation of standards to ensure that risks are captured and evaluated.

The risk management process is organised on a decentralised basis. Firstly, a groupwide risk catalogue is used to capture the risks attaching to each company. Each risk must be captured individually. If the losses caused by a specific risk or the likelihood of this risk occurring exceed a defined limit, the KION Group's Executive Board and its Accounting & Finance function are notified immediately. Each risk is documented in an internet-based reporting system designed specifically for the requirements of risk management. Risks affecting more than one Group company, such as market risks, competition risks, financial risks and risks arising from financial services are not recorded individually but are instead evaluated at Group level. Consequently, such risks are not quantified.

The scope of consolidation for risk management purposes is the same as the scope of consolidation for the consolidated financial statements. The risks reported by the individual companies are combined to form divisional risk reports as part of a rigorous reporting process. To this end, minuted risk management meetings are held once a quarter. Moreover, material risks are discussed with the segments at the business review meetings. The divisional risk reports are then used to compile an aggregate risk portfolio for the KION Group as a whole. To support this, the relevant departments of the holding company are consulted each quarter in order to identify and assess risk – particularly Company-wide, cross-brand risk affecting areas such as treasury, purchasing, tax, human resources and financial services. The Executive Board of KION GROUP AG and the Supervisory Board's Audit Committee are informed of the Group's risk position once a quarter. The Internal Audit department audits the risk management system at regular intervals.

Material features of the internal control and risk management system pertaining to the (Group) accounting process

Principles

The main objectives of the special accounting-related internal control system are to avoid the risk of material misstatements in financial reporting, to identify material mismeasurement and to ensure compliance with the applicable regulations and internal instructions. This includes verifying that the consolidated financial statements and group management report comply with the relevant accounting standards. There can, however, be no absolute certainty that these objectives are achieved in full and at all times.

Material processes and controls in the (Group) accounting process

For its (Group) accounting process, the KION Group has defined suitable structures and processes within its internal control and risk management system and implemented them in the organisation.

Changes to the law, accounting standards and other pronouncements are continually analysed with regard to their relevance and effect on the consolidated financial statements and group management report; the relevant changes are then incorporated into the Group's internal policies and systems.

All consolidated entities must follow the KION GROUP IFRS Accounting Manual when preparing their IFRS reporting packages. This manual contains the recognition, measurement and disclosure rules to be applied in the KION Group's accounting in accordance with IFRS. The accounting guidelines primarily explain the financial reporting principles specific to the KION Group's business. In addition, all companies must adhere to the schedule defined by head office for preparing the consolidated financial statements and group management report.

The accounting-based internal control and risk management system encompasses defined control mechanisms, automated and manual reconciliation processes, separation of functions, the double-checking principle and adherence to policies and instructions.

The employees involved in the Group's accounting process receive regular training in this field. Throughout the accounting process, the local companies are supported by central points of contact. The consolidated accounts are drawn up centrally using data from the consolidated subsidiaries. A consolidation department with specially trained employees carries out the consolidation activities, reconciliations and monitoring of the stipulated deadlines and processes. Monthly checklists have been drawn up for the consolidation process and are worked through in a standardised manner. All postings are managed centrally and documented. This team also monitors the system-based controls and supplements them with manual checks. The entire accounting process contains a number of specific approval stages, for which extensive plausibility checks have been set up. Employees with the relevant expertise provide support on specialist questions and complex issues. The central Internal Audit department also checks, among other things, the reliability of the accounting work by the subsidiaries in Germany and abroad. It focuses primarily on the following aspects:

- compliance with legal requirements, directives from the Executive Board, other policies and internal instructions;
- integrity and effectiveness of the internal control systems for avoiding financial losses;
- correct performance of tasks and compliance with business principles;
- correctness of the accounting (and of the financial reporting that is based on the accounting) in terms of form and substance.

Internal control mechanisms and ongoing analysis of the regulatory framework enable any risks that might jeopardise compliance of the consolidated financial statements and group management report with accounting standards to be identified as soon as possible so that appropriate countermeasures can be taken. Such risks form part of the KION Group's aggregate risk profile and are classified as operational risk.

Risks

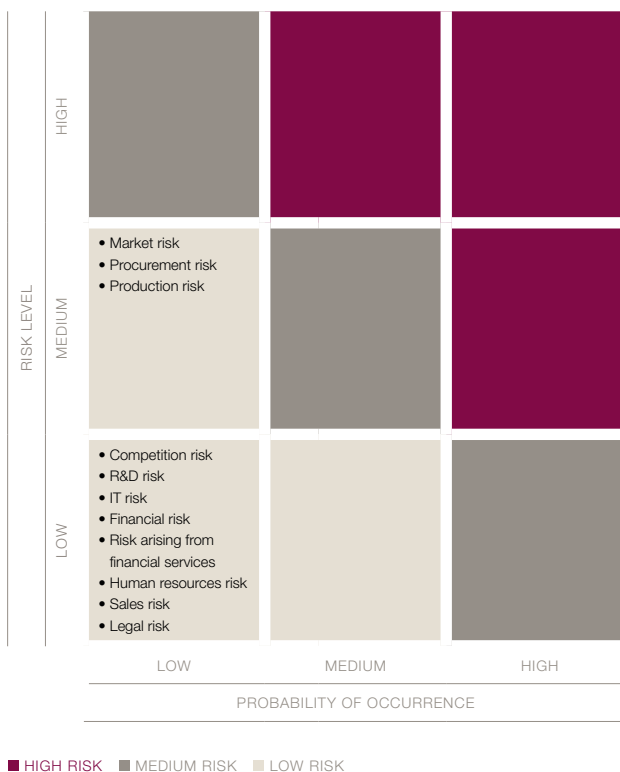
Aggregate risk

In 2014, the aggregate risk position was largely unchanged compared with the previous year. With regard to 2015, the risks in the risk matrix below will be continually observed and evaluated in terms of their extent and probability of occurrence. For example, we consider the probability of market risk materialising as low because of the fairly positive market expectations. However, the possible impact of market risk continues to be rated at a medium risk level because of the importance of the market for the KION Group's business situation and financial performance. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern.

> DIAGRAM 005

Risk matrix

DIAGRAM 005



The market risks and competition risks described, the risks along the value chain, the human resources risks and the legal risks largely relate to the LMH and STILL segments. By contrast, risks arising from financial services mainly affect the Financial Services segment, while financial risks would predominantly impact on the Other segment.

Market risks and competition risks

Market risks

Market risk can arise when the economy as a whole or a particular sector does not perform as well as had been anticipated in the outlook. Cyclical fluctuations in macroeconomic activity affect the market for industrial trucks. Customers' decisions on whether to invest, particularly in new trucks, depend to a large degree on the macroeconomic situation and conditions in their particular sector. During an economic downturn, customers tend to postpone their purchases of new trucks. Although demand for services is less cyclical, it correlates with the degree of utilisation in the truck fleet – which usually declines during difficult economic periods. As the KION Group can only adjust its fixed costs to fluctuations in demand to a limited extent, reductions in revenue impact on earnings.

Despite the KION Group's strong growth in emerging markets and, prospectively, North America, the proportion of revenue it earns in the eurozone remains high. As a result, the market conditions that prevail there impact significantly on the KION Group's financial performance. Although the economic situation has stabilised somewhat, the eurozone remains susceptible to disruption. Doubts surrounding the stability of the financial system and the ability of the single currency to survive have not been allayed, either. Overall, these factors could reduce eurozone customers' willingness to invest and consequently the demand for the KION Group's products.

Slower than forecast macroeconomic growth in emerging markets could also have a negative impact on global trade volumes and thus on growth in the material handling market. The market risks referred to could be heightened by geopolitical risk, possible currency crises and deflationary tendencies.

Various measures aimed at making cost structures more flexible – such as the consolidation of production facilities and the global platform strategy – help to contain the earnings risk arising

from reductions in revenue caused by economic conditions. Diversification of the customer base in terms of industry and region as well as expansion of service activities also play a role in mitigating risk. Moreover, the KION Group closely monitors the market and its competitors so that it can identify market risks at an early stage and adjust its production capacities in good time. Besides global economic growth, the KION Group also analyses exchange rates, price stability, the consumer and investment climate, foreign trade activity and political stability in its key sales markets. The risk management function continually analyses the possible impact of the situation in the eurozone on the Group's financial position and financial performance. In addition to ongoing screening and monitoring, the risk reports regularly include a separate assessment of the risks arising from the sovereign debt crisis.

Other risks arise as a result of constant changes in the Company's political, legal and social environment. Because it operates in countries in which the political or legal situation is uncertain, the KION Group is exposed to the consequent risk of government regulation, capital controls and expropriations. The KION Group mitigates such strategic risks by, for example, carrying out in-depth market research, conducting thorough evaluation procedures to assess political and economic conditions and drafting contracts appropriately.

Competition risks

Competition risk describes the risk that growing competitive pressure will prevent the KION Group from achieving its predicted margins and market share. The markets in which the KION Group operates are characterised by strong competition, often price-driven. Price competition is compounded by some manufacturers having cost advantages in production, sometimes due to the currency situation and sometimes because local labour costs are lower. Competition is therefore fierce, particularly in the economy and volume price segments, and the impact is especially strong in emerging markets. Building on their local competitive strength, manufacturers in emerging markets are also looking for opportunities to expand. Although the high quality expectations and service needs of customers in developed markets present a barrier to growth for many of these manufacturers, this situation is likely to intensify competitive pressures in future.

It is also conceivable that competitors will join forces and their resulting stronger position will be detrimental to the KION Group's sales opportunities. Moreover, predictions of higher volumes and margins may lead to overcapacity, which would put increased pressure on prices.

Although the KION Group's strengths in the premium segment have enabled it to charge appropriate prices until now, it is taking a variety of steps to contain competition risk. Alliances, partnerships, acquisitions and other measures are playing an increasing role in improving the KION Group's competitiveness in terms of resources, market access and product range. The steps that the KION Group is taking to mitigate its competition risk also include making its plants more efficient and securing low-cost sources of supply.

The KION Group also continually evaluates its options for strengthening and consolidating its position in emerging markets, in particular through strategic partnerships, the creation of joint ventures or acquisition of local manufacturers. One of the risks of such alliances and acquisitions is that the expected benefits will materialise only partly or not at all. For example, the organisational integration of new units can harm financial performance for a variety of reasons. It is also possible that a partner will collaborate with competitors if exclusivity agreements are not in place.

Risks along the value chain

Research and development risks

The KION Group's market position and business performance depend to a large extent on its ability to remain a leading provider of technology. This requires the Group to continually develop products that meet customer expectations and comply with changing regulatory and technological requirements. To this end, the KION Group must anticipate customers' needs and changing market conditions and has to quickly bring new products to market. If the Company does not succeed in doing this, its technological and competitive position could be compromised in the long term.

The innovations developed by the KION Group are comprehensively protected by intellectual property rights, in particular patents. Nevertheless, there is always the possibility that products or product components will be imitated. There is also a risk that patent applications will not be successful.

The KION Group mitigates research and development risk by focusing firmly on customer benefit in its development of products on the basis of overarching modular and platform strategies. Customer needs are incorporated into the development process on an ongoing basis by ensuring close collaboration between sales and development units and taking account of all region-specific requirements.

Procurement risks

Procurement activities constitute a potential risk for the KION Group in terms of the lack of availability of parts and components for logistical or quality reasons and the rising cost of raw materials, energy, base products and intermediate products. As a result, there is always the possibility that the KION Group will face backlogs in the supply of individual raw materials and components. KION obtains some of its key components, such as combustion engines, tyres, high-performance forged and electronic parts, from a limited number of core suppliers.

The risk of supply bottlenecks – for example in the event of a shortage of raw materials or financial difficulties at core suppliers – cannot be ruled out in future. The KION Group mitigates this risk through appropriate diversification of its supplier structure in the context of a global procurement organisation. In addition, the supplier development department, which focuses on improving suppliers' production processes, helps suppliers to ensure that their processes are cost-efficient and offer excellent quality.

Price changes present another procurement-related risk. In 2014, around 26.5 per cent of the cost of materials for new trucks was directly influenced by changes in commodity prices. Moreover, conditions in the commodity markets typically affect component prices after a delay of three to six months. The KION Group endeavours to pass on price increases to customers but cannot always do so entirely due to market pressures.

Production risks

Production risks are largely caused by quality problems, possible operational disruptions or production downtime at individual sites. In such cases, the KION Group's closely integrated manufacturing network presents a heightened risk to its ability to deliver goods on time. There is also a risk that structural measures and reorganisation projects will not be implemented owing to disruption of production or strikes. Delays in delivery or a rise in the

number of complaints could harm the KION Group's positioning in the price segments and sales markets that it serves and, as a result, could harm its financial situation.

To mitigate these risks, the KION Group carries out preventive maintenance, implements fire protection measures, trains its staff and builds a pool of external suppliers. The Company has taken out a commercially appropriate level of insurance cover against loss. Quality assurance is a high priority throughout the value chain and reduces possible quality-related risks arising from the products and services provided. The KION Group mitigates its quality-related risks significantly by applying rigorous quality standards to its development activities, conducting stringent controls throughout the process chain and maintaining close contact with customers and suppliers. To mitigate risks resulting from any restructuring measures, the KION Group undertakes such measures only after a comprehensive planning process and works closely with employee representatives to ensure HR measures are implemented with the minimum possible social impact.

Sales risks

The main sales risks – besides a drop in revenue caused by market conditions – result from dependence on individual customers and sectors. For example, it is possible that customers would postpone or cancel orders during a period of economic difficulty. There have not been any significant cancellations in previous years, however. It is also conceivable that customers would face a liquidity shortfall and therefore be unable to fulfil their payment obligations immediately or even at all. Currently, there is little dependence on individual sectors in the KION Group's customer portfolio. The KION Group's reliance on individual customers also remains low. Its business is also highly diversified from a regional perspective. In addition, the KION Group supplies companies of all sizes. Experience has shown that the KION Group's exposure to the risk of possible payment defaults is low, but this risk can be further mitigated by recovering any collateral.

IT risks

A high degree of interconnectedness between sites and with customers and other companies means that the KION Group also relies on functioning IT systems. The KION Group undertakes ongoing further development of a reliable, extendable and flexible

IT system environment with the aim of countering any IT-related risks that may arise from the failure of IT systems and IT infrastructure. Internal IT resources are pooled in KION Information Management Services GmbH, which has well-established processes for portfolio management and project planning and control. Independent external audits are conducted to provide additional quality assurance. Various technical and organisational measures protect the data of the KION Group and its Group companies against unauthorised access, misuse and loss. These measures include procedures to validate and log access to the Group's infrastructure.

Financial risks

Group Treasury is responsible for ensuring that sufficient financial resources are always available for the KION Group's international growth. The main types of financial risk managed by Group Treasury, including risks arising from funding instruments, are liquidity risk, currency risk, interest-rate risk and counterparty risk. Credit risk consists solely of counterparty risks attaching to financial institutions. Risk management procedures issued by Group Treasury stipulate how to deal with the aforementioned risks.

The KION Group further reduced its financial debt in the year under review. Long-term borrowing totalled €648.0 million as at 31 December 2014 and comprised the corporate bond due to mature in 2020 (€450.0 million) and the long-term portion of the revolving credit facility (€198.0 million), which expires in 2018/2019. The unused, unrestricted loan facility stood at €841.0 million as at 31 December 2014. Risk arising out of the lending conditions that have been agreed was not regarded as material as at 31 December 2014. It relates in particular to the restrictions in respect of compliance with financial covenants and upper limits for certain transactions and in respect of the obligation to submit special regular reports. The KION Group complied with all the lending covenants in the reporting year.

The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution.

The KION Group only uses derivatives to hedge underlying operational transactions; they are not used for speculative purposes. It is exposed to currency risk because of the high proportion of its business conducted in currencies other than the euro.

Normally, at least 50 per cent of the currency risk related to the planned operating cash flows of the local entities based on liquidity planning is hedged by currency forwards in accordance with the relevant guideline.

Group Treasury rigorously complies with and monitors the strict separation of functions between the front, middle and back offices. Each Group company's liquidity planning is broken down by currency and incorporated into the KION Group's financial planning and reporting process. Group Treasury checks the liquidity planning and uses it to determine the funding requirements of each company.

The funding terms and conditions faced by the lenders themselves (manifested, for example, in the payment of liquidity premiums on interbank lending) may result in a future shortage of lines of credit and/or increased financing costs for companies. However, the Group currently does not expect any further changes in its lines of credit or any excessive increases in margins.

Goodwill and the brands represented 34.2 per cent of total assets as at 31 December 2014 (31 December 2013: 34.7 per cent). Pursuant to IFRS, these assets are not amortised and their measurement depends, above all, on future expectations. If these future expectations are not fulfilled, there is a risk that impairment losses will have to be recognised on these assets.

The individual Group companies directly manage counterparty risks involving customers. These counterparty risks have not changed significantly, despite the financial crisis. Each individual Group company has established a credit management system for identifying customer-related counterparty risks at an early stage and initiating the necessary countermeasures. Analysis of the maturity structure of receivables is an integral element of monthly reporting.

Risks arising from financial services

The KION Group's leasing business means that it may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-leased. Residual values in the markets for used trucks are therefore constantly monitored and forecast. The KION Group regularly assesses its aggregate risk position arising from financial services.

The risks identified are immediately taken into account by the Company in the costing of new leases by recognising write-downs or valuation allowances and adjusting the residual values. Risk-mitigating factors include the demand for used trucks, which stabilises the residual values of the KION Group's industrial trucks. The majority of the residual values have underlying remarketing agreements that transfer any residual-value risk to the leasing company. This had a positive impact on the financial results in 2014. Groupwide standards to ensure that residual values are calculated conservatively, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to financial services by ensuring that most of its transactions and funding loans have matching maturities and by constantly updating its liquidity planning. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks and an effective dunning process ensure that the Group has sufficient liquidity.

In order to exclude currency risk, the KION Group generally funds its leasing business in the local currency used in each market.

Because of low default rates, counterparty risk has not been significant to date in the Group. The KION Group has not identified any material changes between 2013 and 2014. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed trucks. In addition, receivables management has been improved by enhancing the dunning process. The credit portfolio management system was updated during 2014. Besides the design of the business processes, it also encompassed the risk management and control processes.

Moreover, the KION Group offers the majority of financial services indirectly via selected financing partners that bear the risks of the finance transaction. As far as these financial services are concerned, the KION Group bears the counterparty risk in under 5 per cent of cases.

Human resources risks and legal risks

The KION Group relies on having highly qualified managers and experts in key roles. If they left, it could have a long-term adverse impact on the Group's prospects.

That is why the KION Group actively engages in HR work aimed at identifying and developing young professionals with high potential who already work for the Company and retaining them over the long term, thereby enabling succession planning for key roles across the Group. The KION Group also positions itself in the external market as an employer of choice. This will enable it to make strategic additions to its portfolio of existing staff and, in this way, avert the risk of possibly losing expertise and thereby becoming less competitive.

Any restructuring measures may result in a risk of strikes and reactions of other kinds by the workforce. As demonstrated several times in the past, this risk is contained by collaborating closely with employee representatives and, if job losses are necessary, taking comprehensive steps to ensure they are achieved with the minimum possible social impact.

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance. These lawsuits relate, among other things, to liability risks, especially as a result of legal action brought by third parties because, for example, the Company's products were allegedly faulty or the Company allegedly failed to comply with contractual obligations. Further legal risk may arise as a result of the environmental restoration of sites that have been shut down in recent years, for example work required due to contamination. Any damage to the environment may lead to legal disputes and give rise to reputational risk.

The Company has taken measures to prevent it from incurring financial losses as a result of these risks. Although legal disputes with third parties have been insignificant both currently and in the past, the Company has a centralised reporting system to record and assist pending lawsuits. In addition to the high quality and safety standards applicable to all users of the Company's products, with which it complies when it develops and manufactures the products, it has also taken out the usual types of insurance to cover any third-party claims. These issues

are also tackled by teams whose members come from a variety of functions. The aim of the teams is to identify and avoid risks, for example the risks arising from inadequate contractual arrangements. A further objective of this cooperation across functions is to ensure compliance with mandatory laws, regulations and contractual arrangements at all times.

Owing to the KION Group's export focus, legal risk and reputational risk arise due to the numerous international and local export controls that apply. The Company mitigates these risks with a variety of measures. Consequently, export controls are an important part of the compliance activities carried out by the Group companies.

OPPORTUNITY REPORT

Management of opportunities

Opportunity management, like risk management, forms a central part of the Company's day-to-day management. Individual areas of opportunity are identified within the framework of the strategy process. Opportunities are determined and managed on a decentralised basis in line with the Group strategy.

There are monthly reports on the opportunity situation as part of the regular Group reporting process. As a result, the KION Group is in a position to ascertain at an early stage whether market trends, competitive trends or events within the Group require individual areas of opportunity to be re-evaluated. This may lead to reallocation of the budgets earmarked for the realisation of opportunities. Such decisions are made on the basis of the potential of the opportunity, drawing on empirical values. There is no management system for the evaluation of opportunities comparable to the system for risk management.

Categorisation of opportunities

By 'opportunities', we mean positive deviations from the expectations set out in the outlook relating to the economic situation and

the KION Group's position. Opportunities are divided into three categories:

Market opportunities describe the potential resulting from trends in the market and competitive environment and from the regulatory situation.

Strategic opportunities are based on implementation of the Group's strategy. They may lead to positive effects that exceed planning assumptions.

Business-performance opportunities arise in connection with operational activities along the value chain, such as restructuring or cost-cutting measures.

Opportunity situation

Market opportunities

The economy as a whole may perform better than expected in 2015. In addition, circumstances may occur in the wider market at any time – such as quality problems at competitors or the effects of consolidation – that boost demand for products from the KION Group brands. New, unforeseen regulatory initiatives could be launched, for example the tightening of health and safety regulations or emissions standards, that would push up demand for premium products offered by the KION Group brands. Average prices for procuring commodities over the year may be cheaper than anticipated.

Medium- to long-term market opportunities are presented, in particular, by:

- growing demand for intralogistics products and services as a consequence of globalisation, industrialisation and fragmentation of supply chains;
- high demand for replacement investments, especially in developed markets;
- the trend towards outsourcing service functions to industrial truck manufacturers and growth in demand for finance solutions;
- increased use of trucks powered by electric motors – one of the KION Group's particular strengths.

Strategic opportunities

Strategic opportunities are presented, above all, by implementing the Strategy 2020, which is described in detail on pages 78 to 80. The positive impact of strategic activities is already largely reflected in the expectations regarding the KION Group's financial performance in 2015. Nevertheless, the individual activities could create positive effects that exceed expectations. There is also a possibility that new strategic opportunities that were not part of the planning may arise over the course of the year, for example in the form of acquisitions and strategic partnerships.

The KION Group's medium- to long-term strategic opportunities arise, in particular, from:

- a greater presence in the economy and volume price segments, particularly as a result of the systematic implementation of the groupwide platform strategy;
- strengthening of its market-leading position in core western European markets by boosting its technological expertise and making greater use of shared modules;
- expansion of the service portfolio, including financial services, at every stage of the product lifecycle, taking advantage of the high number of trucks in use;
- harnessing of market potential in fast-growing regions by putting suitable production and sales structures in place;
- continued expansion of business in North America.

Business-performance opportunities

Business-performance opportunities primarily arise from ongoing activities to modernise and streamline the KION Group's production facilities and from the worldwide integration of the production network. By investing in new locations, products can be assembled nearer to the markets in which they are to be sold, economies of scale can be achieved across the Group and synergies can be leveraged. Further development of the Group's back-office services will also help to achieve these objectives.

The following may lead to an increase in profitability in the medium term:

- ongoing efficiency increases at production sites may boost sales and improve the gross margin;
- effective use of global development capacities within the framework of an overarching modular and platform strategy may create synergies and economies of scale.



