KION Holding 1 GmbH

Annual report 2010

This is a translation of the German "Konzernlagebericht und Konzernabschluss der KION Holding 1 GmbH zum 31. Dezember 2010". Sole authoritative and universally valid version is the German language document.

MATERIAL HANDLING SOLUTIONS

Highlights in 2010

- Worldwide recovery of material-handling markets in 2010 – but different growth rates and levels in the individual markets
- Emerging markets beneficial to the KION Group: China is third most important market
- Sharp 27 per cent rise in order intake to €3,860 million
- Action plan initiated in 2009 is proving successful – significant cost reductions
- Considerable improvement in earnings: adjusted EBIT margin of 3.9 per cent
- Higher EBIT boosts free cash flow
- KION increases market share in Europe and strengthens global market position: number one in Europe, number two worldwide

KION Group key figures

€ million	2010	2009	2008	Changes 2010/2009
Revenue	3,534	3,084	4,554	14.6%
In Germany	900	770	1,164	16.9%
Outside Germany	2,634	2,314	3,390	13.8%
Order intake	3,860	3,028	4,399	27.5%
Order backlog	801	533	647	50.3%
EBITDA	380	183	643	>100%
Adjusted EBITDA[1]	462	311	709	48.7%
EBIT	35	-182	284	>100%
Adjusted EBIT[1]	139	-29	358	>100%
Loss for the year	-197	-366	-47	46.3%
Cash and cash equivalents[2]	253	463	413	-45.4%
Financial debt after borrowing costs	2,872	2,918	2,716	-1.6%
Financial debt	2,894	2,948	2,716	-1.8%
Net financial debt	2,641	2,484	2,303	6.3%
Equity	-400	-213	124	-87.7%
Adjusted EBITDA margin[1]	13.1%	10.1%	15.6%	-
Adjusted EBIT margin[1]	3.9%	-0.9%	7.9%	-
Free cash flow before tax[3]	83	34	292	>100%
Capital expenditures	123	108	173	14.1%
Total spending on R&D	104	101	111	3.0%
R&D spending/revenue (%)	2.9%	3.3%	2.4%	-
Employees incl. apprentices and trainees as at December 31	19,968	19,953	21,168	0.1%
R&D employees	827	833	876	-0.7%

[1] Adjusted for KION acquisition items and one-off items
[2] Cash and current securities
[3] Internal key performance indicator

Segments 2010

€ million	Revenue	Year-on-year change	Adjusted EBIT[1]	Year-on-year change	EBIT	Year-on-year change	Number of employees	Year-on-year change
LMH	2,254	17%	139	>100%	86	>100%	12,240	0.1%
STILL	1,245	14%	26	>100%	2	>100%	6,271	-0.4%
OM	202	6%	-5	53%	-20	-29%	964	-7.1%
Other	160	>100%	-22	64%	-34	54%	493	26.1%
Consolidation	-326	–	1	–	1	–	–	-
Total	**3,534**	15%	**139**	>100%	**35**	>100%	**19,968**	0.1%

[1] Adjusted for KION acquisition items and one-off items

Group management report of KION Holding 1 GmbH

for the year ended 31 December 2010

1 Milestones in 2010

Market recovery generates strong growth – market position strengthened

Driven by strong growth in key markets such as Germany, China, South America and eastern Europe, the KION Group's business situation increasingly improved in 2010 and it gradually stepped up production levels. Besides generating new business, the upturn also led to higher demand in the market for services such as aftersales, rentals and used trucks because customers were using their products to a greater extent. However, despite the improved market situation, levels were still below where they had been before the start of the economic crisis in the fourth quarter of 2008. Although at 121,500 trucks, the order intake in 2010 was 32 per cent higher than in 2009, it was just 76 per cent of the record level achieved in 2007.

The KION Group's global market share contracted slightly to 15.3 per cent (2009: 16.8 per cent). Gains in market share in the major western European markets were not able to fully make up for the structural shift resulting from strong growth in China, which now represents a quarter of the global market. However, the KION Group was able to extend its position as the number two in the global market and the market leader in Europe due to its excellent foothold in all high-growth regions and its balanced product mix compared to its main direct competitors.

Production is relocated successfully

The KION Group has successfully adapted its production structure to the new market conditions, thereby benefiting from economies of scale and more efficient production processes. Production at the UK plant in Basingstoke ended in the first quarter of 2010 and was relocated to Linde Material Handling's core site in Aschaffenburg, Germany, and STILL's core site in Hamburg. The plant in Reutlingen, Germany, focuses on VNA (very narrow aisle) trucks and has been upgraded to a cross-group centre of competence for VNA trucks and systems engineering.

The KION Group remains a reliable employer

To address the issue of overcapacity, the KION Group again used short-time working in Germany and similar measures in other countries during 2010. At times, over 7,000 employees in Germany alone were affected by short-time working. Short-time working was gradually reduced during the course of the year as the market picked up. A high proportion of the affected employees enrolled on continuing professional development programmes. In 2010, the first year after the worst crisis to hit the sector, the number of employees (19,968) remained relatively stable compared to 2009. The KION Group therefore retained the valuable expertise of its employees for the future.

STILL and OM combine their strengths

In 2010, the STILL and OM brands began to bundle their activities, enabling them to boost their competitiveness by benefiting from each other's product range and distribution capability. OM focuses on its home Italian market and is integrating the STILL Group's activities in Italy into its operations, making OM the clear market leader in that country. In the medium term, STILL will integrate the OM Group's activities outside Italy into its network. STILL is also using attractive products from OM to supplement its own product range. It is therefore significantly expanding its coverage of the market for these products and greatly improving their market penetration via its excellent distribution network. The STILL and OM brands will be managed jointly from 2011.

Strategic course set at early stage in China, complete control of Baoli assumed

During the second quarter of 2010, the KION Group assumed complete management control of the KION Baoli joint venture, which it had established with Chinese joint venture partners in January 2009. The KION Group has therefore consolidated its position in the Chinese market against a background of sustained market growth and, along with Linde, now has two brands in the country, which cover different customer and product segments. The KION Group is by far the largest international competitor in the Chinese market. China is now the third-largest individual market for the KION Group in terms of unit sales, behind Germany and France.

Linde Hydraulics forms strong alliance with Eaton

In 2010, Linde Hydraulics entered into a distribution and product partnership with the US industrial manufacturer Eaton. Eaton's hydraulics business makes it one of the global market leaders for hydraulic components and drive systems. The two strategic partners complement each other in terms of product range and regional presence. As a result of the alliance with Eaton, Linde Hydraulics has direct access to an outstanding global distribution network and can offer a more comprehensive range of hydraulic system technologies and services to its international customers in the construction, agricultural, commercial vehicles and manufacturing sectors.

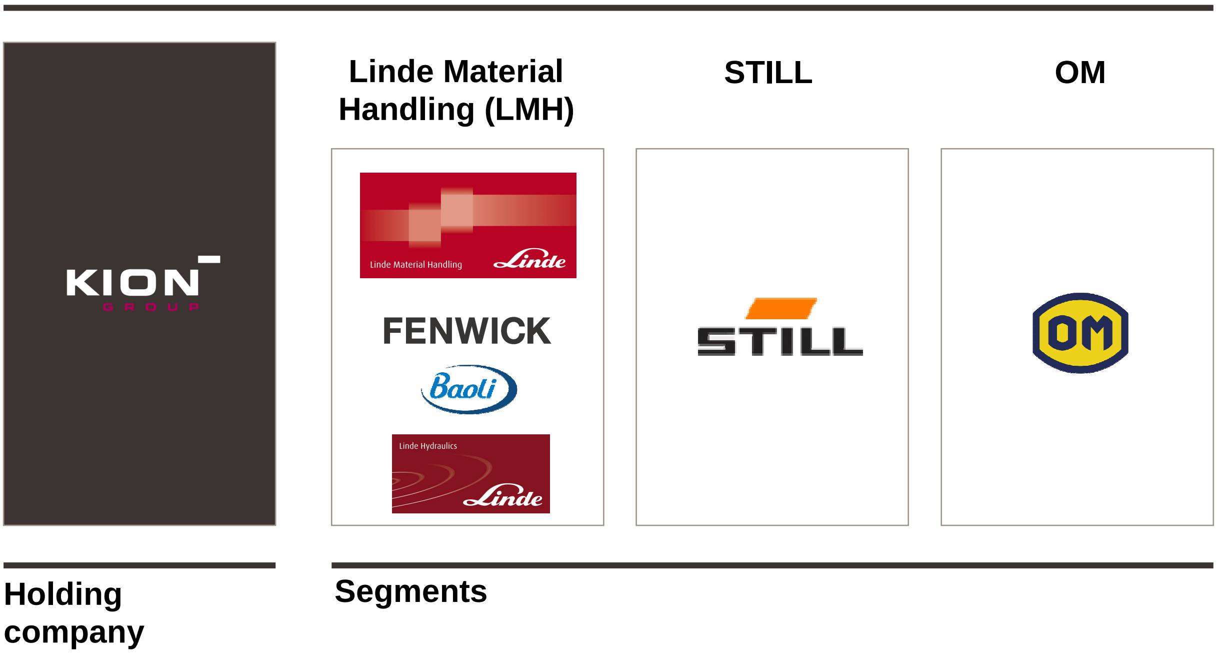
2 Company profile

2.1 Group structure

KION Holding 1 GmbH owns all the shares in KION Holding 2 GmbH, which in turn is the sole shareholder of KION GROUP GmbH. KION GROUP GmbH acts as the group parent and management holding company for Linde Material Handling GmbH (LMH), STILL GmbH and OM Carrelli Elevatori S.p.A. In this report, 'the KION Group' refers to all the companies of the KION Group collectively. The KION Group pursues a multi-brand strategy based on its Linde, Fenwick, STILL, OM and Baoli industrial truck brands so that it can provide highly effective coverage of different market segments in terms of product range, services, technological expertise and regional presence.

KION GROUP GmbH acts as a strategic management holding company and is responsible for key head office functions itself. It sets and pursues strategic, commercial and market-oriented objectives and defines shared business standards for these head office functions. The brands have full operational and commercial responsibility for their business operations and for achieving their objectives.
The operating segments pursuant to IFRS 8 are Linde Material Handling, STILL and OM. Baoli and Linde Hydraulics belong to the Linde Material Handling operating segment, as does the local French brand Fenwick.

Diagram of the KION Group's segment structure in 2010



2.2 Business activities of the KION Group

2.2.1 Overview of the KION Group

The KION Group is a leading provider of industrial trucks with an outstanding position in the market. In 2010, the Group generated revenue of €3,534 million and an order intake of 121,500 units. In its home European market, the KION Group is the market leader with a market share of significantly more than 30 per cent. It is also one of the leading providers in the important growth markets of China and Brazil. Globally, the KION Group is the number two in terms of order intake (units) and revenue.

Having been spun off as an independent company in August 2006 from Linde AG, Munich, the KION Group was sold to investment funds, which are advised by Kohlberg Kravis Roberts and Goldman Sachs Capital Partners, in December 2006.

The KION Group's origins go back as far as 1904, when Carl von Linde, Hugo Güldner and other partners founded Güldner-Motoren-Werke in Aschaffenburg, Germany. Güldner-Motoren-Werke was acquired by Linde AG in 1929. STILL GmbH was founded in 1920 and was acquired by the former Linde AG in 1973. Since then the KION Group has extended its product range and further increased its market share through significant organic growth and through acquisitions. One of the most important acquisitions was of the French company Fenwick in 1984, which covers the French market as the local brand of the Linde Material Handling Group and is the French market leader. In 1992 the KION Group expanded its brand portfolio again by acquiring OM, which had originally been established in 1917. The Chinese company Baoli was added to the multi-brand Group as a fifth brand in 2009 in order to better exploit the potential growth in emerging markets. Complete management control of Baoli was assumed in 2010.

Across all its brands, the KION Group offers a complete product portfolio for handling companies' internal goods flow management. This portfolio ranges from warehouse equipment to counterbalance trucks fitted with either internal combustion (IC) engines or electric motors, and covers load capacities of up to 46 tonnes. In addition to new trucks, client solutions around finance, service and process management are playing an increasingly important role.

The KION Group includes twelve sites worldwide where industrial trucks are manufactured, plus component production sites and foundries. With 1,200 sales outlets worldwide, the KION Group runs one of the most extensive distribution and service networks in the industry, making it a global player with a presence in around 100 countries.

As at the end of 2010, the KION Group had 19,968 employees.

2.2.2 Segment overview

Linde Material Handling – Engineered for your Performance

Linde Material Handling manufactures material-handling products under the Linde and Fenwick brands as well as producing hydraulic components in its Linde Hydraulics business that are used both in its own trucks and in the products of external manufacturers. As a global provider of high-quality material-handling products and services, the Linde brand stands for technological and innovation leadership and is the world's second-largest producer of industrial trucks, with a market share of 9 per cent. Linde Material Handling is the sole manufacturer to offer an extensive portfolio of products and is therefore able to satisfy any requirement, whether small pallet trucks for moving goods around the warehouse or large container handlers for use in ports and rail freight depots.

All products and services are designed to increase customers' efficiency, something that is reflected in the company's slogan 'Engineered for your Performance'. An efficiency test for forklift trucks certified by TÜV Nord, a technical inspection, testing and certification organisation, has enabled an objective comparison of the costs and performance of forklifts for the first time. These tests, which measured the overall cost of the loading cycle for a lorry, found that Linde's trucks had 20 per cent lower costs than competitors' products.

Linde Material Handling employs innovative technologies and user-friendly, ergonomic concepts as well as designing ground-breaking solutions in order to create more efficient products. Its truck design has already won numerous awards. Linde Material Handling also has a wealth of service expertise and a comprehensive product portfolio ranging from warehouse equipment to heavy trucks and container handlers as well as extensive aftersales support. This enables it to meet each customer's individual requirements.

In 2010, Linde Material Handling launched a variety of new products. One of these was the CiTi Truck, a world premiere in the material-handling market. This new type of pallet truck, with motors for driving and lifting, enables effortless load handling, particularly when it comes to deliveries in city centres – and can even cope with kerbs. The company won an EVA Award in the Corporate Events category in recognition of its marketing concept for the CiTi Truck product presentation. Linde Material Handling is the first industrial truck manufacturer in Europe to add a fuel-cell powered truck to its product range. Instead of the 80-volt batteries that are usually installed, the trucks have a fuel cell and fuel tank that holds 1.6kg of hydrogen gas at a pressure of 350 bars. Using the trucks does not generate any emissions, thereby representing a key step towards fully tapping the benefits of innovative drive technologies. Following on from the electric counterbalance trucks, Linde H20-50 trucks with IC engines now come fitted with 'eco mode' as standard. This technology enables the driver to control the power and energy consumption of the truck as required. Depending on how it is used, the truck operator can therefore reduce energy consumption and tyre wear.

The new online module of the truck data management system, LFM, enables the collection, retrieval and analysis of data about truck fleets spread across multiple locations. Data is transferred via the mobile phone network. The module gives customers maximum transparency about where and how their truck fleets are being used.

