

Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

KION GROUP AG can once again look back on a very successful year. It made some important strategic decisions in 2015. By purchasing the logistics automation business of Belgium's Egemin Group, the KION Group strengthened its expertise going forward in the design and management of complex automation projects. In addition, it created a new Executive Board role with central responsibility for research and development, procurement and quality management. It also announced that it would be comprehensively reorganising its Group structure from the beginning of 2016. The aim is to step up collaboration across all brands and regions and to make this collaboration even more efficient. In terms of business performance, the KION Group generated encouraging revenue and earnings growth and achieved all of its forecasts.

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 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. The Executive Board always notified the Supervisory Board of every significant aspect of the decisions to be made promptly and in detail, providing both written and oral reports. 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 Executive Board, particularly the Chief Executive Officer and the Chief Financial Officer. There was also regular contact between the chairman of the Audit



DR JOHN FELDMANN

Chairman

Committee and the Company's Chief Financial Officer. This ensured that the Supervisory Board was always kept up to date on the Company's performance and any significant transactions, even between meetings. The Supervisory Board satisfied itself at all times that the Company was being managed lawfully and diligently by the Executive Board. Giving the specified period of notice, the Executive Board presented to the Supervisory Board 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 so that it could adopt resolutions. The Supervisory Board examined closely the resolutions proposed by the Executive Board and deliberated on them before adopting them.

Main focus areas discussed by the Supervisory Board

The deliberations of the Supervisory Board focused on the continued implementation of the Strategy 2020, which the Executive Board and Supervisory Board adopted in 2013. Particular attention was paid to generating growth and increasing efficiency in the reporting year.

The trends embodied by the Industrial Internet of Things, or Industry 4.0 – the opportunities and challenges for our customers' logistics systems and our own internal processes presented by digitisation, automation and connectivity – also featured heavily in the Supervisory Board's discussions last year. One prominent example was the acquisition of Egemin NV, a leader in the automation of logistics processes. The Supervisory Board advised and supported the Executive Board on this project, as it did on all other projects aimed at growth by acquisition, and where necessary adopted resolutions to give its consent, having weighed up the opportunities and risks. Issues relating to the Internet of Things were also on the agenda at the Supervisory Board's strategy meeting on 24 September 2015, where the main topics were integrated and automated logistics solutions and the importance of and prospects for 3D printing in manufacturing.

Other matters examined by the Supervisory Board were increasing profitability – in particular by improving the effectiveness and efficiency of the Company's core operating processes – and transitioning the organisational structure of the Company to a governance model that caters to changes in the requirements of customers and markets. Throughout the year, the Executive Board pushed for measures to boost efficiency, particularly at the large German sites, in its negotiations with workforce representatives. The Supervisory Board discussed the measures at every meeting in 2015. The Company is updating its organisational structure to reflect the changes resulting from the growing importance of markets outside Europe, the evolution of customer requirements and technological progress. The Executive Board discussed its ideas in this area with the Supervisory Board at the start of the year and fleshed out its plans as the year progressed. At its meeting on 24 September 2015, the Supervisory Board consented to the realignment of the organisational structure following in-depth discussions.

The core elements of this new structure are four decentralised, regional operating units, each with responsibility for their own profit and loss. These operating units are supported by a central R&D function and administrative departments. The CTO organisation, which is headed up by the Chief Technology Officer Dr Eike Böhm, assumed groupwide responsibility for product strategy, R&D, innovation, production system, quality assurance and procurement on 1 January 2016. Other administrative functions will be adapted to meet the requirements of the Group's new organisational structure during 2016, which will involve centralising and harmonising them. A Group Executive Committee (GEC) is being formed to advise the Executive Board in its decision-making and to coordinate matters at the uppermost level of management. The GEC will consist of the Presidents of the four regional operating units plus the

four members of the Executive Board. Its purpose is to ensure the Executive Board's decisions are made on the basis of the widest possible range of technical and regional expertise and experience. There will be no changes to the Executive Board's decision-making powers, however. The Group Executive Committee does not release the individual Executive Board members or the Executive Board as a whole from their statutory duties or their responsibility for the day-to-day management of the Company. The Supervisory Board has safeguarded this allocation of roles by introducing a charter for the GEC.