Consolidated Financial Statements

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Consolidated income statement

Consolidated income statement

TABLE 033

in € million	Note	2014	2013
Revenue	[8]	4,677.9	4,494.6
Cost of sales		-3,337.4	-3,255.2
Gross profit		1,340.5	1,239.4
Selling expenses		-570.5	-538.2
Research and development costs		-125.7	-113.6
Administrative expenses		-323.6	-290.0
Other income	[9]	93.2	121.7
Other expenses	[10]	-42.1	-46.7
Profit from at-equity investments	[11]	-24.8	1.7
Earnings before interest and taxes		347.0	374.2
Financial income	[12]	84.4	48.5
Financial expenses	[13]	-173.2	-268.4
Net financial expenses		-88.8	-219.8
Earnings before taxes		258.3	154.3
Income taxes	[14]	-80.0	-15.9
Current taxes		-63.5	-59.0
Deferred taxes		-16.5	43.1
Net income		178.2	138.4
Attributable to shareholders of KION GROUP AG		176.7	138.8
Attributable to non-controlling interests		1.6	-0.4
Earnings per share according to IAS 33 (in €)	[16]		
Basic earnings per share		1.79	1.69
Earnings per share – diluted		1.79	1.69

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

TABLE 034

in € million	Note	2014	2013
Net income		178.2	138.4
Items that will not be reclassified subsequently to profit or loss		-143.0	0.7
Gains/losses on employee benefits	[28]	-138.3	0.7
thereof changes in unrealised gains and losses		-199.0	1.8
thereof tax effect		60.6	-1.1
Changes in unrealised gains and losses from at-equity investments		-4.7	-
Items that may be reclassified subsequently to profit or loss		30.3	-16.7
Impact of exchange differences		34.9	-34.0
thereof changes in unrealised gains and losses		32.2	-34.4
thereof realised gains (-) and losses (+)		2.8	0.4
Gains/losses on cash flow hedges	[37]	-4.7	17.4
thereof changes in unrealised gains and losses		-8.0	66.3
thereof realised gains (-) and losses (+)		1.5	-41.4
thereof tax effect		1.9	-7.5
Gains (-) and losses (+) from at-equity investments		0.1	-0.1
thereof changes in unrealised gains and losses		0.1	-0.1
Other comprehensive loss		-112.7	-15.9
Total comprehensive income		65.5	122.5
Attributable to shareholders of KION GROUP AG		63.8	123.1
Attributable to non-controlling interests		1.7	-0.6

Consolidated statement of financial position

Consolidated statement of financial position – Assets

TABLE 035

in € million	Note	2014	2013
Goodwill	[17]	1,497.1	1,494.7
Other intangible assets	[17]	915.5	934.0
Leased assets	[18]	279.0	251.9
Rental assets	[19]	487.1	461.2
Other property, plant and equipment	[20]	494.1	499.4
At-equity investments	[21]	114.6	138.6
Lease receivables	[22]	345.3	308.8
Other non-current financial assets	[23]	34.3	51.7
Deferred taxes	[14]	357.9	295.5
Non-current assets		4,524.8	4,435.8
Inventories	[24]	529.2	511.8
Trade receivables	[25]	598.2	558.7
Lease receivables	[22]	202.5	170.8
Current income tax receivables	[14]	6.6	15.4
Other current financial assets	[23]	168.2	114.7
Cash and cash equivalents	[26]	98.9	219.3
Current assets		1,603.7	1,590.7
Total assets		6,128.5	6,026.4

Consolidated statement of financial position – Equity and liabilities

TABLE 036

in € million	Note	2014	2013
Subscribed capital		98.7	98.7
Capital reserve		1,996.2	2,223.2
Retained earnings		– 148.2	– 524.9
Accumulated other comprehensive loss		– 304.9	– 192.0
Non-controlling interests		5.3	5.0
Equity	[27]	1,647.1	1,610.0
Retirement benefit obligation	[28]	787.5	560.1
Non-current financial liabilities	[29]	646.8	971.1
Lease liabilities	[30]	461.7	403.7
Other non-current provisions	[31]	83.7	77.8
Other non-current financial liabilities	[33]	387.8	392.1
Deferred taxes	[14]	320.9	306.2
Non-current liabilities		2,688.3	2,711.1
Current financial liabilities	[29]	262.9	227.5
Trade payables	[32]	564.6	550.5
Lease liabilities	[30]	246.0	213.3
Current income tax liabilities	[14]	31.3	27.7
Other current provisions	[31]	84.4	110.3
Other current financial liabilities	[33]	603.9	576.0
Current liabilities		1,793.0	1,705.3
Total equity and liabilities		6,128.5	6,026.4

Consolidated statement of cash flows

Consolidated statement of cash flows

TABLE 037

in € million	Note	2014	2013*
Earnings before interest and taxes		347.0	374.2
Amortisation, depreciation and impairment charges of non-current assets	[15]	367.2	334.6
Other non-cash income (-)/expenses (+)		50.0	14.9
Gains (-)/losses (+) on disposal of non-current assets		6.4	-5.0
Changes in leased assets (excluding depreciation) and lease receivables/liabilities	[18], [22], [30]	-66.5	-65.8
Change in inventories	[24]	-9.0	33.8
Change in trade receivables/payables	[25]	-25.4	-17.2
Cash payments for defined benefit obligations	[28]	-20.4	-25.1
Change in other provisions	[31]	-17.6	-43.7
Change in other operating assets/liabilities		23.1	25.3
Taxes paid		-51.0	-119.8
= Cash flow from operating activities	[35]	603.8	506.3
Cash payments for purchase of non-current assets	[35]	-133.1	-125.8
Cash receipts from disposal of non-current assets	[35]	7.7	9.9
Change in rental assets (excluding depreciation)	[19]	-183.4	-170.3
Dividends received		8.1	7.2
Acquisitions of subsidiaries, net of cash acquired		0.0	-25.1
Divestments of subsidiaries, net of cash	[5]	4.6	0.0
Cash payments for sundry assets		-1.5	-6.7
= Cash flow from investing activities	[35]	-297.8	-310.7

Consolidated statement of cash flows (continued)

TABLE 037

in € million	Note	2014	2013*
Capital contribution from shareholders for the carried out capital increase	[35]	0.0	741.8
Capital increase from issuing of employee shares	[27]	2.7	0.0
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 payments from changes in ownership interests in subsidiaries without loss of control		-2.8	-16.3
Financing costs paid	[35]	-6.6	-56.3
Proceeds from borrowings	[35]	1,375.2	1,095.9
Repayment of borrowings	[35]	-1,676.4	-2,201.6
Interest income received		6.2	7.0
Interest paid	[35]	-88.7	-119.6
Cash receipts for other financing activities		0.0	25.1
= Cash flow from financing activities	[35]	-428.1	-531.6
Effect of foreign exchange rate changes on cash and cash equivalents		1.8	-7.0
= Change in cash and cash equivalents		-120.4	-343.0
Cash and cash equivalents at the beginning of the year	[35]	219.3	562.4
Cash and cash equivalents at the end of the year	[35]	98.9	219.3

* Last year's figures were adjusted due to a change in presentation, for details see 'Other disclosures on Consolidated statement of cash flows'

Consolidated statement of changes in equity

Consolidated statement of changes in equity

in € million	Note	Subscribed capital	Contributions for carrying out the approved capital increase	Capital reserves
Balance as at 01/01/2013		0.5	1,132.6	348.5
Effects from first-time adoption IAS 19R*				
Balance as at 01/01/2013 (restated)		0.5	1,132.6	348.5
Net income for the year				
Other comprehensive income (loss)	[27]			
Comprehensive income (loss)		0.0	0.0	0.0
Capital increase	[27]	98.4	-1,132.6	1,894.0
Transaction costs	[27]			-13.9
Dividends paid to non-controlling interests				
Acquisition of treasury shares	[27]	-0.2		-5.4
Effects from the acquisition/disposal of non-controlling interests	[27]			
Balance as at 31/12/2013		98.7	0.0	2,223.2
Balance as at 01/01/2014		98.7	0.0	2,223.2
Net income for the year				
Other comprehensive income (loss)	[27]			
Comprehensive income (loss)		0.0	0.0	0.0
Withdrawal from capital reserve				-228.1
Dividend of KION GROUP AG	[27]			
Dividends paid to non-controlling interests	[27]			
Acquisition of treasury shares	[27]	-0.1		-1.5
Capital increase issuing of employee shares	[27]	0.1		2.6
Effects from the acquisition/disposal of non-controlling interests	[27]			
Changes from at-equity accounting	[27]			
Other changes				
Balance as at 31/12/2014		98.7	0.0	1,996.2

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also 'Note [7] Accounting policies in the 2013 consolidated statements'

TABLE 038

Accumulated other comprehensive income (loss)							
Retained earnings	Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on cash flow hedges	Gains/losses from equity investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
-647.7	-32.8	-130.4	-16.9	0.4	654.2	6.2	660.3
-3.0		3.4			0.3	0.0	0.3
-650.7	-32.8	-127.0	-16.9	0.4	654.5	6.2	660.7
138.8					138.8	-0.4	138.4
	-33.7	0.7	17.4	-0.1	-15.7	-0.2	-15.9
138.8	-33.7	0.7	17.4	-0.1	123.1	-0.6	122.5
					859.9	0.0	859.9
					-13.9	0.0	-13.9
					0.0	-2.1	-2.1
					-5.6	0.0	-5.6
-13.0					-13.0	1.6	-11.4
-524.9	-66.5	-126.3	0.5	0.3	1,605.0	5.0	1,610.0
-524.9	-66.5	-126.3	0.5	0.3	1,605.0	5.0	1,610.0
176.7					176.7	1.6	178.2
	34.8	-138.3	-4.8	-4.6	-112.9	0.2	-112.7
176.7	34.8	-138.3	-4.8	-4.6	63.8	1.7	65.5
228.1					0.0	0.0	0.0
-34.5					-34.5	0.0	-34.5
					0.0	-1.6	-1.6
					-1.5	0.0	-1.5
					2.7	0.0	2.7
					0.0	0.1	0.1
9.7					9.7	0.0	9.7
-3.2					-3.2	0.0	-3.2
-148.2	-31.7	-264.6	-4.2	-4.3	1,641.8	5.3	1,647.1

Notes to the consolidated financial statements

Basis of presentation

[1] 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 KION Group is a leading global supplier of industrial trucks (forklift trucks and warehouse trucks). It generated revenue of €4,677.9 million in the 2014 financial year from its Linde, Fenwick, STILL, OM STILL, Baoli and Voltas brands (2013: €4,494.6 million).

The consolidated financial statements and the group management report were prepared by the Executive Board of KION GROUP AG on 10 March 2015.

[2] BASIS OF PREPARATION

The consolidated financial statements of the KION Group for the financial year ended 31 December 2014 have been prepared in accordance with section 315a of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as at the reporting date as well as the associated interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) 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. All of the IFRSs and IFRICs that had been enacted by the reporting date and that were required to be applied in the 2014 financial year have been applied in preparing the consolidated financial statements.

In order to improve the clarity of presentation, certain items are aggregated in the statement of financial position and the

income statement. The items concerned are disclosed and explained separately in the notes. Assets and liabilities are broken down into current and non-current items in accordance with IAS 1.60. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The consolidated financial statements are prepared in euros, which is the Group's functional currency and reporting currency. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in minor rounding differences. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros. The separate financial statements of the subsidiaries included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG.

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 in 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 of financial assets and financial liabilities

- 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 presentation of the financial performance, financial position or notes to the financial statements of the KION Group.

Financial reporting standards released but not yet adopted

In its consolidated financial statements for the year ended 31 December 2014 the KION Group has not applied the following standards and interpretations, which have been issued by the IASB but are not yet required to be adopted in 2014:

- IFRS 9 'Financial Instruments'
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures': clarification relating to application of the consolidation exception for investment entities
- 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 1 'Presentation of Financial Statements': amendments in connection with the disclosure initiative
- 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 accounting for bearer plants
- Amendments to IAS 19 'Employee Benefits': defined benefit plans: employee contributions

- 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

- IFRIC 21 'Levies'
- Annual Improvements to IFRSs (2010–2012)
- Annual Improvements to IFRSs (2011–2013)
- Annual Improvements to IFRSs (2012–2014).

These standards and interpretations 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.

[3] PRINCIPLES OF CONSOLIDATION

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities assumed on the acquisition date are recognised separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value.

The amount recognised as goodwill is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the acquiree's net assets. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the difference is recognised in income.

For each acquisition, the Group decides on a case-by-case basis whether the non-controlling interest in the acquiree is recognised at fair value or as a proportion of the net assets of the acquiree. The option to recognise non-controlling interests at fair value is not currently exercised. Consequently, non-controlling interests are recognised at the proportionate value of the net assets attributable to them excluding goodwill.

In the case of business combinations in stages, previously held equity interests are recognised at their fair value at the acquisition date. The difference between their carrying amount and fair value is recognised in the consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to cash-generating units that are likely to benefit from the business combination.

Transaction costs are immediately taken to income. Contingent consideration elements are included at fair value at the date of acquisition when determining the purchase consideration. Contingent consideration elements may consist of equity instruments or financial liabilities. Depending on the category, changes in their fair value are included in subsequent measurements.

The consolidated financial statements include all of the parent company's material subsidiaries. Intragroup balances, transactions, income and expenses, and gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognised on temporary differences arising from consolidation transactions.

Transactions with non-controlling interests are treated as transactions with the Group's equity providers. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary's net assets are recognised in equity. Gains and losses arising from the sale of non-controlling interests are also recognised in equity, provided there is no change in control.

Associates and joint ventures that are of material importance to the presentation of the financial position and financial performance of the KION Group are accounted for using the equity method.

[4] BASIS OF CONSOLIDATION

KION GROUP AG's equity investments include subsidiaries, joint ventures, associates and financial investments.

In addition to KION GROUP AG, the consolidated financial statements of the KION Group include, using the acquisition method, all material subsidiaries over which KION GROUP AG exercises control. KION GROUP AG controls a subsidiary if it has decision-making power over the main activities of the entity and can use this power to affect the amount of the variable returns to which it is exposed as a result of the equity investment. Subsidiaries acquired in the course of the financial year are consolidated from the date on which control is obtained. Companies sold in the course of the financial year are deconsolidated from the date on which control is lost.

A joint venture is an equity interest in which the entity is jointly managed by companies in the KION Group and one or more partners on the basis of a contractual agreement, and these parties have rights to the net assets of the joint venture.

Associates are entities in which companies in the KION Group are able to exercise significant influence, either directly or indirectly, over the financial and operating policies of the entity concerned. Significant influence is assumed when KION GROUP AG holds between 20 per cent and 50 per cent of the voting rights.

All other equity interests over which KION GROUP AG is unable to exercise control or a significant influence, or that are not jointly controlled by KION GROUP AG, are classified as financial investments. Financial investments are not consolidated.

The number of equity investments broken down by category is shown in [> TABLE 039](#)

Shareholdings by categories

TABLE 039

	01/01/2014	Additions	Disposals	31/12/2014
Consolidated subsidiaries	99	–	3	96
Domestic	22	–	1	21
Foreign	77	–	2	75
At-equity investments in Joint Ventures and Associates	8	2	1	9
Domestic	6	–	1	5
Foreign	2	2	–	4
Subsidiaries and financial investments at amortised cost	53	4	5	52
Domestic	13	1	1	13
Foreign	40	3	4	39

A total of 21 German (2013: 22) and 75 foreign (2013: 77) subsidiaries were fully consolidated in addition to KION GROUP AG as at 31 December 2014.

Three subsidiaries were deconsolidated in 2014. Information on the disposal of one subsidiary can be found in note [5].

Nine joint ventures and associates were accounted for under the equity method as at 31 December 2014 (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 insignificant equity investment is now accounted for at cost rather than using the equity method. In each case, measurement under the equity method was performed on the basis of the last available annual financial statements.

52 (2013: 53) companies with minimal business volumes or no business operations were not included in the consolidation. The unconsolidated subsidiaries and the joint ventures and associates not accounted for using the equity method are of minor importance to the presentation of the financial position and financial performance of the KION Group, both individually and as a whole.

Where other requirements are met, the following fully consolidated companies are exempt from the requirement to prepare annual financial statements and management reports in accordance with sections 264 (3) and 264b HGB on account of their inclusion in the consolidated financial statements: > TABLE 040

German entities exempted from disclosure requirements

TABLE 040

	Head office
KION Holding 2 GmbH	Wiesbaden
Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan
Schrader Industriefahrzeuge GmbH & Co. KG	Essen
LMH Immobilien GmbH & Co. KG	Aschaffenburg
LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG is shown in the list of shareholdings (note [45]).

[5] DISPOSAL OF SUBSIDIARIES

The KION Group sold the entirety of its controlling interest in Willenbrock Arbeitsbühnen GmbH & Co. KG (referred to below as Willenbrock Arbeitsbühnen) and deconsolidated it with effect from 16 December 2014. Before that, the KION Group had held a 74 per cent stake in Willenbrock Arbeitsbühnen indirectly through Willenbrock Fördertechnik Holding GmbH. A shareholder loan was also transferred in connection with the disposal. The purchase price for the shares and the loan amounted to €4.6 million and was paid entirely in cash.

Assets totalling €16.0 million and liabilities totalling €13.1 million were eliminated as a result of the disposal. Most of these assets (€14.0 million) constituted leased and rental assets, while most of the liabilities (€11.5 million) were lease liabilities.

The disposal of Willenbrock Arbeitsbühnen generated a profit of €1.7 million, which was included in earnings before interest and tax. The transfer of the shareholder loan of €5.0 million resulted in a loss of €0.8 million, which was recognised in net financial expenses.

[6] CURRENCY TRANSLATION

Financial statements in foreign currencies are translated in accordance with the functional currency concept (IAS 21 'The Effects of Changes in Foreign Exchange Rates'). The functional currency is the currency of the primary economic environment in which an entity operates. The modified closing-rate method is used for currency translation.

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle spot exchange rate, i.e. at the average of the bid or offer rates on the reporting date. Income and expenses are translated at the average rate. With the exception of income and expenses recognised as other comprehensive income (loss), equity is recognised at historical rates. The resulting translation differences are not taken to income and are recognised in other comprehensive income (loss) until subsidiaries are disposed of.

Transactions of the consolidated entities in foreign currencies are translated into the relevant company's functional currency at the rate prevailing on the transaction date. On the reporting date, monetary items are translated at the closing rate and non-monetary items at the rate prevailing on the transaction date. Currency translation differences are taken to income and recognised in other income/expenses or in net financial income/expenses.

Major foreign currency rates in €

TABLE 041

	Average rate		Closing rate	
	2014	2013	2014	2013
Australia (AUD)	1.4727	1.3782	1.4809	1.5414
Brazil (BRL)	3.1209	2.8706	3.2152	3.2470
Switzerland (CHF)	1.2147	1.2308	1.2029	1.2276
China (CNY)	8.1914	8.1659	7.5085	8.3218
United Kingdom (GBP)	0.8064	0.8492	0.7768	0.8302
Russia (RUB)	50.9191	42.3328	70.2294	45.2175
U.S.A. (USD)	1.3294	1.3284	1.2099	1.3746

The translation rates above were used for currencies that are material to the financial statements. > TABLE 041

economic benefit will accrue to the entity and that it can be reliably measured. Other criteria may arise, depending on each individual transaction, such as:

[7] ACCOUNTING POLICIES

The accounting policies applied in these consolidated financial statements are, besides the aforementioned accounting policies to be adopted for the first time in 2014, fundamentally the same as those used for the year ended 31 December 2013. These consolidated financial statements are based on the financial statements of the parent company and its consolidated subsidiaries prepared in accordance with the standard accounting policies applicable throughout the KION Group.

Revenue recognition

Revenue is the fair value received for the sale of products and services and rental and lease income (excluding VAT) after deduction of trade discounts and rebates. In accordance with IAS 18, revenue is recognised when it is sufficiently probable that a future

Sale of goods

With the exception of items classified as 'sale with risk', revenue from the sale of goods is recognised when the KION Group delivers goods to a customer, the goods are accepted by the customer and the flow of benefits to the Group is considered to be probable. If a customer is expected to accept goods but has yet to do so, the corresponding revenue is only recognised when the goods are accepted. Appropriate provisions are recognised for risks relating to the sale of goods. In the case of revenue from agreements classified as 'sale with risk', the revenue is recognised pro rata over the term of the agreement. The term 'sale with risk' and the corresponding revenue recognition are discussed in the following section and under 'Rental assets' below.

Rendering of services

Revenue from the rendering of services is recognised in the year in which the services are rendered. For services provided over several periods, revenue is recognised in accordance with the proportion of the total services rendered in each period (stage of completion). Revenue from long-term service agreements is therefore recognised on the basis of the average term of the service agreements and in line with progressive costs (constant margin).

Revenue from financial service transactions is recognised in the amount of the sales value of the leased asset if classified as a finance lease and in the amount of the lease payments if classified as an operating lease. As part of the financial services provided by the Group, industrial trucks are also sold to finance partners who then enter into leases directly with the end customer ('indirect end customer finance'). If significant risks and rewards remain with the KION Group as a result of an agreed residual value guarantee that accounts for more than 10 per cent of the asset's value or as a result of an agreed customer default guarantee ('sale with risk'), the proceeds from the sale are deferred and recognised as revenue on a straight-line basis over the term until the residual value guarantee or the default guarantee expires.

Interest income and royalties

Interest income is recognised pro rata temporis in accordance with the effective interest method. Income from royalties is deferred in accordance with the substance of the relevant agreements and recognised pro rata temporis.

Information on the deferral of lease income is contained in the disclosures on the accounting treatment of leases.

Cost of sales

The cost of sales comprises the cost of goods and services sold and includes directly attributable material and labour costs as well as directly attributable overheads, including depreciation of production equipment and amortisation of certain intangible assets, as well as write-downs of inventories. Cost of sales also includes additions to warranty provisions, which are recognised

in the amount of the estimated cost at the date on which the related product is sold.

Financial income and expenses

Financial income and expenses mainly consist of interest expenses on financial liabilities, interest income from financial receivables, gains and losses on financial instruments recognised through profit or loss, exchange rate gains and losses on financial activities and the interest expenses on pension provisions. The expected return on plan assets relating to pension provisions is also included in financial income.

Interest income and expenses are recognised in profit and loss in accordance with the effective interest method. The effective interest method is used for calculating the amortised cost of a financial asset or financial liability and the allocation of interest income and interest expenses over the relevant periods. The effective interest rate is the interest rate at which the estimated future incoming and outgoing payments (including all fees that are part of the effective interest rate, transaction costs and other premiums and discounts) are discounted to the net carrying amount of the financial asset or liability over the expected term of the financial instrument.

Dividends are recognised in income when a resolution on distribution has been passed. They are reported in the consolidated income statement under other income, provided they are dividends from subsidiaries carried at amortised cost.

Goodwill

Goodwill has an indefinite useful life and is not amortised. Instead, it is tested for impairment in accordance with IAS 36 ('Impairment of Assets') at least once a year, and more frequently if there are indications that the asset might be impaired.

Impairment testing is performed at the level of the individual cash-generating units (CGUs) or groups of CGUs. A CGU is defined as the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. CGUs are generally based on the lowest level of an entity at which – for

internal management purposes – the management systematically monitors and controls the contribution to earnings made by the assets concerned, including goodwill. However, a CGU may not be larger than an operating segment as defined in IFRS 8 ‘Operating Segments’. In particular, CGUs are considered to be clearly defined and independent if the entity’s management has prepared independent forecasts relevant to decision-making for the individual CGUs.

For the purposes of internal and external reporting, the activities of the KION Group are broken down into the LMH, STILL, Financial Services and Other segments on the basis of their characteristics and risk profile. The 2014 forecast, the budget for 2015, the medium-term planning for 2016 to 2017 and the KION Group’s internal projections for 2018 to 2019 were drawn up on the basis of this segment structure.

The relevant CGUs for the purposes of goodwill impairment testing and the CGUs to which brand names have been allocated are the LMH and STILL segments and the KION India Pvt. Ltd., Pune, India CGU (formerly Voltas Material Handling Pvt. Ltd.), which is assigned to the Other segment. The Financial Services segment only generates a finance margin to cover costs and consequently has almost no impact on cash flow and does not earn any material excess profit. As a result, no goodwill from the original purchase price allocation (PPA) was allocated to this CGU when the new segment structure was defined in 2012 in accordance with IAS 36.87.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows forecast for the next five years are included in the calculation for the impairment test in accordance with IAS 36.33(b). The financial forecasts are based on assumptions relating to the development of the global economy, commodity prices and exchange rates. The budget for 2015, the medium-term planning for 2016 to 2017 and the projections for 2018 to 2019 were used to determine the cash flows. Cash flows beyond the five-year planning horizon were extrapolated for the LMH and STILL CGUs using a growth rate of 1.0 per cent (2013: 1.0 per cent). A growth rate of 5.0 per cent (2013: 5.0 per cent) was used for KION India Pvt. Ltd., Pune, India (referred to below as KION India) on a perpetuity basis to take account of forecast trends for the high-growth market of India and the high level of inflation.

CGU cash flows are discounted using a weighted average cost of capital (WACC) that reflects current market assessments of the specific risks to individual CGUs. The underlying capital structure for the LMH and STILL CGUs is determined by comparing peer group companies in the same sector. The beta factor derived from the peer group was 1.09 (2013: 1.07). Yield curve data from the European Central Bank (three-month average, rounded) was used to determine the risk-free interest rate; as at 1 November 2014 the rate was 2.0 per cent (2013: 2.75 per cent). The market risk premium derived from empirical studies of the capital markets was set at 6.75 per cent (2013: 5.75 per cent) and was within the bandwidth recommended by the technical committee for business valuation and administration (FAUB) of the German Institute of Auditors (IDW), which is 5.5 per cent to 7.0 per cent. The market risk premium increased by 1.0 percentage point compared with 2013 owing to the decrease in the risk-free base rate from 2.75 per cent to 2.0 per cent. The inflation forecast for Germany and the implied return on equity remained unchanged year on year at 1.75 per cent and 8.75 per cent respectively. The assumed country risk was 0.25 per cent for the LMH CGU (2013: 0.28 per cent) and 0.42 per cent for the STILL CGU (2013: 0.45 per cent). A leverage ratio of 27.8 per cent (2013: 25.4 per cent) was calculated based on the capital structure determined for the peer group.

A leveraged beta of 1.09 (2013: 1.06) was used to determine the country-specific WACC for KION India. The risk-free interest rate for India as at 1 November 2014 was 7.4 per cent (2013: 8.9 per cent); the country-specific risk premium for India was set at 2.2 per cent (2013: 2.4 per cent). The WACC before tax, which is used to discount the estimated cash flows, was calculated at 10.7 per cent for LMH (2013: 10.5 per cent), 10.9 per cent for STILL (2013: 10.8 per cent) and 15.6 per cent (2013: 16.4 per cent) for KION India. The WACC after tax was 7.7 per cent for LMH (2013: 7.7 per cent), 7.9 per cent for STILL (2013: 7.9 per cent) and 14.1 per cent for KION India (2013: 14.9 per cent).

The impairment test carried out in the fourth quarter of 2014 did not reveal any need to recognise impairment losses for the existing goodwill of the LMH, STILL and KION India CGUs. Based on the results of sensitivity analysis, we do not expect that significant impairment losses will need to be recognised for goodwill, even if key assumptions vary within realistic limits.

Other intangible assets

Other purchased intangible assets with a finite useful life are carried at cost less all accumulated amortisation and all accumulated impairment losses. If events or market developments suggest impairment has occurred, impairment tests are carried out on the carrying amount of items classified as other intangible assets with a finite useful life. The carrying amount of an asset is compared with its recoverable amount, which is defined as the higher of its value in use and its fair value less costs to sell. If the reasons for recognising impairment losses in the past no longer apply, impairment losses not exceeding the amortised cost of the assets are reversed.

Other intangible assets with an indefinite useful life are carried at cost and are mainly capitalised brand names. Brand names are not amortised because they have been established in the market for a number of years and there is no foreseeable end to their useful life. In accordance with IAS 36, they are tested for impairment at least once a year or whenever there are indications that the asset might be impaired. The impairment test is performed in the same way as the impairment test for goodwill. Assessments of indefinite useful life are carried out in every period.

The Voltas brand name at KION India, which is allocated to the Other segment, is subject to a usage right with a contractually limited term and it will therefore be amortised over its useful life.

Development costs are capitalised if the following can be demonstrated:

- the technical feasibility of the intangible asset;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the likelihood that the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development costs include all costs and overheads directly attributable to the development process. Once they have been initially capitalised, these costs and internally generated intangible assets – particularly internally generated software – are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangible assets are not qualifying assets so finance costs are not capitalised. All non-qualifying development costs are expensed as incurred and reported on the income statement under research and development costs together with research costs and the amortisation on capitalised development costs.

Amortisation of intangible assets with a finite useful life is recognised on a straight-line basis and reported under functional costs. The impairment losses on intangible assets are reported under other expenses.

The following useful lives are applied in determining the carrying amounts of other intangible assets: > **TABLE 042**

Useful life of other intangible assets

TABLE 042

	Years
Customer relationships/client base	4–10
Technology	10
Development costs	5–7
Patents and licences	3–15
Software	2–10

Leases/short-term rentals

KION Group entities lease equipment, mainly various industrial trucks, to their customers in order to promote sales. The leases may be of a short-term nature (short-term rental) or long-term nature (leasing).

Entities in the KION Group enter into leases as lessors and as lessees. In line with IAS 17, these contracts are classified as finance leases if substantially all of the risks and rewards incidental to ownership of the leased/rental asset are transferred to the lessee. All other rentals and leases are classified as operating leases, again in accordance with IAS 17.

If a KION Group entity enters into a finance lease as the lessor, the future lease payments to be made by the lessee are recognised as lease receivables at an amount equal to the net investment in the lease. Interest income is allocated to each reporting period in order to ensure a constant return on the outstanding net investment in the lease.

Leased assets

If the economic ownership of leased assets remains with a KION Group entity as the lessor under an operating lease, the assets are reported as leased assets in a separate item in the statement of financial position. The leased assets are carried at cost and depreciated over the term of the underlying leases.

To fund leases, industrial trucks are generally sold to leasing companies. The industrial trucks are then leased back to entities in the KION Group (head lease), who sub-lease them to external end customers (described below as 'sale and leaseback sub-leases'). These long-term leases generally have a term of four to five years. If, in the case of sale and leaseback sub-leases, the risks and rewards incidental to the head lease are substantially borne by KION Group entities and are not transferred to the end customer, the corresponding assets are reported as non-current leased assets. However, if substantially the risks and rewards incidental to the head lease are transferred to the end customer, a corresponding lease receivable is recognised. In both cases, the funding items for these long-term customer leases, which are funded for terms that match those of the leases, are recognised as lease liabilities.