Linde Material Handling is also a major producer of hydraulic components and hydrostatic drives. In 2010, the company celebrated 50 years of the Linde truck with hydrostatic drive. The drive system of this Linde truck provides the basis for sensitive and precise lifting and handling, low fuel consumption and ease of maintenance. Linde Material Handling thereby combines both truck development and drive technology development. Major brand manufacturers around the world install its hydraulic products in their equipment for the construction, agricultural and forestry sectors. In 2010, Linde

Hydraulics and Eaton Corporation (USA) entered into a strategic alliance for the global marketing of each other's hydraulic products that allows them to offer all-in-one drive systems. This will create a broad product range for many different applications – not just mobile machinery such as agricultural equipment, but also stationary drive systems. Another advantage of the alliance is that the two partners complement each other in terms of regional market coverage.

As at the balance sheet date, Linde Material Handling employed 12,240 people worldwide. The head office of Linde Material Handling is located in Aschaffenburg, Germany. Driven by the upturn in the German market as well as in the emerging markets of China, South America and eastern Europe, new truck order intake rose by 34 per cent to 72,600 units, generating revenue of €2,254 million. Adjusted EBIT increased by over 100 per cent to €139 million. Linde Material Handling has an extensive global distribution and service network with over 700 sales outlets. Depending on the country and region, products are sold by Linde Material Handling's own sales outlets or via dealers that cover the market. Overall, the company has a balanced distribution mix, with about half of its business generated via its own distribution network and the other half through external dealers. International production sites are located in Châtellerault (France), where warehouse handling equipment is produced, and Merthyr Tydfil (UK), which focuses on extra heavy-duty trucks and container handlers. To cater to local needs and requirements, Linde Material Handling manufactures region-specific products in Summerville, South Carolina (USA), and in Xiamen (China).

The Baoli brand operates as an independent brand in the market, focusing on the economy segment in China and other growth markets. The attractive product range, combined with the KION Group's excellent distribution network, enables Baoli to quickly satisfy demand for sturdy, low-cost trucks, above all in emerging markets such as South America. As an integral part of the Linde Material Handling segment, Baoli generated an order intake of 3,100 units in 2010. Worldwide, it has more than 110 sales and service outlets, the bulk of which are in Baoli's home Chinese market. Production is located at its headquarters in Jingjiang, China. At the end of 2010, Baoli employed a workforce of 523.

STILL – First in Intralogistics

The STILL brand has positioned itself as a leading provider of intelligent intralogistics management tools.

In addition to core products (forklifts, warehouse handling equipment and tow tractors), the range includes cutting-edge material flow services. STILL is traditionally one of the market leaders in western and eastern Europe and is also excellently positioned in South America. The company is one of the leading brands in Europe, where it has a market share of more than 11 per cent. It celebrated its 90th anniversary in 2010.

In the second quarter of 2010, the STILL and OM brands announced plans to bundle their activities and better leverage the potential of the two brands. The regional OM brand will focus on the home Italian market in conjunction with STILL, making STILL/OM the clear market leader there. OM is significantly expanding its range of products as a result of gaining access to STILL's comprehensive product portfolio. STILL will take on OM's activities outside Italy and integrate them into its own operations. This step greatly improves the market penetration and coverage of the combined products of STILL and OM. From 2011, the KION Group will report on the STILL and OM brands as one entity.

One-stop aftersales activities as well as advice on the following issues are becoming more and more important to STILL: warehouse logistics and the design of companies' internal logistics processes, goods flow management and fleet management. Fully and partially autonomous industrial trucks are increasingly being integrated into these types of solutions. STILL is already using computer-guided turret order pickers, which are navigated by laser and use Optispeed software to reach the selected rack independently and by the quickest available route.

STILL has added further innovative forklift and warehouse material-handling products and services to its modern product range. In 2010, STILL greatly expanded and updated its portfolio of warehouse handling equipment, showcasing the EXU-SF low-lift pallet truck for horizontal transport and two new double-stacker trucks. This modular group of warehouse handling equipment aims to make the flow of material more effective when goods are received or dispatched, loaded onto or unloaded from lorries or moved to the production line from the warehouse. The equipment is therefore highly suited to use in distribution logistics, industry and the retail sector. STILL also presented the new EXU-H low-lift pallet truck with an order picking lift, which is particularly useful for replenishing supermarket shelves and changing tools in industrial applications. In early 2010, STILL exclusively launched a complete tugger train system with new 'liftrunner' trailers, for which it received excellent feedback. The new system enables the just-in-time transport of materials at production sites that operate a modern lean manufacturing concept. STILL presented CiTi One in the second quarter of 2010. This innovative truck for inner-city deliveries can easily transport goods weighing up to 500kg. Its name indicates its main areas of application: deliveries to companies in city-centre locations and other delivery zones where there is contact with the public.

STILL has also expanded its range of diesel and LPG trucks with the launch of the RC 40 series, which features a torque converter and load capacities between 1.5 and 3.0 tonnes. The RC 40 is the first product to emerge from the cooperation between the STILL and OM brands. It means that STILL can now offer a lower-price starter model via its large distribution network that lends itself well to applications in the high-growth regions of eastern Europe, Asia and South America.

The diesel-powered RX 70 truck earned STILL two international awards in 2010: the GOOD DESIGN Award for pioneering industrial design from the Chicago Athenaeum and the Green DOT Award for ground-breaking, environmentally responsible products in the transport category. The STILL RX 70, which has load capacities of between 2.2 and 3.5 tonnes, is the most economical diesel truck in its class. It combines an IC engine and electric drive system with efficiency-boosting hybrid technology components.

STILL uses its own direct sales organisation in Germany, France and large parts of Europe. It uses dealers to supplement its own direct sales operations in its UK, Spanish and Italian markets. Other countries such as Norway, Sweden, Israel and Portugal are covered by dealers. In 2010, STILL again expanded its distribution and service network, extending the distribution alliance that it had entered into with the Finnish company KONEKESKO in 2009 to cover the Baltic states. It also enlarged its direct sales organisation in Sweden with STILL Sverige AB. Worldwide, STILL operates 230 sales outlets, consisting of its own sales operations and dealers.

STILL employs 6,271 people worldwide and has its head office in Hamburg, Germany, where it produces both electric and IC forklift trucks. Following the relocation of production from the Linde Material Handling plants in Basingstoke (UK) and Reutlingen (Germany), STILL has been manufacturing the R07 and R08 tow tractors as well as reach trucks in Hamburg since March 2010. Warehouse equipment is produced at the plant in Montataire (France). It also has two production sites that serve the entire KION Group: KION Warehouse Systems in Reutlingen (Germany) and KION South America in Rio de Janeiro (Brazil). KION Warehouse Systems focuses on the complex technologies required for very narrow aisle (VNA) trucks and systems engineering, while KION South America specialises in trucks for the South and Central American markets.

The market upturn, particularly in Germany and Brazil, was of great benefit to STILL, which was able to boost its new truck order intake by 38 per cent to 35,300 units. Revenue rose by 14 per cent to €1,245 million, enabling STILL to generate EBIT – adjusted for one-off items – of €26 million.

OM – Reliable. Always.

As a leading Italian manufacturer, OM offers reliable electric and diesel trucks as well as warehouse handling equipment with high-quality technology to customers in the value segment.

In 2010, OM launched the TL series of low-lift pallet trucks as part of its range of warehouse equipment. The new series offers improved features, such as optimised ergonomics. It is designed to transport pallets around the warehouse and meets the needs of customers in various sectors. As a result of the new partnership with STILL, OM will include a new electric lift truck from STILL in its product range so that it can expand its offering for the Italian market. OM has an extensive distribution and service network in its home markets in southeast Europe, consisting of its distribution network and external dealers. In total there are around 150 OM sales outlets.

The production and distribution alliance with the Japanese manufacturer Komatsu expired in 2010. This does not cause any material changes for OM.

OM's head office is located in Lainate (Italy). It produces counterbalance trucks at its plant in Bari (Italy) and warehouse equipment in Luzzara (also Italy).

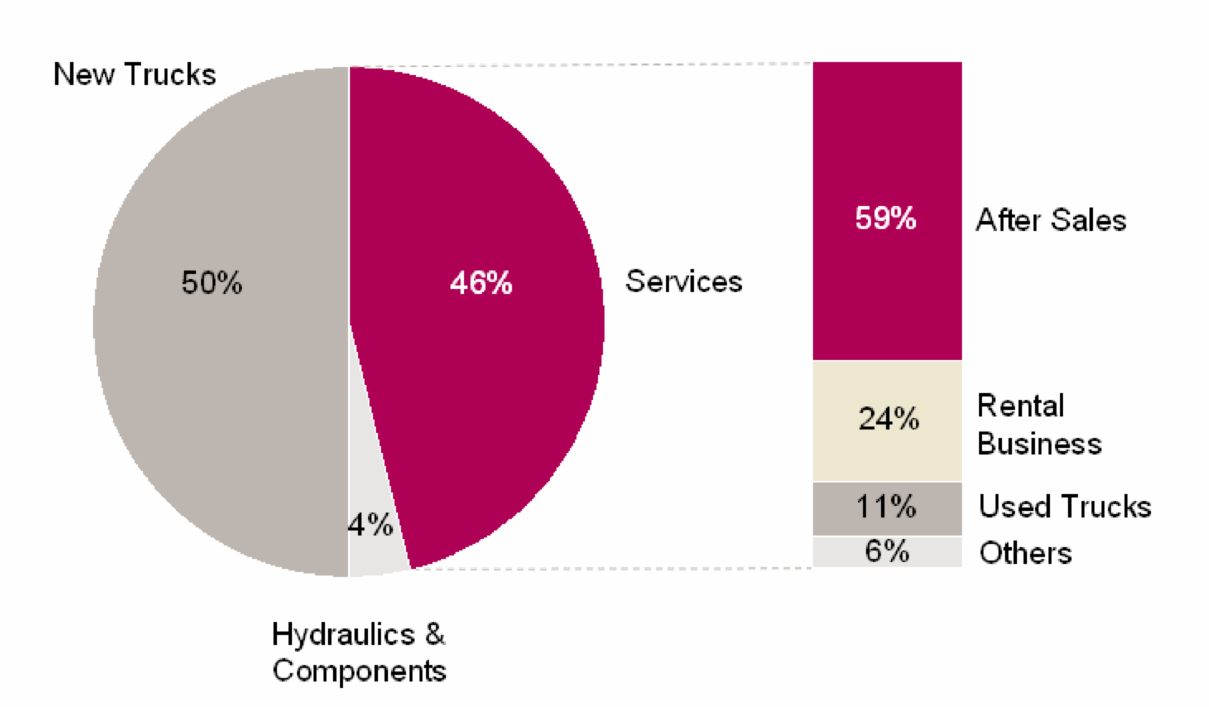
OM increased its order intake by 10 per cent to 10,400 units in 2010, generating revenue of €202 million and EBIT – adjusted for one-off items – of minus €5 million. This reflected the continuing difficulties in OM's home markets of Italy and Spain.

2.2.3 Service reduces dependency on the business cycle

Service is a crucial factor for many customers when it comes to selecting a business partner. The KION Group therefore considers service to be a key way of retaining customers as well as an increasingly important line of business. To fully exploit the potential in this area, the KION Group offers its customers a wide choice of services. They include a broad spectrum of simple repairs, spare parts sales, warehouse planning (including administrative systems) and the organisation of automated processes. In addition, the KION Group offers IT solutions for truck and material flow management that provide cost transparency and boost efficiency. The well-developed service business is enabling the KION Group to cushion itself better against the impact that fluctuations in the business cycle have on its business with new trucks.

In 2010, service accounted for 46 per cent of revenue (2009: 49 per cent). This slight percentage decline is due to the sharp rise in the new trucks business on the back of the recovery in the industrial trucks markets. The KION Group divides its service business into aftersales, used trucks and rental business. The 'other' product category also includes services such as consultancy, IT solutions and warehouse equipment systems.

Diagram showing the breakdown of revenue in 2010



After sales business covers customers' individual needs

The KION Group's extensive global network enables it to offer all kinds of repairs and maintenance work. Such services are the most important part of the service business because they are required throughout a truck's lifecycle. An active fleet of currently over one million trucks provides a sound basis for these services. In the KION Group's brand companies, 7,000 employees look after customers' service requirements. More than 5,400 of them are inhouse service and workshop mechanics who are responsible for repairing and maintaining trucks. KION's own network is backed up by external dealers who work in cooperation with the brand companies.

The KION Group brand companies offer service contracts tailored to customers' requirements that encompass various services and materials. A modular concept enables customers to select the relevant regular maintenance services, ad-hoc repairs and materials that they would like included in their contract. As well as repairs and maintenance, customers can obtain spare parts and equipment for their trucks from the brand companies. The spare parts business is a crucial market because it helps the KION Group to reduce its dependency on the business cycle. The KION Group's brand companies have set up a 24-hour hotline, which ensures that their customers can contact them at any time. They guarantee that spare parts can be supplied within 24 hours anywhere in Europe.

Used trucks open up access to new market segments

Customers have the option of buying used trucks when their leasing or fleet management contracts expire. Used trucks also enable KION to operate in market segments that would be impossible or difficult to enter if it only sold new trucks. The used trucks are reconditioned by the KION brand companies' service network, often making them a lower-cost alternative to third-party new trucks with less sophisticated technology – and customers can still be sure of receiving the high standard of quality of the KION brands. At the same time, the used truck business contributes to the spare parts business, other aftersales services and financial services.

Rental trucks with variable services

In its truck rental business, the KION Group offers three variants: short-term rental, long-term rental and fleet management. Each of these generally also incorporates financing services.

- **Short-term rentals cover customer requirements of up to twelve months**

  Short-term rentals enable customers to meet short-term requirements such as seasonal spikes in demand. The term of such rentals can be anywhere between one day and twelve months. The KION Group's local subsidiaries and dealers maintain their own rental pools to ensure optimum availability of trucks.

- **Long-term rentals provide a comprehensive selection of products and services for an average of four to five years**

  The agreement consists of a long-term rental contract that runs for an average term of four to five years. It usually covers not just the financing itself but also services such as maintenance, repairs, spare parts and insurance. The package of services is tailored to meet the customer's individual requirements. At the end of the rental agreement, the customer returns the truck and can replace it with a new truck. Customers often extend their old contract or sign a new one.

- **Fleet management particularly attractive to big-ticket customers**

  Fleet management is the most flexible form of rentals and is becoming increasingly popular with big-ticket customers in particular. The KION Group takes on the comprehensive management and financing of customers' truck fleets and ensures that the trucks are used in a way that offers maximum value for money. This includes analysing how the trucks are used and optimising the methods used to replace old trucks and to conduct needs analyses. The package of services is tailored to meet the customer's individual requirements. The KION Group has developed proprietary software applications, which it uses to analyse and implement fleet management processes.

Financial services as a sales function

The Financial Services function provides an important central service for the three segments of Linde Material Handling, STILL and OM, and represents a valuable sales tool and means of customer retention. Some of the leasing business organised by German LMH dealers is processed by Linde Leasing GmbH (Linde Leasing), in which Linde Material Handling GmbH holds a minority interest. Linde Leasing is included in the KION Group's consolidated financial statements using the equity method. More than half of the KION Group's total unit sales are supported by financial services. They cater to the increasing demand for one-stop solutions that, in addition to the trucks themselves, include finance and other services and even, in some cases, full fleet management and automation.