Against this background, it was necessary to redistribute responsibility for the different aspects of the business among the Executive Board members and to update the list of transactions requiring consent by removing individual transactions from the list and raising the threshold values for transactions requiring approval.

The Supervisory Board emphatically welcomed the Executive Board's prompt and proactive decision to introduce a change management process to support the changes brought about by these measures. An important element of this change management was a survey conducted among around 1,800 of the Company's managers at the start of the summer. An Organizational Health Index (OHI) was used to gauge the current state, or 'health' of the organisation so that challenges and necessary action areas could be identified. The Supervisory Board encouraged the Executive Board to tackle the change issues raised by managers, and they will be targeted as part of the improvements to be made to the Company's management culture. The Supervisory Board firmly believes that the major changes that have been initiated and will now be implemented over the coming months will benefit in the long term if the issues identified by the OHI are successfully addressed and the management culture at KION is improved accordingly.

Corporate governance matters

Besides the usual governance matters, the Supervisory Board dealt with a number of individual issues in the year under review. These included implementing the new statutory requirements on gender diversity in managerial roles, introducing a sustainable fast close process for preparing the consolidated financial statements, examining the efficiency of the Supervisory Board's work and reviewing the remuneration of the Executive Board and Supervisory Board.

The Supervisory Board carefully studied the requirements of Germany's 'Act for the equal participation of women and men in managerial positions in the private and

public sectors'. Despite its reservations about fixed quotas in this area, the Supervisory Board has an open and positive stance as far as the Act's socio-political objectives are concerned. The targets for the composition of the Executive Board and other management positions have been set within the realms of what is feasible and with a view to ensuring that the Company can attract the most suitable people with the right talents.

The Company intends to present its annual and quarterly financial statements more quickly than in previous years. To fulfil its core task of monitoring the Company's financial reporting systems, the Supervisory Board commissioned the Audit Committee, which in turn commissioned its chairman, to learn about the fast close process and its inherent risks. The independent auditors also got involved. The Supervisory Board was able to satisfy itself that the new structures and processes will enable the Company to continue preparing correct and reliable financial statements going forward.

The examination of efficiency confirmed that the Company's Supervisory Board has a robust structure and follows efficient processes. An external consultancy also scored the Supervisory Board and its committees highly in comparison with their industry peers. Suggestions for enhancing individual aspects of the Supervisory Board's work were identified with regard to committee size, the timing of when information is provided and the discussion of strategic matters by the full Supervisory Board. The consultants presented their report at the Supervisory Board's meeting in December. The Supervisory Board has already acted on a number of the suggestions and introduced or initiated changes. Where necessary, the Executive Board willingly provided its input.

Another area of focus was the remuneration of the Company's Executive Board and Supervisory Board. The structure of their remuneration had been revised ahead of the IPO in 2013. In late 2015, a consultancy reviewed it again, comparing it against the benchmark. Despite changes to economic conditions and the evolution of best practice, particularly regarding supervisory board remuneration, the Supervisory Board did not consider it appropriate to make changes to the structure and level of remuneration at the current time. However, adjustments will be required in the near future, including to the structure of the Executive Board's long-term variable remuneration and the acquisition of treasury shares by Executive Board members.

The topics on which the Executive Board and individual managers in the Company regularly submitted reports were the internal control system, risk management, internal audit and compliance in the Group. The focus was on the processes in place as well as on the content of the individual reports. As a result of these reports, 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. It concluded that the systems and mechanisms at KION GROUP AG are adequate and suitable.

The Supervisory Board keeps a close eye on changes to the German Corporate Governance Code and to governance standards at international level. At its meeting on 17 December 2015, the Supervisory Board held its final discussion on the KION Group's compliance with the recommendations of the current version of the Code and issued an updated comply-or-explain statement pursuant to section 161 German Stock Corporation Act (AktG). It has been made permanently available to the public on the KION GROUP AG website. KION GROUP AG complies with all but one of the recommendations in the German Corporate Governance Code (version dated 5 May 2015) and intends to continue to do so in future. As 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.

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 German Commercial Code (HGB) and can be found on pages 24 to 37 of this annual report and on the KION GROUP AG website at kiongroup.com/GovernanceReport. For details of the remuneration of the Executive Board and Supervisory Board for 2015, please refer to the remuneration report, which can be found on pages 38 to 51 of this annual report.

Work of the committees

Since the last report, there have not been any material changes to the established committees.