Rental assets

Rental assets are assets resulting from short-term rentals as well as industrial trucks in relation to which significant risks and rewards remain with the KION Group despite the trucks having been sold ('sale with risk').

In the case of short-term rentals, LMH and STILL brand companies rent industrial trucks to customers directly. Short-term rental agreements usually have a term of one day to one year. The significant risks and rewards remain with the LMH and STILL brand companies. The industrial trucks are carried at cost and depreciated over the normal useful life of between five and seven years, depending on the product group.

In an indirect end customer finance arrangement, industrial trucks are sold to finance partners who then enter into leases with end customers. If LMH and STILL brand companies provide material residual value guarantees or a customer default guarantee ('sale with risk'), these transactions, which are classified as sale agreements under civil law, are recognised in accordance with the provisions on lessors with operating leases in conjunction with the IFRS principles for revenue recognition. In this case, the trucks are recognised as assets in the statement of financial position at their cost on the date of the sale and written down to their guaranteed residual value, or zero, on a straight-line basis over the period until the residual value guarantee or the customer default guarantee expires. If the KION Group provides a residual value guarantee, an amount equivalent to the residual value obligation is recognised under other financial liabilities.

Other property, plant and equipment

Property, plant and equipment are carried at cost less straight-line depreciation and impairment losses. The cost of internally generated machinery and equipment includes all costs directly attributable to the production process and an appropriate portion of production overheads. This includes production-related depreciation and proportionate costs for administration and social insurance/employee benefits.

The cost of property, plant and equipment is reduced by the amount of any government grants received. Expenses for maintenance and repairs are recognised in income to the extent that they are not required to be capitalised. Borrowing costs are capitalised for certain items of property, plant and equipment whose acquisition or production exceeds one year as soon as the definition of a qualifying asset is met. As was the case in the previous year, there were no qualifying assets in 2014.

Depreciation of property, plant and equipment is recognised on a straight-line basis and reported under functional costs. The useful lives and depreciation methods are reviewed annually and adjusted to reflect changes in conditions.

The useful lives below are applied in determining the carrying amounts of items of property, plant and equipment. > **TABLE 043**

Useful life of other property, plant and equipment

TABLE 043

	Years
Buildings	10–50
Plant and machinery	3–15
Office furniture and equipment	2–15

KION Group companies also lease property, plant and equipment for their own use using finance leases, which are recognised as other property, plant and equipment. In this case, the lower of the fair value and present value of future lease payments is recognised at the inception of the lease. A corresponding liability to the lessor is recognised under other financial liabilities in the statement of financial position.

Property, plant and equipment covered by finance leases is depreciated over the shorter of its useful life or the term of the lease, unless title to the leased assets passes to the lessee when the lease expires, in which case the property, plant and equipment is depreciated and the other financial liabilities are reversed over the useful life of the leased assets.

The difference between total finance lease liabilities and the fair value of the financed leased assets represents the finance charge which is recognised in the income statement over the term of the lease at a constant rate of interest on the outstanding balance in each period. At the end of the lease term, the leased assets are either returned or purchased, or the contract is extended.

If there are certain indications of impairment of the property, plant and equipment, the assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount, which is defined as the higher of value in use and fair value less costs to sell. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognised for an asset. The impairment losses on property, plant and equipment are reported under other expenses.

The KION Group calculates the recoverable amount primarily on the basis of value in use. In determining value in use, the expected future cash flows are discounted using a risk-adjusted discount rate, taking into account the current and future level of earnings and segment-specific, technological, economic and general trends.

If an impairment test for an item of property, plant and equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill and, subsequently, the assets must be written down in proportion to their relative carrying amounts. If the reason for an impairment loss recognised in prior years no longer applies, impairment losses not exceeding the amortised cost of the asset concerned are reversed. This does not apply to goodwill.

Equity-accounted investments

In accordance with the equity method, associates and joint ventures are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. Subsequently, the carrying amount of the equity investment is adjusted in line with any changes to the KION Group's interest in the net assets of the investee. The KION Group's interest in the profit or loss generated after acquisition is recognised in income. Other changes in the equity of associates and joint ventures are recognised in other comprehensive income (loss) in the consolidated financial statements in proportion to the Group's interest in the associate or joint venture.

If the Group's interest in the losses made by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognised. Any goodwill arising from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture.

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the investment in question is tested for impairment. The carrying amount of the asset is compared with its recoverable amount. If the carrying amount is greater than the recoverable amount, an impairment loss is recognised for the equity investment.

Income taxes

In the consolidated financial statements, current and deferred taxes are recognised on the basis of the tax laws of the jurisdictions involved. Deferred taxes are recognised in other comprehensive income (loss) if they relate to transactions also recognised in other comprehensive income (loss).

Deferred tax assets and liabilities are recognised in accordance with the liability method for all temporary differences between the IFRS carrying amounts and the tax base, as well as for temporary consolidation measures.

Deferred tax assets also include tax refund claims that arise from the expected utilisation of existing tax loss carryforwards and interest carryforwards in subsequent years and whose utilisation is reasonably certain according to current forecasts. On the basis of this estimate, deferred tax assets have been recognised on some loss carryforwards and interest carryforwards.

Deferred taxes are determined on the basis of the tax rates that will apply or have been announced at the realisation date in accordance with the current legal situation in each country concerned. In accordance with the provisions in IAS 12, deferred tax assets and liabilities are not discounted.

Deferred tax assets are offset against deferred tax liabilities to the extent that they have the same maturity and relate to the same taxation authority.

Inventories

Inventories are carried at the lower of cost and net realisable value.

The acquisition costs of raw materials and merchandise are calculated on the basis of an average.

The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overheads and production-related depreciation directly attributable to the production process. Administrative costs and social insurance/employee benefits are included to the extent that they are attributable to the production process. Borrowing costs as defined by IAS 23 are not a component of cost as they are not qualifying assets as defined by IAS 23.4. The amount recognised is an average value or a value determined in accordance with the FIFO method.

Net realisable value is the selling price that can be realised less the estimated costs of completion and the estimated costs necessary to make the sale.

Write-downs are recognised for inventory risks resulting from duration of storage, impaired recoverability, etc. Write-downs are reversed up to a maximum of cost if the reasons for their recognition no longer apply.

Trade receivables

In the first period in which they are recognised, trade receivables categorised as loans and receivables (LaR) are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Appropriate valuation allowances are recognised for identifiable individual risks. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

Cash and cash equivalents

Cash and cash equivalents comprise cash, credit balances with banks and current financial assets that can be transformed into cash at any time and are only subject to a minor level of volatility.

Other financial assets

Primary financial assets are initially recognised and derecognised in the financial statements on their settlement dates.

Under IAS 39 ('Financial Instruments: Recognition and Measurement'), financial assets are classified as financial assets held for trading and carried at fair value through profit and loss (FAHfT), financial assets carried at fair value through profit or loss upon initial recognition (FAFVtPL), available-for-sale financial assets (AfS), financial assets classified as loans and receivables (LaR) or held-to-maturity financial assets (HtM).

As in the previous year, the KION Group did not designate any financial asset as carried at fair value through profit and loss (FAFVtPL) in the reporting year. The FAHfT category contains derivative financial instruments that do not form part of a formally documented hedge.

Available-for-sale financial assets (AfS) are carried at fair value. If they are equity investments for which no market price is available, they are carried at cost. Unrealised gains and losses, including deferred taxes, are reported in other comprehensive income (loss) until they are realised. The equity investments in subsidiaries that are reported in other non-current financial assets 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.

In the first period in which they are recognised, other financial assets categorised as loans and receivables (LaR) are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Appropriate valuation allowances are recognised for identifiable individual risks. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

Carrying amounts of financial assets are tested for impairment on every reporting date and whenever indications of impairment arise. If there is an objective indication of impairment (such as a borrower being in significant financial difficulties), an impairment loss must be recognised directly in the income statement.

If objective facts in favour of reversing impairment losses are present on the reporting date, reversals are carried out to an appropriate extent. Reversals do not exceed the amortised cost that would have arisen if the impairment loss had not been recognised. In the case of debt instruments classified as available-for-sale financial assets (AfS), reversals of impairment losses are recognised in the income statement.

Held-to-maturity financial assets (HtM) are carried at amortised cost less impairment losses in accordance with the effective interest method. As in the previous year, the KION Group did not categorise any financial assets as HtM in the reporting year.

Derivative financial instruments

Derivative financial instruments are measured at their fair value and are reported as financial assets or financial liabilities as at the reporting date. They are initially recognised and derecognised in the financial statements on their settlement dates.

Currently, derivative financial instruments in the KION Group mainly comprise currency forwards that are used for hedging purposes to mitigate currency risk. In addition, the options on the shares in Linde Hydraulics are reported as derivative financial instruments (see note [36]). In the previous year, the KION Group used interest-rate derivatives to hedge interest-rate risk resulting from loans with variable interest rates in various currencies. Because these loans were repaid in the previous year, there were no longer any material interest-rate derivatives in the KION Group as at 31 December 2013 or in 2014.

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), all derivative financial instruments must be measured at their fair value irrespective of an entity's purpose or intention in entering into the derivative contract. Changes in the fair value of derivative financial instruments in a formally documented hedge are reported in the income statement (for fair value hedges) or in other comprehensive income (loss) (for cash flow hedges).

The KION Group currently only uses cash flow hedges, mainly for currency risk. In the previous year, cash flow hedges were used for interest-rate risk until the variable-rate loans were repaid.

In the case of cash flow hedges, derivatives are employed to hedge future cash flow risks from planned transactions and from firm obligations not reported in the statement of financial position. The effective portion of changes in the fair value of derivatives is initially recognised in other comprehensive income (loss), and is subsequently reclassified to the income statement when the revenue from the corresponding underlying transaction is realised. The ineffective portion of the changes in fair value is recognised immediately in the income statement.

If the criteria for hedge accounting are not satisfied, changes in the fair value of derivative financial instruments are recognised in the income statement.

In the case of hedges of net investments in foreign subsidiaries, the translation risks resulting from investments with a different functional currency are hedged. Unrealised gains and losses on hedging instruments are reported in other comprehensive income (loss) until the company is sold. In the past financial year, as was the case in the previous year, KION Group companies did not enter into any hedges for net investments in foreign subsidiaries.

Further information on risk management and accounting for derivative financial instruments can be found in notes [36] and [37].

Retirement benefit obligation

The retirement benefit obligation is calculated in accordance with the projected unit credit method. Future pension obligations are measured on the basis of the pro rata vested benefit entitlements as at the reporting date and discounted to their present value. The calculations include assumptions about future changes in certain parameters, such as expected salary and pension increases and biometric factors affecting the amount of future benefits. Pension provisions are reduced by the fair value of the plan assets used to cover the Group's benefit obligations. Plan assets are measured at fair value.

Remeasurements, including deferred taxes, are recognised in other comprehensive income (loss). It is not permitted to reclassify remeasurements recognised in other comprehensive income (loss) to profit or loss in future periods. The cost of additions to pension provisions is allocated to functional costs. The interest cost on pension obligations and the interest income from plan assets are netted and reported in net financial income/expenses. Further details can be found in note [28].

Other provisions

Other provisions are recognised when the Group has a legal or constructive obligation to a third party as the result of a past event that is likely to lead to a future outflow of resources and that can be reliably estimated. Where there is a range of possible outcomes and each individual point within the range has an equal probability of occurring, a provision is recognised in the amount of the mean of the individual points. Measurement is at full cost. Provisions for identifiable risks and contingent liabilities are recognised in the amount that represents the best estimate of the cost required to settle the obligations. Recourse claims are not taken into account. The settlement amount also includes cost increases identifiable as at the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability. Accrued interest is recognised in interest expenses.

Warranty provisions are recognised on the basis of past or estimated future claim statistics. The corresponding expense is recognised in cost of sales at the date on which the revenue is recognised. Individual provisions are recognised for claims that are known to the Group.

Provisions for expected losses from onerous contracts and other business obligations are measured on the basis of the work yet to be performed.

A restructuring provision is recognised when a KION Group entity has prepared a detailed, formal restructuring plan and this plan has raised a valid expectation in those affected that the entity will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity concerned.

Share-based payments

IFRS 2 distinguishes between equity-settled and cash-settled share-based payment transactions.

Equity-settled share-based payment transactions are recognised at their fair value at the date of grant. The fair value of the obligation is recognised as an expense under functional costs over the vesting period and offset against capital reserves.

The portion of the fair value of cash-settled share-based payments that is attributable to service provided up to the valuation date is recognised as an expense under functional costs and is also reported as a liability. The fair value is recalculated on each reporting date until the end of the performance period. Any change in the fair value of the obligation must be recognised (pro rata temporis) under expenses.

Financial liabilities and other financial liabilities

These liabilities are initially recognised at fair value at the time they are entered into. Directly attributable transaction costs are deducted for all financial liabilities that are not subsequently designated as at fair value through profit or loss (FVPL). These liabilities are then measured at amortised cost. Any differences between historical cost and the settlement amount are recognised in accordance with the effective interest method.

Other financial liabilities also include derivative financial instruments. Derivative liabilities that do not form part of a formally documented hedge must be categorised as FVPL and carried at fair value through profit or loss.

Trade payables

Trade payables are categorised as FLaC and, in the first period in which they are recognised, are carried at fair value net of the directly attributable transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method. Low-interest or non-interest-bearing liabilities due in more than one year are carried at their present value.

Assumptions and estimates

The preparation of the IFRS consolidated 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.

Goodwill is tested for impairment annually at the level of the cash-generating units to which goodwill is allocated, applying the budget for 2015 and the medium-term planning for 2016 to 2017 combined with the growth predicted in the market forecasts for the projections for 2018 to 2019 and assuming division-specific growth rates for the period thereafter. Any material changes to these and other factors might result in the recognition of impairment losses. Further information on goodwill can be found earlier in this note and in note [17].

Information on leases can be found in the sections on leases / short-term rentals, leased assets, rental assets and other property, plant and equipment in this note.

Defined benefit pension obligations are calculated on the basis of actuarial parameters. As differences due to remeasurements are taken to other comprehensive income (loss), any change in these parameters would not affect the net profit for the current period. For further details about sensitivity analysis in relation to the impact of all significant assumptions, please refer to the information about the retirement benefit obligation in note [28].

Significant estimates are involved in calculating provisions for tax. These estimates may change on the basis of new information and experience (see also note [14]).

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of resources, supplemented by past experience and the circumstances known to the Group at the reporting date. Accordingly, the actual outflow of resources for a given event may be different from the amount recognised in other provisions. Further details can be found in note [31].

Deferred tax assets on tax loss carryforwards and interest carryforwards are recognised on the basis of an estimate of the future recoverability of the tax benefit, i.e. an assumption as to whether sufficient taxable income or tax relief will be available against which the carryforwards can be utilised. The actual amount of taxable income in future periods, and hence the actual utilisation of tax loss carryforwards and interest carryforwards, may be different from the estimates made when the corresponding deferred tax assets were recognised.

Where necessary, the KION Group's accounting departments receive assistance from external legal advisors and tax consultants when making the estimates required.

The carrying amounts of the affected line items can be found in the relevant notes/the consolidated statement of financial position.

The impact of a change to an estimate is recognised in profit or loss prospectively when it becomes known and assumptions are adjusted accordingly.

Notes to the consolidated income statement

[8] REVENUE

The revenue generated by the KION Group in the year under review broken down by product category is as follows: > **TABLE 044**

Revenue by product category

TABLE 044

in € million	2014	2013
New business	2,533.0	2,519.6
Service offering	2,144.9	1,975.0
– Aftersales	1,250.4	1,174.2
– Rental business	486.9	443.1
– Used trucks	264.9	226.4
– Other	142.7	131.3
Total revenue	4,677.9	4,494.6

Further information on revenue can be found in the segment report in note [39].

[9] OTHER INCOME

The breakdown of other income is as follows: > **TABLE 045**

Other income		TABLE 045
in € million	2014	2013
Foreign currency exchange rate gains	16.2	24.2
Income from reversal of provisions	11.4	10.6
Profit from release of deferred lease profits	9.9	8.4
Net gains on the Weichai transactions	–	8.1
Gains on disposal of non-current assets	4.6	7.3
Rental income	2.9	2.0
Sundry income	48.2	61.0
Total other income	93.2	121.7

The foreign currency exchange rate gains included gains amounting to €12.8 million (2013: €7.6 million) on derivative financial instruments used to hedge operating currency risk. These gains were offset by foreign currency exchange rate losses (other expenses) of €4.3 million in 2014 (2013: €7.3 million). Overall, this resulted in a net gain of €8.5 million on derivative financial instruments used to hedge operating currency risk (2013: €0.3 million).

The sundry income that was reported predominantly included earnings from commission collected of €19.0 million (2013: €15.7 million), which are not reported under revenue.

[10] OTHER EXPENSES

The breakdown of other expenses is as follows: > **TABLE 046**

Other expenses		TABLE 046
in € million	2014	2013
Foreign currency exchange rate losses	13.7	22.3
Losses on disposal of non-current assets	10.8	1.8
Impairment of non-current assets	–	1.2
Sundry expenses	17.6	21.4
Total other expenses	42.1	46.7

The change in foreign currency exchange rate gains and losses is attributable to exchange rate movements (see also note [9]).

[11] SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS

The share of profit (loss) of equity-accounted investments in the reporting year amounted to a loss of €24.8 million (2013: profit of €1.7 million). This loss was partly the result of a write-down that had to be recognised on the stake held in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics), which in turn was due to a downturn in business. The value in use for Linde Hydraulics, which was calculated as part of an impairment test using a discount rate of 7.4 per cent, amounted to €64.1 million. The total non-cash impairment loss recognised was €13.5 million.

The amount for the previous year included income of €7.0 million arising from the remeasurement of an existing equity-accounted investment of 23.0 per cent held in Willenbrock Fördertechnik Holding GmbH, Bremen, Germany, over which a controlling influence can be exerted following the acquisition of further shares. Further details on equity-accounted investments can be found in note [21].

[12] FINANCIAL INCOME

Financial income breaks down as follows: > **TABLE 047**

Financial income		TABLE 047
in € million	2014	2013
Foreign currency exchange rate gains (financing)	4.3	13.6
Interest income from leases	29.6	27.2
Net interest income from defined benefit plans	1.1	1.1
Other interest and similar income	49.5	6.6
Total financial income	84.4	48.5

The interest income from leases relates to the interest portion of lease payments in financial services transactions in which KION Group entities operate as lessors (finance leases).

Foreign currency exchange rate gains (financing) include gains of €0.7 million on hedging transactions (2013: €6.8 million). In the previous year, this line item had also included gains of €6.2 million from the repayment of a foreign-currency loan denominated in US dollars.

The line item 'Net interest income from defined benefit plans' relates to the net interest income on the net assets of four pension plans in the United Kingdom in which plan assets exceed pension obligations.

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 shares in Linde Hydraulics resulted in total income of €43.2 million in 2014, which was recognised under other interest and similar income (2013: expenses of €14.7 million under other interest expenses and similar charges). The impairment loss relating to the stake held in Linde Hydraulics is included in the share of profit (loss) of equity-accounted investments (see also note [11]).

[13] FINANCIAL EXPENSES

Financial expenses break down as follows: > **TABLE 048**

Financial expense	TABLE 048	
in € million	2014	2013
Interest expense from loans	12.5	59.1
Interest expense from corporate bond	40.5	65.2
Interest cost of leases	48.1	43.0
Net interest expense from defined benefit plans	20.4	18.7
Amortisation of finance costs	10.3	30.2
Foreign currency exchange rate losses (financing)	3.5	9.6
Interest cost of non-current financial liabilities	1.8	1.2
Other interest expenses and similar charges	36.2	41.5
Total financial expense	173.2	268.4

Interest expenses arising from loans and interest expenses from corporate bond decreased by a substantial €46.6 million and €24.6 million respectively in 2014 because the IPO resulted in a vastly improved funding structure and funding conditions compared with 2013. In the reporting year, interest expenses arising from loan liabilities related to a low-interest revolving credit facility under the SFA, whereas in the previous year they largely related to a number of higher-interest loan liabilities under the SFA amounting to €32.4 million and losses of €26.7 million on interest-rate swaps.

The interest cost of leases relates to the interest portion of lease payments in financial services transactions in which the material risks and rewards are borne by KION Group entities as lessees (finance leases). Sale and finance leaseback operating sub-leases (SALB-FL-OL) incurred interest expenses of €27.2 million (2013: €24.0 million). The income from corresponding customer agreements is, according to IAS 17, a component of the rental and lease payments received and is therefore reported within revenue rather than as interest income.

Net interest expense from defined benefit plans relates to the net interest cost of the net liability of pension plans applying the discount rate for plans in which pension obligations exceed plan assets.

Early repayment 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, led to non-recurring financial expenses. An amount of €8.4 million representing the proportion of the deferred finance costs relating to these bonds was recognised as an expense as amortisation of finance costs. A payment of €14.8 million representing early repayment charges was recognised as other interest expenses and similar charges.

Foreign currency exchange rate losses (financing) included losses on derivative financial instruments amounting to €0.4 million (2013: €6.6 million).

[14] INCOME TAXES

The income tax expense of €80.0 million (2013: expense of €15.9 million) consisted of €63.5 million in current tax expense (2013: €59.0 million) and €16.5 million in deferred tax expense (2013: deferred tax income of €43.1 million). The current tax expense included expenses of €6.9 million (2013: expenses of €9.1 million) relating to previous financial years.

At the reporting date there were income tax assets of €6.6 million receivable from tax authorities (2013: €15.4 million) and income tax liabilities of €31.3 million (2013: €27.7 million).

Deferred taxes are recognised for temporary differences between the tax base and IFRS carrying amounts. Deferred taxes are determined on the basis of the tax rates that will apply or have been announced at the realisation date in accordance with the current legal situation in each country concerned. The current corporate income tax rate in Germany is 15.0 per cent plus the solidarity surcharge (5.5 per cent of corporate income tax). Taking into account the average trade tax rate of 14.63 per cent (2013: 14.14 per cent), the combined nominal tax rate for entities in Germany was 30.5 per cent (2013: 30.0 per cent). The income tax rates for foreign companies used in the calculation of deferred taxes are between 10.0 per cent and 35.0 per cent (2013: between 10.0 per cent and 37.6 per cent).

No deferred taxes have been recognised on temporary differences of €88.8 million (2013: €88.5 million) between the net assets reported in the consolidated financial statements for the Group companies and the tax base for the shares in these Group companies (outside basis differences) because the KION Group is in a position to manage the timing of the reversal of temporary differences and there are no plans to dispose of investments in the foreseeable future.

Deferred tax assets are allocated to the following items in the statement of financial position: > **TABLE 049**

Deferred tax assets		TABLE 049
in € million	2014	2013
Intangible assets and property, plant and equipment	136.0	115.1
Financial assets	0.1	2.6
Current assets	40.5	45.1
Deferred charges and prepaid expenses	0.5	0.8
Provisions	178.1	112.0
Liabilities	295.1	317.4
Deferred income	46.2	41.0
Tax loss carryforwards and interest carryforwards	62.1	62.2
Offsetting	-400.6	-400.7
Total deferred tax assets	357.9	295.5

Deferred tax liabilities are allocated to the following items in the statement of financial position: > **TABLE 050**

Deferred tax liabilities		TABLE 050
in € million	2014	2013
Intangible assets and property, plant and equipment	483.7	489.1
Financial assets	5.0	7.8
Current assets	196.2	167.7
Deferred charges and prepaid expenses	2.1	0.3
Provisions	23.5	21.9
Liabilities	10.6	19.8
Deferred income	0.5	0.3
Offsetting	-400.6	-400.7
Total deferred tax liabilities	320.9	306.2

The deferred tax liabilities essentially relate to the purchase price allocation in the acquisition of the KION Group, particularly for intangible assets and property, plant and equipment.

In 2014, deferred taxes of €62.5 million were recognised in other comprehensive income (loss), resulting in an increase in other comprehensive income (loss) (2013: €8.6 million, resulting in a decrease in other comprehensive income (loss)). Of this amount, deferred taxes of €60.6 million (2013: minus €1.1 million) arose from the remeasurement of the defined benefit obligation. Furthermore, deferred taxes of €1.9 million (2013: minus €7.5 million) were recognised in connection with realised and unrealised changes in the fair value of derivatives in cash flow hedges.

Deferred taxes of €1.0 million were reclassified from accumulated other comprehensive income (loss) to retained earnings in connection with the deconsolidation of Linde Heavy Truck Division Ltd.

No deferred tax assets have been recognised on tax loss carryforwards of €162.0 million (2013: €231.8 million), on interest carryforwards of €262.1 million (2013: €351.1 million) or on other temporary differences of €1.2 million (2013: €0.7 million).

Deferred taxes are recognised on tax loss carryforwards and interest carryforwards to the extent that sufficient future taxable income is expected to be generated against which the losses can be utilised. The total amount of unrecognised deferred tax assets relating to loss carryforwards was therefore €34.2 million (2013: €49.7 million), of which €32.3 million (2013: €41.0 million) concerns tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at 31 December 2014 amounted to €108.2 million (31 December 2013: €169.8 million), while trade-tax loss carryforwards stood at €59.9 million (31 December 2013: €140.5 million). There were also foreign tax loss carryforwards totalling €214.4 million (31 December 2013: €228.5 million).

The interest that can essentially be carried forward indefinitely in Germany as at 31 December 2014 amounted to €332.5 million (31 December 2013: €359.0 million).

The table below shows the reconciliation of expected income tax expense to effective income tax expense. The Group reconciliation is an aggregation of the individual company-specific reconciliations prepared in accordance with relevant local tax rates, taking into account consolidation effects recognised in income. The expected tax rate applied in the reconciliation is 30.5 per cent (2013: 30.0 per cent). [> TABLE 051](#)

Income taxes

TABLE 051

in € million	2014	2013
Earnings before taxes	258.3	154.3
Anticipated income taxes	-78.7	-46.2
Deviations due to the trade tax base	-5.3	-4.0
Deviations from the anticipated tax rate	8.2	13.3
Losses for which deferred taxes have not been recognised	-5.6	-7.1
Change in tax rates and tax legislation	-1.0	0.1
Interest carryforwards for which deferred taxes have not been recognised	-	-7.0
Non-deductible expenses	-5.9	-8.1
Permanent differences	-	5.7
Tax-exempt income	2.6	2.2
Taxes relating to other periods	-6.9	-9.1
Deferred taxes relating to prior periods*	7.5	40.6
Other	5.0	3.7
Effective income taxes (current and deferred taxes)	-80.0	-15.9

* In 2013 mainly due to the actual usability of tax loss carryforwards of KION Material Handling GmbH

[15] OTHER INCOME STATEMENT DISCLOSURES

The cost of materials rose by €99.0 million in the reporting year to €2,220.7 million (2013: €2,121.7 million).

Personnel expenses went up by €88.1 million to €1,231.9 million in 2014 (2013: €1,143.8 million). These personnel expenses included wages and salaries of €966.4 million (2013: €900.5 million), social security contributions of €215.7 million (2013: €203.7 million) and expenses for pensions of €49.7 million (2013: €39.5 million). The interest cost from the unwinding of the discount on estimated pension obligations is not recognised under personnel expenses and is instead reported under financial expenses as a component of interest cost of the defined benefit obligation. Pension expenses essentially comprised the pension

entitlements of €23.4 million (2013: €23.0 million) and unrecognised past service cost of €2.6 million (2013: unrecognised past service income of €1.7 million) arising from plan amendments and curtailments.