Financial services are closely linked to truck rentals. The leasing portfolio grew moderately to 223,000 trucks (incl. Linde Leasing). This equates to a replacement value of around €4.32 billion as at the end of 2010. The key markets Germany, France, UK, Italy and Spain accounted for 75 per cent of the total portfolio at the end of last year. The proportion of long-term rentals accounted for by the core markets was unchanged on the proportion at the end of 2009 at around 82 per cent.

3 Economic conditions

3.1 General business environment

The global economic crisis during the winter of 2008/09 caused many countries to introduce extensive fiscal stimulus packages and prop up their financial sectors in order to cushion the impact of both the economic crisis and the crisis in the real estate markets. They also lowered taxes, for example, in order to create stimulus for growth. This caused an increase in budget deficits, and thereby government debt, in almost all of the major industrialised countries. At the same time, central banks around the world cut their key interest rates and bought bonds to ensure the availability of sufficient liquidity in both the economy and the capital markets.

These measures stabilised economic conditions and helped individual economies to rally in 2010 – although growth rates varied worldwide. Building on the upturn that had already started in 2009, the high-growth regions of Asia and South America experienced a particularly strong recovery, whereas Europe as a whole again managed only sluggish economic growth. Output rose in all industrialised countries and in the emerging markets. Despite expansionary economic policy and a recovery in most countries, many of them still have very high unemployment. Overall, 2010 was influenced by government stimulus measures coming to an end and by attempts to consolidate public finances in light of the record levels of government debt.

Euro zone descends into crisis – Germany drives growth

The economies of the euro-zone countries fared very differently. Germany turned out to be one of the main engines of growth. As the largest economy in Europe, Germany benefited from the export focus of its industry and thereby from the strong upturn in the emerging markets. Gross domestic product (GDP) rose by 3.6 per cent, having declined by 4.7 per cent in 2009. The upturn was underpinned by new capital expenditure by companies and an increase in consumer spending as unemployment declined.

France and Italy recorded only weak economic growth of 1.6 per cent and 1.0 per cent respectively, while the economies of Spain, Ireland and Greece actually contracted. High debt levels and the threat of insolvency faced by Greece triggered a euro crisis in the first half of 2010: the capital markets feared that the European Monetary Union would fall apart because some countries had fallen massively short of the euro convergence criteria and market participants were concerned about the negative impact of this on the euro zone as a whole. Greece received an emergency loan from the International Monetary Fund (IMF) and the euro-zone countries, in return promising to implement reforms and significantly consolidate its finances. In addition, the European Union and IMF put together a €750 billion bailout fund to enable debt-ridden euro-zone countries to obtain emergency loans independently of the capital markets. Ireland drew on the bailout fund towards the end of the year and initiated far-reaching reforms in order to consolidate its budget. Similarly affected countries such as Spain and Portugal came under pressure in the capital markets as it was assumed that they too would need to be bailed out due to their high debt levels and persistently difficult economic situation. Spain and Ireland in particular are still struggling with the fallout from the crisis in the real estate markets and the structural problems in the financial sector. Both countries are also blighted by high unemployment. At the end of 2010, average unemployment in the euro zone stood at 10 per cent.

Economic indicators

	Gross domestic product		Unemployment rate (%)		Consumer Price Inflation		Industrial Production	
Changes %	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Germany	**3.6**	-4.7	**7.7**	8.2	**1.1**	0.4	**9.9**	-15.4
France	**1.6**	-2.5	**9.4**	9.1	**1.5**	0.1	**5.5**	-13.4
Italy	**1.0**	-5.1	**8.5**	7.8	**1.5**	0.8	**5.4**	-18.4
Spain	**-0.2**	-3.7	**19.9**	18.0	**1.8**	-0.3	**0.7**	-16.2
Eurozone	**1.7**	-4.0	**10.0**	9.5	**1.6**	0.3	**6.6**	-14.8
United Kingdom	**1.7**	-5.0	**4.6**	4.7	**3.3**	2.2	**3.6**	-10.8

Given that financial markets are heavily interconnected at an international level, the financial crisis and the crisis in the real estate markets also affected the United Kingdom. The economy recovered in 2010, with growth in the UK's GDP of 1.7 per cent compared with a decline in economic output of 5 per cent in 2009. However, as in the euro zone, the rally remained only modest. A sizeable portion of the growth can be attributed to the stock cycle, with only muted increases in consumer spending and companies' capital expenditure. Because of the high budget deficit, the new UK government announced tax rises and across-the-board spending cuts aimed at eliminating the structural deficit in the medium term.

USA sees strong growth – structural problems remain

The momentum of the economic recovery in the USA declined over the course of the year. Overall economic output had boomed throughout the winter of 2009/10, but it slowed down again in the summer months as the fiscal stimulus packages and stock cycle gradually ended. Although the estimates for GDP growth were revised downwards during 2010, the USA is still likely to have reversed the 2.6 per cent slump of 2009 with a rise of 2.9 per cent in 2010 – largely owing, however, to government intervention and the Federal Reserve's expansionist monetary policy. There is no sign yet of an upturn on the labour market. At 9.7 per cent, structural unemployment is at one of the highest levels since the 1980s. Moreover, many of the problems that led to the crisis in the real estate markets and then the economic crisis seem to be unresolved. There has still not been a substantial recovery of the housing market, and the number of foreclosures and defaults on mortgages remains at a high level.

Emerging markets stimulate global economy

The emerging markets – above all China – continued on their growth trajectory. Having grown by 9 per cent in 2009, the Chinese economy gained a further 10 per cent in 2010. One of the drivers of this strong growth was industry, which recorded sharp rises in production and capital expenditure. Consumer spending increased in China due to higher real incomes and rising real estate prices. In 2010, the country more than made up for the loss in foreign trade that it had suffered during the economic crisis. Exports reached a record high of US$ 154 billion in December 2010.

In South America, the economic situation visibly improved. By the end of the year, the Brazilian economy – the largest in South America – had regained its previous all-time highs for all of the key economic indicators such as production, exports and consumer spending. Rising commodity prices supported the domestic economy. GDP increased by 7.5 per cent in 2010. At the same time, unemployment fell to a record low of 6.8 per cent.

Having slumped by 7.9 per cent in 2009, the Russian economy recovered somewhat in 2010, fuelled by increased production and higher commodity prices. However, the higher rouble exchange rate made Russian goods and services slightly less competitive, and growth was slightly slower in the second half of the year. Overall, Russia's economic output rose by 4 per cent year on year.

Economic indicators

	Gross domestic product		Unemployment rate (%)		Consumer Price Inflation		Industrial Production	
Changes %	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
USA	**2.9**	-2.6	**9.7**	9.3	**1.6**	-0.3	**5.6**	-9.3
China	**10.1**	9.2	**4.2**	4.3	**3.0**	-0.7	**15.2**	11.4
Brazil	**7.5**	-0.6	**6.8**	8.1	**5.0**	4.9	**4.1**	19.2
Russia	**4.0**	-7.9	**7.5**	8.4	**6.9**	11.7	**8.0**	-9.3

3.2 Business environment in the sector

Sharp price rises for raw materials

Various raw materials are used in the production of parts bought in by the KION Group as well as at its own foundries and component production sites. The most widely used material is steel in the form of sheet metal or in processed form in almost all components. Average steel prices, which had fallen significantly in 2009, increased by 31 per cent in 2010. There was even greater recovery in the price of cast-iron scrap, which climbed by an average of 53 per cent. Prices for copper on the London Metal Exchange also rose by 55 per cent on average during the year. However, the sharpest price rise among the raw materials relevant to the KION Group was for natural rubber at 98 per cent. The oil price – an indicator of the price of plastics and of energy costs – increased by 36 per cent in 2010.

Euro crisis puts pressure on the common currency

The bulk of KION's products are sold in the European Economic Area. But even outside the euro zone, products are invoiced in euros, depending on the sales structure. Besides the major non-European currencies, some revenue is generated in foreign currencies, particularly in the emerging markets of Asia and South America. The most significant foreign currencies for the KION Group are the Chinese renminbi, pound sterling and the Brazilian real. Due to the euro crisis, the euro fell against other reserve currencies in May, but was able to make up for this to some extent during the second half of the year. On a year-on-year basis, however, the euro fell against all of the currencies that are relevant to the KION Group.

Currencies

Average rate per Euro	2010	2009
Brazil (BRL)	2.33	2.77
Switzerland (CHF)	1.38	1.51
China (CNY)	8.99	9.52
United Kingdom (GBP)	0.86	0.89
Russia (RUB)	40.32	44.09
USA (USD)	1.33	1.39

3.3 Market for industrial trucks

Global markets grow by 45 per cent in 2010

Industrial truck markets around the world benefited from the economic upturn in the regions, with the growth in these markets mirroring the rate of economic recovery in the underlying economies. In contrast to the slump in global order intake in 2009, which had fallen by 37 per cent to 548,000 units, the global markets rallied in 2010 with an increase of 45 per cent to 796,000 units. The upturn in eastern Europe and the emerging markets of Asia and South America, which had begun in 2009, continued last year and generated far higher growth rates than in the developed markets of western Europe, the USA and Japan. This caused a further shift in the market shares of the individual regions. The main contributor to global market growth was China, which now has a 25 per cent share of the global market, compared with just 13 per cent in 2008.

Pace of economic growth boosts the German market

After a long winter, order intake in the western European market only began to pick up towards the end of the first quarter. The market grew by a total of 23 per cent to 222,000 units year on year, reaching its peak for the reporting period in December. Despite this rise, the market remains at a low level: order intake for 2010 is approximately 32 per cent below that of the record year of 2007 and at about the same level as 1999. Western Europe presents a very mixed picture. Germany, Europe's largest market, was the biggest driver of growth, recording an order intake of 61,500 units. This increase of 38 per cent accounted for almost half of the growth in western Europe. The rise in exports and industrial output was the main reason for higher demand for material-handling solutions. This increase was spread equally across all product types: electric counterbalance trucks, IC trucks and warehouse equipment. In contrast, western Europe's second largest market, France, grew by a relatively modest 12 per cent. However, it should be noted that the French market had proven very stable during the economic crisis due to its high proportion of warehouse equipment. It therefore had less pent-up demand than countries that had been hit harder by the crisis. The euro crisis and the state of the affected economies are also reflected in the market data. Greece, Ireland and Portugal were the only countries in western Europe to record a contraction of the market for the second year in a row. Although the Spanish market increased by 19 per cent to 14,000 units, order intake remains very low and is just 46 per cent of the level achieved in 2007.

Eastern European market almost doubles

The positive trend in the eastern European market continued in 2010 and order intake increased by 94 per cent year on year to 40,000 units. Following a sharp decline and the reduction of significant inventories in 2009, growth in the Russian market was very encouraging in 2010. With an order intake of 15,300 units, which equated to a rate of growth of more than 370 per cent, Russia has regained its position as the largest market in eastern Europe and the fifth-largest in Europe as a whole. However, the eastern European market is still 46 per cent down on its 2007 level. The main drivers of growth during 2010 were counterbalance trucks fitted with internal combustion engines.

The Americas generate high growth

Order intake in the North American industrial trucks market also benefited from the economic recovery. This market, which had peaked earlier than the others, namely in 2006, grew by 38 per cent in 2010 to 136,000 units. All product types contributed to the upturn. The South American market had recovered to reach its historic high back at the end of 2009, before more than doubling in 2010. Brazil, which is South America's largest market, enjoyed an even greater rate of growth, rising by 170 per cent to 23,000 units. In 2010, the Brazilian market attained its highest-ever level.

Chinese market grows sharply and grows in importance

All the Asian markets improved in 2010, but with very different rates of growth. Order intake in Japan, for example, grew by 18 per cent to 58,000 units, whereas Chinese order intake continued to boom and increased by 70 per cent to reach a new record of 200,500 units. The main source of growth was

IC trucks, the dominant segment in China. China is now the largest individual market and accounts for a market share of 25 per cent (2009: 21 per cent).

Global Industrial Truck Market

in thousand units	2010	2009	2008	Changes 2010/2009
Western Europe	222	181	298	23%
thereof				
Germany	62	45	75	38%
France	47	42	59	12%
United Kingdom	22	17	27	29%
Eastern Europe	40	21	71	90%
thereof				
Russia	15	3	25	>100%
Europe	262	202	369	30%
North America	136	98	159	39%
thereof				
USA	124	89	143	39%
Central & South America	45	21	41	>100%
thereof				
Brazil	23	8	17	>100%
China	200	118	113	69%
Rest of World	153	110	192	39%
World	**796**	**549**	**874**	**45%**

Source: WITS/FEM

3.4 Legal situation

The KION Group's material-handling products are machines that have to comply with certain legal requirements in all of the major geographical markets in which the Company operates. These requirements serve to minimise - or eliminate - the risks associated with using the products for drivers, other people, the facilities in which they operate and the environment in the immediate vicinity. They also help maintain the performance of the machines. In the European Union, for example, the products are subject to the machinery directive (2006/42/EC), other technical regulations such as the emissions directives on noise (2000/14/EC) and exhaust gases (2004/26/EC) and the electromagnetic compatibility directive (2004/108/EC) as well as product-specific regulations, for example the directive on products for use in potentially explosive atmospheres (94/9/EC).

As a manufacturer of material-handling products that are governed by these regulations, the Company must ensure that its products comply with the regulations and must verify and certify this compliance in the prescribed manner.

The procedures stipulated by the regulations for the mandatory declaration of conformity vary depending on the product type. For example, the Company uses both self-certification (e.g. declaration of conformity) and third-party certification (e.g. EC type-examination certificate). As a result, when customers receive a product, they always have confirmation – in the form of the CE marking – that the product complies with all applicable European regulations. Many of the aforementioned legal requirements, especially the directives underlying the 'new approach to technical harmonisation and standardisation', are defined in precise terms in product-specific standards and other standards (e.g. EN, ISO and DIN). These standards provide simplified procedures for complying with the defined legal requirements in a verifiable manner, and the Company makes extensive use of them.

As a technology leader, the KION Group endeavours to surpass the minimum standards defined for the products that it makes.

Corresponding regulations and standards apply in other jurisdictions around the world, and the Company's products sold in those markets comply with them as well.

Technical standards, product safety regulations and environmental requirements are constantly being updated by the authorities responsible for them. Examples include the tighter emissions levels permitted for IC trucks and the requirements and limits placed on employers so that they protect their employees against excessive levels of noise and vibration. As a technology leader, the Company is well placed to more than simply fulfil these requirements. In fact, its products' existing technical properties create potential for KION to successfully differentiate itself further from the competition. In addition, the KION Group is an active member of associations such as the German Engineering Federation (VDMA) and its working groups in which it helps to continually enhance standards and regulations. Overall, the KION Group does not expect the changing regulations to have any material negative effects on its business model.