KION GROUP AG's Supervisory Board had four committees last year: the Mediation Committee pursuant to section 27 (3) 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.

In 2015, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 21 meetings (8 full Supervisory Board meetings and 13 committee meetings). 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.

All members of the Supervisory Board attended the Supervisory Board meetings in 2015 apart from the exceptions below. At one meeting, five members sent their apologies, at three meetings, at each of which one member sent his apology and at two meetings, at each of which two members sent their apologies. With the exception of five committee meetings at each of which one member sent his apology, 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, Munich, Frankfurt am Main branch office (Deloitte & Touche), 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 2015 following their engagement by the Annual General Meeting on 12 May 2015. The corresponding proposal to the Annual General Meeting had been prepared in meetings held between the chairman of the Audit Committee and the auditors. They concerned the suitability and independence of the auditors and the fees. The proposal was discussed at the Audit Committee's meeting on 10 March 2015 and committee members were given the 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 2015. The auditors were appointed by the chairman of the Supervisory Board on 24 November 2015.

The auditors submitted their report and the documents relating to the financial statements to the members of the Audit Committee on 2 March 2016 and to the members of the Supervisory Board on 9 March 2016. The report was discussed in depth at the Audit Committee meeting on 9 March 2016 and at the full Supervisory Board meeting on 16 March 2016, 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. The auditors issued an unqualified opinion for the separate financial statements, including the management report, for the year ended 31 December 2015 and the consolidated financial statements, including the group management report, for the year ended 31 December 2015 on 9 March 2016.

Having itself scrutinised the Company's separate financial statements, consolidated financial statements, management report and group management report for the year ended 31 December 2015, the Audit Committee then made a 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 and taking the auditors' opinion into consideration, the Supervisory Board held a further discussion of its own and then approved the results of the independent audit at its meeting on 16 March 2016. 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 2015 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on 16 March 2016, 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 €0.77 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

Until 31 March 2015, the Company was controlled jointly by Superlift S.à r.l. and Weichai Power. This joint control ended on 31 March 2015 when the remaining KION GROUP AG shares held by Superlift S.à r.l. were sold. The Executive Board was

therefore obliged to prepare a report on the Company's relationships with affiliated entities (dependency report) for that period. The report was examined by the Supervisory Board. The Company's auditors, Deloitte & Touche, reviewed the dependency report, prepared an auditors' report on it and issued the following unqualified opinion based on their completed audit on 9 March 2016:

Auditor's opinion

Based on our audit and evaluation conducted in accordance with our professional duties, we hereby confirm that the factual information presented in the report is accurate.

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 16 March 2016. 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 on the Executive Board and Supervisory Board

With effect from 15 January 2015, Theodor Maurer and Bert-Jan Knoef stepped down as members of the KION Group's Executive Board by mutual agreement with the Company.

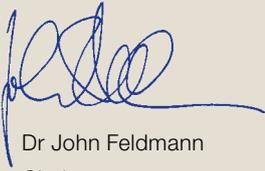
At its meeting on 25 June 2015, the Supervisory Board appointed Dr Eike Böhm as Chief Technology Officer and as a further ordinary member of the Executive Board of KION GROUP AG. Dr Böhm is responsible for research and development, product strategy, production system, innovation, quality assurance and procurement.

There were several changes on the Supervisory Board in 2015. Mr Johannes P. Huth stepped down from the Supervisory Board on 31 July 2015. Mr Wolfgang Faden was appointed by the courts as a shareholder representative with effect from 1 August 2015 until the Company's next Annual General Meeting. In the further course of discussions regarding succession planning, the Supervisory Board resolved in December 2015, following the recommendation of the Nomination Committee, to

propose to the Annual General Meeting on 12 May 2016 that Dr Christina Reuter be elected to the Supervisory Board as a shareholder representative to succeed Mr Faden. In addition, Mr Hans-Peter Weiß resigned from his position as an employee representative on the Company's Supervisory Board with effect from the end of 15 November 2015. The courts appointed Mr Jörg Milla as his successor with effect from 16 November 2015. The Supervisory Board would like to thank Mr Huth and Mr Weiß for the great dedication with which they always carried out their work in the interests of the Company.

The details of this report were discussed thoroughly at the Supervisory Board meeting on 16 March 2016 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 2015.



Dr John Feldmann
Chairman