Impairment losses and depreciation expenses on property, plant and equipment together with impairment losses and amortisation expenses on intangible assets amounted to €367.2 million in the reporting year (2013: €335.0 million). Inventories were written down by €9.1 million (2013: €13.7 million).

The breakdown of rental and lease payments expensed in the period and arising in connection with operating leases in which KION Group entities are lessees is as follows: > **TABLE 052**

Lessee: Expenses recognised for operating lease payments

TABLE 052

in € million	2014	2013
Procurement lease contracts	81.0	75.1
Sublease contracts	16.2	20.3
Total recognised expenses for lease payments	97.1	95.4

The expenses in connection with sub-leases relate to leases and rental agreements in which KION Group entities are both lessors and lessees. These expenses were offset by income of €37.6 million in 2014 (2013: €40.9 million).

Diluted earnings per share are calculated by adding the potential dilutive no-par-value shares that employees can obtain for free under the employee share option programme to the weighted average number of shares outstanding during the reporting period. The calculation of diluted earnings per share was based on a weighted average of 98,693,221 no-par-value shares issued. Diluted earnings per share for the reporting period came to €1.79 (2013: €1.69). In the previous year, there had been no equity instruments that diluted the earnings per share for the number of shares issued.

[16] 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 (2014: 98,692,041 no-par-value shares; 2013: 81,982,231 no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €176.7 million (2013: €138.8 million). Information about determining the net income (loss) accruing to the KION GROUP AG shareholders can be found in the consolidated income statement. Basic earnings per share for the reporting period came to €1.79 (2013: €1.69). The 163,562 no-par-value treasury shares repurchased by KION GROUP AG were not included in this figure as at 31 December 2014 (31 December 2013: 200,000).

Notes to the consolidated statement of financial position

[17] GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is allocated to the segments as follows: > **TABLE 053**

Goodwill broken down by segment

TABLE 053

in € million	2014	2013
LMH	927.8	925.1
STILL	556.7	556.5
Other	12.5	13.1
Total goodwill	1,497.1	1,494.7

The change in the amount of goodwill in 2014 was the result of currency effects. In the previous year, the change in goodwill mainly resulted from the acquisition of Willenbrock and STILL Arser, from which goodwill of €18.1 million and €5.0 million arose respectively, and from countervailing currency effects.

Intangible assets

TABLE 054

in € million	Goodwill	Brand names	Technology & development	Sundry intangible assets	Total
Balance as at 01/01/2013	1,473.2	593.9	217.9	122.1	2,407.2
Group changes	23.1	1.5	–	13.8	38.4
Currency translation adjustments	–1.6	–0.5	–0.4	–1.4	–3.8
Additions	–0.0	–	45.7	17.0	62.6
Disposals	–	–	–0.0	–0.9	–0.9
Amortisation	–	–0.3	–45.1	–28.2	–73.6
Impairment	–	–	–1.2	–	–1.2
Balance as at 31/12/2013	1,494.7	594.7	216.9	122.4	2,428.7
Gross carrying amount as at 31/12/2013	1,494.7	595.4	470.4	253.4	2,813.9
Accumulated amortisation	–0.0	–0.7	–253.5	–131.0	–385.2
Balance as at 01/01/2014	1,494.7	594.7	216.9	122.4	2,428.7
Group changes	–	–	–	–0.0	–0.0
Currency translation adjustments	2.3	1.0	1.5	1.2	6.0
Additions	–	–	43.7	17.2	60.9
Disposals	–	–	–2.4	–0.1	–2.5
Amortisation	–	–0.3	–49.7	–30.5	–80.5
Balance as at 31/12/2014	1,497.1	595.4	210.0	110.1	2,412.5
Gross carrying amount as at 31/12/2014	1,497.1	596.5	492.5	270.0	2,856.0
Accumulated amortisation	–0.0	–1.1	–282.5	–159.9	–443.5

The Group intends to retain and further strengthen the Linde, STILL, OM STILL and KION brand names on a long-term basis. Brand names worth €474.5 million are assigned to the LMH segment (31 December 2013: €473.6 million) and brand names worth €115.3 million to the STILL segment (31 December 2013: €115.3 million). These assets are not amortised as they have an indefinite useful life. A value of €1.8 million was attributed to the Voltas brand name and allocated to the Other segment. This

brand name is amortised over its useful life of five years. As at 31 December 2014, the brand names allocated to the Other segment (KION and Voltas) had a residual value of €5.5 million (31 December 2013: €5.8 million), of which €5.1 million was attributable to brand names with an indefinite useful life (31 December 2013: €5.1 million). > TABLE 054

The total carrying amount for technology and development assets as at 31 December 2014 was €210.0 million (31 December 2013: €216.9 million). Development costs of €43.7 million were capitalised in the reporting year (2013: €45.7 million). Total research and development costs of €125.7 million (2013: €113.6 million) were expensed. Of this amount, €49.7 million (2013: €45.1 million) related to amortisation.

Impairment losses of €1.2 million were recognised on capitalised development costs in the previous year to reflect the lack of opportunities to use them in future as a result of the closure of the heavy truck plant in Merthyr Tydfil (LMH segment).

Other intangible assets relate in particular to the intangible assets identified in the course of purchase price allocation for the acquisition of the KION Group, such as the customer base.

[18] LEASED ASSETS

The changes in leased assets in 2014 and 2013 were as follows:

> TABLE 055

Leased assets	TABLE 055	
in € million	2014	2013
Balance as at 1/1/	251.9	191.3
Group changes	–	35.2
Currency translation adjustments	–1.1	–11.4
Additions	172.8	146.9
Disposals	–73.9	–59.8
Depreciation	–69.5	–58.0
Reclassification	–1.3	7.8
Balance as at 31/12/	279.0	251.9
Gross carrying amount as at 31/12/	615.4	603.5
Accumulated depreciation	–336.5	–351.5

Leased assets are attributable to the Financial Services segment and relate to industrial trucks in the amount of €278.4 million (2013: €251.6 million) that are leased to external customers under operating leases and to office furniture and equipment in the amount of €0.6 million (2013: €0.3 million).

Leased assets include assets leased over the long term with a residual value of €230.5 million (31 December 2013: €201.2 million) that are funded by means of sale and leaseback transactions with leasing companies and leased assets with a residual value of

€48.5 million (31 December 2013: €50.7 million) that are largely funded internally or by means of bank loans.

Leased assets resulted in non-cancellable minimum lease payments from customers amounting to €285.6 million (31 December 2013: €225.8 million).

The following table shows the maturity structure of these payments: > **TABLE 056**

Minimum lease payments		TABLE 056
in € million	2014	2013
Cash receipts from minimum lease payments	285.6	225.8
due within one year	107.8	89.6
due in one to five years	174.9	134.7
due in more than five years	2.9	1.5

[19] RENTAL ASSETS

The changes in rental assets in 2014 and 2013 were as follows:
> **TABLE 057**

Rental assets		TABLE 057
in € million	2014	2013
Balance as at 01/01/	461.2	395.1
Group changes	-12.2	42.6
Currency translation adjustments	2.1	-6.8
Additions	264.9	229.4
Disposals	-81.4	-59.1
Depreciation	-147.4	-134.3
Reclassification	-0.1	-5.6
Balance as at 31/12/	487.1	461.2
Gross carrying amount as at 31/12/	899.1	859.2
Accumulated depreciation	-412.0	-398.1

Acquisitions amounting to €146.0 million (2013: €127.1 million) and disposals amounting to €50.5 million (2013: €37.8 million) were attributable to the LMH segment. Acquisitions amounting to €119.1 million (2013: €102.4 million) and disposals amounting to €30.9 million (2013: €21.4 million) were attributable to the STILL segment.

The breakdown of rental assets by contract type is shown in the following table: > **TABLE 058**

Rental assets broken down by contract types**TABLE 058**

	Operating leases as lessor		Sale with risk		Total	
in € million	2014	2013	2014	2013	2014	2013
Industrial trucks	410.9	375.3	66.7	64.3	477.5	439.6
Truck equipment	9.5	21.5	0.1	0.1	9.5	21.5
Total rental assets	420.3	396.8	66.7	64.4	487.1	461.2

Rental assets comprise assets resulting from short-term rentals ('operating leases as lessor') and assets in relation to which significant risks and rewards remain with the KION Group although they were sold ('sale with risk').

[20] OTHER PROPERTY, PLANT AND EQUIPMENT

The changes in the carrying amounts of other property, plant and equipment were as follows: > **TABLE 059**

Other property, plant and equipment

TABLE 059

in € million	Land and buildings	Plant, machinery, and office furniture and equipment	Advances paid and assets under construction	Total
Balance as at 01/01/2013	322.3	162.4	15.6	500.3
Group changes	11.8	6.1	0.6	18.5
Currency translation adjustments	-5.2	-2.7	-0.2	-8.1
Additions	6.2	46.5	11.7	64.4
Disposals	-3.2	-2.9	-0.1	-6.2
Depreciation	-14.7	-53.1	-	-67.8
Reversal of impairment	-	0.5	-	0.5
Reclassification	2.8	1.5	-6.5	-2.2
Balance as at 31/12/2013	320.0	158.3	21.1	499.4
Gross carrying amount as at 31/12/2013	647.2	939.6	21.1	1,607.9
Accumulated depreciation	-327.2	-781.3	-	-1,108.5
Balance as at 01/01/2014	320.0	158.3	21.1	499.4
Group changes	-	-1.7	-	-1.7
Currency translation adjustments	7.1	2.2	0.2	9.4
Additions	5.3	54.0	12.8	72.1
Disposals	-13.8	-1.4	-1.4	-16.6
Depreciation	-14.4	-55.4	-	-69.8
Reclassification	4.0	8.3	-10.9	1.3
Balance as at 31/12/2014	308.1	164.3	21.7	494.1
Gross carrying amount as at 31/12/2014	644.2	952.7	21.7	1,618.6
Accumulated depreciation	-336.1	-788.4	0.0	-1,124.5

Land and buildings in the amount of €18.3 million (31 December 2013: €18.3 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

As in the previous year, the KION Group did not recognise any significant impairment losses in accordance with IAS 36 on other property, plant and equipment in 2014.

Plant & machinery and office furniture & equipment include assets from procurement leases (finance leases) amounting to €13.1 million (31 December 2013: €13.3 million). Depreciation on these assets came to €5.3 million in 2014 (2013: €3.7 million). The corresponding liabilities are reported as other financial liabilities.

[21] EQUITY-ACCOUNTED INVESTMENTS

The KION Group reported equity-accounted investments with a total carrying amount of €114.6 million as at 31 December 2014 (31 December 2013: €138.6 million). A significant portion of the carrying amount of the associates resulted from the shares (30.0 per cent) in Linde Hydraulics. The associates and joint ventures can be seen in the list of shareholdings (see note [45]). Their financial information is summarised below. > TABLES 060–061

Summarised financial information: associates

TABLE 060

in € million	2014	2013
Total carrying amount	88.5	112.6
Profit (+)/loss (–) from continuing operations	–29.8	–3.8
Other comprehensive income	–2.6	–1.1
Total comprehensive income	–32.3	–4.9

Summarised financial information: joint ventures

TABLE 061

in € million	2014	2013
Total carrying amount	26.1	26.0
Profit (+)/loss (–) from continuing operations	4.9	5.5
Other comprehensive income	–0.9	–1.1
Total comprehensive income	4.0	4.4

The amounts in the tables are based on the share held by the KION Group in the relevant associate or joint venture.

Gross investments include minimum lease payments from non-cancellable sub-leases amounting to €488.8 million (31 December 2013: €434.0 million).

Lease receivables include unguaranteed residual values of €63.9 million (31 December 2013: €52.1 million).

[22] LEASE RECEIVABLES

In the case of leases under which KION Group entities lease assets directly to customers as part of the Group's financial services activities, the Group's net investment in the lease is reported as a lease receivable.

The amounts recognised as lease receivables are based on the following data: [> TABLE 062](#)

Lease receivables

TABLE 062

in € million	2014	2013
Gross investments	611.8	537.5
due within one year	228.7	194.8
due in one to five years	364.6	326.9
due in more than five years	18.5	15.8
Present value of outstanding minimum lease payments	547.8	479.6
due within one year	202.5	170.8
due in one to five years	327.5	293.6
due in more than five years	17.8	15.2
Unrealised financial income	64.0	57.9

[23] OTHER FINANCIAL ASSETS

Other financial assets of €202.5 million (31 December 2013: €166.3 million) comprise the following: > **TABLE 063**

Pension assets relate to asset surpluses from two defined benefit plans in the United Kingdom (31 December 2013: four) in which plan assets exceed the present value of the defined benefit obligation (see note [28]).

The current derivative financial instruments essentially include the put option on a portion of the shares in Linde Hydraulics amounting to €34.7 million. As at 31 December 2013, this put option had been recognised under non-current derivative financial instruments in the amount of €15.7 million.

The sundry financial assets essentially include non-derivative financial receivables amounting to €62.3 million (31 December 2013: €35.7 million) that fall within the scope of IFRS 7.

Other financial assets

TABLE 063

in € million	2014	2013
Pension assets	21.6	22.4
Investments in non-consolidated subsidiaries	7.9	7.8
Other investments	3.4	4.1
Loans receivable	0.6	0.8
Non-current securities	0.8	0.8
Derivative financial instruments	–	15.7
Other non-current financial assets	34.3	51.7
Derivative financial instruments	43.7	3.6
Financial receivables from affiliated companies and related companies	6.8	7.6
Financial receivables from third parties	5.6	4.0
Deferred charges and prepaid expenses	28.8	25.7
Sundry financial assets	83.3	73.8
Other current financial assets	168.2	114.7
Total other financial assets	202.5	166.3

[24] INVENTORIES

The reported inventories break down as follows: > **TABLE 064**

Inventories		TABLE 064
in € million	2014	2013
Materials and supplies	122.2	108.3
Work in progress	71.5	66.7
Finished goods and merchandise	330.8	331.2
Advances paid	4.7	5.5
Total inventories	529.2	511.8

The slight year-on-year rise in inventories was largely attributable to the increase in materials and supplies (up by 12.8 per cent) and work in progress (up by 7.1 per cent). In 2014, impairment losses of €9.1 million were recognised on inventories (2013: €13.7 million). Reversals of impairment losses had to be recognised in the amount of €4.1 million (2013: €7.0 million) because the reasons for the impairment losses no longer existed.

[25] TRADE RECEIVABLES

The trade receivables break down as follows: > **TABLE 065**

Trade receivables

TABLE 065

in € million	2014	2013
Receivables from third parties	582.6	540.1
thereof receivables from third parties before valuation allowances	622.8	582.6
thereof valuation allowances for overdue receivables > 90 days ≤ 180 days	-6.9	-6.2
thereof valuation allowances for overdue receivables > 180 days	-22.3	-25.8
thereof other valuation allowances for receivables	-11.1	-10.4
Trade receivables from affiliated companies	4.7	5.8
Trade receivables from associated companies and joint ventures	10.9	12.8
Total trade receivables	598.2	558.7

Valuation allowances of €40.2 million (31 December 2013: €42.4 million) were recognised for trade receivables.

[26] CASH AND CASH EQUIVALENTS

The change in cash and cash equivalents is shown in the consolidated statement of cash flows. For more detailed information, please also refer to note [35]. > TABLE 066

Cash and cash equivalents

TABLE 066

in € million	2014	2013
Cash held by banks, on hand and cheque	98.7	219.1
Pledged cash	0.2	0.3
Total cash and cash equivalents	98.9	219.3

[27] EQUITY

Subscribed capital and capital reserves

As at 31 December 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 98.9 million no-par-value shares.

As authorised by the Annual General Meeting on 13 June 2013, 200,000 treasury shares had been repurchased via the stock exchange in 2013 for a planned share-based remuneration programme.

In 2014, the Executive Board of KION GROUP AG decided to introduce an employee share option programme to enable staff members, initially those working for the participating German companies in the KION Group, to derive greater benefit from the success of the Company.

Between 10 September 2014 and 30 September 2014, a further 51,000 treasury shares were repurchased via the stock exchange at an average price of €30.29 in order to provide the shares for employees' own investments and the free shares under the programme. The total cost was €1.5 million. Due to the issue of 87,438 no-par-value shares under the employee share option programme, KION GROUP AG held 163,562 treasury shares at the reporting date (31 December 2013: 200,000). These are not dividend-bearing and do not confer any voting rights. Further details on the employee share option programme can be found in note [42].

The total number of shares outstanding as at 31 December 2014 was 98,736,438 no-par-value shares (31 December 2013: 98,700,000 no-par-value shares).

As at 31 December 2014, KION Group employees held options on a total of 29,116 no-par-value shares. The share options granted under the employee share option programme are not dividend-bearing and do not confer any voting rights.

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 (2014 Authorised Capital).

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 (2014 Conditional Capital).

The total amount attributable to shares that was spent in connection with this authorised/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.

Retained earnings

The development of retained earnings is shown in the consolidated statement of changes in equity in > TABLE 038. The retained earnings comprise the net income (loss) for the financial year and past contributions to earnings by the consolidated entities, provided they have not been distributed.

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 in 2014.

Appropriation of profit

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.55 per share to the Annual General Meeting on 12 May 2015. As there were 98,736,438 dividend-bearing shares as at 31 December 2014, this equates to a total dividend payout of €54.3 million. Roughly 31 per cent of the net income accruing to the KION Group shareholders will therefore be distributed in dividends.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) includes the currency translation differences arising from the translation of the financial statements of foreign subsidiaries, the effects of the fair value measurement of derivative financial instruments, the share of profit (loss) of equity-accounted investments, and the gains and losses in connection with defined benefit pension obligations.

Non-controlling interests

Non-controlling interests in companies in the KION Group amounted to €5.3 million (31 December 2013: €5.0 million).

[28] RETIREMENT BENEFIT OBLIGATION

The retirement benefit obligation is recognised for obligations to provide current and future post-employment benefits. Post-employment benefit plans are classified as either defined benefit plans or defined contribution plans, depending on the substance of the plan as derived from its principal terms and conditions.

Defined contribution plans

In the case of defined contribution pension plans, the Group pays contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The Group does not enter into any obligations above and beyond the payment of contributions to an external pension fund. The amount of future pension benefits is based solely on the amount of the contributions paid by the employer (and in some cases the beneficiaries themselves) to the external pension fund, including income from the investment of these contributions. The total expense arising from defined contribution plans amounted to €58.3 million in 2014 (2013: €57.6 million). Of this total, contri-

butions paid by employers into government-run schemes came to €52.4 million (2013: €52.8 million). The defined contribution plan expense is reported within the functional costs.

Defined benefit plans

In the case of defined benefit plans, the beneficiaries are granted a specific benefit by the Group or an external pension fund. Due to future salary increases, the benefit entitlement at the retirement age of the beneficiary is likely to be higher than the amount granted as at the reporting date. Pensions are often adjusted after an employee reaches retirement age. The amount of the Group's obligation, which is defined as the actuarial present value of the obligation to provide the level of benefits currently earned by each beneficiary, is expressed as the present value of the defined benefit obligation, which includes adjustments for future salary and pension increases.

The KION Group currently grants pensions to almost all employees in Germany and a number of foreign employees. These pensions consist of fixed benefit entitlements and are therefore reported as defined benefit plans in accordance with IFRS. As at 31 December 2014, the KION Group had set up defined benefit plans in 13 countries. For all of the significant defined benefit plans within the Group, the benefits granted to employees are determined on the basis of their individual income, i.e. either directly or by way of intermediate benefit arrangements. The largest of the KION Group's defined benefit plans – accounting for 91.2 per cent of the global defined benefit obligation (31 December 2013: 91.3 per cent) – are in Germany and the United Kingdom.

Germany

In Germany, the pension benefits granted under the 2001 pension benefit conditions and 2002 pension benefit conditions depend on employees' length of service and gross annual remuneration (pension component entitlement). The pension component is calculated by multiplying a certain percentage by an age-dependent annuitisation factor. The contribution rate is 3.4 per cent (2001 pension benefit conditions) or 2.0 per cent (2002 pension benefit conditions) of the gross remuneration that an employee earns in the computation period. Employees receive the pension entitlement

that they have earned in the form of a monthly retirement pension or invalidity benefit or, in the event of their death, the entitlement is paid to their surviving dependants in the form of a widow's/ widower's pension or orphans' pension. Members of the Executive Board and other executives are predominantly covered by individual pension plans. For details of the pension entitlements of KION GROUP AG Executive Board members, please refer to the information in note [43]. The amount of the benefits paid to executives depends on the type of entitlement. Under the 'old' individual pension plans, executives were entitled to a certain percentage of income as their pension benefit. By contrast, the employer-funded entitlement under the 'new' individual pension plans consists of two components: a fixed basic pension and a variable top-up pension through which annual components are earned within a defined contribution system. Both components depend on the seniority of the executive.

In addition, employees in Germany are able to pay part of their salary into a company pension plan, for which KION provides a defined minimum interest rate to enable employees to build up their personal pension provision. The pension benefits consist of retirement, invalidity and surviving dependants' benefits. Each contribution made is converted into a capital component on the basis of a guaranteed minimum interest rate of 3.0 per cent and depending on the age of the employee. The capital components acquired each calendar year are added up to give the pension capital. When an insured event occurs, the pension capital is converted into an ongoing life-long pension or a one-off capital payment.

In Germany, the KION Group also helps employees to build up their own pension provision with an additional matching contribution for those employees who pay part of their salary into the KION pension plan. The additional matching contribution received by executives is 50.0 per cent of the amount they defer in a calendar year, although the absolute amount of this contribution is limited to a certain percentage of income (ranging from 2.5 per cent to a maximum of 5.0 per cent). All other employees who participate in the company pension scheme receive up to 0.4 per cent of their gross remuneration.

Some of the KION Group's pension obligations in Germany are financed by way of contractual trust arrangements (CTAs), which qualify as plan assets within the meaning of IAS 19. There are no statutory minimum funding requirements. In the event of

the Company's insolvency, the company pension scheme is to a large extent protected by law by the Pension Security Association.

United Kingdom

Previously in the United Kingdom, defined benefit pension obligations predominantly related to four plans. Following the deconsolidation of Linde Heavy Truck Division Ltd. in December 2014, two of these pension plans (Blackwood Schemes) were eliminated from the basis of consolidation. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits. The amount of the pension depends on employees' length of service and final salary. The two plans still remaining on the reporting date were closed to new employees more than ten years ago. Production at the heavy truck plant in Merthyr Tydfil (Wales, United Kingdom) was shut down in 2013 as planned, resulting in gains on plan curtailments from the Blackwood Schemes in the previous year.

Each of the two plans is monitored by its own board of trustees, which oversees the running of the plan as well as its funded status and the investment strategy. The members of the boards of trustees comprise people appointed by the companies involved and selected plan beneficiaries.

Under UK law, the board of trustees is obliged to have a valuation of the plan carried out at least every three years. In connection with the 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 the two remaining pension plans amounted to €8.6 million as at 1 July 2013. On this basis, the KION Group agreed with the trustees that it would pay approximately the equivalent of €4.5 million in 2015 and around €2.3 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 were due in 2014.

In addition, KION Material Handling GmbH has given default guarantees to the trustees of the 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 the 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 of all four plans 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 €23.2 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. The likelihood of the guarantee being used is deemed low in view of the position of the individual companies with regard to their current and future financial and earnings situations.

Other countries

Furthermore, significant asset volumes are invested in external pension funds with restricted access in Switzerland and the Netherlands. Decisions on additions to plan assets take into

account the change in plan assets and pension obligations. They also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

Measurement assumptions

In accordance with IAS 19 ('Employee Benefits'), pension provisions are recognised to cover obligations arising from the current and future pension entitlements of active and (after the vesting period has expired) former employees of the KION Group and their surviving dependants. The discount rate used to calculate the defined benefit obligation at each reporting date is determined on the basis of current capital market data and long-term assumptions about future salary and pension increases in accordance with the best estimate principle. These assumptions vary depending on the economic conditions affecting the currency in which benefit obligations are denominated and in which fund assets are invested, as well as capital market expectations.

Benefit obligations are calculated on the basis of current biometric probabilities as determined in accordance with actuarial principles. The calculations also include assumptions about future employee turnover based on employee age and years of service and about the probability of retirement. The defined benefit obligation is calculated on the basis of the significant weighted-average assumptions as at the reporting date shown in > TABLE 067.

Assumptions underlying provisions for pensions and other postemployment benefits

TABLE 067

	Germany		UK		Other	
	2014	2013	2014	2013	2014	2013
Discount rate	2.20%	3.60%	3.55%	4.40%	1.79%	2.95%
Salary increase rate	2.75%	2.75%	4.25%	4.16%	2.49%	2.44%
Pension increase rate	1.75%	1.75%	3.18%	3.53%	0.42%	0.48%

The assumed discount rate is determined on the basis of the yield as at the reporting date on AA-rated, investment-grade, fixed-interest corporate bonds with maturities that match the expected maturities of the pension obligations. Pension obligations in foreign companies are calculated on a comparable basis taking into account any country-specific requirements.

Future increases in salaries are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The biometric mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 31 December 2009, the modified Heubeck 2005 G mortality tables have been used in Germany as the biometric basis; the modified tables include a somewhat higher life expectancy for males than the unmodified tables. The S1NA CMI 2013 (standard mortality tables for self-administered pension schemes (SAPS) based on normal health) with a long-term trend of 1.25 per cent p.a. is applied to the two defined benefit plans in the United Kingdom that were still remaining as at the reporting date.

The actuarial assumptions not listed in > TABLE 067, such as employee turnover, invalidity, etc., are determined in accordance with recognised forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

The significant weighted-average assumptions shown in > TABLE 068 were applied to the calculation of the net interest cost and the cost of benefits earned in the current year (current service cost).

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (known as remeasurements) are recognised immediately in other comprehensive income in accordance with IAS 19. This serves to ensure that the pension liability in the statement of financial position is the present value of the defined benefit obligation.

In the case of externally financed pension plans, this present value of the defined benefit obligation is reduced by the fair value of the assets of the external pension fund (plan assets). If the plan assets exceed the present value of the defined benefit obligation (net assets), a corresponding asset is recognised in accordance with IAS 19. IAS 19.64 in conjunction with the supplementary explanatory information in IFRIC 14 states that the recognition of an asset for an excess of plan assets is only permitted if the company concerned, in its function as the employer, gains economic benefits in the form of reductions in future contributions to the plan or in the form of refunds from the plan. If the present value of the defined benefit obligation is not covered by the plan assets, the net obligation is reported under the retirement benefit obligation.

Assumptions underlying for pensions expenses

TABLE 068

	Germany		UK		Other	
	2014	2013	2014	2013	2014	2013
Discount rate	3.60%	3.50%	4.40%	4.35%	2.95%	2.57%
Salary increase rate	2.75%	2.75%	4.16%	4.17%	2.44%	2.36%
Pension increase rate	1.75%	1.75%	3.53%	2.94%	0.48%	0.26%

In two defined benefit plans in the United Kingdom, plan assets exceed the present value of the defined benefit obligation. Stipulations limiting the asset to be recognised in the statement of financial position do not apply.