Besides these product-specific rules and regulations, the Company's business activities are subject to the requirements typically placed on companies that have a strong export business (e.g. the relevant export controls) and that work with distribution partners (e.g. EU Block Exemption Regulation). However, these regulations and the corresponding legislation in sales markets do not place any material restrictions on the Company's business activities.

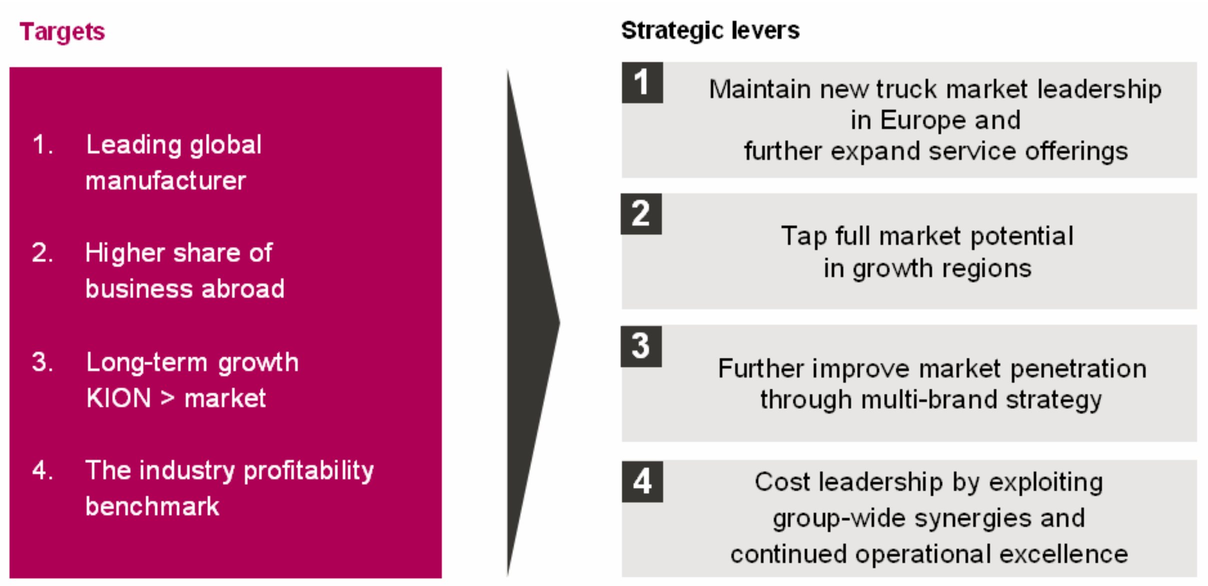
4 Strategy

4.1 Clear strategic objectives

The KION Group is committed to delivering a sustained increase in shareholder value. It has therefore set itself clear strategic objectives with which it can focus on sustained growth, efficiency and strong earnings. In the medium term, the KION Group aims to be the undisputed market leader and to use its strong competitive position to become the provider with the largest market share in the sector. It intends to expand its market share by exploiting its strong standing in its home markets as well as its excellent foothold in the high-growth markets. Before the crisis in 2009, the KION Group already had the highest profitability in the industrial trucks sector measured in terms of adjusted EBIT margin. The KION Group aims to maintain this leading position. Factors that will help achieve this objective are the KION Group's market-leading technologies, the high proportion of service business and, in particular, the initiatives launched in 2009 to boost performance, such as the relocation of products and plant closures.

To achieve its strategic objectives, the KION Group uses four strategic points of leverage. It will also continue to participate in global market growth – especially in the high-growth regions – by drawing on its strong market position in Europe. To penetrate the markets effectively, the KION Group pursues a multi-brand strategy that enables it to boost its market coverage in terms of customer needs, sales systems and regional requirements. Since it was founded, the KION Group has been successively leveraging potential synergies in the Group and continually improving its operational performance. The KION Group applies these points of leverage in strategic projects and initiatives over which individual members of the Executive Board have direct responsibility.

Diagram showing the strategy of the KION Group



4.2 Strategic points of leverage and projects

1. Maintain market leadership in Europe and further expand service offerings

The KION Group intends to consolidate its market leadership in Europe, which it has achieved through its strong brands, products based on market-leading technologies and a continually expanding range of services.

The KION Group is a technology and innovation leader and concentrates on further extending its competitive edge. Its products enable customers to become more efficient in terms of consumption, performance and ergonomics. Linde has maintained an outstanding position for the past 50 years, offering economical, efficient and low-maintenance hydrostatic drives. Its Linde Hydraulics business continually pushes ahead with new developments in an important technological field. STILL is strongly placed in the high-potential market for hybrid drives with its drive system that combines a diesel engine with an electric motor – a unique concept in the sector. The company already has the most economical truck in the sector: the RX 70 Hybrid. These two major brands are positioning themselves with dedicated concepts that enable them to benefit from the long-term trend for 'green' logistics, such as fuel cell drive systems and lithium ion technology, as well as for more ergonomic trucks. In 2010, the KION Group ploughed 2.9 per cent of its total revenue – or 5.5 per cent of its revenue from new trucks and hydraulics – into research and development. This substantial proportion puts the KION Group in a leading position in its sector, although there is still potential to expand its technological edge and translate the progress that it has made into efficiency gains for customers.

The KION Group continually aligns the broad range of products and services offered by its brands with customer needs. The portfolio consists of far more than the new truck business - the KION Group offers all the solutions and services that customers require for their internal material flow. This includes delivering customised and fleet-based solutions as well as providing customers with a comprehensive package of highly effective material flow management services and the necessary accompanying IT systems. Accounting for 46 per cent of total revenue in 2010, services make a considerable contribution to the KION Group's product range. With a fleet of over one million trucks in use worldwide, the KION Group has a broad and lucrative platform for its service business, which proved to be more stable than the new truck business during the crisis. It will continue to expand its service offering and further increase service coverage for its active fleet. More than half of the KION Group's 19,968 employees work in service or sales. Service is a key factor in long-term customer retention.

2. Tap full market potential in growth regions

In comparison to its global competitors, the KION Group occupies an outstanding position in all of the high-growth regions, which include in particular the eastern European, South American and Asian markets. The KION Group intends to consolidate this position and take advantage of the potential and the continuing growth of these markets. It has its own production sites in China and Brazil and, thanks to its distribution and service network, is represented in all the important high-growth markets. The KION Group will continue to launch local products that address the specific needs of the different markets and expand its range of region-specific products, at the same time drawing on its brand companies' broad product portfolio. It will also continue to make targeted investments in high-growth regions, expand its distribution and service network and adapt local production capacities to market requirements.

3. Further improve market penetration through multi-brand strategy

The multi-brand strategy is a fundamental element of the KION Group's overall strategy. As the global number two and the market leader in Europe, the KION Group pursues a multi-brand strategy based on its Linde, Fenwick, STILL, OM and Baoli brands, which enables it to cover and serve a wide range of regions, market segments and customer groups as effectively as possible. Whereas the global premium brands Linde and STILL operate in the market independently of one another, the two regional brands Fenwick and OM focus on their home French and Italian markets respectively, where they are among the market leaders. Baoli, the Chinese brand that has been part of the KION Group since 2009, operates in the economy segment and is pursuing the high-growth market for simpler, robust IC trucks, for which there is also demand in other growth regions besides China. The KION Group's five brands enable it to draw on their different strengths and effectively cover the various markets and segments via all the main distribution channels. The range of brands also enables the KION Group to offer several alternatives to competitors' products and thereby expand its market share. In future, the KION Group will continue to pursue a multi-brand strategy and make targeted acquisitions of other local brands that will enable it to further strengthen its market position. Moreover, the KION Group will further expand its distribution and service network.

4. Cost leadership through synergies and operational excellence

Since being spun off in 2006, the KION Group has been systematically leveraging potential synergies and boosting its performance by making operational improvements. The objective of the KION Group's organisational structure across all five brand companies is to increase overarching synergies and implement best practice throughout the Group. After all, a multi-brand strategy offers significant potential for synergies. At the same time, clear brand differentiation is a central element of marketing. The KION Group's production and logistics units are managed at head office by Central Operations (COPS) in order to establish uniform standards and make expertise available to all parts of the Group. Besides the ongoing improvement of production processes, COPS also focuses on platform strategies and modular concepts. This focus enables the KION Group to draw on its brand companies' comprehensive product portfolio by making the product developments of individual brands available to other brands so that they can exploit potential in their markets. Having a shared purchasing organisation generates cost savings for the entire Group due to economies of scale and a stronger negotiating position. This, plus the joint research & development unit, enables the bundling of resources and more efficient capacity utilisation. The Group also implements and runs standardised IT systems and platforms. By exploiting potential synergies and continually raising its operating performance, the KION Group can continue to improve its margins.

4.3 KIARA programme boosts performance

The main aims of the KIARA performance enhancement programme, which was launched in 2009, are a lower break-even point by means of systematic cost management, optimised structures and more efficient processes. This programme has enabled the KION Group to sustainably improve its cost structure and considerably boost its performance.

The far-reaching programme is divided into various modules: sales & service, production, hydraulics, research & development, purchasing and administrative functions. It comprises almost 200 individual initiatives, which are managed using relevant key performance indicators and whose progress is measured on a monthly basis. The appetite for change within the organisation is one of the key factors driving the success of the KIARA performance enhancement programme, which has contributed approximately €250 million in its first two years and has thereby exceeded its target of €212 million.

Steps to reduce fixed costs were initiated promptly in 2009 and have lowered the break-even point. Adjustments have been made to capacities in production, sales & service and the administrative departments to reflect changing market conditions. Capacities that will not be required in the short to medium term were reduced by laying off contract workers, reducing time accounts and introducing short-time working. In cases where capacities will not be required in the longer term, the KION Group worked in cooperation with employee representatives to find and implement solutions with the minimum possible social impact.

These optimised structures enable the KION Group to adjust capacities more flexibly. They form the basis for being able to fully participate in the market recovery and therefore emerge from the crisis in a stronger position. The KION Group has transferred the production of products from smaller plants to larger plants, thereby increasing the use of available capacity and benefiting from economies of scale. This has also strengthened the capabilities and competitiveness of the remaining plants. The Group successfully implemented its plans to relocate production facilities and consequently eliminate overcapacities in 2010.

Production at the LMH plant in Basingstoke ended in the first half of 2010, and the plant's production was relocated to the LMH core site in Aschaffenburg, the Châtellerault plant and the STILL core site in Hamburg. After production of reach trucks was relocated from the STILL plant in Reutlingen to the STILL core site in Hamburg, the Reutlingen plant was expanded to create a centre of competence for VNA trucks and systems engineering. In the hydraulics division, axle assembly for diesel trucks was relocated from the Kahl plant in Germany to LiPo, the plant run by Linde Pohony in the Czech Republic.

4.4 Financial KPIs for managing the Company's business

The management approach is based on six key performance indicators: order intake, revenue, adjusted EBIT, adjusted EBITDA, net bank debt and free cash flow before tax. These key figures are used for the KION Group as a whole and at segment level. They form the basis for the performance targets for both the KION Group and its segments as well as determining a significant proportion of senior managers' performance-related remuneration. The key performance indicators are determined once a month and submitted to the Executive Board as part of a comprehensive reporting package. Net bank debt is only relevant at Group level. The table below shows the key performance indicators used in the KION Group's internal financial reporting.

Key performance indicators

€ million	Order intake	Revenue	Adjusted EBIT[1]	Adjusted EBITDA[1]	Net financial debt	Free cashflow before tax
2010	**3,860**	**3,534**	**139**	**462**	**2,641**	**119**
2009	3,028	3,084	-29	311	2,484	34
2008	4,399	4,554	358	709	2,303	292

[1] Adjusted for KION acquisition items and one-off items

Order intake and revenue

Order intake and revenue are broken down by region, product segment and product group in the KION Group's management reporting so that revenue growth drivers and pertinent trends can be identified and analysed in a timely fashion.

Adjusted EBIT

The key figure used for the operational management and analysis of the KION Group's financial performance is adjusted earnings before interest and tax (EBIT). The EBIT figure is shown net of depreciation for property, plant and equipment and leased assets and of amortisation for intangible assets. One-off items are not included for the purposes of performance measurement; these items include the effect of purchase price allocation in connection with the KION acquisition, costs incurred in connection with the KIARA performance enhancement programme, redundancy schemes and severance pay. The EBIT margin is also used to measure the KION Group's operational efficiency. The EBIT margin is the ratio of adjusted EBIT to revenue.

For internal management reporting purposes, the adjusted EBIT figure does not include other net financial income/finance cost or net investment income.

Adjusted EBITDA

Unlike EBIT, the EBITDA figure is shown before deduction of depreciation for property, plant and equipment and leased assets and of amortisation for intangible assets. As with adjusted EBIT, the effects of the KION acquisition purchase price allocation and one-off items are not included for the purposes of performance measurement. Adjusted EBITDA constitutes an approximation of the cash flow KPI and provides information on the Company's long-term financial performance.

Net financial debt

Net financial debt – defined as the difference between financial debt and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level. Lease liabilities and other financial liabilities are excluded from this figure.

Free cash flow before tax

Future free cash flows have a direct impact on the value of the Company. They are determined solely by the KION Group's operating activities and investing activities. Free cash flow before tax does not include tax payments or interest arising from financing activities, interest expense and similar charges from leases, or interest and similar income from leases. The performance measurement of free cash flow before tax is supported by the carefully targeted management of working capital and by detailed planning of capital expenditure.

4.5 Acquisitions and alliances

Complete management control of Baoli assumed

In 2010, the KION Group assumed complete management control of the KION Baoli joint venture, which it had established with Jiangsu Shangqi Group (formerly Jiangsu Baoli Group) and Jingjiang Baoli Forklift in January 2009. Following this, Baoli was fully integrated into the KION Group's business operations.

The fifth KION brand, Baoli is globally positioned in the economy segment. Its product range encompasses IC trucks, electric lift trucks and warehouse equipment with loading capacities of between one and ten tonnes. Baoli has an extensive distribution and service network in all provinces of China and in 80 other countries, enabling it to deliver competitive products and services to customers in China and overseas.

Because of the market recovery, particularly in China, the KION Group will invest further in Baoli. The comprehensive integration plan focuses on sales, service, product development and the production system, enabling Baoli to cater to customer requirements even better.

The additional capital expenditure on Baoli lays the strategic foundations for consolidating the position as number-one international provider of material-handling products in China. Moreover, Baoli – with its competitive product portfolio – is a mainstay of the strategy for expanding in the world's high-growth markets.

STILL expands its sales activities in France

At the start of 2010, STILL acquired the outstanding shares in the French dealer SAMA SAS, thereby stepping up its sales activities in its second most important market.

Global alliance with Eaton boosts Linde Hydraulics

KION's Linde Hydraulics division has entered into a global strategic alliance with Eaton, the international industrial manufacturer.

Eaton is a diversified manufacturer of power management solutions and posted annual revenues of some US$ 14 billion in 2010. Its Eaton Hydraulics division is a global market leader for hydraulic components and drive systems.