Statement of financial position

Plan assets from employee contributions in Germany, which were reported separately in previous years, amounted to €28.2 million (31 December 2013: €23.1 million) and the corresponding liabili-

ties in the same amount relating to the direct pension entitlement scheme are included in > TABLES 069–075. As a result, the present value of the defined benefit obligation and the fair value of the plan assets shown in the tables as at 1 January 2013 and 31 December 2013 increased by €19.5 million and €23.1 million respectively.

The change in the present value of the defined benefit obligation (DBO) is shown in > TABLE 069.

The DBO in the other countries was predominantly attributable to subsidiaries in Switzerland (2014: €48.7 million; 2013: €40.0 million) and the Netherlands (2014: €38.4 million; 2013: €27.7 million).

Changes in defined benefit obligation

TABLE 069

	Germany		UK		Other		Total	
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Present value of defined benefit obligation as at 01/01/	588.1	564.9	422.1	419.5	95.7	98.4	1,106.0	1,082.7
Group changes	–	0.0	–53.2	–	–	0.0	–53.2	0.1
Exchange differences	–	–	30.5	–8.5	1.0	–0.8	31.5	–9.2
Current service cost	19.1	18.3	1.1	1.2	3.1	3.4	23.4	23.0
Past service cost (+) and income (–) from plan amendments	3.4	–	0.1	0.3	–0.9	–1.3	2.6	–1.0
Past service cost (+) and income (–) from curtailments	–	–	–	–0.7	–	–	–	–0.7
Interest expense on defined benefit obligation	21.3	19.6	18.7	17.1	2.8	2.5	42.7	39.2
Employee contributions	3.2	2.5	–	0.0	0.9	0.9	4.1	3.4
Pension benefits directly paid by company	–12.9	–12.1	–	–	–1.6	–1.0	–14.4	–13.1
Pension benefits paid by funds	–0.2	–	–18.9	–17.7	–2.2	–1.4	–21.4	–19.1
Liability transfer out to third parties	–0.4	–0.4	–	–	–0.0	–	–0.5	–0.4
Remeasurements	188.0	–4.7	38.0	11.0	22.0	–5.0	247.9	1.3
Present value of defined benefit obligation as at 31/12/	809.6	588.1	438.4	422.1	120.8	95.7	1,368.8	1,106.0
thereof unfunded	334.4	237.9	–	–	33.6	28.0	368.1	265.9
thereof funded	475.2	350.3	438.4	422.1	87.2	67.8	1,000.7	840.2

The components of the remeasurements are listed in > **TABLE 073**.

The change in the fair value of plan assets is shown in > **TABLE 070**.

Employees in Germany paid a total of €3.2 million (2013: €2.5 million) into the KION pension plan in 2014.

In 2014, employer contributions in the United Kingdom, which amounted to €2.4 million, included one-off payments of €1.4 million into pension funds on the basis of contractual agreements. In Germany, one-off payments of €0.6 million (2013: €2.4 million) were also made to a German CTA for the other members of the KION GROUP AG Executive Board.

The payments expected for the following year amount to €22.6 million (2014: €23.7 million), which includes expected employer contributions of €7.3 million to plan assets (2014: €9.2 million) and expected direct payments of pension benefits amounting to €15.3 million (2014: €14.6 million) that are not cov-

ered by corresponding reimbursements from plan assets. According to local valuation rules, there continue to be gaps in the coverage of two defined benefit pension plans in the United Kingdom, as a result of which the expected employer contributions in 2015 include one-off payments of €4.5 million (2014: €6.9 million for all four plans) in line with the agreements reached with the trustees.

The reconciliation of funded status and net defined benefit obligation to the amounts reported in the consolidated statement of financial position as at 31 December is shown in > **TABLE 071**.

As a result, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 44.0 per cent (2013: 51.4 per cent).

The change in the retirement benefit obligation reported in the statement of financial position is shown in > **TABLE 072**.

Changes in plan assets

TABLE 070

	Germany		UK		Other		Total	
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Fair value of plan assets as at 01/01/	65.0	59.5	441.6	439.5	61.7	58.9	568.3	557.9
Group changes	–	–	–56.5	–	–	–	–56.5	–
Exchange differences	–	–	31.8	–8.9	0.8	–0.6	32.6	–9.5
Interest income on plan assets	2.1	2.1	19.6	18.1	1.7	1.4	23.4	21.6
Employee contributions	3.2	2.5	–	0.0	0.9	0.9	4.1	3.4
Employer contributions	1.0	2.4	2.4	7.3	2.2	1.9	5.6	11.6
Pension benefits paid by funds	–0.2	–	–18.9	–17.7	–2.2	–1.4	–21.4	–19.1
Liability transfer out to third parties	–0.1	–	–	–	–	–	–0.1	–
Remeasurements	2.6	–1.5	35.5	3.3	8.8	0.6	46.9	2.4
Fair value of plan assets as at 31/12/	73.6	65.0	455.5	441.6	73.8	61.7	603.0	568.3

Statement of cash flows

In the case of obligations not covered by external assets, payments to beneficiaries are made directly by the Company and therefore have an impact on cash flow from operating activities. If the benefit obligations are backed by external assets, the payments are made from existing plan assets and have no effect on the Company's cash flow. Instead, any contributions made to the external pension fund by the Company result in a cash outflow for operating activities.

During the reporting year, pension benefits of €35.8 million (2013: €32.2 million) were paid in connection with the main pension entitlements in the KION Group, of which €14.4 million (2013: €13.1 million) was paid directly by the Company and €21.4 million (2013: €19.1 million) was paid from plan assets. Cash contributions to plan assets in 2014 amounted to €5.6 million (2013: €11.6 million). Furthermore, pension benefit payments totalling €0.4 million (2013: €0.4 million) were transferred to external pension funds.

Funded status and net defined benefit obligation

TABLE 071

	Germany		UK		Other		Total	
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Present value of the partially or fully funded defined benefit obligation	-475.2	-350.3	-438.4	-422.1	-87.2	-67.8	-1,000.7	-840.2
Fair value of plan assets	73.6	65.0	455.5	441.6	73.8	61.7	603.0	568.3
Surplus (+) / deficit (-)	-401.6	-285.3	17.2	19.5	-13.3	-6.1	-397.8	-271.8
Present value of the unfunded defined benefit obligation	-334.4	-237.9	-	-	-33.6	-28.0	-368.1	-265.9
Net liability (-) / net asset (+) as at 31/12/	-736.0	-523.1	17.2	19.5	-47.0	-34.1	-765.8	-537.7
Reported as 'retirement benefit obligation'	-736.0	-523.1	-4.5	-2.9	-47.0	-34.1	-787.5	-560.1
Reported as 'Other non-current financial assets'	-	-	21.6	22.4	-	0.0	21.6	22.4

Changes in retirement benefit obligation

TABLE 072

	Germany		UK		Other		Total	
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Balance as at 01/01/	523.1	505.4	2.9	2.7	34.1	39.5	560.1	547.6
Group changes	–	0.0	–	–	–	0.0	–	0.1
Exchange differences	–	–	0.3	–0.1	0.2	–0.2	0.4	–0.2
Total service cost	22.5	18.3	–	–	2.2	2.1	24.7	20.4
Net interest expense	19.2	17.5	0.1	0.1	1.1	1.1	20.4	18.7
Pension benefits directly paid by company	–12.9	–12.1	–	–	–1.6	–1.0	–14.4	–13.1
Employer contributions to plan assets	–1.0	–2.4	–0.2	–0.2	–2.2	–1.9	–3.4	–4.5
Liability transfer out to third parties	–0.3	–0.4	–	–	–0.0	–	–0.4	–0.4
Remeasurements	185.4	–3.2	1.4	0.4	13.2	–5.6	200.0	–8.4
Balance as at 31/12/	736.0	523.1	4.5	2.9	47.0	34.1	787.5	560.1

Income statement

In accordance with IAS 19, actuarial computations are performed for benefit obligations in order to determine the amount to be expensed in each period in accordance with fixed rules. The expenses recognised in the income statement for pensions and similar obligations consist of a number of components that must be calculated and disclosed separately.

The service cost is the new pension entitlement arising in the financial year and is recognised in the income statement. It is calculated as the present value of that proportion of the expected defined benefit obligation when the pension is paid attributable to the year under review on the basis of the maximum length of service achievable by each employee.

Past service cost arises if there is a change to the pension entitlement and it is recognised immediately in full.

The net interest cost/income, which is calculated by multiplying the net liability (present value of the defined benefit obligation minus plan assets) or the net assets (if the plan assets exceed the

present value of the defined benefit obligation) by the discount rate at the start of the year, is also recognised in the income statement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the income statement for 2014 is shown in > TABLE 073.

The KION Group's net financial income/expenses includes a net interest cost of €19.3 million (2013: €17.6 million). All other components of pension expenses are recognised under functional costs.

The actual total return on plan assets in 2014 was €70.3 million (2013: €24.0 million).

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognised in the statement of comprehensive income in 2014 is as follows: > TABLE 074

Cost of defined benefit obligation

TABLE 073

	Germany		UK		Other		Total	
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Current service cost	19.1	18.3	1.1	1.2	3.1	3.4	23.4	23.0
Past service cost (+) and income (–) from plan amendments	3.4	–	0.1	0.3	–0.9	–1.3	2.6	–1.0
Past service cost (+) and income (–) from curtailments	–	–	–	–0.7	–	–	–	–0.7
Total service cost	22.5	18.3	1.2	0.8	2.2	2.1	26.0	21.2
Interest expense on defined benefit obligation	21.3	19.6	18.7	17.1	2.8	2.5	42.7	39.2
Interest income on plan assets	–2.1	–2.1	–19.6	–18.1	–1.7	–1.4	–23.4	–21.6
Net interest expense (+)/income (–)	19.2	17.5	–1.0	–1.0	1.1	1.1	19.3	17.6
Total cost of defined benefit obligation	41.7	35.8	0.3	–0.2	3.3	3.2	45.3	38.8

Accumulated other comprehensive income (loss)

TABLE 074

	Germany		UK		Other		Total	
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Accumulated other comprehensive income/loss as at 01/01/	–114.8	–118.0	–44.1	–37.0	–14.4	–20.2	–173.3	–175.1
Group changes	–	–	5.3	–	–	–	5.3	–
Exchange differences	–	–	–3.1	0.6	–0.1	0.1	–3.2	0.7
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	–188.0	4.7	–38.0	–11.0	–22.0	5.0	–247.9	–1.3
thereof effect of changes in demographic assumptions	–	–	–0.2	2.7	–0.2	0.1	–0.4	2.8
thereof effect of changes in financial assumptions	–194.4	9.7	–37.8	–13.2	–21.8	4.1	–254.0	0.6
thereof experience adjustments	6.4	–5.0	0.1	–0.5	–0.0	0.9	6.4	–4.7
Gains (+) and losses (–) arising from remeasurements of plan assets	2.6	–1.5	35.5	3.3	8.8	0.6	46.9	2.4
Accumulated other comprehensive income/loss as at 31/12/	–300.1	–114.8	–44.4	–44.1	–27.8	–14.4	–372.3	–173.3

The gains and losses on the remeasurement of plan assets are attributable entirely to experience adjustments. The changes in estimates relating to defined benefit pension entitlements resulted in a €138.3 million decrease in equity as at 31 December 2014 after deduction of deferred taxes (31 December 2013: increase of €0.7 million).

Composition of plan assets

The plan assets of the main pension plans consist of the following components: > **TABLE 075**

Fair value of plan assets

TABLE 075

	Germany		UK		Other		Total	
in € million	2014	2013	2014	2013	2014	2013	2014	2013
Securities	25.7	20.6	83.8	96.0	10.1	8.4	119.7	125.0
Fixed-income securities	28.4	25.9	368.3	344.8	12.0	12.1	408.7	382.8
Real estate	4.8	4.4	–	–	4.3	4.0	9.1	8.4
Insurance policies	–	–	–	–	43.9	33.9	43.9	33.9
Other	14.6	14.1	3.4	0.8	3.6	3.2	21.6	18.2
Total plan assets	73.6	65.0	455.5	441.6	73.8	61.7	603.0	568.3
thereof total assets that do not have a quoted price in active markets	9.0	9.0	–	–	44.7	34.7	53.7	43.7
Insurance policies	–	–	–	–	43.9	33.9	43.9	33.9
Other	9.0	9.0	–	–	0.9	0.8	9.9	9.8

The plan assets do not include any real estate or other assets used by the KION Group itself.

Sensitivity analysis

The present value of the defined benefit obligation is based on the significant assumptions detailed in > TABLE 067 above. If one assumption were to vary and the other assumptions remained unchanged, the impact on the present value of the defined benefit obligation would be as shown in > TABLE 076.

The sensitivity analysis shown in > TABLE 076 is not representative of an actual change in the present value of the defined benefit obligation because variations in the significant assumptions are unlikely to occur in isolation as, to some extent, the assumptions are interrelated. Sensitivity is determined using the same methods (projected unit credit method) as for the measurement of the obligation recognised in the consolidated statement of financial position as at 31 December 2014.

Future pension benefit payments

The pension benefit payments shown in > TABLE 077 are forecast for the next ten years for the defined benefit pension entitlements in existence as at 31 December 2014. The expected pension benefits break down into future benefits to be paid directly by the employer (for 2015: €15.3 million) and future benefits to be paid from existing plan assets (for 2015: €19.7 million).

As at the reporting date, the weighted average duration of the obligation was 21.7 years in Germany (2013: 19.8 years), 13.6 years in the United Kingdom (2013: 14.7 years) and 17.1 years in the other countries (2013: 15.1 years).

Sensitivity defined benefit obligation

TABLE 076

in € million		2014	2013
Discount rate	Increase by 1.0 percentage point	-218.3	-159.4
	Reduction by 1.0 percentage point	290.6	207.8
Salary increase rate	Increase by 0.5 percentage point	17.2	12.9
	Reduction by 0.5 percentage point	-17.9	-11.7
Pension increase rate	Increase by 0.25 percentage point	39.5	32.7
	Reduction by 0.25 percentage point	-35.7	-27.5
Life expectancy	Increase by 1 year	44.7	34.1

Expected payments for pension benefits

TABLE 077

in € million	Germany	UK	Other	Total
2015	14.4	17.4	3.1	34.9
2016	15.8	17.8	4.0	37.6
2017	16.8	18.3	4.5	39.6
2018	17.9	18.8	3.9	40.6
2019	19.1	19.3	4.9	43.3
2020 to 2024	120.1	104.7	25.5	250.4

Risks

The funding ratio, the defined benefit obligation and the associated costs depend on the performance of financial markets. The return on plan assets is assumed to equal the discount rate, which is determined on the basis of the yield earned on AA-rated, investment-grade, fixed-interest corporate bonds. If the actual return on plan assets falls below the discount rates applied, the net obligation arising out of the pension plans increases. The amount of the net obligation is also particularly affected by the discount rates, and the current low level of interest rates – especially in the eurozone – is resulting in a comparatively large net obligation.

The plan assets are predominantly invested in corporate bonds and inflation-linked UK government bonds, particularly in the United Kingdom. The market risk attaching to plan assets – above all in the case of equities – is mitigated by defining an investment strategy and guidelines and constantly monitoring the assets' performance. Moreover, a downward trend on financial markets could have a significant effect on minimum funding requirements, some of which apply outside Germany.

The KION Group also bears the full risk of possible future pension adjustments resulting from changes in longevity and inflation.

Payroll-based contributions to the KION pension plan made by employees in Germany are invested in fund units. If the actual returns on these fund units fall below the interest rate of 3.0 per cent that has been guaranteed to participating employees, the KION Group's personnel expenses rise.

[29] FINANCIAL LIABILITIES

The financial liabilities reported by the KION Group as at 31 December 2014 essentially comprised interest-bearing liabilities to banks and capital market liabilities in connection with the corporate bond that was issued. The liabilities to banks stemmed largely from the revolving credit facility.

> **TABLE 078** shows the contractual maturity structure of the financial liabilities.

Maturity structure of financial liabilities

TABLE 078

in € million	2014	2013
Liabilities to banks	459.9	233.7
due within one year	257.7	224.6
due in one to five years	202.2	9.1
due in more than five years	–	–
Corporate bond	443.1	958.3
due within one year	–	–
due in one to five years	–	319.5
due in more than five years	443.1	638.8
Other liabilities	6.6	6.6
due within one year	5.1	2.9
due in one to five years	1.2	–
due in more than five years	0.2	3.7
Total current liabilities	262.9	227.5
Total non-current liabilities	646.8	971.1

Liabilities to banks

In connection with its acquisition of Linde AG's material handling business, the KION Group signed a loan agreement (a senior facilities agreement and a subordinated facility agreement, referred to below as 'SFA') for a total original amount of €3,300.0 million with the lead banks Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, Credit Suisse (London branch), Goldman Sachs International Bank, Lehman Commercial Paper Inc. (UK branch) and Mizuho Corporate Bank Ltd. on 23 December 2006. This loan agreement has been amended to reflect the KION Group's changed financial circumstances on a number of occasions, particularly in connection with KION GROUP AG's IPO in June 2013.

In the previous year, the KION Group had agreed a variable-rate revolving credit facility with a group of banks under the SFA

for €1,045.0 million that will mature in mid-2018. In connection with the repayment of two corporate bonds in April 2014, the credit facility was increased by €198.0 million to a total of €1,243.0 million. 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. As at 31 December 2014, an amount of €402.0 million had actually been drawn down from the revolving credit facility, which includes other loan liabilities and contingent liabilities (31 December 2013: €184.4 million). Of this total, €204.0 million had been drawn down on a short-term basis (31 December 2013: €184.4 million). The long-term drawdowns from the credit facility amounted to €198.0 million (31 December 2013: €0.0 million) and were used in April 2014 to repay 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. Arrangement of the revolving credit facility of €1,045.0 million in 2013 had

resulted in directly attributable transaction costs of €9.3 million. The transaction costs directly attributable to the increase in the revolving credit facility came to €1.0 million. The transaction costs are recognised as prepaid expenses under current financial assets and expensed over the term of the credit facility.

Capital market liabilities

In 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. Most (€523 million) of the funds used for the repayment were drawn down from the revolving credit facility. This credit facility currently has far lower interest rates than the two corporate bonds. An amount of

€8.4 million representing the proportion of the related deferred borrowing costs relating to these bonds and a payment of €14.8 million representing early repayment charges were recognised as financial expenses.

The fixed-rate tranche of the bond issued in 2013, which has a volume of €450.0 million and a maturity date of 2020, remained unchanged as at 31 December 2014.

Changes in net financial debt

The KION Group uses its net financial debt as a key internal figure for analysing the changes in its financial liabilities. Net financial debt is defined as the difference between financial liabilities (excluding lease liabilities) and cash and cash equivalents.

The table below gives a breakdown of the KION Group's net financial debt as at 31 December 2014: [TABLE 079](#)

Net financial debt

TABLE 079

in € million	2014	2013
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)	459.9	233.7
Liabilities to non-banks (gross)	6.6	6.6
./. Capitalised borrowing costs	–6.9	–16.7
Financial debt	909.6	1,198.6
./. Cash and cash equivalents	98.9	219.3
Net financial debt	810.7	979.3

The table below gives details of the changes in financial debt and lists the applicable terms and conditions: > **TABLE 080**

Credit terms**TABLE 080**

	Interest rate	Notional amount		Maturity
in € million		2014	2013	
Term Loan Facility H1a (Corporate bond – fixed rate)	Fixed rate	–	325.0	2018
Term Loan Facility H2a (Corporate bond – fixed rate)	Fixed rate	450.0	450.0	2020
Term Loan Facility H2b (Corporate bond – floating rate)	3-M-EURIBOR+Margin	–	200.0	2020
Multicurrency Revolving Credit Facility 3	EURIBOR + Margin	373.0	130.0	2018
Other liabilities to banks	Various currencies and interest terms	86.9	103.7	
Financial liabilities to non-banks		6.6	6.6	
./. Capitalised borrowing costs		–6.9	–16.7	
Total financial debt		909.6	1,198.6	

Financial covenants

The SFA and the contractual terms and conditions governing the issuance of the corporate bond require compliance with certain undertakings and covenants. The SFA also requires compliance with specific financial covenants during the term of the agreement. The financial covenants specify required ratios for the financial position and financial performance of the KION Group. Only the financial covenant for gearing (the ratio of net financial debt to EBITDA) currently applies to the KION Group. If undertakings or financial covenants are breached, this may, for example, give lenders the right to terminate the SFA or permit bondholders to call the corporate bond prior to its maturity date.

The financial covenants are reviewed every quarter. All the undertakings and financial covenants were complied with in the past financial year.

Loan collateral

Under the SFA, the KION Group is under an obligation to provide collateral for its obligations and liabilities. This obligation also extends to the corporate bond (tranche H2a). By the reporting date, a total of 25 (31 December 2013: 26) KION Group companies (guarantors) in five countries – Germany, the UK, France, Spain and Italy – had provided the necessary collateral.

The collateral includes guarantees, the assignment of shares in the guarantors (with the exception of shares in KION Material Handling GmbH (formerly KION GROUP GmbH)), the assignment of certain bank accounts and certain guarantor receivables, the assignment of claims arising from and in connection with the share purchase agreement between Linde Material Handling GmbH and Linde AG dated 5 November 2006 relating to the shares in the former KION GROUP GmbH, the assignment of shares in KION Information Management Services GmbH and assignments and transfers of title to intellectual property rights by guarantors in Germany. The statutory provisions in the United Kingdom and the agreements entered into mean that all the assets of the UK guarantors are pledged as security.

The carrying amounts of the financial assets pledged as collateral amounted to €340.8 million as at the reporting date (31 December 2013: €348.7 million).

As had been the case at the end of 2013, no material liabilities to banks were secured by mortgage charges at the end of 2014.

[30] LEASE LIABILITIES

Lease liabilities relate solely to finance lease obligations arising from sale and leaseback transactions for the funding of long-term leases with end customers.

The amounts recognised as lease liabilities (the present value of future minimum lease payments) are based on the following data: > **TABLE 081**

Minimum lease payments

TABLE 081

in € million	2014	2013
Total minimum lease payments (gross)	768.2	683.8
due within one year	271.9	241.1
due in one to five years	475.9	425.6
due in more than five years	20.5	17.1
Present value of minimum lease payments	707.7	617.1
due within one year	246.0	213.3
due in one to five years	442.0	387.3
due in more than five years	19.7	16.4
Interest included in minimum lease payments	60.5	66.7

Whereas lease liabilities stood at €707.7 million (31 December 2013: €617.1 million), lease receivables arising from sale and leaseback transactions amounted to €490.6 million (31 December 2013: €431.4 million) and leased assets under sale and leaseback transactions totalled €230.5 million (31 December 2013: €201.2 million).

[31] OTHER PROVISIONS

Other provisions relate to the following items: > **TABLE 082**

Other provisions

TABLE 082

in € million	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
Balance as at 01/01/2014	53.8	66.4	68.0	188.2
thereof non-current	53.5	18.1	6.3	77.8
thereof current	0.4	48.3	61.6	110.3
Group changes	-0.4	-1.5	-3.7	-5.5
Additions	21.6	24.6	13.5	59.6
Utilisations	-18.0	-23.7	-17.7	-59.4
Reversals	-4.8	-2.1	-12.3	-19.1
Additions to accrued interest	0.0	1.5	0.0	1.5
Currency translation adjustments	1.1	0.2	1.5	2.8
Other adjustments	-0.1	-	0.1	-0.0
Balance as at 31/12/2014	53.3	65.5	49.3	168.1
thereof non-current	53.3	24.1	6.3	83.7
thereof current	-	41.4	43.0	84.4

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks and spare parts. It is expected that the bulk of the costs will be incurred within the next two years after the reporting date.

The provisions for personnel comprise provisions for partial retirement obligations, long-service awards, annual bonuses, severance pay, obligations under social plans and obligations under the employee equity programmes. The provisions for partial retirement obligations are recognised on the basis of individual contractual arrangements and agreements under collective bargaining law.

Other obligations comprise, among others, provisions for restructuring, litigation and expected losses from onerous contracts.

Total restructuring provisions (including obligations under social plans and termination benefits) came to €26.7 million as at 31 December 2014 (31 December 2013: €43.7 million).

[32] TRADE PAYABLES

As at 31 December 2014, trade payables of €564.6 million (31 December 2013: €550.5 million) included liabilities to affiliated companies of €3.8 million (31 December 2013: €4.5 million) and liabilities to other long-term equity investments of €4.4 million (31 December 2013: €6.0 million).

[33] OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following items: > **TABLE 083**

Other financial liabilities**TABLE 083**

in € million	2014	2013
Liabilities from finance leases	231.6	220.0
Deferred income	151.2	139.4
Sundry other liabilities	2.6	5.6
Derivative financial instruments	2.4	27.2
Other non-current liabilities	387.8	392.1
Liabilities from finance leases	141.5	143.0
Deferred income	84.5	81.3
Personnel liabilities	167.3	160.7
Derivative financial instruments	10.9	1.9
Social security liabilities	36.6	36.4
Tax liabilities	60.3	66.3
Advances received from third parties	39.2	32.4
Liabilities on bills of exchange	2.0	1.8
Liabilities from accrued interest	12.2	18.9
Sundry current financial liabilities	49.3	33.4
Other current liabilities	603.9	576.0
Total other liabilities	991.7	968.1

The non-current derivative financial instruments include a call option on a portion of the shares in Linde Hydraulics amounting to €2.4 million (2013: €22.6 million). The current derivative financial instruments include another call option on a portion of the shares in Linde Hydraulics amounting to €0.6 million. In the previous year, the latter call option had been reported under non-current derivative financial instruments in an amount of €4.7 million.

The finance lease obligations comprise liabilities arising from the financing of industrial trucks for short-term rental of €339.1 mil-

lion (2013: €327.5 million) and residual value obligations of €18.5 million (2013: €17.3 million). The KION Group has also recognised other financial liabilities amounting to €15.6 million (31 December 2013: €18.2 million) arising from procurement leases, which are classified as finance leases due to their terms and conditions.

The finance lease obligations are based on the following future minimum lease payments: > **TABLE 084**

Minimum lease payments**TABLE 084**

in € million	2014	2013
Total minimum lease payments (gross)	405.0	402.2
due within one year	155.1	159.3
due in one to five years	239.7	235.3
due in more than five years	10.2	7.5
Present value of minimum lease payments	373.1	363.0
due within one year	141.5	143.0
due in one to five years	221.8	212.9
due in more than five years	9.8	7.1
Interest included in minimum lease payments	31.9	39.2

Other financial liabilities include other non-derivative financial liabilities of €169.0 million (31 December 2013: €161.1 million) that fall within the scope of IFRS 7.

[34] CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMIT- MENTS

Contingent liabilities

The increase in guarantees essentially resulted from a new guarantee granted to the trustees of UK pension funds in 2014. Of the total guarantees, €0.9 million related to contingent liabilities assumed jointly with another shareholder of a joint venture (2013: €2.1 million). > **TABLE 085**

Litigation

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group believes it is unlikely that these ongoing lawsuits will require funds to be utilised that exceed the provisions recognised.