The joint aims of the two companies, which remain independent, are to expand their global market presence and strengthen their competitiveness. This is enabling the KION Group to take a significant step towards one of the main objectives of its hydraulics strategy, namely to expand business with external customers. The alliance with Eaton gives the KION Group direct access to an extremely powerful global distribution network.

Both companies benefit from the alliance because the product portfolios and regional presence of Linde Hydraulics and Eaton complement each other perfectly. KION Group customers in the construction, agriculture, commercial vehicles and manufacturing sectors gain greater access to hydraulic system technologies and services through the new alliance.

Eaton is adding Linde Hydraulics' comprehensive range of high-pressure piston pumps, motors and valves to its portfolio, and Linde Hydraulics is offering Eaton's medium-pressure piston products.

In the Americas and Asia Pacific, Eaton supplies Linde Hydraulics products through its extensive sales and services networks and distribution partners. Linde Hydraulics continues to operate in these regions by providing application support, technical services and support for major international customers. In Europe, the Middle East and Africa, sales organisations and distributors for both companies continue to focus on their core businesses with the mutually expanded product range.

5 Notes on financial position and financial performance

5.1 Operating and financial performance

5.1.1 Order intake

Market growth boosts intake of orders for new trucks (units)

The improved market conditions in 2010 enabled the KION Group to increase its global order intake for new trucks by 32 per cent to 121,500 units, contrasting with the 37 per cent decline to 92,000 units in 2009. Counterbalance trucks, which represent 44 per cent of the KION Group's order intake and are mainly used in industrial applications, benefited significantly from the economic recovery in western Europe, especially in Germany, and from the upward trajectory of the key high-growth markets. They demonstrated a much steeper upward trend than warehouse equipment, thereby making up for the above-average declines in 2009. The increase was driven to a significant extent by the emerging markets, which generated almost half of this growth. In recent years, they have steadily gained in significance and now account for more than a quarter of total order intake. In terms of the number of units sold, China is now the third-largest market for the KION Group, behind Germany and France. Brazil is in sixth place.

In western Europe, where it is a market leader, the KION Group was able to take advantage of its excellent distribution network and Germany's pronounced economic recovery. Order intake across all product categories increased at a higher rate than that of the western European market, rising by 24 per cent to 83,900 units. This means that more than one in three new trucks sold in western Europe was from one of the KION Group brands. The most important industrial truck markets in western Europe are Germany, France, Italy, the UK and Spain.

Order intake by the KION Group in eastern Europe rose sharply by 54 per cent to 8,800 units. The KION Group more than doubled its order intake in Russia, but was not entirely able to keep pace with the strong growth in that country. It slightly improved its market position in other eastern European countries. Besides Russia, the most significant markets in eastern Europe are Poland and the Czech Republic.

In the Americas, the KION Group increased its order intake by 80 per cent to 8,200 units. The most important market and, at the same time, the biggest driver of growth was Brazil, where the KION Group occupies a leading position in the electric-powered counterbalance trucks and warehouse equipment segments. Like the Linde and STILL brands, Baoli also made encouraging gains in the IC trucks segment. Brazil is now Baoli's most important export market.

In China, the KION Group boosted order intake by 47 per cent to 11,700 units due to rapid market growth and the launch of new market-specific products. Although it did not quite keep step with the market's high growth, which was mainly driven by low-priced IC trucks, the KION Group did in fact expand its market share slightly in the second most important, technologically sophisticated market segment for electric forklift trucks. The KION Group is represented by the two brands Linde and Baoli in China, and their product portfolios cater to the different market segments and customer needs. Overall, the KION Group is by far the most important international supplier in China, which is the largest individual market.

Emerging from the crisis as a winner; but loss of global market share due to strong growth in China

During the economic crisis, the KION Group gained market share in its important European markets thanks to its comprehensive portfolio of products and services, extensive distribution network and the high quality and efficiency of its products. The KION Group's strategic points of leverage are therefore proving effective. Compared to 2008, the year before the crisis, the KION Group expanded its market share in the four most important western European markets – and therefore in western Europe as a whole – as well as in eastern Europe and Brazil. China was the only country where the KION Group has lost a small amount of market share compared to 2008. This is because the Chinese market has grown strongly, mainly in the low-price IC trucks segment. The KION Group has also been represented there by the Baoli brand since 2009. As the largest provider in the high-quality premium segment in China with its Linde brand, the KION Group is also excellently placed to take advantage of the trend for efficient machinery, particularly in the electric forklift trucks and warehouse equipment segments. The KION Group's global market share contracted slightly from 16.8 per cent to 15.3 per cent. Gains in market share in the major western European markets were not able to fully make up for the structural shift resulting from strong growth in China, which now represents a quarter of the global market. However, the KION Group was able to extend its position as the number two in the global market and the market leader in Europe due to its excellent foothold in all high-growth regions and its balanced product mix compared to its main direct competitors.

Total order intake (€)

The value of the KION Group's order intake was €3,860 million, which equated to a year-on-year increase of 27 per cent. Apart from business in new trucks, this total includes other product categories such as rental business, used trucks and aftersales business. The categories other than new trucks were more stable – as they had been during the crisis. Growth in the value of order intake was therefore below that of the growth in orders taken for new trucks as measured in units. This growth was also driven by increased capacity utilisation of the fleet in the market and the associated rise in demand for services and spare parts, plus greater demand for used and rental trucks.

Order intake by brand			
€ million	2010	2009	Change
LMH	2,510	1,879	33.6%
STILL	1,328	1,076	23.4%
OM	222	190	16.8%
Consolidation	-200	-117	-70.7%
Total	**3,860**	**3,028**	**27.5%**

Order intake by the KION Group's largest segment, LMH, benefited considerably from the strong upturn in the home German market and from growth in the Chinese, South American and eastern European markets. Order intake for new trucks in the LMH segment climbed by 33 per cent to 75,800 units.

The total value of orders taken by the Linde Material Handling segment grew by 34 per cent to €2,510 million.

In 2010, orders taken by STILL for new trucks increased by 38 per cent to 35,300 units. Germany, the eastern European countries and Brazil were the largest drivers of growth. Brazil is now STILL's third-largest individual market. The total value of STILL's order intake rose by 23 per cent in 2010 to €1,328 million.

The order intake for OM (including Komatsu) climbed by 10 per cent to 10,400 units. The below-average performance of its home southern European markets had a noticeable impact on OM. The distribution and production alliance with Komatsu expired towards the end of 2010. The total value of OM's order intake rose by 17 per cent in 2010 to €222 million.

5.1.2 Order backlog

Starting in the second quarter, the order backlog increased as business picked up noticeably. The key contributing factors were the rapid increase in new trucks business and factories' higher capacity utilisation. The order backlog grew to €801 million, a year-on-year increase of 50 per cent. All the brands contributed to this growth.

5.1.3 Income statement of the KION Group for 2010

Order intake had a positive impact on the KION Group's revenue, which rose by €450 million or 15 per cent to €3,534 million (2009: €3,084 million). The main factor in this rise was the new trucks business, which recorded a 20 per cent increase and particularly benefited from the rapid recovery of counterbalance trucks (IC and electric trucks). Significant growth rates in the German, Chinese, eastern European and South American markets also played a considerable role. Revenue from new trucks did not quite keep pace with the rise in order intake measured in units, because revenue is not recognised until later and is also affected by the structure of the order backlog. Moderate price increases also helped boost revenue in 2010. The improved market conditions and, therefore, the higher demand for industrial trucks were also felt in other product categories. Rental business, especially short-term rentals, was boosted by customers' immediate need for additional capacity as a result of the economic recovery. There was also an encouraging increase in demand for used trucks, resulting in revenue rising by 15 per cent to €187 million. Aftersales profited from the improved capacity utilisation of the fleet in the market, which caused demand for services and spare parts to rise by 10 per cent to €971 million.

Revenue by brand

€ million	2010	2009	Change
LMH	2,254	1,920	17.4%
STILL	1,245	1,095	13.7%
OM	202	191	5.6%
Other	160	79	>100%
Consolidation	-326	-201	-62.1%
Total	**3,534**	**3,084**	**14.6%**

Revenue by customer location

€ million	2010	2009	Change
Germany	900	770	16.9%
EU w/o Germany	1,820	1,747	4.2%
Rest of Europe - non EU	152	115	31.9%
America	233	136	70.8%
Asia	302	219	37.9%
Rest of world	128	97	31.5%
Total	**3,534**	**3,084**	**14.6%**

Revenue by product category

€ million	2010	2009	Change
New truck business	1,776	1,477	20.2%
Rental business	402	396	1.7%
Used trucks	187	163	15.0%
Aftersales business	971	881	10.2%
Hydraulic components	120	107	12.0%
Other	79	61	29.5%
Total	**3,534**	**3,084**	**14.6%**

Gross profit in the KION Group rose by 42 per cent to €850 million. This was because the rate of increase in the cost of sales (+8 per cent) was lower than that of revenue. Gross margin rose from 19.4 per cent to 24.1 per cent in 2010. The higher margin was caused by the cost-saving measures implemented in 2009, the significant rise in capacity utilisation and efficiency gains in production, which more than offset the higher raw material prices.

There was also only a moderate rise in other functional costs. Selling expenses increased by around 12 per cent, which was a smaller rise than that of revenue and can be attributed to effective monitoring of transport costs. Lower depreciation for property, plant and equipment had a positive impact on general and administrative expenses, which were around 5 per cent lower than in 2009. Research and development (R&D) expenditure rose by 3 per cent to €103 million. In line with the KION Group's focus on consolidating its technology leadership, one of the most crucial projects in 2010 was the establishment of the new KION Asia R&D unit in Xiamen, China, where products tailored specifically to the Asian market are developed.

Revenue rose as a result of the improved market situation, while sales and functional costs increased at a significantly lower rate than revenue partly due to the rigorous management of fixed costs. These two factors combined to enable the KION Group to generate impressive earnings before interest and tax (EBIT) of €35 million (2009: minus €182 million).

Condensed income statement of the KION Group

€ million	2010	2009	Change
Revenue	3,534	3,084	14.6%
Cost of sales	-2,684	-2,484	-8.1%
Gross profit	**850**	**600**	**41.6%**
Selling expenses	-484	-434	-11.5%
Research and development costs	-103	-101	-2.7%
Administrative expenses	-248	-260	5.0%
Other	19	13	50.5%
Earnings before interest and tax (EBIT)	**35**	**-182**	**>100%**
Net finance cost	-266	-223	-19.2%
Loss before tax	**-231**	**-405**	**42.9%**
Income taxes	35	39	-10.7%
Loss of the year	**-197**	**-366**	**46.3%**

Acquisition-related effects and one-off items amounted to a total of €105 million in 2010 – significantly less than in 2009 (€153 million) – primarily owing to one-off items, which decreased by €53 million to €76 million. As the bulk of the restructuring related to the relocation of production was completed in 2009, the corresponding restructuring costs in HR and impairment losses were considerably lower in 2010 than they had been the previous year. The effects from the purchase price allocation (PPA) in connection with the acquisition of KION amounted to €29 million (2009: €24 million). The following table shows the reconciliation from EBIT to adjusted EBIT:

Reconciliation to adjusted EBIT

€ million	2010	2009	Change
Earnings before interest and tax (EBIT)	35	-182	>100%
One-off items	76	129	-41.2%
KION acquisition items	29	24	20.6%
Adjusted EBIT[1]	**139**	**-29**	**>100%**

[1] Adjusted for KION acquisition items and one-off items

The KION Group's EBIT adjusted for one-off items came to €139 million in 2010, a year-on-year improvement of €168 million.

This presentation of adjusted EBIT also includes the profit or loss from equity-accounted investments and other net investment income. These items are derived from smaller operating investments in the Linde Material Handling segment and other investments in dealers.

Linde Material Handling accounted for a significant portion (€139 million) of the considerably higher adjusted EBIT. The significant improvement is a result of the positive revenue increase in the strong home German market and the emerging markets, optimised capacity utilisation and successful containment of fixed costs. The same applies to STILL's adjusted EBIT, which rose by €42 million to €26 million. OM's adjusted EBIT improved by €6 million to minus €5 million in 2010.

EBIT by segment adjusted[1]

€ million	2010	2009	Change
LMH	139	25	>100%
STILL	26	-16	>100%
OM	-5	-11	53.4%
Other & consolidation	-21	-27	23.5%
Total	**139**	**-29**	**>100%**

[1] Adjusted for KION acquisition items and one-off items

EBIT by segment

€ million	2010	2009	Change
LMH	86	-68	>100%
STILL	2	-55	>100%
OM	-20	-16	-28.6%
Other & consolidation	-33	-43	23.0%
Total	**35**	**-182**	**>100%**

Net finance costs rose by €43 million from €223 million to €266 million in 2010. The main reason for this was the increase in the interest expense on loan liabilities in connection with the senior facilities agreement (SFA) from €96 million to €129 million. The challenging economic environment in 2009 and the related amendments to covenant agreements with effect from October 2009 increased interest costs compared with 2009. However, this was partly offset by lower interest-rate hedging costs in 2010. This was attributable to the altered structure of interest-rate hedges because, in addition to swaps, caps are also used now, which did not trigger any compensation payments.

Overall, the loss before tax decreased significantly, declining from €405 million in 2009 to €231 million in 2010.

In 2010, the income taxes reported for the KION Group were again positive. They comprised a net tax income of €35 million, compared to €39 million in 2009. This figure is broken down into current tax expense of €15 million and offsetting deferred tax income of €50 million, which led to a slightly higher amount of deferred tax assets being recognised due to the much stronger earnings situation and utilisation of tax loss carryforwards compared to 2009 (€44 million).

The net loss for 2010 amounted to €197 million (2009: net loss of €366 million). This clear improvement of €169 million reflects the KION Group's much better business situation and the greater efficiency achieved by optimising production processes.

5.2 Financial position

Principles and objectives of financial management

The objective of financial management is to ensure the availability of adequate liquidity at all times and to limit financial risk.

Ensuring that the Company has sufficient liquidity at all times includes not just its solvency in the strict sense of the term but also the availability of the necessary financial resources for its day-to-day business, the settlement of customers' orders, the supply of cash throughout the organisation, and the management of any collateral security provided. The main objective of this approach is to limit the financial risks attaching to the Company's market value and profitability. They include exchange-rate risk, interest-rate risk, price risk, credit risk and country risk.

A group of international banks and investors primarily provide the financial resources required by the KION Group for external operations. The financial resources required within the KION Group are provided through internal funding. Where possible, the KION Group covers subsidiaries' funding requirements with intercompany loans. This central source of funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants.

Companies in the KION Group either utilise other entities' liquidity surpluses in the form of cash pools or receive intercompany loans. Group Treasury arranges credit lines with local banks or leasing companies in some cases in order to comply with legal, tax and other regulations.