Contingent liabilities

TABLE 085

in € million	2014	2013
Liabilities on bills of exchange	5.6	1.1
Liabilities on guarantees	21.0	4.5
Collateral security for third-party liabilities	–	0.2
Total contingent liabilities	26.7	5.8

Other financial commitments

Sundry other financial commitments included future payment obligations to an associate amounting to €21.0 million (2013: €0.0 million). > **TABLE 086**

Other financial commitments TABLE 086

in € million	2014	2013
Commitments under non-cancellable operating leases	250.8	206.0
Capital expenditure commitments in property, plant and equipment	10.3	8.6
Capital expenditure commitments in intangible assets	1.9	2.2
Other financial commitments	65.0	38.4
Total other financial commitments	327.9	255.1

The maturity structure of the total future minimum lease payments under non-cancellable operating leases is as follows: > **TABLE 087**

Minimum lease payments TABLE 087

in € million	2014	2013
Nominal minimum lease payments	250.8	206.0
due within one year	61.4	71.2
due in one to five years	114.8	99.3
due in more than five years	74.5	35.4

The minimum lease payments relate to payments for leased buildings, machinery, office furniture and equipment (procurement leases) as well as payments for industrial trucks refinanced with a sale and leaseback and sub-leased to end customers (sale and leaseback sub-leases). > **TABLE 088**

Minimum lease payments broken down into procurement leases & sale and leaseback sub-leases**TABLE 088**

in € million	Procurement leases		Sale and leaseback sub-leases	
	2014	2013	2014	2013
Minimum lease payments (cash out)	205.4	145.3	45.3	60.7
due within one year	44.1	38.5	17.3	32.7
due in one to five years	87.4	71.4	27.4	27.9
due in more than five years	73.9	35.4	0.6	0.0
Minimum lease payments (cash in)	–	–	4.1	3.9
due within one year	–	–	1.6	1.7
due in one to five years	–	–	2.5	2.2
due in more than five years	–	–	0.0	0.0

The future minimum lease payments for sale and leaseback transactions not recognised in the statement of financial position amounting to €45.3 million (2013: €60.7 million) are partially offset by payments received under non-cancellable sub-leases amounting to €4.1 million (2013: €3.9 million). The future payments also include obligations arising from the refinancing of industrial trucks for which there are no offsetting receipts under short-term sub-leases.

Other disclosures

[35] CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the KION Group resulting from cash inflows and outflows in the year under review, broken down into cash flow from operating, investing and financing activities. At the start of 2014, changes were made to how information is disclosed in the three categories. 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 change relating to the rental fleet business (net disbursements) will be reported in cash flow from investing activities in future. The figures for 2013 have been restated to reflect this disclosure change. As a result, cash flow from operating activities in 2013 has improved by €170.3 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 2013 has decreased by €7.0 million, while cash flow from financing activities has increased by the same amount.

The effects on cash from changes in exchange rates are shown separately. Cash flow from operating activities is presented using the indirect method in which the profit or loss for the year is adjusted for non-cash operating items.

The KION Group's net cash provided by operating activities totalled €603.8 million, which was significantly higher than the prior-year figure of €506.3 million after restatement to reflect the rental assets. The main reason for this was the €68.8 million decrease in tax payments, which had a positive impact on cash flow. This decrease was due to the fact that there had been one-off tax payments in the previous year in connection with the sale of the hydraulics business. A higher level of working capital at the reporting date had the effect of reducing cash flow.

Net cash used for investing activities amounted to €297.8 million (2013: net cash used of €310.7 million). Capital expenditure on developments (R&D), property, plant and equipment, and the rental fleet business (net) rose by €20.5 million year on year. In the previous year, net cash totalling €25.1 million had been used to acquire Arser and the remaining shares in Willenbrock. The proceeds from the disposal of non-current assets primarily related to disposals of assets no longer required for the Group's operating activities. Other inflows from investing activities related to the disposal of an equity investment of the Willenbrock Group and dividend payments from equity investments.

Free cash flow – the sum of cash flow from operating activities and investing activities – increased by €110.3 million to €305.9 million in the reporting period (2013: €195.6 million). As in 2013, a large part of it was used for repayments.

At minus €428.1 million, cash flow from financing activities was down significantly on the prior-year figure (2013: minus €531.6 million), which had been particularly affected by the IPO and the restructuring of financial debt. The net repayment of financial debt in the year under review totalled €301.2 million (2013: €1,105.7 million). The financial debt taken up during the year, which came to €1,375.2 million, was more than offset by repayments totalling €1,676.4 million. These repayments included €525.0 million in respect of the early redemption of the bond tranches plus early repayment charges of €14.8 million. Net cash of €82.5 million was also used for regular interest payments (2013: €112.6 million). The distribution of a dividend of €0.35 per share resulted in an outflow of funds of €34.5 million, while the acquisition of 51,000 treasury shares generated an outflow of €1.5 million.

Despite favourable currency effects of €1.8 million (2013: adverse currency effects of €7.0 million), this resulted overall in a sharp contraction in cash and cash equivalents, which fell from €219.3 million as at the end of 2013 to €98.9 million as at 31 December 2014.

[36] INFORMATION ON FINANCIAL INSTRUMENTS

The KION Group uses both primary and derivative financial instruments. The following section summarises the relevance of these financial instruments for the KION Group.

The following table shows the measurement categories defined by IAS 39. In line with IFRS 7, the table shows the carrying amounts and fair values of financial assets and liabilities:

> TABLES 089–090

Carrying amounts broken down by class and category 2014

TABLE 089

Classes	Carrying amount	Categories					Fair value
		FAHfT	AfS	LaR	FLaC	FLHfT	
in € million							
Financial assets							
Investments in non-consolidated subsidiaries/ Other investments	11.4		11.4				11.4
Loans receivable	0.6			0.6			0.6
Financial receivables	12.4			12.4			12.4
Non-current securities	0.8		0.8				0.8
Lease receivables*	547.8						549.2
Trade receivables	598.2			598.2			598.2
Other receivables	106.0						106.0
thereof non-derivative receivables	62.3			62.3			62.3
thereof derivative receivables	43.7	42.8					43.7
Cash and cash equivalents	98.9			98.9			98.9
Financial liabilities							
Liabilities to banks	459.9				459.9		460.0
Corporate bond	443.1				443.1		490.0
Other financial liabilities to non-banks	6.6				6.6		6.6
Lease liabilities*	707.7						711.2
Trade payables	564.6				564.6		564.6
Other liabilities	555.4						557.2
thereof non-derivative liabilities	169.0				169.0		169.0
thereof liabilities from finance leases*	373.1						374.9
thereof derivative liabilities	13.3					5.4	13.3

* as defined by IAS 17

Carrying amounts broken down by class and category 2013

TABLE 090

Classes	Carrying amount	Categories					Fair value
		FAHfT	AfS	LaR	FLaC	FLHfT	
in € million							
Financial assets							
Investments in non-consolidated subsidiaries/ Other investments	11.9		11.9				11.9
Loans receivable	0.8			0.8			0.8
Financial receivables	11.6			11.6			11.6
Non-current securities	0.8		0.8				0.8
Lease receivables*	479.6						478.4
Trade receivables	558.7			558.7			558.7
Other receivables	55.0						55.0
thereof non-derivative receivables	35.7			35.7			35.7
thereof derivative receivables	19.4	18.0					19.4
Cash and cash equivalents	219.3			219.3			219.3
Financial liabilities							
Liabilities to banks	233.7				233.7		234.1
Corporate bond	958.3				958.3		1,040.8
Other financial liabilities to non-banks	6.6				6.6		6.6
Lease liabilities*	617.1						619.2
Trade payables	550.5				550.5		550.5
Other liabilities	553.1						554.2
thereof non-derivative liabilities	161.1				161.1		161.1
thereof liabilities from finance leases*	363.0						364.1
thereof derivative liabilities	29.1					28.0	29.1

* as defined by IAS 17

The change in valuation allowances for trade receivables was as follows: > **TABLE 091**

Change in valuation allowances		TABLE 091
in € million	2014	2013
Valuation allowances as at 01/01/	42.4	50.5
Group changes	–	–0.2
Additions (cost of valuation allowances)	7.1	9.4
Reversals	–4.6	–7.5
Utilisations	–5.1	–9.2
Currency translation adjustments	0.3	–0.7
Valuation allowances as at 31/12/	40.2	42.4

The net gains and losses on financial instruments are broken down by IAS 39 category as follows: > **TABLE 092**

Net gains and losses on financial instruments broken down by category		TABLE 092
in € million	2014	2013
Loans and receivables (LaR)	–4.8	11.0
Financial instruments held for trading (FAHfT, FLHfT)	54.6	–14.2
Financial liabilities carried at amortised cost (FLaC)	–103.5	–152.9

The above net gains and losses do not include losses arising on hedging transactions, which amounted to €7.5 million (2013: €26.7 million), because these losses form part of a documented hedge.

Offsetting of financial instruments

The potential offsetting volume essentially arises from netting arrangements in framework agreements governing derivatives trading that the KION Group concludes with commercial banks. The potential offsetting volume reported in connection with finan-

cial collateral issued relates to collateral provided in the context of the SFA serving as collateral in case of default for the creditors of all SFA tranches (including H2a), subject to the usual limitations and agreed recovery principles. The following tables show actual offsetting and potential offsetting volumes for financial assets and financial liabilities. > TABLES 093–096

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

TABLE 093

				Potential net amount		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	owing to netting agreements	in connection with financial collaterals received	Potential net amount
in € million	31/12/2014					
Trade receivables	598.3	−0.1	598.2	−0.0	−	598.2
Derivative financial assets	43.7	−	43.7	−5.8	−	37.9
Total	642.0	−0.1	641.9	−5.8	−	636.2

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

TABLE 094

				Potential net amount		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	owing to netting agreements	in connection with financial collaterals received	Potential net amount
in € million	31/12/2013					
Trade receivables	560.8	-2.1	558.7	-	-	558.7
Derivative financial assets	19.4	-	19.4	-0.9	-	18.5
Total	580.1	-2.1	578.1	-0.9	-	577.2

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

TABLE 095

				Potential net amount		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	owing to netting agreements	in connection with financial collaterals pledged	Potential net amount
in € million	31/12/2014					
Financial liabilities	909.6	–	909.6	–	–340.8	568.8
Trade payables	564.7	–0.1	564.6	–0.0	–	564.6
Derivative financial liabilities	13.3	–	13.3	–5.8	–	7.5
Total	1,487.6	–0.1	1,487.5	–5.8	–340.8	1,140.9

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

TABLE 096

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Potential net amount		
				owing to netting agreements	in connection with financial collaterals pledged	Potential net amount
in € million			31/12/2013			
Financial liabilities	1,198.6	–	1,198.6	–	–348.7	849.9
Trade payables	552.6	–2.1	550.5	–	–	550.5
Derivative financial liabilities	29.1	–	29.1	–0.9	–	28.2
Total	1,780.3	–2.1	1,778.2	–0.9	–348.7	1,428.7

Fair value measurement

The majority of the cash and cash equivalents, loans receivable, other non-derivative receivables and liabilities, trade receivables and trade payables held by the Group have short remaining terms to maturity. The carrying amounts of these financial instruments are roughly equal to their fair values. The fair value of liabilities to banks corresponds to the present value of the outstanding payments, taking account of the current interest-rate curve and the Group's own default risk. This fair value, calculated for the purposes of disclosure in the notes to the financial statements, is classified as level 2 of the fair value hierarchy.

The fair value of the corporate bonds issued, calculated for disclosure in the notes to the financial statements, is determined using publicly quoted prices in an active market and is therefore classified as level 1 of the fair value hierarchy. The calculation is based on the middle rate applicable on the reporting date.

The fair value of receivables and liabilities from finance leases corresponds to the present value of the net lease payments, taking account of the current market interest rate for similar leases.

With the exception of derivative financial instruments and long-term securities, all financial assets and liabilities are measured at amortised cost.

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 7 for financial instruments measured at fair value. > **TABLES 097 – 098**

Financial instruments measured at fair value

TABLE 097

in € million	Fair Value Hierarchy			2014
	Level 1	Level 2	Level 3	
Financial assets				44.5
thereof non-current securities	0.8			0.8
thereof derivative instruments		9.0	34.7	43.7
Financial liabilities				13.3
thereof derivative instruments		10.3	3.0	13.3

Financial instruments measured at fair value

TABLE 098

in € million	Fair Value Hierarchy			2013
	Level 1	Level 2	Level 3	
Financial assets				20.2
thereof non-current securities	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 long-term securities for which the fair value is calculated using prices quoted in an active market.

Interest-rate swaps and currency forwards are classified as Level 2. The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of the observable market information at the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Both contractually agreed payments and forward interest rates are used to estimate the future cash flows, which are then discounted on the basis of a yield curve that is observable in the market. The KION Group no longer had any material interest-rate hedging instruments in 2014 or as at 31 December 2013. The fair value of currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date.

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 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 31 December 2014. An amount of €64.1 million has been recognised as the fair value of the 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 (31 December 2013: €77.4 million) and a term to maturity of 0.49–2.49 years (31 December 2013: 1.49–3.49 years) have been assumed for the put option. For the measurement of call option 1, a base exercise price of €77.4 million (31 December 2013: €77.4 million) and a term to maturity of 2.99 years (31 December 2013: 3.99 years) were used, while a base exercise price of €38.7 million (31 December 2013: €38.7 million) and a term to maturity of 0.49–2.99 years (31 December 2013: 1.49–3.99 years) were used for call option 2. The following table shows the material changes in fair value and the impact on the income statement. > **TABLE 099**

Development of financial assets/liabilities classified as level 3

TABLE 099

in € million	2014	2013
Value as at 01/01/	-11.5	3.2
Gains/losses recognised in net financial expenses	43.2	-14.7
Value as at 31/12/	31.7	-11.5
Gains/losses of the period relating to financial assets/liabilities held as at 31/12/	43.2	-14.7
Change in unrealised gains/losses for the period relating to financial assets/liabilities held as at 31/12/	43.2	-14.7

As at 31 December 2014, the net value calculated for the options on the shares in Linde Hydraulics came to €31.7 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 €5.3 million (31 December 2013: €9.4 million) to €37.1 million (31 December 2013: minus €2.1 million) and led to an additional gain of €5.3 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 €26.2 million (31 December 2013: minus €20.9 million) and the gain would have decreased by €5.6 million (31 December 2013: additional expense of €9.4 million).

In order to eliminate default risk to the greatest possible extent, the KION Group only 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 2014.

[37] FINANCIAL RISK REPORTING

Capital management

One of the prime objectives of capital management is to ensure liquidity at all times. Measures aimed at achieving these objectives include the optimisation of the capital structure, the reduction of liabilities and ongoing Group cash flow planning and management. The KION Group made further improvements to its funding structure and funding conditions during the reporting year by repaying two corporate bonds ahead of schedule in April 2014. The funds used for the repayment mainly originated from a revolving credit facility, which 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 on the basis of bilateral lending agreements with a group of banks (see note [29]).

Close cooperation between local units and the Group head office ensures that the local legal and regulatory requirements faced by foreign group companies are taken into account in capital management.

Net financial debt – defined as the difference between financial liabilities (excluding lease liabilities) and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level (see note [29]) and amounted to €810.7 million at 31 December 2014 (31 December 2013: €979.3 million).

Credit risk

In certain finance and operating activities, the KION Group is subject to credit risk, i.e. the risk that partners will fail to meet their contractual obligations. This risk is limited by diversifying business partners based on certain credit ratings. The Group only enters into transactions with business partners and banks holding a good credit rating and subject to fixed limits. Counterparty risks involving our customers are managed by the individual Group companies.

The following table shows the age structure of receivables as at the reporting date: > **TABLE 100**

Impairment losses are based on the credit risk associated with the receivables, the risk being assessed mainly using factors such as customer credit rating and failure to adhere to payment terms.

Some of the receivables that were overdue as at the reporting date, but for which no impairment losses had been reported, were offset by corresponding trade payables. Apart from this item, the Group did not hold any significant collateral.

Age structure analysis of receivables

TABLE 100

	Carrying amount	Thereof: Neither overdue nor impaired at the reporting date	Thereof: Overdue and impaired at the reporting date	Thereof: Not impaired at the reporting date, but	
				up to and including 90 days overdue	more than 90 days overdue
in € million	2014				
Financial receivables	12.4	12.4	–	–	–
Lease receivables	547.8	547.8	–	–	–
Trade receivables	598.2	501.7	3.2	87.5	5.0
Other non-derivative receivables	62.3	61.6	–	0.6	0.0
in € million	2013				
Financial receivables	11.6	11.6	–	–	–
Lease receivables	479.6	479.6	–	–	–
Trade receivables	558.7	452.7	2.8	97.2	4.5
Other non-derivative receivables	35.7	34.6	0.5	0.4	0.2

Liquidity risk

Based on IFRS 7, a liquidity risk arises if an entity is unable to meet its financial liabilities. The KION Group maintains a liquidity reserve in the form of lines of credit and cash in order to ensure financial flexibility and solvency. The age structure of financial liabilities is reviewed continually. The KION Group's credit rating maintained its positive trajectory in the year under review. In

April 2014, Moody's upgraded its corporate family rating for the KION Group from Ba3 to Ba2 with a stable outlook, while Standard & Poor's also improved its rating, from BB-/positive to BB/positive.

The following tables show all of the contractually agreed payments under recognised financial liabilities as at 31 December 2014 and 2013, including derivative financial instruments with negative fair values. > TABLES 101 – 102

Liquidity analysis of financial liabilities and derivatives 2014

TABLE 101

in € million	Carrying amount 2014	Cash flow 2015	Cash flow 2016 – 2019	Cash flow from 2020
Primary financial liabilities				
Liabilities to banks	459.9	–262.4	–214.1	–
Corporate bond	450.0	–30.5	–121.3	–465.2
Borrowing costs	–6.9			
	903.0			
Other financial liabilities	6.6	–5.1	–1.3	–0.2
Trade payables	564.6	–564.6	–	–
Lease liabilities	707.7	–271.9	–475.9	–20.5
Other financial liabilities	542.1	–324.2	–239.7	–10.2
Derivative financial liabilities				
Derivatives with negative fair value	10.3			
+ Cash in		270.2	4.2	–
– Cash out		–280.0	–4.2	–

Liquidity analysis of financial liabilities and derivatives 2013

TABLE 102

in € million	Carrying amount 2013	Cash flow 2014	Cash flow 2015 – 2018	Cash flow from 2019
Primary financial liabilities				
Liabilities to banks	233.7	–229.7	–11.1	–0.1
Corporate bond	975.0	–66.0	–583.7	–713.6
Borrowing costs	–16.7			
	1,192.0			
Other financial liabilities	6.6	–2.9	–	–4.1
Trade payables	550.5	–550.5	–	–
Lease liabilities	617.1	–241.1	–425.6	–17.1
Other liabilities	524.0	–320.4	–235.3	–7.5
Derivative financial liabilities				
Derivatives with negative fair value	1.9			
+ Cash in		147.0	1.5	–
– Cash out		–148.7	–1.7	–

The calculation of future cash flows for derivative financial liabilities includes all currency forwards that have negative fair values as at the reporting date.

Bank guarantee lines (e.g. sureties, performance bonds) had been issued under the ancillary facility agreements for a total amount in the single-digit millions as at 31 December 2014 (31 December 2013: low double-digit millions). They included guarantees payable 'on first demand'. As was the case in the previous year, no guarantees were utilised in 2014.

In some cases, the KION Group retains insignificant rights and duties in connection with fully derecognised financial assets,

primarily the provision of limited reserves for defaults. The recognised assets that serve as reserves for defaults and are reported under other current financial assets, stood at €1.0 million as at 31 December 2014 (31 December 2013: €1.0 million). However, the short residual maturity of these financial assets meant their carrying amount was almost the same as their fair value. The maximum downside risk arising on the transferred and fully derecognised financial assets amounted to €5.0 million as at 31 December 2014 (31 December 2013: €5.0 million).

Default risk

For financial assets, default risk is defined as the risk that a counterparty will default, and hence is limited to a maximum of the carrying amount of the assets relating to the counterparty involved. The potential default risk attaching to financial assets is mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees, and potential netting agreements.

Specific valuation allowances for defaults are recognised to reflect the risk arising from primary financial instruments. Financial transactions are only entered into with selected partners holding good credit ratings. Investments in interest-bearing securities are limited to securities with an investment-grade credit rating.

Risks arising from financial services

The KION Group's leasing activities mean that it may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-leased. Residual values in the markets for used trucks are therefore constantly monitored and forecast.

The KION Group regularly assesses its overall risk position arising from financial services, recognising write-downs, valuation allowances or provisions to cover the risks it identifies. It immediately takes account of any changes in residual values when calculating new leases.

In addition, residual values are mainly based on remarketing agreements, which continued to achieve positive outcomes in 2014. Any residual-value risk under these agreements is transferred to the external leasing company. Groupwide standards to ensure that residual values are calculated conservatively reduce risk and provide the basis on which to create the transparency required. The KION Group also has an IT system for residual-value risk management.

The KION Group mitigates its liquidity risk and interest-rate risk by ensuring that most of its transactions and funding loans have matching maturities. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks ensure that the Group has sufficient liquidity.

In order to exclude currency risk, the KION Group generally funds its leasing business in the local currency used in each market.

Because of low default rates, counterparty risk has not been significant to date in the Group. The Group did not identify any material year-on-year changes in 2014. The KION Group's losses from defaults are also mitigated by its receipt of the proceeds from the sale of repossessed trucks. In addition, it primarily offers financial services indirectly via selected funding partners, and the KION Group bears the counterparty risk in less than 5 per cent of cases. The credit portfolio management system was updated during 2014. In particular, this involved revising procedures on operational and organisational structure as well as processes for risk management and control.

Currency risk

In accordance with its treasury risk policy, the KION Group hedges currency risks both locally at the level of the individual companies and centrally via KION Material Handling GmbH in order to meet the prescribed minimum hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

At company level, hedges are entered into for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm obligations not reported in the statement of financial position. In accordance with IAS 39, these hedges are generally classified as cash flow hedges for accounting purposes (see note [38]).

Foreign-currency forwards are also employed to hedge the currency risks arising in the course of internal financing.

The following table shows an overview of the foreign-currency forwards entered into by the KION Group. > **TABLE 103**

Foreign-currency forwards**TABLE 103**

in € million		Fair value		Notional amount	
		2014	2013	2014	2013
Foreign-currency forwards (assets)	Hedge	0.9	1.3	44.4	65.0
	Trading	8.1	2.3	213.3	164.7
Foreign-currency forwards (liabilities)	Hedge	7.7	0.7	204.3	33.4
	Trading	2.3	0.8	70.2	115.7

Significant currency risks from financial instruments are measured on the basis of value at risk (VaR). VaR figures are calculated using a historical variance-covariance matrix. Currency risks from financial instruments as defined by IFRS 7 are only included in calculating value at risk if the financial instruments are denomi-

nated in a currency other than the functional currency of the reporting entity concerned. This means that currency risks resulting from the translation of the separate financial statements of subsidiaries into the Group reporting currency, i.e. currency translation risks, are not included. > **TABLE 104**

Value-at-Risk**TABLE 104**

in € million	2014	2013
Currency risk	19.7	18.6

The value at risk in respect of currency risk as at 31 December 2014 was €19.7 million (31 December 2013: €18.6 million). Value at risk is the loss that is not expected to be exceeded over a holding period of one year with a confidence level of 97.7 per cent (2013: 97.7 per cent).

Interest-rate risk

Interest-rate risk within the KION Group is managed centrally. The basis for decision-making includes sensitivity analyses of interest-rate risk positions in key currencies.

The cumulative effect of a rise or fall of 100 basis points (bps) in the relevant interest-rate curves results from floating-rate positions and is shown in the following table: > **TABLE 105**

The Group funds itself by, among other things, drawing down loans under its agreed loan facilities. In the previous year, interest-rate derivatives – mainly interest-rate swaps – were used to hedge the resultant interest-rate risk. The corresponding interest-rate hedging instruments were terminated upon repayment in 2013 of the floating-rate liabilities under the SFA, which means that there were no material interest-rate hedging instruments as at 31 December 2013 or in 2014. > **TABLE 106**

Interest-rate sensitivity

TABLE 105

in € million	+100 bps	–100 bps	+100 bps	–100 bps
	2014	2014	2013	2013
Other comprehensive income (loss)	–	–	–	–
Net income (loss)	–3.3	3.3	–1.9	1.9

Interest-rate swaps

TABLE 106

in € million		Fair value		Notional amount	
		2014	2013	2014	2013
Interest-rate swaps (assets)	Hedge	–	–	–	–
	Trading	–	–	–	–
Interest-rate swaps (liabilities)	Hedge	0.2	0.4	11.0	13.0
	Trading	–	–	–	–

[38] HEDGE ACCOUNTING

Hedging currency risk

In accordance with its treasury risk policy, the KION Group applies cash flow hedge accounting in hedging the currency risks arising from highly probable future transactions and firm obligations not reported in the statement of financial position in various currencies. Foreign-currency forwards with settlement dates in the same month as the expected cash flows from the Group's operating activities are used as hedges.

The effectiveness of the Group's hedging transactions is assessed on the basis of forward rates using the hypothetical derivative approach under the cumulative dollar-offset method. The effective portion of the changes in the fair value of foreign-currency forwards is recognised in accumulated other comprehensive income (loss) and only reversed when the corresponding hedged item is recognised in income.

On account of the short-term nature of the Group's payment terms, reclassifications to the income statement and the recognition of the corresponding cash flows generally take place in the same reporting period. A foreign-currency receivable or liability is recognised when goods are despatched or received. Until the corresponding payment is received, changes in the fair value of the derivative are recognised in the income statement such that they largely offset the effect of the measurement of the foreign-currency receivable or liability at the reporting date.

The changes in fair value recognised and reclassified in other comprehensive income in 2014 are shown in the consolidated statement of comprehensive income. There were no significant ineffective portions in 2014, as had been the case in the previous year.

In total, foreign-currency cash flows of €248.7 million (2013: €162.1 million) were hedged and designated as hedged items, of which €184.0 million is expected by 30 September 2015 (2013: €147.6 million by 30 September 2014). The remaining cash flows designated as hedged items essentially fall due in the period up to 31 December 2015.

Hedging of interest-rate risk

The KION Group did not have any material interest-rate derivatives in 2014.

In the previous year, the KION Group funded itself by, among other things, drawing down loans with variable interest rates in various currencies. Interest-rate derivatives were used to hedge the resultant interest-rate risk in 2013. These interest-rate derivatives were terminated in July 2013 when most of the floating-rate loans were repaid. Upon early termination of the interest-rate derivatives, the amounts totalling €14.4 million that were recognised in OCI as part of cash flow hedge accounting were derecognised and taken to income. The KION Group no longer had any material interest-rate derivatives as at 31 December 2013.

[39] SEGMENT REPORT

The Executive Board divides the KION Group into financial services (FS) activities 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.

Description of the segments

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick and Baoli brands. The 30 per cent stake held in Linde Hydraulics is allocated to the LMH segment and accounted for using the equity method.

The STILL segment comprises the STILL and OM STILL brands.

FS activities include the financing of long-term leasing business with external customers of the KION Group and short-term rental business of the LMH and STILL operating segments as well as risk management. When long-term leasing business is being conducted, FS operates as a contractual partner to external customers and provides the necessary funding in conjunction with external financial partners. Besides management of residual-

value risk, risk management also includes the management of credit risk. In addition, FS provides the financing for short-term rental fleets on behalf of the LMH and STILL brand segments, which operate and maintain such fleets as part of their operational business.

The Other segment comprises the subsidiary KION India as well as holding companies and service companies in the KION Group. KION India manufactures diesel trucks, electric forklift trucks and warehouse trucks under the Voltas brand. It has a network of more than 60 branches and dealers providing sales and service. The service companies provide services for all segments in the KION Group. The bulk of the revenue in this segment is generated by internal IT and logistics services.

Segment management

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 31 December 2014, ROE – earnings before tax as a percentage of average equity – remained unchanged on the prior year at 13.0 per cent.

Intra-group transactions are generally conducted on an arm's-length basis. The regular (interest) margin income that FS generates from its business activities reflects prevailing market conditions. Surpluses from leasing that exceed this interest margin are reflected in the producer margin within the operating profit generated by the LMH and STILL brand segments.

Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [7]. Contrary to these policies, however, the LMH and STILL brands' intersegment sales to FS are always treated as revenue for the brand segments, irrespective of which entity might retain any opportunities and risks.

Assets and liabilities associated with the long-term leasing business, including related income and expenses, are assigned to the FS segment.

Whereas the main feature of long-term leasing business is the provision of a financial service for the external lessee, the focus in short-term rental business is on the service function. External customers are offered rental trucks from a rental pool – including associated services – for short-term use. Unlike the situation in long-term leasing, financial performance in the short-term business is largely dependent on the achieved level of utilisation of the rental fleet, management of which lies entirely within the responsibility of the brand segments. Given this structure, the assets associated with the short-term business remain on the brand segments' statements of financial position and the related income and expenses remain on the brand segments' income statements.

In an indirect end customer finance arrangement, the otherwise typical financing function of the FS segment as a lender for the leasing transaction no longer applies. As a result of the sale of the leased asset to the external finance provider in such transactions, the brand segments view the transactions in the same way as a sale to an end-user. Consequently, these transactions and all the revenue that they generate are recognised in the LMH and STILL brand segments.

The following tables show information on the KION Group's operating segments for 2014 and 2013: > TABLES 107–108

Segment report 2014

TABLE 107

in € million	LMH	STILL	Financial Services	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	2,769.1	1,511.0	350.1	47.6	–	4,677.9
Intersegment revenue	308.1	339.7	270.7	188.1	–1,106.6	–
Total revenue	3,077.2	1,850.7	620.9	235.7	–1,106.6	4,677.9
Earnings before taxes	258.1	83.8	5.2	79.8	–168.7	258.3
Financial income	14.8	1.8	58.8	55.3	–46.2	84.4
Financial expenses	–27.1	–36.4	–55.6	–99.6	45.4	–173.2
= Net financial expenses	–12.3	–34.6	3.1	–44.3	–0.7	–88.8
EBIT	270.3	118.4	2.1	124.1	–167.9	347.0
+ Non-recurring items	36.9	8.7	0.0	11.4	–	57.0
+ KION acquisition items	32.4	6.5	0.0	0.0	–	38.9
= Adjusted EBIT	339.6	133.6	2.1	135.5	–167.9	442.9
Segment assets	4,918.8	2,206.7	1,361.3	1,241.7	–3,600.0	6,128.5
Segment liabilities	1,713.3	1,370.8	1,314.8	3,669.4	–3,586.9	4,481.4
Carrying amount of at-equity investments	92.8	4.3	17.5	0.0	–	114.6
Equity result	–28.6	1.1	2.7	0.0	–	–24.8
Capital expenditure ¹	68.2	50.1	0.0	14.8	–	133.1
Depreciation ²	88.4	44.8	0.0	17.0	–	150.3
Order intake	3,234.4	1,895.1	622.7	236.5	–1,111.3	4,877.3
Number of employees ³	13,945	7,976	60	688	–	22,669

1 Capital expenditure 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 31 December

Segment report 2013

TABLE 108

in € million	LMH	STILL	Financial Services	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	2,629.8	1,501.8	314.7	48.2	–	4,494.6
Intersegment revenue	251.2	215.7	224.7	186.9	–878.5	–
Total revenue	2,881.1	1,717.5	539.4	235.1	–878.5	4,494.6
Earnings before taxes	270.3	75.0	4.7	–102.6	–93.1	154.3
Financial income	9.2	1.7	52.4	27.7	–42.6	48.5
Financial expenses	–21.3	–36.6	–48.4	–202.1	40.1	–268.4
= Net financial expenses	–12.0	–34.9	4.0	–174.4	–2.5	–219.8
EBIT	282.4	109.9	0.7	71.8	–90.6	374.2
+ Non-recurring items	2.9	8.3	0.0	1.7	–	12.8
+ KION acquisition items	23.8	5.7	0.0	0.0	–	29.5
= Adjusted EBIT	309.1	123.9	0.7	73.5	–90.6	416.5
Segment assets	4,669.4	2,086.9	1,249.4	902.9	–2,882.1	6,026.4
Segment liabilities	1,553.3	1,198.5	1,207.7	3,332.0	–2,875.0	4,416.5
Carrying amount of at-equity investments	118.3	4.6	15.8	0.0	–	138.6
Equity result	–2.5	0.7	3.5	0.0	–	1.7
Capital expenditure ¹	67.6	42.2	0.0	16.0	–	125.8
Depreciation ²	86.0	38.8	0.0	16.8	–	141.4
Order intake	2,901.8	1,692.0	539.4	235.1	–879.1	4,489.1
Number of employees ³	13,824	7,715	59	675	–	22,273

1 Capital expenditure 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 31 December

The table below gives a breakdown of the revenue from external customers by location. > **TABLE 109**

Segment revenue broken down by customer location

TABLE 109

in € million	2014	2013
Western Europe	3,411.0	3,223.9
Eastern Europe	403.3	369.7
Americas	245.3	279.4
Asia	470.7	453.5
Rest of world	147.5	168.1
Total segment revenue	4,677.9	4,494.6

Revenue in Germany came to €1,221.8 million in 2014 (2013: €1,114.5 million). There are no relationships with individual customers that generate revenue deemed to be significant as a proportion of total consolidated revenue.

Financial income and expenses including all interest income and expenses are described in notes [12] and [13].

The non-recurring items mainly comprise consultancy costs and expenses in connection with severance payments. They totalled €57.0 million in 2014 (2013: €12.8 million). In 2014, these items also included components of the share of profit (loss) of the equity-accounted Linde Hydraulics and expenses in connection with the impairment charge recognised on the investment in Linde Hydraulics totalling €28.2 million (2013: net income of €0.1 million), which relate to the LMH segment.

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 and other expenses in relation to the hidden reserves identified as part of the purchase price allocation.

The assets attributable to the Financial Services segment include long-term leases, which were reported as either leased assets or lease receivables, depending on the type of lease. As at the reporting date, lease receivables due from unrelated third parties amounted to €521.9 million (31 December 2013: €458.1 million). There were also intra-group lease receivables of

€473.0 million (31 December 2013: €449.1 million), which primarily resulted from the funding of the short-term rental business of LMH and STILL. The leased assets of the Financial Services segment amounted to €267.4 million at the reporting date (31 December 2013: €240.7 million).

The liabilities attributable to the Financial Services segment largely comprised liabilities to leasing companies of €1,037.5 million (31 December 2013: €935.2 million) relating to sale-and-leaseback transactions that resulted from the funding of long-term leases with external third parties and intra-group customers. In the reporting year, €702.9 million (2013: €615.5 million) of this amount was attributable to the funding of leases with external customers and €334.5 million (2013: €319.7 million) related to the funding of intra-group leases with the LMH and STILL brand companies as lessees, who had in turn entered into leases with external third parties. Moreover, they include net financial debt of €155.1 million (2013: €163.6 million) arising from general corporate finance for the FS segment.

Capital expenditure by the Financial Services segment includes additions to intangible assets and property, plant and equipment. Leased assets are described in note [18]. > **TABLE 110**

Capital expenditure in Germany came to €88.2 million in 2014 (2013: €82.2 million).

Capital expenditure broken down by company location (excl. leased and rental assets)

TABLE 110

in € million	2014	2013
Western Europe	111.9	105.0
Eastern Europe	2.6	3.7
Americas	2.1	2.2
Asia	15.6	13.9
Rest of world	0.9	0.9
Total capital expenditure	133.1	125.8

Depreciation/amortisation relates to intangible assets with finite useful lives and property, plant and equipment.

The regional breakdown of non-current assets excluding financial assets, financial instruments, deferred tax assets and post-employment benefits is as follows: > **TABLE 111**

Non-current assets attributable to Germany amounted to €2,618.7 million at 31 December 2014 (31 December 2013: €2,676.6 million).

Non-current assets broken down by company location

TABLE 111

in € million	2014	2013
Western Europe	3,303.7	3,316.2
Eastern Europe	112.5	109.6
Americas	51.5	42.6
Asia	156.9	130.4
Rest of world	48.2	42.4
Total non-current assets (IFRS 8)	3,672.7	3,641.2

[40] EMPLOYEES

The KION Group employed an average of 22,438 full-time equivalents (including trainees and apprentices) in the reporting year (2013: 21,632). The number of employees (including part-time employees expressed in terms of full-time equivalents) is broken down by region as follows: > **TABLE 112**

Employees (average)

TABLE 112

	2014	2013
Germany	8,139	7,625
France	3,157	3,160
UK	1,758	1,881
Italy	805	786
Rest of Europe	3,730	3,565
Asia	3,643	3,438
Rest of world	1,206	1,177
Total employees	22,438	21,632

The KION Group employed an average of 536 trainees and apprentices in 2014 (2013: 506).

[41] RELATED PARTY DISCLOSURES

In addition to the subsidiaries included in the consolidated financial statements, the KION Group has direct or indirect business relationships with a 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 influ-

ence 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 2014 (see note [45]). 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.à r.l., Luxembourg, which holds 18.8 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.

The revenue that the KION Group generated in 2014 and 2013 from selling goods and services to related parties, and vice versa, is shown in > TABLES 113–114 along with the outstanding receivables and liabilities. No valuation allowances for trade receivables had been recognised as at the reporting date, a situation that was unchanged on 31 December 2013.

The members of the Executive Board and Supervisory Board of KION GROUP AG are also related parties. Details of the remuneration of the Executive Board and Supervisory Board can be found in note [43].

Related party disclosures 2014

TABLE 113

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	8.3	4.9	9.4	11.1
Associates	8.9	2.2	115.8	111.2
Joint ventures	1.1	45.1	63.9	52.9
Other related parties*	4.4	0.9	15.3	13.5
Total	22.7	53.1	204.5	188.7

* 'Other related parties' include, among others, transactions with Weichai and Superlift and their affiliated companies

Related party disclosures 2013

TABLE 114

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	10.0	6.1	9.7	7.4
Associates	10.1	2.5	110.1	114.6
Joint ventures	1.1	66.7	36.3	51.6
Other related parties*	5.5	1.1	10.4	14.1
Total	26.6	76.4	166.4	187.8

* 'Other related parties' include, among others, transactions with Weichai and Superlift and their affiliated companies

[42] VARIABLE REMUNERATION

KEEP employee share option programme

On 1 October 2014, the Executive Board of KION GROUP AG decided to introduce an employee share option programme for employees in Germany and to issue an offer in connection with this programme. The period during which eligible employees could take up this offer by making a declaration of acceptance ran from 2 to 31 October 2014. To be eligible to participate in the KION Employee Equity Programme (KEEP), employees must, at the start of the offer phase, have had a permanent, uninterrupted employment contract with a participating KION Group company for at least one year. Currently, KION GROUP AG plus twelve German subsidiaries are taking part in KEEP. The Company is considering whether to extend the employee share option programme to subsidiaries in China, Brazil, France, the United Kingdom, Italy, Spain, Poland and the Czech Republic over the coming years.

The KEEP programme is a share matching plan. Participating employees acquire KION shares for their own investment purposes. Each set of three KION shares represents a block of shares. Once the three-year holding period has expired, employees are entitled to one free matching share (bonus share) for each block. However, KION GROUP AG has the right to satisfy each programme participant's entitlement by paying a cash settlement instead of granting a bonus share. For employees taking part for the first time, the KION Group is offering a special incentive in the form of starter blocks: the KION Group will bear the cost of one KION share (free share) in each of the first twelve blocks of shares that an employee takes up.

The right to obtain a bonus share lapses if participants sell their own investment in KION shares or cease to work for the KION Group. The change in the number of bonus shares to be granted is shown in > TABLE 115.

Development of the granted bonus shares

TABLE 115

in units	2014
Balance as at 01/01/	0
Granted bonus shares	29,146
Forfeited bonus shares	-30
Balance as at 31/12/	29,116

Significant measurement parameters for the KION GROUP AG Share Matching Programme

TABLE 116

Measurement parameters	Valuation date 31/12/2014
Expected dividend yield	€0.88
Price of the KION share as at valuation date	€29.02

In 2014, 20,856 free shares were issued to employees as part of their starter blocks.

The free shares to be issued are measured at their fair value on the day on which employees obtain the right to acquire shares as their own investment. The fair value on the grant date is determined on the basis of Monte Carlo simulation. The measurement parameters used are shown in > TABLE 116.

For the 2014 programme, the fair value of a bonus share was €26.59.

The fair value of the bonus shares to be granted is recognised as an expense and paid into capital reserves over the three-year holding period.

In 2014, an expense of €0.7 million was recognised under functional costs for free shares and bonus shares in connection with the employee share option programme (2013: €0.0 million).

Each year, the Executive Board of KION GROUP AG decides whether there will be an offer made under the share option programme that year and which companies will participate.

KION performance share plan (PSP) for managers

In November 2014, the Company decided to introduce long-term, variable remuneration (the KION Long-Term Incentive Plan for Top Management 2014) for managers in the KION Group so that the remuneration structure would be based on the sustainable performance of the Company. The plan was introduced retrospectively from 1 January 2014.

Under this performance share plan, managers are granted virtual shares over a defined period (three years). The remuneration component measured over the long term is based in equal

parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the STOXX® Europe TMI Industrial Engineering index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The first performance period for the 2014 tranche ends on 31 December 2016. At the beginning of the performance period, the managers were granted a total of 0.2 million virtual shares for this tranche based on a particular percentage of their individual gross annual remuneration at the time of grant. At the end of the performance period, the number of the virtual shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of virtual shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The KION Group has the right to adjust the amount payable at the end of the performance period in the event of exceptional occurrences or developments. The maximum amount payable is limited to 200 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the virtual shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 117 were used to value the virtual shares on the reporting date.

Significant measurement parameters of the PSP for Executive Employees

TABLE 117

Measurement parameters	Value as at 31/12/2014
Expected volatility of the KION share	30.0%
Expected volatility of the STOXX® Europe TMI Industrial Engineering Index	15.0%
Risk-free interest rate	–0.1%
Expected dividend yield	€0.88
Price of the KION-Share as at 31/12/2014	€31.74
Initial value of the KION share (60 days average)	€29.49
Initial value of the STOXX® Europe TMI Industrial Engineering Index (60 days average)	€208.87

The historic volatility of shares in similar companies (peer group) was used to determine the volatility of KION shares on which the valuation is based. As at 31 December 2014, the fair value of one virtual share was €27.23 for the 2014 tranche and the total fair value based on 0.2 million virtual shares was €4.9 million on that date. Because the performance period for the 2014 tranche has been set at 36 months, a liability of €1.6 million was recognised as a pro-rata expense under functional costs for twelve months in 2014.

KION performance share plan (PSP) for the Executive Board

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 remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the STOXX® Europe TMI Industrial Engineering index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2014 tranche ends on 31 December 2016 (2013 tranche: 31 December 2015). At the beginning of the performance period on 1 January 2014 (2013 tranche: 29 June 2013), the Executive Board members were granted a total of 0.2 million virtual shares for this tranche (2013 tranche: 0.3 million virtual shares) with a specific fair value based on an allocation value in euros specified in each Executive Board member's service contract.

At the end of the performance period, the number of the virtual shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of virtual shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary personal performance factor to adjust the final payment at the end of the performance period by +/- 20 per cent. The maximum amount payable is limited to 200 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the virtual shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 118 were used to value the virtual shares on the reporting date.

Significant measurement parameters for the KION GROUP AG Performance Share Plan

TABLE 118

Measurement parameters	Valuation date 31/12/2014	
	Tranche 2014	Tranche 2013
Expected volatility of the KION share	30.0%	25.0%
Expected volatility of the STOXX® Europe TMI Industrial Engineering Index	15.0%	15.0%
Risk-free interest rate	–0.1%	–0.1%
Expected dividend yield	€0.88	€0.88
Price of the KION share	€31.74	€31.74
Initial value of the KION share (60 days average)	€29.49	€26.64
Initial value of the STOXX® Europe TMI Industrial Engineering Index (60 days average)	€208.87	€204.26

The historic volatility of shares in similar companies (peer group) was used to determine the volatility of KION shares on which the valuation for the 2014 tranche is based. Taking account of the remaining term of one year, the historic volatility of KION shares was used to determine the volatility on which the valuation for the 2013 tranche is based. As at 31 December 2014, the fair value of one virtual share was €27.72 for the 2013 tranche (31 December 2013: €23.74) and €26.79 for the 2014 tranche. On that date, the total fair value based on 0.3 million and 0.2 million virtual shares respectively was €7.3 million (2013 tranche; 31 December 2013: €6.2 million) and €5.2 million (2014 tranche). Because the performance period for the 2013 tranche has been set at 30 months, a pro-rata expense of €3.1 million for twelve months was recognised in 2014 (2013: €1.2 million). The total carrying amount for liabilities in connection with share-based remuneration was €4.4 million (2013 tranche; 31 December 2013: €1.2 million). A liability of €1.7 million in respect of the 2014 tranche was recognised as a pro-rata expense for twelve months in 2014.

[43] REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Gordon Riske is Chief Executive Officer (CEO) and his responsibilities include strategy/business development, corporate communications, the corporate office, internal audit, compliance, KION Warehouse Systems, KION synergies/platforms, the North America region and the South America region. Since 15 January 2015, he has also been CEO of both the Linde Material Handling GmbH and the STILL GmbH brand companies and has assumed responsibility for quality.

Bert-Jan Knoef stepped down from the Executive Board of KION GROUP AG on 15 January 2015. He was CEO and Labour Relations Director of the brand company STILL GmbH. He oversaw all cross-brand logistics activities and managed the intra-group logistics service provider, Urban.

Theodor Maurer was CEO and Labour Relations Director of the brand company Linde Material Handling GmbH until his departure from the KION GROUP AG Executive Board on 15 January 2015. He was also responsible for quality, facility management and health, safety & environment (HSE).

Ching Pong Quek is Chief Asia Pacific Officer and heads up the KION Group's entire Asia business.

Dr Thomas Toepfer is Chief Financial Officer (CFO) and his responsibilities include accounting, tax & financial services, corporate finance/investor relations/M&A, controlling, HR (Labour Relations Director), legal affairs, IT, purchasing and data protection. On 15 January 2015, he also assumed responsibility for facility management/HSE and logistics/Urban.

The remuneration paid to the Executive Board comprises a fixed salary and non-cash benefits, pension entitlements and performance-related components. The variable performance-related components are paid each year on the basis of the Group's performance. In addition, there are performance-related components in the form of the KION performance share plan for all Executive Board members and a bonus for Dr Thomas Toepfer. The pension entitlements consist of retirement, invalidity and surviving dependants' benefits.

An expense of €21.0 million was recognised for the total remuneration for members of the Executive Board in 2014 (2013: €7.4 million). This consisted of short-term remuneration amounting to €5.7 million (2013: €4.9 million), post-employment benefits totalling €0.9 million (2013: €0.6 million), termination benefits of €8.8 million (2013: €0.0 million) and share-based payments of €5.6 million (2013: €1.9 million). The short-term remuneration comprised non-performance-related components amounting to €3.0 million (2013: €2.8 million) and performance-related components amounting to €2.7 million (2013: €2.2 million). The current service cost resulting from pension provisions for the Executive Board is reported under post-employment benefits. The long-term incentive components take the form of a performance share plan (see note [42]). In addition, one Executive Board member was promised a special bonus, to be paid in two tranches, that would be awarded in the event of a successful IPO; this bonus also counts as a long-term incentive.

Under section 314 HGB, disclosure of the expense for share-based payments is not required. Rather, they must be included in the Executive Board members' remuneration for the year in which they are paid on the basis of the fair value at the individual grant dates. The fair value of the share-based payments at their individual grant dates amounted to €5.6 million (2013: €6.2 million). Furthermore, disclosure of post-employment benefits (expense of €0.9 million) and of termination benefits (expense of €8.8 million)

is not required, nor of differences between variable remuneration calculated on the basis of preliminary total target achievement (benefits granted) and the one-year variable remuneration actually paid in the next year on the basis of the individual performance of each Executive Board member, which amounted to an expense of €0.3 million (allocation). On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 HGB came to €10.9 million (2013: €11.1 million).

As in the previous year, no loans or advances were made to members of the Executive Board in 2014. The present value of the defined benefit obligation in respect of Executive Board members as at 31 December 2014 was €8.1 million (31 December 2013: €5.9 million).

The total remuneration paid to former members of the Executive Board in 2014 amounted to €0.2 million (2013: €0.2 million). Defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €6.1 million (2013: €5.2 million) were recognised in accordance with IAS 19.

Further details of Executive Board remuneration, including the individual amounts for each member, can be found in the remuneration report on pages 58 to 69 of this annual report.

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their tasks at the parent company and subsidiaries in 2014 amounted to €1.2 million (2013: €0.8 million). There were no loans or advances to members of the Supervisory Board in 2014. Furthermore, the members of the Supervisory Board did not receive any remuneration or benefits for services provided as individuals, such as consulting or brokerage activities.

Members of the Supervisory Board also received short-term employee benefits of €0.7 million for employee services (2013: €0.6 million).

[44] MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Gordon Riske

Chief Executive Officer (CEO)

Chief Executive Officer of KION Material

Handling GmbH, Wiesbaden

Member of the Executive Board of KION Holding 2 GmbH, Wiesbaden

Member of the Asia Pacific Committee of KION Material Handling GmbH, Wiesbaden

Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (until 14 January 2015)

Chief Executive Officer of Linde Material Handling GmbH, Aschaffenburg (since 15 January 2015)

Chairman of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China

Chairman of the Supervisory Board of STILL GmbH, Hamburg (until 14 January 2015)

Chief Executive Officer of STILL GmbH, Hamburg (since 15 January 2015)

Member of the Executive Board of the non-profit Hertie Foundation, Frankfurt am Main

Non-Executive Director of Weichai Power Co., Ltd., Weifang, People's Republic of China

Bert-Jan Knoef

Member of the Executive Board / CEO of STILL (until 14 January 2015)

Member of the Executive Board of KION Material Handling GmbH, Wiesbaden

Chief Executive Officer (CEO) and Labour Relations Director of STILL GmbH, Hamburg

Presidente of the Consiglio di Amministrazione of OM Carrelli Elevatori S.p.A., Lainate, Italy

Presidente of the Consiglio di Amministrazione of STILL ITALIA S.p.A., Lainate, Italy

Theodor Maurer

Member of the Executive Board / CEO of LMH (until 14 January 2015)

Member of the Executive Board of KION Material Handling GmbH, Wiesbaden

Chief Executive Officer (CEO) and Labour Relations Director of Linde Material Handling GmbH, Aschaffenburg

Chairman of the Board of Directors of Linde Material Handling (UK) Ltd., Basingstoke, United Kingdom

Chairman of the Board of Directors of Linde Heavy Truck Division Ltd., Merthyr Tydfil, United Kingdom

Member of the Board of Directors of LMH North America Corp., Summerville, USA

Member of the Board of Directors of Linde (China) Forklift Truck Co. Ltd., Xiamen, People's Republic of China

Member of the Supervisory Board of Linde Hydraulics Verwaltungs GmbH, Aschaffenburg (until 30 October 2014)

Member of the Comité Consultatif of Fenwick-Linde S.à r.l., Elancourt, France

Member of the Supervisory Board of Schöler Fördertechnik AG, Rheinfelden

Ching Pong Quek

Member of the Executive Board / Chief Asia Pacific Officer

Member of the Executive Board / Chief Asia Pacific Officer
of KION Material Handling GmbH, Wiesbaden

Member of the Asia Pacific Committee of KION Material
Handling GmbH, Wiesbaden

Chief Executive Officer of Linde (China) Forklift Truck Corp., Ltd.,
Xiamen, People's Republic of China

Member of the Board of KION South Asia Pte Ltd., Singapore,
Singapore

President and CEO of KION Asia Ltd., Hong Kong,
People's Republic of China

Chairman of KION Baoli Forklift Co., Ltd., Jiangsu,
People's Republic of China

Member of the Board of Directors of KION India Pvt. Ltd.,
Pune, India

Member of the Board of Directors of Linde Material
Handling Asia Pacific Pte., Ltd., Singapore, Singapore

Chairman of the Board of Directors of Linde Material
Handling Hong Kong Ltd., Hong Kong, People's Republic of
China

Dr Thomas Toepfer

Member of the Executive Board / CFO and Labour Relations
Director

Member of the Executive Board of KION Material
Handling GmbH, Wiesbaden

Member of the Executive Board of KION Holding 2 GmbH,
Wiesbaden

Member of the Asia Pacific Committee of KION Material
Handling GmbH, Wiesbaden

Member of the Supervisory Board of STILL GmbH, Hamburg
(until 14 January 2015)

Chairman of the Supervisory Board of STILL GmbH, Hamburg
(since 15 January 2015)

Member of the Supervisory Board of Linde Material Handling
GmbH, Aschaffenburg (until 14 January 2015)

Chairman of the Supervisory Board of Linde Material Handling
GmbH (since 15 January 2015)

Member of the Executive Board of MPP Verwaltungs GmbH,
Wiesbaden

Member of the Executive Board of MPP Beteiligungs GmbH,
Wiesbaden

Administrador Solidario of Islavista Spain S.A., Barcelona, Spain

Chairman of the Board of Directors of LMH North
America Corp., Summerville, USA

Member of the Board of Directors of Superlift UK Ltd.,
Basingstoke, United Kingdom

Supervisory Board**Dr John Feldmann**

Chairman of the Supervisory Board

Former member of the Board of Executive Directors of BASF SE,
Ludwigshafen

Chairman of the Supervisory Board of KION Material
Handling GmbH, Wiesbaden (until 25 April 2014)

Member of the Supervisory Board of Bilfinger SE, Mannheim

Member of the Supervisory Board of Hornbach Baumarkt AG,
Bornheim

Member of the Supervisory Board of Hornbach Holding AG,
Bornheim

Joachim Hartig¹

Deputy Chairman of the Supervisory Board

Head of Learning and Development at Linde Material Handling
GmbH, Aschaffenburg

Deputy Chairman of the Supervisory Board of

KION Material Handling GmbH, Wiesbaden (until 25 April 2014)

Deputy Chairman of the Supervisory Board of

Linde Material Handling GmbH, Aschaffenburg

Birgit A. Behrendt (since 1 January 2015)

Vice President, Global Programs and Purchasing Operations at
the Ford Motor Company, Dearborn, Michigan, USA

Holger Brandt²

Head of Sales Germany at STILL GmbH, Hamburg
 Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 25 April 2014)
 Member of the Supervisory Board of STILL GmbH, Hamburg