The main loan agreement includes financial covenants specifying compliance with defined ratios for financial position and financial performance. The covenants are expressed in the form of key figures relating to gearing, available liquidity, adjusted EBITDA, interest paid and capital expenditure. In 2009, the terms of the loans were adjusted in line with current market conditions with the broad consent of the lenders. In return for the adjustment of the covenants, the lenders were granted an increase in the interest premium. This premium is payable for the most part as a bullet payment on maturity, thereby ensuring that there is no adverse effect in the meantime on the KION Group's liquidity. The KION Group complied with all the financial covenants in the past financial year.
In addition, investment funds associated with Kohlberg Kravis Roberts & Co. L.P. and Goldman, Sachs & Co. have provided the KION Group with a loan of €100 million under the terms of the SFA in order to offer the Company more flexibility in its corporate strategy. The loan amount and the associated interest are repayable as a bullet payment on maturity.

The KION Group also uses factoring for financing purposes. As at 31 December 2010, the volume of non-recourse factoring was €20 million (31 December 2009: €23 million); the KION Group only uses a small amount of recourse factoring.

KION Group GmbH has sufficient cash and cash equivalents as well as unrestricted, bindingly committed credit lines at its disposal to ensure solvency at all times.

Cash flow

The key performance indicator for liquidity in the KION Group is free cash flow before tax, which does not include tax payments or interest arising from financing activities, or interest expense and similar charges from leases, or interest and similar income from leases. For more information about free cash flow before tax and other KPIs used to manage the KION Group, see section 4.2 'Financial KPIs for managing the Company's business'.

In 2010, cash flow from operating activities rose sharply by 74 per cent to €199 million (2009: €115 million). The underlying reason for this improvement was the increase in earnings before interest and tax (EBIT) to €35 million (2009: minus €182 million). The slight increase in working capital, which was related to the larger volume of business, was disproportionately low compared to revenue growth and was also reflected in the cash flow from operating activities.

Cash flow from investing activities in the Group amounted to a net outflow of €123 million in 2010 (2009: net outflow of €113 million), equating to an increase of 9 per cent. The reason for this was the higher capital expenditure on non-current assets and property, plant and equipment (capex), with total cash payments amounting to €123 million (2009: €108 million). Capital expenditure went on development projects for new products and facelifts, leaner production processes, plus the conversion and construction work required to relocate production to Germany. The KION Group acquired the remaining shares in a French dealer for €8 million.

In addition, the KION Group acquired a larger stake in Baoli in April 2010. As the KION Group assumed control of Baoli back in 2009, the additional outflow of funds amounting to some €10 million must be recognised as financing activities in accordance with IAS 7.

Cash flow from financing activities amounted to a total net cash outflow of €290 million (2009: net cash inflow of €47 million). Whereas the main activities in 2009 had been the drawdown of an existing line of credit (capex facility) and of the senior facility agreement (SFA), the net outflow of funds in 2010 was caused by the net repayment of loans (€96 million) and the repayment of other funds by individual Group companies (€42 million). Interest payments fell by €24 million to €135 million as a result of the drop in payments for interest-rate hedges.

As at 31 December 2010, the cash and cash equivalents reported on the face of the balance sheet amounted to €253 million (2009: €463 million).

Condensed cash flow statement

€ million	2010	2009	Change
EBIT	35	-182	>100%
Cash flow from operating activities	199	115	73.7%
Cash flow from investing activities	-123	-113	-9.2%
Cash flow from financing activities	-290	47	<-100%
Currency effects on cash	4	1	>100%
Change in cash and cash equivalents	-211	50	<-100%
Net financial debt[1]	2,641	2,484	6.3%

[1] Before borrowing costs

For internal management purposes, free cash flow is much more narrowly defined as the total of cash flow from operating activities plus cash flow from investing activities.

Reconciliation to free cash flow before tax

€ million	2010	2009	Change
Cash flow from operating activities	199	115	73,7%
Cash flow from investing activities	-123	-113	-9,2%
Free cash flow	**76**	**2**	**>100%**
Taxes paid	13	22	-40,8%
Interest on lease receivables/liabilities	10	14	-26,2%
Finance receivables incl. interest income	-2	-4	50,0%
Cash out from ownership interests (after control)	-10	–	-
Other items	-4	–	-
Free cash flow before tax[1]	**83**	**34**	**>100%**

[1] Internal key performance indicator

In contrast to the free cash flow of €76 million, free cash flow before tax (the figure used for management purposes) does not include a number of items, including tax payments (€13 million) and lease interest payments (€10 million). In 2010, receipts from financial receivables and interest income (€2 million) and other individual items that were treated differently in accordance with IAS 7 were additionally reclassified. Taking into account these items, the free cash flow before tax was €83 million, a sharp rise of 144 per cent.

5.3 Net assets

As at 31 December 2010, total assets had decreased minimally by 1.0 per cent to €5,759 million (31 December 2009: €5,815 million).

The structure of the KION Group's balance sheet continued to reflect its acquisition finance and the KION purchase price allocation. The net loss for the year of €197 million considerably increased the negative amount of equity reported on the balance sheet. As at 31 December 2010, the KION Group's equity stood at minus €400 million (31 December 2009: minus €213 million).

Assets

Condensed balance sheet, assets

€ million	2010	in (%)	2009	in (%)	∆ in %
Non-current assets	**4,105**	**71.3%**	**4,146**	**71.3%**	**-1.0%**
thereof:					
Goodwill	1,507	26.2%	1,505	25.9%	0.1%
Brand names	591	10.3%	590	10.2%	0.1%
Deferred tax assets	242	4.2%	206	3.5%	17.2%
Leased assets	501	8.7%	536	9.2%	-6.5%
Lease receivables	247	4.3%	260	4.5%	-5.1%
Current assets	**1,654**	**28.7%**	**1,669**	**28.7%**	**-0.9%**
thereof:					
Inventories	536	9.3%	471	8.1%	13.7%
Trade receivables	633	11.0%	511	8.8%	23.9%
Lease receivables	121	2.1%	115	2.0%	4.8%
Cash	253	4.4%	463	8.0%	-45.4%
Total assets	**5,759**		**5,815**		**-1.0%**

As at 31 December 2010, non-current assets (€4,105 million) and current assets (€1,654 million) were almost unchanged on a year earlier.

Reported under non-current assets, goodwill was largely unchanged at €1,507 million. Other intangible assets, which also include trademark rights, declined as normal by €10 million to €986 million due to amortisation of, among other things, core technologies.

Other property, plant and equipment reduced by €24 million to €566 million. This is mainly due to depreciation (€87 million). However, this was partly offset by capital expenditure on other property, plant and equipment of €53 million.

Leased assets decreased by €35 million to €501 million due to the decline in leases. Non-current lease receivables declined by €13 million to €247 million for the same reason.

Reported under current assets, inventories increased by €65 million to €536 million. The larger volume of business caused a rise in inventories of raw materials, supplies and finished goods. At 13.7 per cent, the rate of increase in inventories was slightly lower than that of revenue growth. Even as its new trucks business grows, the KION Group still strives to optimise inventories by closely managing working capital.

Overall, the larger volume of business contributed to the €122 million rise in trade receivables to €633 million. Moreover, the KION Group's optimised receivables management and the improved payment record of trade debtors meant that there was no increase in valuation allowances.

Cash and cash equivalents declined by €210 million year on year to €253 million (2009: €463 million). This decrease was mainly due to the net repayment of loans (€96 million), the repayment of short-term bank loans by individual Group companies (€38 million) and the reduction in other funding (€4 million).

Equity and liabilities

Condensed balance sheet, equity and liabilities

€ million	2010	in (%)	2009	in (%)	Δ in %
Equity	**-400**	**-6.9%**	**-213**	**-3.7%**	**-87.7%**
Non-current liabilities	**4,800**	**83.3%**	**4,874**	**83.8%**	**-1.5%**
thereof:					
Shareholder loan	615	10.7%	587	10.1%	4.7%
Financial liabilities	2,772	48.1%	2,819	48.5%	-1.7%
Deferred tax liabilities	335	5.8%	355	6.1%	-5.7%
Lease liabilities	411	7.1%	485	8.3%	-15.2%
Current liabilities	**1,359**	**23.6%**	**1,154**	**19.9%**	**17.7%**
thereof:					
Financial liabilities	106	1.8%	108	1.9%	-1.7%
Trade payables	508	8.8%	357	6.1%	42.4%
Lease liabilities	251	4.4%	215	3.7%	16.7%
Total equity and liabilities	**5,759**		**5,815**		**-1.0%**

The equity and liabilities side of the balance sheet primarily reflects the financial liabilities related to the KION Group's acquisition finance. The Company's syndicated loan liabilities were placed with a wide group of international banks and investors in 2007.

The acquisition finance was originally drawn in euros but some of this finance was then converted to US dollars. The last dates for the repayment of amounts drawn down under the syndicated loan are between 2013 and 2016. In both currencies, the interest payable is based on a variable rate. The KION Group has entered into interest rate and currency derivatives – primarily interest rate swaps, currency swaps and currency options – to hedge the interest-rate and exchange-rate risk arising in connection with the acquisition finance. Financial debt as at 31 December 2010 was €2,894 million (gross), a year-on-year decline of €54 million. The main financing activities during 2010 were the net repayment of loans (SFA) (€96 million) and the repayment of other short-term bank loans (€38 million). Currency effects from translating the US dollar tranche of the SFA caused a rise in liabilities to banks of €38 million.

Credit terms

€ million	Typ	Currency	Interest rate	Maturity	2010	2009
Term Loan Facility Term B	Bank Loan	EUR	EURIBOR + MARGIN	2014	911	897
Term Loan Facility Term B	Bank Loan	USD	LIBOR + MARGIN	2014	297	273
Term Loan Facility Term C	Bank Loan	EUR	EURIBOR + MARGIN	2015	870	857
Term Loan Facility Term C	Bank Loan	USD	LIBOR + MARGIN	2015	297	273
Term Loan Facility Term D	Bank Loan	EUR	EURIBOR + MARGIN	2016	201	200
Term Loan Facility Term G	Bank Loan	EUR	EURIBOR + MARGIN	2016	106	101
Multicurrency Revolving Credit Facility	Bank Loan	EUR	EURIBOR + MARGIN	2013	–	125
Multicurrency Capex Restructuring and Acquisition Facility	Bank Loan	EUR	EURIBOR + MARGIN	2013	162	132
Other liabilities to banks	Diverse	Diverse	Diverse		50	88
Financial debt					**2,894**	**2,948**
Borrowing costs					-22	-30
Financial debt after borrowing costs					**2,872**	**2,918**

The KION Group had been granted bank credit lines totalling €3,144 million as at 31 December 2010. For more information about the volume of credit lines and their use, see note 27 of the notes to the consolidated financial statements.

The transaction costs of €32 million incurred in connection with the loan negotiations, which took place in 2009, were allocated to the individual tranches on a pro rata basis and deducted from the carrying amounts of the liabilities in accordance with IAS 39.

As at the balance sheet date, the weighted average interest rate for liabilities to banks was 4.6 per cent (31 December 2009: 4.3 per cent).

Despite lower liabilities to banks, net financial debt taking into account deferred refinancing costs increased by €157 million or 6 per cent to €2,641 million due to the year-on-year decline in cash and cash equivalents.

Net financial debt

€ million	2010	2009	Change
Cash	-253	-463	45.4%
Financial debt	2,894	2,948	-1.8%
Borrowing costs	-22	-30	27.6%
Financial debt after borrowing costs	2,872	2,918	-1.6%
Net financial debt after borrowing costs	2,619	2,454	6.7%
Net financial debt	**2,641**	**2,484**	**6.3%**

Non-current lease liabilities fell by 15 per cent to €411 million because the new leases taken out in 2010 did not make up for the leases that expired, thereby reflecting the market conditions in the most important western European markets. In 2010, the volumes in the markets that are most significant to the lease business were below the level in the five years leading up to the crisis.

In line with the rising level of production and the growth in capital expenditure, trade payables increased by 42 per cent to €508 million.

The net loss of €197 million resulted in reported equity of minus €400 million; in 2009, the KION Group had reported equity of minus €213 million. Additional factors affecting equity are other comprehensive income/loss and changes in non-controlling interests.

The equity calculated on the basis of these consolidated financial statements for the KION Group is of no relevance under the covenants agreed with the financing banks or under the German Commercial Code (HGB). The relevant figure under HGB in Germany is primarily the equity of KION GROUP GmbH as reported in that company's single-entity financial statements in accordance with HGB. As at 31 December 2010, this equity figure was €333 million. The equity of KION Holding 1 GmbH reported in the single-entity financial statements of that company in accordance with HGB as at 31 December 2010 was €230 million.

5.4 Overall assessment of the Company's performance in 2010

In 2010, the KION Group reached major corporate development milestones. The restructuring begun in 2009 as part of the KIARA performance enhancement programme was implemented successfully, new restructuring measures were initiated and costs were significantly reduced. Employees' knowledge and performance represent one of the KION Group's core strengths and were one of the main driving forces behind the upturn that began in 2010. During the economic crisis, the KION Group proved to be a reliable employer, with the number of employees adjusted with a sense of proportion. By combining the strengths of the STILL and OM brands, the KION Group improved its market penetration and product coverage. The KION Group had strengthened its position in the emerging market of China with its fifth brand, Baoli, in 2009 and assumed complete management control of Baoli in 2010. It is therefore very well placed to participate in the fast development of the Chinese market and to penetrate other high-growth markets with Baoli. Linde Hydraulics, one of the Group's technological mainstays, entered into a strategic alliance with Eaton in 2010. The two companies are an ideal fit in terms of their product portfolios and they are moving into additional regional markets. This alliance is crucial to Linde Hydraulics because it is able to offer its products based on market-leading technologies to a broader range of customers.

In 2010, the KION Group benefited considerably from the global economic recovery and the subsequent upturn that was felt on the worldwide industrial trucks markets. The main drivers of growth last year were the strong home German market and, above all, the emerging markets, which accounted for approximately half of the growth in new truck business. Worldwide order intake for new trucks rose by 32 per cent to 121,500 units, while revenue climbed by 15 per cent to €3,534 million. Due to the rate at which the plants could be ramped up and the more stable growth in service revenue, the sharp rise in order intake was not fully matched by the increase in total revenue.

As a result of the slight improvement in the business situation expected for 2010, the KION Group is highly satisfied with its revenue growth and earnings. The steps taken to boost profitability took full effect, and costs were reduced significantly as a consequence of the KIARA performance enhancement programme, which was launched in 2009. Adjusted EBIT increased to €139 million, having been minus €29 million in 2009. Taking into account interest expenses, tax and one-off items, however, the KION Group again reported a net loss (€197 million). This had a negative impact on the Group's equity. As at 31 December 2010, the KION Group reported equity of minus €400 million. This figure is of no relevance under the covenants agreed with the financing banks or under the German Commercial Code (HGB). The equity of KION GROUP GmbH reported in the single-entity financial statements of that company in accordance with HGB was a very comfortable €333 million. The equity of the ultimate parent company KION Holding 1 GmbH reported in the single-entity financial statements of that company in accordance with HGB as at 31 December 2010 was an equally positive €230 million.

The KION Group is ideally placed to benefit from the sustained upturn on the global industrial trucks market and, in 2010, it set the course that will enable it to do so.

6 Research and development (R&D)

Despite the tough economic conditions, the KION Group stepped up its research and development activities – involving 827 developers – in 2010 and pushed ahead with important projects. Total spending on R&D in 2010 amounted to €104 million. This equates to 2.9 per cent of total revenue or 5.5 per cent of its relevant revenue from new trucks and hydraulics, making the KION Group an industry leader in this regard. In 2010, the KION brands Linde, STILL and OM submitted 75 new patent applications. A total of 95 patents were registered. This enabled the brands to secure the fruits of their research for their own benefit – an important step in maintaining and enhancing the KION Group's technology leadership, as set out in its strategy.

Total R&D spending

€ million	2010	2009	Change
R&D expenses	103	101	2.7%
Amortisation expense	-47	-45	-4.8%
Capitalised development expenses	48	45	6.0%
Total R&D spending	**104**	**101**	**2.5%**
R&D spending as percentage of revenue	2.9%	3.3%	-

The R&D unit again intensified its cross-plant and cross-brand collaboration within the Group. KION generates valuable synergies by sending its staff to work at different sites. This transfer of knowledge and technological expertise often enables processes to be redesigned more efficiently, as well as boosting performance and product quality. The organisational structure provides a solid basis for innovative technological solutions. The strategy of designing components to be modular places less demand on resources and continuously lowers product costs. In the longer term, the resulting reduced complexity and variation will increase both the speed of development and product quality. By reducing product life-cycle costs early on in the research and development stage, the foundations are laid for sustainable product efficiency. The close cooperation between the purchasing and development functions is also proving to be very effective.

One of the highlights of 2010 was undoubtedly the establishment of the new KION Asia research and development unit in Xiamen, China. It is specifically tailored to the Asian market, which enables the particular requirements of customers in Asia to be taken into account in the development of new products. A case in point is that the average body size of people in Asia tends to be smaller, which calls for a different ergonomic design for the driver's workstation. The KION Asia plant's portfolio covers the entire range, from pallet trucks to container reach stackers, and enables it to fulfil individual customers' specific requirements locally. Linde, for example, will offer customers in Asia locally tailored solutions based on the H35-50 model. However, localisation has a key role to play, not just in the truck segment but in the warehouse equipment segment too: Linde offers the stand-on reach truck BR1123 in China and has added the P30 tow truck to its local product portfolio.

The KION Group brands continue to successfully implement the global strategy of offering products that cater to country-specific requirements. For example, Linde has expanded its range of 346-series electric trucks by introducing four-wheel drive versions for the US market. STILL launched the CXT on the Brazilian market last year.

During the first quarter of 2010, STILL also presented the first fuel-cell powered reach truck in Germany, which is being trialled at BASF. STILL began investigating fuel cells back in 2003 and has gained in-practice experience of using them over the course of several projects. A STILL fuel-cell powered truck has been used by HHLA Logistics at the Port of Hamburg since 2008, and two STILL fuel-cell powered tow tractors have been deployed to transport baggage at Hamburg Airport since the end of 2006.

At the CeMAT trade fair in May 2011, Linde will present a new series of electric lift trucks with load capacities of two to five tonnes. This new series incorporates more than a dozen technological innovations aimed at reduced energy consumption, high productivity, driver safety and comfort. The unusual twin-motor front-wheel drive gives the trucks the highest installed output in their class. The two AC motors drive the truck at 9kW and 11.9kW respectively, enabling it to reverse quickly and reach its maximum speed of 20 km/h in a short space of time. Another major performance feature is the active steering assistance plus the articulated combined axle, which gives the four-wheeled truck the turning radius and manoeuvrability of a three-wheeled truck. The truck rotates centrally on the front axle. This is achieved using a steering angle sensor that, when the rear wheels are turned by more than a certain angle, instructs the motor on the inside of the turn to drive the relevant front wheel in the opposite direction. The active steering means that the truck does not move over its rear wheels and instead rotates within its own dimensions. This results in extremely good manoeuvrability, a high level of stability against tipping when cornering, a low level of tyre wear, little damage caused by bumping into racks and economical energy consumption.

Sustainability is one of the most important research and development topics for the KION Group. Environmentally friendly products and economical processes are therefore assigned the highest priority. KION brand trucks' resource-efficient technology and ease of operation are designed to improve customers' handling capacities.

For example, Linde trucks have three settings for drive control, which gives users the choice between maximum performance and minimum energy consumption. The standard setting enables the truck to operate at full handling capacity. 'Eco light mode' saves energy when negotiating ramps and driving in reverse gear. 'Eco mode' was developed specifically for manoeuvring in tight spaces at low speed and enables fuel savings of up to 30 per cent. The similar Blue-Q concept used in STILL trucks enables individual energy consumers, such as headlamps, to be used as required, which in turn saves energy and thereby consumption. Both brands are pioneers in energy efficiency and technologies for the future.

To remain at the cutting edge of research and development, the KION Group is continuing its traditional university partnerships, which focus on workplace design and drive technology projects.

7 Capital expenditures

To ensure efficient management of capital expenditures, there is a two-stage process for approving capital expenditures throughout the Group. The first step, which is part of the annual planning process, covers capital expenditures planning for major projects, including individual descriptions of them. Projects involving capital expenditures of more than €250 thousand also go through a second step, in which they are assessed individually. This involves examining the feasibility of the individual project using the discounted cash flow method. The projects are assessed on the basis of the internal rate of return and the payback period. Capital expenditures projects are generally only approved if they will earn a higher internal rate of return than the cost of capital for the KION Group and will therefore contribute to increasing shareholder value. Projects involving capital expenditures of more than €250 thousand generally have to be approved first by the Management Board of the relevant brand and then by the KION Group's Executive Board.

Against the backdrop of the reduced capacity utilisation resulting from the economic crisis, the KION Group's capital expenditure (excluding equity investments and additions to leased assets) was targeted at support for restructuring projects as part of the KIARA performance enhancement programme and at investment in products and IT. In view of the market recovery that began in 2010, capital expenditures was increased by 14 per cent to €123 million. Expenditures on development projects for new products and facelifts as well as design-to-cost activities were maintained at a high level. At the same time, investment in leaner production processes enabled the Group to leverage potential for efficiency. The Group also committed an appropriate level of replacement investment to modernise some of its machinery.

Capital expenditures by segment

€ million	2010	2009	Change
LMH	70	66	6,1%
STILL	30	24	25,0%
OM	4	5	-20,0%
Other	19	13	46,2%
Total	**123**	**108**	**13,9%**

One of the key areas of capital expenditures in 2010 was the relocation of production facilities from Basingstoke to Aschaffenburg and the relocation of the affected product lines from Reutlingen to Hamburg, which was all completed by the end of the year. These relocation activities necessitated construction work in Aschaffenburg and Hamburg last year to ensure that the right infrastructure was in place (e.g. alterations to the buildings and setting up a test site).

The Group pushed ahead with key development projects, especially in the electric lift trucks (387/388 series) and reach trucks (1120 series) segments. A rigorous cross-divisional product development process is shortening the time it takes to develop new trucks and optimising the cost of products before they go into series production. This is paving the way for Linde Material Handling and STILL to rapidly extend their product range for the North American, Asian and eastern European markets. Last year, the STILL brand introduced an IC truck with torque converter specifically to meet demand in eastern Europe. Other innovations in this and other product areas (e.g. hybrid technology) are planned.

In 2010, the KION Group continued to advance its IT project KION ONE Sales & Services, the aim of which is to standardise and optimise the system landscapes used in sales. This project will again be a focus of capital expenditure in 2011. The KION ONE Infrastructure project was also launched in 2010, as part of which the European data centres will be merged and the existing infrastructure hardware and software optimised.

8 Purchasing

The KION Group purchasing unit successfully overcame the challenges presented by the financial and economic crisis. Although many suppliers were still implementing structural measures at the start of the year in order to adjust to the reduced order level in the previous period, capacities had to be rapidly expanded again in the middle of the year as order intake shot up. This of course meant a sharp rise in the demand for input materials, causing temporary bottlenecks in supply until the end of the year, particularly for electronic components. Cooperating closely, the KION Group's operating units reached agreement with suppliers to safeguard their production programmes, which had to be repeatedly adjusted during the year in line with the rise in order intake.

The increases in raw materials prices recorded in 2010 did not fully impact on the cost of materials in the KION Group. As the KION Group mainly buys processed materials and components, fluctuations in the price of raw materials only have an impact in proportion to the amount of the overall value of those processed materials and components accounted for by raw materials. In addition, suppliers are bound by the agreed conditions for the period of time stipulated in the contract. As a result, increases in raw materials prices are only felt at a later date and only if it can be assumed that the increases will be sustained. As a rule, fluctuations in raw materials prices barely affect the cost of materials for the reasons mentioned above. In some cases, the cost of raw materials is passed directly on to end customers. Standard industry practice is to pass changes in battery prices, which are influenced significantly by the price of lead, directly on to customers.

The cost of materials in the KION Group increased by an average of 1.8 per cent in 2010 as a result of the change in commodity prices. In particular, steel, scrap and copper were more expensive than they had been in 2009. However, the KION Group still achieved cost savings of 2.4 per cent as a result of the KIARA performance enhancement programme and through close collaboration with suppliers. These suppliers form a supplier circle, in which they work with the KION Group on continuous improvement projects. In the fourth quarter, interdisciplinary teams joined forces with eight suppliers to identify potential for improvement in all aspects of cooperation. These supplier development projects will continue to play a key role in reducing the KION Group's costs in the future.

In the year under review, the cost of materials climbed by 16 per cent to €1,714 million (2009: €1,480 million) due to the increased volume of production resulting from higher order intake and owing to higher commodity prices.

9 Employees

Employee structure

On 31 December 2010, the KION Group employed 19,968 people (including trainees and apprentices), roughly 60 per cent of whom worked outside Germany in 27 countries.

The number of employees was therefore almost the same as in 2009, although there were changes between the proportion of people employed in Europe and in the high-growth markets (China, North America and South America). The KION Group is thereby responding to the rapid expansion of these markets.

Full-time equivalents

12/31/2010	LMH	STILL	OM	Other	Total
Germany	3,863	3,633	9	395	7,900
France	2,169	873	4	97	3,143
Rest of Europe	3,074	1,413	951	1	5,439
China	2,487	0	0	0	2,487
Americas	153	351	0	0	504
Rest of World	494	1	0	0	495
Total	**12,240**	**6,271**	**964**	**493**	**19,968**
12/31/2009					
Germany	3,807	3,692	8	290	7,797
France	2,277	863	6	100	3,246
Rest of Europe	3,383	1,449	1,010	1	5,843
China	2,125	0	14	0	2,139
Americas	158	291	0	0	449
Rest of World	479	0	0	0	479
Total	**12,229**	**6,295**	**1,038**	**391**	**19,953**

Personnel expenses increased from €925 million in 2009 to €968 million in 2010. One of the main reasons for this rise was that short-time working was suspended or ended earlier than planned.

Personnel expenses

€ million	2010	2009	Change
Wages and salaries	756	706	7.1%
Social security contributions	186	191	-2.4%
Post-employment benefit costs	26	28	-8.0%
Total	**968**	**925**	**4.7%**

In the KION Group, executives account for 294 of the total employees worldwide.

Overcoming the crisis

As a result of the continuing crisis, the KION Group implemented a range of measures around the globe at the start of 2010 in order to adjust the size of the workforce in line with the business conditions faced by the Company and to secure its competitiveness. To this end, it introduced other job-protection measures – where legally available – at its sites in individual countries, including short-time working, closure days and a reduction in weekly working hours.

During the year, the recovery took a firmer hold in the global market and the measures to consolidate the production sites took effect. The KION Group therefore responded in various ways, as regional circumstances allowed, particularly in the second half of 2010. In Germany especially, the KION Group was able at times to completely suspend short-time working at individual production sites or end it earlier than planned. The Company hired additional employees in high-growth countries such as China and Brazil.

As planned, the KION Group continued with the consolidation of its production sites that it had decided upon in 2009. This involved relocating products from the UK to Germany and France and closing the plant in Basingstoke. The 340 employees affected were or are being laid off with the minimum possible social impact. The Company has expanded the Reutlingen plant to become a VNA centre of competence and relocated the production of reach trucks to Hamburg. The 180 redundancies involved will be carried out as planned by mid-2011, with an interim employment company being set up for this purpose.

Investing in the future with training

With a total of 557 (2009: 546) trainees and apprentices at the end of 2010, the Group continued to invest in training and development at the same high level – despite the crisis – to ensure that it can continue to recruit many of the skilled workers it requires inhouse.

The proportion of trainees and apprentices in Germany, for example, was 5.3 per cent in 2010. This is at a very similar level to previous years (2009: 5.2 per cent, 2008: 5.1 per cent).

Strategic personnel development

In 2010, the Group's personnel development focused on two topics. The first of these was targeted continuing professional development during periods of short-time working and the second was talent and succession management. Especially at its German sites, the Company offered a range of skills training during periods of short-time working. The aim of this step was to enable employees – along with the Company – to emerge stronger from the crisis. This involved the KION Group holding more than 200 interdisciplinary and specialist training courses in Germany for more than 1,500 participants – employees affected by short-time working (it was possible to attend more than one course). As a result, the KION Group provided more than 4,800 days of training in 2010. Full-time training to obtain an officially recognised qualification as a technician was very popular at Linde Material Handling and, in the second half of the year, the first successful graduates from the course returned to Linde Material Handling to take up challenging positions there. There was also a lot of interest in part-time training offering a qualification at the end, such as courses offered by REFA on workplace design, particularly among employees in production-related units. Administrative employees also took the opportunity to participate in continuing professional development.

The second focal topic was the introduction of Group-wide talent and succession management as part of the KION Group's strategic personnel development. To safeguard its long-term success, the Company needs the right managerial staff and young professionals – in terms of quality and quantity – to meet the challenges they will face in future. In 2009, the KION Group had therefore revised the content of its annual management review to include the identification of high-potential/talented employees and succession planning. An updated process incorporating these issues was therefore able to start in 2010. A key element of the updated process is the creation of transparency across the Group about how talented employees and the next generation of managers are deployed in order to ensure that there are exchanges between the brands and countries and to identify development and deployment opportunities throughout the Group. Some 400 employees were involved in this process in 2010. Following the 2010 management review, the KION Group designed and set up appropriate Group-wide personnel development activities and programmes.

Where necessary, systematic, focused change management support was provided to help with the changes related to the KIARA performance enhancement programme. The main support activities took the form of workshops and coaching.

Partial retirement

With its partial retirement model, the KION Group helps its employees transition smoothly into retirement. The model consists of two blocks: a working phase followed by a non-working phase. As at 31 December 2010, 381 employees in Germany were partially retired.

Occupational pension scheme

The KION Group offers its employees in Germany attractive occupational pension scheme options, including both direct insurance and a direct pension entitlement scheme.

Direct insurance comes in the form of a tax-privileged endowment insurance or pension insurance policy, which the employer takes out with an insurance company on behalf of the employee as a form of occupational pension scheme. The premiums are paid in the form of deferred compensation. This means that the employee pays part of his or her gross remuneration directly into the insurance policy. When this insurance policy matures – which will be no sooner than the employee's 60th birthday – the direct insurance policy will be paid out to the employee. The persons entitled to receive these benefits are either the employee or his or her surviving dependants.