Dr Alexander Dibelius

Chairman of the Executive Board of Goldman Sachs AG, Frankfurt am Main
 Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 25 April 2014)
 Member of the European Management Committee of Goldman Sachs International, London, United Kingdom
 Member of the Board of Directors of OOO Goldman Sachs, Moscow, Russia
 Member of the Board of Directors of OOO Goldman Sachs Bank, Moscow, Russia
 Member of the Shareholder Committee of Xella International S.à r.l., Luxembourg
 Chairman of the Supervisory Board of Wincor Nixdorf AG, Paderborn
 Member of the Supervisory Board of Wincor Nixdorf International GmbH, Paderborn

Denis Heljic¹

Spokesperson for the STILL branches, Field Technician at STILL GmbH, Dortmund, and
 Deputy Chairman of the Works Council of STILL GmbH, Dortmund plant
 Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 25 April 2014)

Dr Martin Hintze (until 31 December 2014)

Managing Director of Merchant Banking at Goldman Sachs International, London, United Kingdom
 Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 25 April 2014)
 Non-Executive Director of Ceona Holding Ltd., Guernsey
 Member of the Board of Directors of DONG Energy A/S, Fredericia, Denmark
 Managing Director of New Energy Investment S.à r.l., Luxembourg (until 17 December 2014)

Member of the Supervisory Board of LEG Immobilien AG, Düsseldorf (until 2 April 2014)
 Member of the Executive Board of Xella International Holdings S.à r.l., Luxembourg
 Member of the Executive Board of Xella HoldCo Finance S.A., Luxembourg
 Member of the Executive Board of Xella Topco S.à r.l., Luxembourg
 Member of the Executive Board of Xenia S.à r.l., Luxembourg

Johannes P. Huth

Partner at and member of the Executive Committee of Kohlberg Kravis Roberts & Co. Partners LLP, London, United Kingdom
 Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 25 April 2014)
 Chairman of the Supervisory Board of Finedining Capital AG, Munich (since 2 October 2014)
 Member of the Supervisory Board of German Estate Group AG (GEG), Frankfurt am Main (since 21 January 2015)
 Member of the Supervisory Board of Hertha BSC GmbH & Co. KGaA, Berlin (since 4 February 2014)
 Deputy Chairman of the Supervisory Board of NXP BV, Eindhoven, Netherlands
 Chairman of the Supervisory Board of ProSiebenSat. 1 Media AG, Unterföhring (until 26 June 2014)
 Chairman of the Supervisory Board of WMF AG, Geislingen an der Steige

Jiang Kui

President and Director of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
 Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 25 April 2014)
 Chairman of the Asia Pacific Committee of KION Material Handling GmbH, Wiesbaden *
 Director of Shantui Construction Machinery Co., Ltd., Jining, People's Republic of China
 Chairman of the Board of Strong Construction Machinery Co., Ltd., Linyi, People's Republic of China
 Deputy Chairman of the Board of Weichai Holding Group Co., Ltd., Weifang, People's Republic of China

Director of Weichai Power Co., Ltd., Weifang,
People's Republic of China
Director of Shandong Heavy Industry India
Private Ltd., Pune, India
Director of Weichai Power Hong Kong International
Development Co., Ltd., Hong Kong, People's Republic of China
Member of the Executive Board of Hydraulics Drive
Technology Beteiligungs GmbH, Aschaffenburg
Member of the Supervisory Board of Linde Hydraulics
Verwaltungs GmbH, Aschaffenburg

Olaf Kunz¹ (since 1 September 2014)
District Secretary/Lawyer at IG Metall, District Office for the
Coast, Hamburg
Member of the Supervisory Board of STILL GmbH, Hamburg

Thilo Kämmerer¹ (until 31 August 2014)
Trade Union Secretary, IG Metall, Administrative Office,
Bamberg
Member of the Supervisory Board of KION Material
Handling GmbH, Wiesbaden (until 25 April 2014)

Özcan Pancarci¹
Chairman of the Plants I & II Works Council of Linde Material
Handling GmbH, Aschaffenburg
Chairman of the European Works Council of the KION Group
Member of the Supervisory Board of KION Material Handling
GmbH, Wiesbaden (until 25 April 2014)
Member of the Supervisory Board of Linde Material Handling
GmbH, Aschaffenburg

Kay Pietsch¹
Chairman of the Group Works Council of the KION Group
(until 22 January 2015)
Member of the Supervisory Board of KION Material Handling
GmbH, Wiesbaden (until 25 April 2014)
Deputy Chairman of the Supervisory Board of STILL GmbH,
Hamburg

Hans Peter Ring
Management Consultant, Munich
Member of the Supervisory Board of KION Material Handling
GmbH, Wiesbaden (until 25 April 2014)
Member of the Supervisory Board of Airbus Defense und Space
GmbH, Ottobrunn (since 15 October 2014)
Member of the Supervisory Board of Elbe Flugzeugwerke
GmbH, Dresden
Member of the Supervisory Board of MAG IAS GmbH,
Göppingen
Member of the Supervisory Board of Fokker Technologies
Holding B.V., Papendrecht, Netherlands

Alexandra Schädler¹
Trade Union Secretary on the National Executive of IG Metall,
Frankfurt am Main
Member of the Supervisory Board of KION Material Handling
GmbH, Wiesbaden (until 25 April 2014)
Member of the Supervisory Board of Fujitsu Technology
Solutions GmbH, Munich

Silke Scheiber (until 31 December 2014)
Partner at Kohlberg Kravis Roberts & Co. Partners LLP,
London, United Kingdom
Member of the Supervisory Board of KION Material Handling
GmbH, Wiesbaden (until 25 April 2014)
Member of the Supervisory Board of Finedining Capital AG,
Munich (since 2 October 2014)
Member of the Board of Directors of Jungbunzlauer Holding AG,
Basel, Switzerland
Member of the Supervisory Board of WMF AG, Geislingen an
der Steige
Member of the Supervisory Board of Van Gansewinkel Groep B.V.,
Rotterdam, Netherlands

Tan Xuguang
Chief Executive Officer and Chairman of the Board of Directors
of Weichai Power Co. Ltd., Weifang, People's Republic of China
Member of the Supervisory Board of KION Material Handling
GmbH, Wiesbaden (until 25 April 2014)
Chairman of the Board of Directors of Shandong Heavy Industry
Group Co., Ltd., Jinan, People's Republic of China

Chairman of the Board of Directors of Weichai Group Holding Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors of Weichai Heavy Machinery Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors of Shaanxi Heavy-duty Motor Co., Ltd., Xi'an, People's Republic of China
Chairman of the Board of Directors of Shaanxi Fast Gear Co., Ltd., Xi'an, People's Republic of China

Hans-Peter Weiß¹

Chairman of the Plant III Works Council of Linde Material Handling GmbH, Kahl
Member of the Supervisory Board of KION Material Handling GmbH, Wiesbaden (until 25 April 2014)

Xu Ping (since 1 January 2015)

Partner at King & Wood Mallesons, Beijing, People's Republic of China
Member of the Board of Directors of Ferretti S.p.A., Cattolica, Italy
Member of the Management Committee at King & Wood Mallesons, Beijing, People's Republic of China

¹ Employee representatives

² Executive representatives

* Not a committee or governing body of the KION GROUP AG required by law

[45] LIST OF THE SHAREHOLDINGS OF KION GROUP AG, WIESBADEN

The shareholdings of the KION Group as at 31 December 2014 are listed below. > **TABLE 119**

List of shareholdings as of 31 December, 2014

TABLE 119

No.	Name	Registered office	Country	Parent company	Share-holding 2014	Share-holding 2013	Note
1	KION GROUP AG	Wiesbaden	Germany				
Consolidated subsidiaries							
Domestic							
2	BlackForxx GmbH	Stuhr	Germany	18	100.00%	100.00%	
3	Eisenwerk Weilbach GmbH	Wiesbaden	Germany	11	100.00%	100.00%	
4	Fahrzeugbau GmbH Geisa	Geisa	Germany	18	100.00%	100.00%	
5	KION Financial Services GmbH	Wiesbaden	Germany	11	100.00%	100.00%	
6	KION Holding 2 GmbH	Wiesbaden	Germany	1	100.00%	100.00%	
7	KION Information Management Services GmbH	Wiesbaden	Germany	8	100.00%	100.00%	
8	KION Material Handling GmbH	Wiesbaden	Germany	6	100.00%	100.00%	
9	KION Warehouse Systems GmbH	Reutlingen	Germany	18	100.00%	100.00%	
10	Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan	Germany	11	100.00%	100.00%	
11	Linde Material Handling GmbH	Aschaffenburg	Germany	8	100.00%	100.00%	
12	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	11 & 13	99.64%	99.64%	
13	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	11	94.00%	94.00%	
14	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	11	100.00%	100.00%	
15	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	11	100.00%	100.00%	
16	Schrader Industriefahrzeuge GmbH & Co. KG	Essen	Germany	11	100.00%	100.00%	
17	STILL Financial Services GmbH	Hamburg	Germany	5	100.00%	100.00%	
18	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	11	100.00%	100.00%	
19	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	11	100.00%	100.00%	
20	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	22	74.00%	74.00%	
21	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	22	74.00%	74.00%	
22	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	11	74.00%	74.00%	

List of shareholdings as of 31 December, 2014 (continued)

TABLE 119

No.	Name	Registered office	Country	Parent company	Share-holding 2014	Share-holding 2013	Note
Foreign							
23	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	11	100.00%	100.00%	
24	STILL N.V.	Wijnegem	Belgium	18 & 66	100.00%	100.00%	
25	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba / São Paulo	Brazil	18	100.00%	100.00%	
26	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jiangjiang	China	56	100.00%	100.00%	
27	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	China	11	100.00%	100.00%	
28	STILL DANMARK A/S	Kolding	Denmark	18	100.00%	100.00%	
29	BARTHELEMY MANUTENTION SAS	Vitrolles	France	33	87.00%	87.00%	
30	Bastide Manutention SAS	Toulouse	France	33	100.00%	100.00%	
31	Bretagne Manutention S.A.	Pacé	France	33	100.00%	100.00%	
32	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	34	100.00%	100.00%	
33	FENWICK-LINDE S.A.R.L.	Elancourt	France	34 & 11	100.00%	100.00%	
34	KION France SERVICES SAS	Elancourt	France	11	100.00%	100.00%	
35	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	33	83.43%	86.00%	
36	Manuchar S.A.	Gond Pontouvre	France	33	100.00%	100.00%	
37	MANUSOM SAS	Rivery	France	41	100.00%	100.00%	
38	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	41	100.00%	100.00%	
39	SM Rental SAS	Roissy Charles de Gaulle	France	33	100.00%	100.00%	
40	STILL Location Services SAS	Marne la Vallée	France	34	100.00%	100.00%	
41	STILL SAS	Marne la Vallée	France	34	100.00%	100.00%	
42	KION FINANCIAL SERVICES Ltd.	Basingstoke	U.K.	55	100.00%	100.00%	
43	Linde Castle Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
44	Linde Creighton Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
45	Linde Holdings Ltd.	Basingstoke	U.K.	55	100.00%	100.00%	
46	Linde Jewsbury's Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
47	Linde Material Handling (UK) Ltd.	Basingstoke	U.K.	45	100.00%	100.00%	
48	Linde Material Handling East Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
49	Linde Material Handling Scotland Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
50	Linde Material Handling South East Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
51	Linde Severnside Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
52	Linde Sterling Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
53	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	U.K.	44	100.00%	100.00%	

List of shareholdings as of 31 December, 2014 (continued)

TABLE 119

No.	Name	Registered office	Country	Parent company	Share-holding 2014	Share-holding 2013	Note
54	STILL Materials Handling Ltd.	Exeter	U.K.	55	100.00%	100.00%	
55	Superlift UK Ltd.	Basingstoke	U.K.	11	100.00%	100.00%	
56	KION ASIA (HONG KONG) Ltd.	Kwai Chung	Hong Kong	11	100.00%	100.00%	
57	Linde Material Handling Hong Kong Ltd.	Kwai Chung	Hong Kong	11	100.00%	100.00%	
58	KION India Pvt. Ltd. (formerly: Voltas Material Handling Pvt. Ltd.)	Pune	India	80	100.00%	100.00%	
59	Linde Material Handling (Ireland) Ltd.	Walkinstown	Ireland	45	100.00%	100.00%	
60	KION Rental Services S.p.A.	Milan	Italy	61 & 62 & 64	100.00%	100.00%	
61	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	11	100.00%	100.00%	
62	OM Carrelli Elevatori S.p.A.	Lainate	Italy	11 & 64	100.00%	100.00%	
63	QUALIFT S.p.A.	Verona	Italy	61	100.00%	100.00%	
64	STILL ITALIA S.p.A.	Lainate	Italy	18	100.00%	100.00%	
65	KION Finance S.A.	Luxembourg	Luxembourg	–	–	–	[2]
66	STILL Intern Transport B.V.	Hendrik Ido Ambacht	Netherlands	18	100.00%	100.00%	
67	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	62	100.00%	100.00%	
68	Linde Fördertechnik GmbH	Linz	Austria	11 & 67	100.00%	100.00%	
69	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	18	100.00%	100.00%	
70	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	11	100.00%	100.00%	
71	STILL POLSKA Sp. z o.o.	Gadki	Poland	18	100.00%	100.00%	
72	OOO 'Linde Material Handling Rus'	Moscow	Russia	11 & 3	100.00%	100.00%	
73	OOO 'STILL Forklifttrucks'	Moscow	Russia	11 & 18	100.00%	100.00%	
74	STILL MOTOSTIVUITOARE S.R.L.	Giurgiu	Romania	11 & 18	100.00%	100.00%	
75	Linde Material Handling AB	Örebro	Sweden	11	100.00%	100.00%	
76	STILL Sverige AB	Malmö	Sweden	18	100.00%	100.00%	
77	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	11	100.00%	100.00%	
78	STILL AG	Otelfingen	Switzerland	18	100.00%	100.00%	
79	KION South Asia Pte. Ltd.	Singapore	Singapore	11	100.00%	100.00%	
80	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	11	100.00%	100.00%	
81	Linde Material Handling Slovenská republika s.r.o.	Trenčín	Slovakia	11 & 91	100.00%	100.00%	
82	STILL SR, spol. s r.o.	Nitra	Slovakia	18 & 93	100.00%	100.00%	
83	Linde Viličar d.o.o.	Celje	Slovenia	11	100.00%	100.00%	
84	IBER-MICAR S.L.	Gavà	Spain	11	100.00%	100.00%	

List of shareholdings as of 31 December, 2014 (continued)

TABLE 119

No.	Name	Registered office	Country	Parent company	Share-holding 2014	Share-holding 2013	Note
85	Islavista Spain S.A.U.	L'Hospitalet de Llobregat	Spain	11	100.00%	100.00%	
86	KION Rental Services S.A.U.	Barcelona	Spain	85	100.00%	100.00%	
87	Linde Holding de Inversiones, S.R.L.	Pallejá	Spain	85	100.00%	100.00%	
88	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	87	100.00%	100.00%	
89	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	85	100.00%	100.00%	
90	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	11	100.00%	100.00%	
91	Linde Material Handling Česká republika s r.o.	Prague	Czech Republic	11 & 18	100.00%	100.00%	
92	Linde Pohony s r.o.	Český Krumlov	Czech Republic	11	100.00%	100.00%	
93	STILL ČR spol. s r.o.	Prague	Czech Republic	11 & 18	100.00%	100.00%	
94	STILL ARSER İş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	18	51.00%	51.00%	
95	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	11	100.00%	100.00%	
96	STILL Kft.	Környe	Hungary	18	100.00%	100.00%	
97	KION North America Corp. (formerly: Linde Material Handling North America Corp.)	Summerville	United States	11	100.00%	100.00%	

Non-consolidated subsidiaries (at amortised cost)

Domestic

98	Klaus Pahlke Betriebsführungs-GmbH	Haan	Germany	11	100.00%	100.00%	
99	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	62	100.00%	100.00%	[R]
100	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.00%	100.00%	
101	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	11	100.00%	100.00%	
102	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	22	74.00%	74.00%	
103	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	22	74.00%	74.00%	
104	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	22	74.00%	74.00%	

Foreign

105	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	47 & 11	100.00%	100.00%	[R]
106	WHO Real Estate OÜ	Tallinn	Estonia	22	74.00%	74.00%	

List of shareholdings as of 31 December, 2014 (continued)

TABLE 119

No.	Name	Registered office	Country	Parent company	Share-holding 2014	Share-holding 2013	Note
107	Baoli France SAS	Elancourt	France	34	100.00%	100.00%	
108	OM PIMESPO FRANCE S.A.S.	Marne la Vallée	France	62	100.00%	100.00%	[R]
109	SCI Champ Lagarde	Elancourt	France	33	100.00%	100.00%	
110	URBAN LOGISTIQUE SAS	Elancourt	France	19	100.00%	100.00%	
111	Castle Lift Trucks Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	[R]
112	Creighton Materials Handling Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	[R]
113	D.B.S. Brand Factors Ltd.	Basingstoke	U.K.	52	100.00%	100.00%	[R]
114	Fork Truck Rentals Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	[R]
115	Fork Truck Training Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	[R]
116	Lancashire (Fork Truck) Services Ltd.	Basingstoke	U.K.	52	100.00%	100.00%	[R]
117	Linde Heavy Truck Division Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
118	OM PIMESPO (UK) Ltd.	Basingstoke	U.K.	62	100.00%	100.00%	[R]
119	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	U.K.	52	100.00%	100.00%	[R]
120	Sterling Mechanical Handling Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	[R]
121	Trifik Services Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	[R]
122	Urban Logistics (UK) Ltd.	Basingstoke	U.K.	19	100.00%	100.00%	
123	Handling & Storage Equipment (Ireland) Ltd.	Walkinstown	Ireland	59	100.00%	100.00%	[R]
124	Carest SRL	Lainate	Italy	62	100.00%	100.00%	[R]
125	COMMERCIALE CARRELLI S.r.l.	Lainate	Italy	64 & 60	100.00%	100.00%	
126	Milano Carrelli Elevatori S.r.l.	Monza	Italy	62	100.00%	100.00%	[R]
127	URBAN LOGISTICA S.R.L.	Lainate	Italy	19	100.00%	100.00%	
128	WHO Real Estate UAB	Vilnius	Lithuania	22	74.00%	74.00%	
129	TOO 'Linde Material Handling Kazakhstan'	Almaty	Kazakhstan	11 & 3	100.00%	100.00%	
130	Linde Material Handling (Malaysia) Sdn. Bhd.	Shah Alam	Malaysia	80	100.00%	100.00%	
131	Linde Viljuškari d.o.o.	Vrčin	Serbia	68	100.00%	100.00%	
132	Linde Material Handling (Thailand) Co., Ltd.	Bangkok	Thailand	80	100.00%	100.00%	
133	Baoli Material Handling Europe s.r.o.	Prague	Czech Republic	26	100.00%	–	[1]
134	Použitý Vozík CZ, s.r.o. (formerly: Baoli Material Handling Česká republika s r.o.)	Prague	Czech Republic	91	100.00%	100.00%	
135	Urban Transporte spol. s r.o.	Moravany u Brna	Czech Republic	19	100.00%	100.00%	
136	TOV 'Linde Material Handling Ukraine'	Kiev	Ukraine	11 & 3	100.00%	100.00%	

List of shareholdings as of 31 December, 2014 (continued)

TABLE 119

No.	Name	Registered office	Country	Parent company	Shareholding 2014	Shareholding 2013	Note
Associates (at-equity investments)							
Domestic							
137	Beuthauser-Bassewitz GmbH & Co. KG	Hagelstadt	Germany	11	25.00%	25.00%	
138	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	11	21.00%	21.00%	
139	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	11	30.00%	30.00%	
140	Pelzer Fördertechnik GmbH	Kerpen	Germany	11	24.96%	24.96%	
Foreign							
141	Linde High Lift Chile S.A.	Santiago de Chile	Chile	11	45.00%	45.00%	
142	Labrosse Equipement S.A.	Saint-Péray	France	33	34.00%	34.00%	
143	Normandie Manutention S.A.	Le Grand Quevilly	France	33	34.00%	34.00%	
Joint Ventures (at-equity investments)							
Domestic							
144	Linde Leasing GmbH	Wiesbaden	Germany	11	45.00%	45.00%	
Foreign							
145	JULI Motorenwerk s.r.o.	Moravany u Brna	Czech Republic	11 & 18	50.00%	50.00%	
Joint Ventures (at amortised cost)							
Domestic							
146	Eisengießerei Dinklage GmbH	Dinklage	Germany	18	50.00%	50.00%	
Associates (at amortised cost)							
Domestic							
147	JETSCHKE GmbH	Hamburg	Germany	11	21.00%	22.00%	
148	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	11	30.00%	30.00%	
149	MV Fördertechnik GmbH	Blankenhain	Germany	11	25.00%	25.00%	
150	Supralift Beteiligungs- und Kommunikations-gesellschaft mbH	Hofheim am Taunus	Germany	11	50.00%	50.00%	

List of shareholdings as of 31 December, 2014 (continued)

TABLE 119

No.	Name	Registered office	Country	Parent company	Share-holding 2014	Share-holding 2013	Note
151	Supralift GmbH & Co. KG	Hofheim am Taunus	Germany	11	50.00%	50.00%	
Foreign							
152	Chadwick Materials Handling Ltd.	Corsham	U.K.	47	48.00%	48.00%	
153	Bari Servizi Industriali S.C.A R.L.	Modugno	Italy	62	25.00%	–	[1]
154	EUROPA CARRELLI S.R.L.	Bastia Umbra	Italy	64	40.00%	40.00%	
155	Nordtruck AB	Örnsköldsvik	Sweden	75	25.00%	25.00%	
156	Carretilas Elevadoras Sudeste S.A.	Murcia	Spain	88	38.54%	38.53%	
157	Motorové závody JULI CZ s r.o.	Moravany u Brna	Czech Republic	11	50.00%	50.00%	

Other investments (at amortised cost)**Foreign**

158	TPZ Linde Viličari Hrvatska d.o.o.	Zagreb	Croatia	11	20.00%	20.00%	[3]
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[1] New during 2014

[2] Consolidated in accordance with IFRS 10 as structured entity as defined in IFRS 12

[3] No material influence

[R] Dormant company

[46] AUDITORS' FEES

The fees recognised as an expense and paid to the auditors of the consolidated financial statements in 2014 amounted to €1.0 million (2013: €0.9 million) for the audit of the financial statements, €0.4 million (2013: €1.4 million) for other attestation services, €0.1 million (2013: €0.4 million) for tax consultancy services and €0.1 million (2013: €0.0 million) for other services.

[47] COMPLY-OR-EXPLAIN STATEMENT REGARDING THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)

In December 2014, the Executive Board and Supervisory Board of KION GROUP AG submitted their comply-or-explain statement for 2014 relating to the recommendations of the German Corporate Governance Code government commission pursuant to section 161 AktG. The comply-or-explain statement has been made permanently available to shareholders on the website of KION GROUP AG at kiongroup.com/comply_statement.

[48] EVENTS AFTER THE REPORTING DATE

In the period after the end of the 2014 financial year up to 10 March 2015, 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 as at 31 December 2014 or that it would be necessary to disclose.

[49] INFORMATION ON PREPARATION AND APPROVAL

The Executive Board of KION GROUP AG prepared the consolidated financial statements on 10 March 2015 and approved them for forwarding to the Supervisory Board. The Supervisory Board has the task of examining and deciding whether to approve the consolidated financial statements.

Wiesbaden, 10 March 2015

The Executive Board

Gordon Riske

Ching Pong Quek

Dr Thomas Toepfer

Auditors' opinion

We have audited the consolidated financial statements prepared by KION GROUP AG, Wiesbaden/Germany, – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements - and the group management report for the business year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, as well as the regulations under German commercial law complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) are the responsibility of the parent company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of KION GROUP AG, Wiesbaden/Germany, comply with IFRS, as adopted by the EU, as well as the regulations under German commercial law complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main/Germany, 10 March 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Crampton)
Wirtschaftsprüfer
(German Public Auditor)

(Gräbner-Vogel)
Wirtschaftsprüferin
(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the financial performance and financial position of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Wiesbaden, 10 March 2015

The Executive Board

Gordon Riske

Ching Pong Quek

Dr Thomas Toepfer



Additional Information

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Quarterly information

KION Group overview

TABLE 120

in € million	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Order intake	1,311.0	1,142.2	1,227.9	1,196.1
Revenue	1,305.6	1,139.0	1,144.4	1,088.9
EBIT	109.4	69.1	91.5	77.0
Adjusted EBIT	134.2	111.8	109.5	87.4
Adjusted EBIT margin	10.3%	9.8%	9.6%	8.0%
Adjusted EBITDA	219.6	196.0	193.5	171.2
Adjusted EBITDA margin	16.8%	17.2%	16.9%	15.7%

Multi-year overview

KION Group multi-year overview

TABLE 121

in € million	2014	2013	2012*	2011	2010
Order intake	4,877.3	4,489.1	4,590.3	4,681.9	3,859.7
Revenue	4,677.9	4,494.6	4,559.8	4,368.4	3,534.5
Order book ¹	787.2	693.3	807.8	953.0	801.3
Results of operation					
EBITDA	714.2	708.8	914.4	569.2	380.2
Adjusted EBITDA ²	780.4	721.5	700.5	665.3	462.2
Adjusted EBITDA margin ²	16.7%	16.1%	15.4%	15.2%	13.1%
EBIT	347.0	374.2	549.1	213.2	34.6
Adjusted EBIT ²	442.9	416.5	408.3	364.6	139.4
Adjusted EBIT margin ²	9.5%	9.3%	9.0%	8.3%	3.9%
Net income (loss) ³	178.2	138.4	161.4	-92.9	-196.7
Financial position¹					
Total assets	6,128.5	6,026.4	6,213.2	6,066.3	5,758.9
Equity	1,647.1	1,610.0	660.7	-487.6	-399.9
Net financial debt	810.7	979.3	1,790.1	2,631.3	2,626.0
Cash flow					
Free cash flow ⁴	305.9	195.6	513.6	230.8	72.4
Capital expenditure ⁵	133.1	125.8	155.1	133.0	123.5
Employees⁶	22,669	22,273	21,215	21,862	19,968

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011);

Order intake, Revenue, adjusted EBIT and adjusted EBITDA were aligned due to the Hydraulics Business

¹ Values as at balance sheet date 31/12/

² Adjusted for KION acquisition items and one-off items

³ Net income 2012 included a net gain from the Weichai transaction in the amount of €154.8 million

⁴ Free cash flow is defined as Cash flow from operating activities plus Cash flow used in investing activities.

Last year's figures were adjusted due to a change in presentation, for details see 'Other disclosures on Consolidated statement of cash flows'

⁵ Capital expenditure including capitalised R&D costs, excluding leased and rental assets

⁶ Number of employees in full-time equivalents as at balance sheet date 31/12/

DISCLAIMER

Forward-looking statements

This annual 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 and including the date that this annual 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 the 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 2014 group management report. However, other factors could also have an adverse effect on our business performance and results. The 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 annual report.

Rounding

Certain numbers in this annual report have been rounded up or down. 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 annual report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

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 nine months ended
30 September 2015

Subject to change without notice

Securities identification numbers
ISIN: DE000KGX8881
WKN: KGX888

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





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