Under the direct pension entitlement scheme, which the KION Group operates in Germany in accordance with the various pension benefit conditions and the pension plan, the employer provides occupational pension benefits directly. The KION Group does not use any external schemes (as is the case, for example, with direct insurance). In other words, the employer undertakes to provide the entitled employee with benefits in the form of a lump sum or a pension when the employee retires, dies or becomes unable to work.

The KION pension plan offers a further element to the occupational pension scheme for employees in the KION Group. It provides employees with the option of building up pension benefits by adding contributions taken from their gross income. The pension plan also offers an ideal opportunity to make use of the pension-relevant benefits available under collective pay agreements for the German metals industry. These subsidies are only available to employees if they are used in conjunction with one of the pension scheme models permitted by the collective pay agreement. The KION pension plan is eligible as one of these pension scheme models. By joining the KION pension plan, employees can enjoy relief from tax and social security contributions. As at 31 December 2010, 1,366 employees were in the KION pension plan.

Demographic change

Demographic change means that many companies' competitiveness is becoming increasingly dependent on older employees and on companies' ability to deal with their ageing workforce.

At the KION Group, approximately 58 per cent of the global workforce are aged between 30 and 50, and almost 24 per cent are more than 50 years old. By 2015, about a third of the workforce will be over 50. Particularly in production units, it will therefore be necessary to adapt working conditions to the ageing workforce, for example so that 60-year-old employees can still work in assembly. In previous years, the KION Group conducted preliminary studies and projects, the results of which will be incorporated into age management activities and projects in the future.

Diversity

Diversity is very important to the KION Group as a global company. This can be seen, for example, in the fact that the KION Group employs people of more than 40 nationalities in Germany. Globally, employees of more than 70 nationalities work for the KION Group.

Germans (37.9 per cent) make up the largest proportion of staff, followed by French (15.6 per cent) and Chinese (12.0 per cent) – which is in line with market share.

As at 31 December 2010, 14.6 per cent of the total KION Group workforce worldwide were female, which is roughly the same as in similar industrial sectors, such as the automotive industry. Almost 7 percent of top managers are female, which is not as high as the global proportion of female staff.

In this context, the KION Group took part in Girls' Day in Germany in 2010 to boost enthusiasm for technical and scientific careers among young women and to present itself to potential employees of the future.

10 Management

10.1 Key management team

The Executive Board of KION Group GmbH consists of Gordon Riske, Harald Pinger, who are Managing Directors of KION Holding 1 GmbH and KION GROUP GmbH, and Otmar Hauck, who is also Managing Director of KION GROUP GmbH.

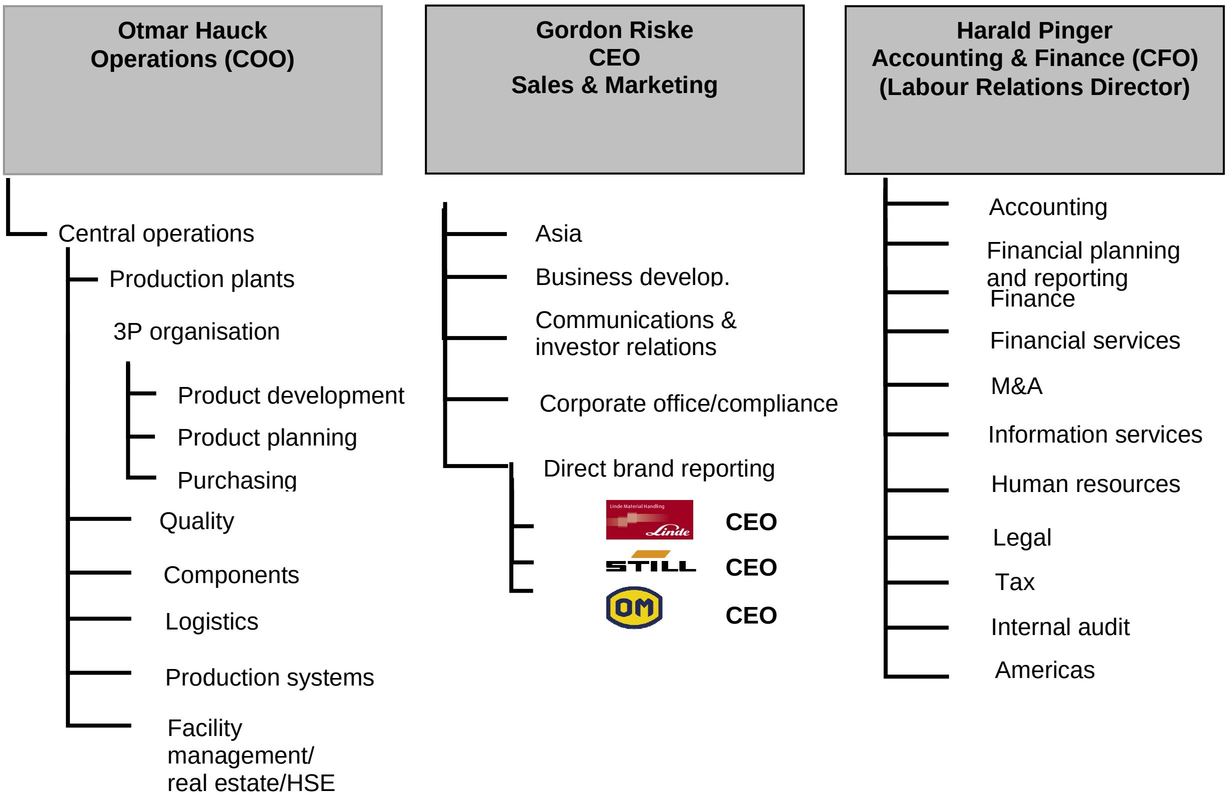
Gordon Riske has been Chief Executive Officer (CEO) since 23 April 2008 and is responsible, among other things, for the strategic management of the Group, communications, governance and compliance, and the Group's Asian business. The CEOs of the brand parent companies Linde Material Handling and STILL report to him.

Harald Pinger has been Chief Financial Officer (CFO) since 1 August 2008 and is responsible, among other things, for finance including financial services, IT activities, human resources, legal affairs, internal audit and the Americas region. On 1 January 2010, he took over the position of Labour Relations Director from Gordon Riske.

Otmar Hauck has been the Chief Operating Officer of the KION Group since 1 November 2009. He is responsible for quality and central operations (operational excellence & production control), purchasing, logistics, health & safety and environmental issues in the Group.

The Executive Board normally meets every 14 days. Apart from preparing and taking all decisions relating to the day-to-day management of the Company, the Executive Board also discusses and approves any transactions in the brand subgroups that require their consent at these meetings. A list of the transactions requiring such consent is included in the rules of procedure for the relevant Management Boards. Under its rules of procedure, the Executive Board must have certain transactions approved by other decision-making bodies such as the Supervisory Board or the shareholders' meeting.

Diagram showing the responsibilities of the KION Group's Executive Board



10.2 Supervisory Board

The Company's Supervisory Board comprises six shareholder representatives and six employee representatives in accordance with HGB requirements and those of the German Codetermination Act (MitbestG). The Supervisory Board is responsible for the tasks specified by law, the memorandum and articles of association and the rules of procedure relating to the supervision of the management of the business by the Executive Board. It also advises and supports the Executive Board in its handling of significant matters and business transactions.

Manfred Wennemer, former CEO of Continental AG, has been the chairman of the Supervisory Board since 23 September 2009. He took over as chairman from Johannes Huth, the representative of Kohlberg Kravis Roberts & Co., New York, USA.

In addition to a human resources committee and an audit committee, the Supervisory Board has set up an arbitration committee pursuant to section 27 (3) MitbestG. Shareholders and employees have equal numbers of representatives on all the Supervisory Board committees.

The Supervisory Board normally meets once during each quarter. The committees hold meetings two to three times a year, although the arbitration committee only meets if required to do so in circumstances specified by law or by the memorandum and articles of association. If required, the committees also meet between the regular scheduled meetings. The remit of the Supervisory Board and its committees is defined by law, the memorandum and articles of association and the rules of procedure for the Supervisory Board and each committee.

10.3 Shareholders' meeting

A meeting of the Company's shareholders is held as required by the memorandum and articles of association or if demanded by other special circumstances. Resolutions may also be adopted by shareholders using a procedure conducted in writing.

10.4 Corporate governance

The KION Group publishes details of its corporate governance in a separate corporate governance report on its website: www.kiongroup.com.

11 Sustainability

The KION Group is aware of its responsibility towards society, the environment and the economy. That is why the KION Group goes above and beyond its legal duties to specifically promote sustainable development in matters of social and environmental importance. Prevention of climate change and conservation of resources therefore take top priority – and are an integral element of the Code of Compliance. Innovative products support the KION Group's role as one of the pioneers in the use of cutting-edge environmental technologies. The Linde and STILL brands have developed ground-breaking concepts for conserving resources.

Focus on ergonomics, the environment and efficiency

Linde runs the PureMotion programme, which concentrates on ergonomics, the environment and efficiency. For example, ever since the first hydrostatic drive was developed in the 1960s, Linde has continually worked to improve the technology. Modern-day hydrostatic wheel motors operate at 170 revolutions per minute, instead of 3,500 as they used to do. Trucks need less fuel and produce fewer emissions, thereby enabling customers to operate more efficiently.

Linde also occupies a leading position when it comes to diesel engines. The particulate emissions of its diesel engines (H25D 392 model) are only approximately 35 per cent of those of competitors in the market. In addition, particulate filter systems are offered as optional extras. Its electric lift trucks also reflect its technology lead, with energy recovery cutting energy consumption by a quarter. The Linde brand company has also succeeded in reducing the noise levels of these trucks by 30 per cent compared to the products of other manufacturers. Moreover, the rate of wear is up to 20 per cent less for wearing parts. In short, the PureMotion programme generates benefits, not just for people but also for business and the environment.

KION's STILL brand pursues a similar strategy. BlueQ is a significant concept in which the truck's driver activates efficiency mode at the touch of a button. Energy is saved precisely where it will not impair operation of the truck by intelligently optimising the characteristics of the drive. As a result, consumption can be reduced by between 10 and 20 per cent, depending on how the truck is used and the equipment fitted. This has financial benefits for customers: an electric lift truck with a load capacity of 1.6 tonnes operating on a three-shift schedule over five years has potential cost savings of roughly €2,500. And this calculation does not include further gains resulting from reduced wear, a longer battery service life and higher usage time per load.

Intelligent technology secures competitive edge

Pioneering technologies such as energy recovery in trucks, biodiesel, gas-powered trucks, the use of diesel particulate filters and adjustable pumps for lift drives, plus fuel-cell powered trucks, have a long tradition at the KION Group. Current forecasts from industry experts show that innovative drive concepts are the technology of the moment. For example, the Industrial Truck Organization, which represents truck manufacturers and their suppliers in Canada, the United States and Mexico, expects that 90 per cent of all trucks worldwide will be electric in 14 years' time. A survey by the Engineering Committee of the Japanese Industrial Vehicles Association (JIVA) has similar results and states that lithium ion batteries and hybrid drives are the way forward.

STILL is responding to this trend. Its new RX 70 Hybrid truck is pursuing the twin aims of low energy consumption and low CO_2 emissions. Series production of the hybrid truck is scheduled for May. The concept is derived from the RX 70 model, which itself previously earned the FLTA environment award from the UK's Fork Lift Truck Association.

The KION Group's innovative capabilities and the technological improvements it has made to its product portfolio enable it to constantly optimise the resource consumption of customers' truck fleets. Its responsible use of resources is also reflected in its use of recyclable materials, its energy-efficient products and manufacturing processes and its environmentally friendly workplaces.

One such example is the powder coating equipment used at STILL, which means that trucks only require one coat of paint. Solvents are not used in production. Any unused paint is collected and reused. Moreover, the STILL plant in Hamburg has been using just 32 per cent of its original natural gas consumption since it began using low-CO_2 district heating. As a certified member of Hamburg's environmental partnership, the plant is trialling the voluntary monitoring of CO_2. Electricity consumption has fallen considerably since 2004 due to intelligent energy management, in which electricity consumers are switched off at regular intervals. Hydraulic optimisation of the heating system has significantly cut the amount of water in circulation and reduced the return water temperature. The plant saves electricity and water by connecting the heating and ventilation systems to a control station.

Emissions checks, environmentally efficient production requirements and the need to comply with environmental and health & safety standards all result in continuous improvements to products and work processes. The recycling of a truck at the end of its lifetime is already taken into consideration when it is developed. As a result, 99 per cent of a Linde truck can be recycled. The cast iron, which accounts for 70 per cent, is used to make a new truck. Other materials, such as steel, copper, glass and service fluids, are almost 100 per cent recyclable.

Staff development programmes safeguard the Group's future

The KION Group's employees form the basis for its long-term success. That is why humanity lies at the heart of all processes. The corporate culture of the entire Group is characterised by mutual respect and appreciation. Managers and their staff live by these values. Their above-average loyalty to the Company shows that they appreciate this culture – and is a crucial competitive advantage for the KION Group. After all, the brands can only develop, manufacture and sell premium products if they have employees who see their work as more than just a job.

Professional training activities start with support for universities, work placements and apprenticeships, continue with professional development opportunities for the workforce and reach their apex with carefully structured programmes to support managers and talented staff. In 2010, 26 employees at Linde alone took on new managerial responsibilities. The basis for this is the 'managerial driving licence' scheme, which helps employees optimally define and exercise their managerial responsibilities in their team. A modular series of seminars teaches new managers how to improve their leadership behaviour in practice.

One advantage of KION's training and professional development models is their flexibility. This can be seen in initiatives by the brand companies to use last year's phases of short-time working for intense training and in the opportunities for working and learning in other countries. The Linde expat programme, for example, enables employees to move from headquarters in Germany to almost any partner country and vice versa.

A fundamental aspect of the Group's training activities is encouraging the next generation of young professionals. STILL is involved in a number of projects in this area, including an alliance with the Career Center Hamburg, the SMS programme (STILL moves students) and cooperation with Hamburg University of Applied Sciences (AWA), Kurt Körber High School and Helmut Schmidt University on the 'e-truck' robot construction project in Hamburg. These initiatives aim to establish ties with tomorrow's potential trainees, apprentices and employees while they are young.

When it comes to vocational training, Linde Material Handling sets standards as the largest training provider in the Aschaffenburg region. Besides professional training, other essential elements of the personal development plan for all trainees and apprentices are mutual appreciation and respect.

These values are specifically taught and developed during training sessions. Linde Material Handling has cooperated with high schools in Aschaffenburg, the Aschaffenburg Chamber of Industry and Commerce, Aschaffenburg University of Applied Sciences and the Bavarian State Government for many years and has developed a pupil/engineer academy for high schools in which topics relevant to technological and scientific careers are incorporated into the curriculum for older pupils. Work placements, discussions and school projects thereby forge links between business and schools. Support and development for the next generation of young professionals is provided by a wide range of work placement options for students at university and a close partnership with Aschaffenburg University of Applied Sciences.

The quality of the KION brands' training models has been recognised by external experts: the AGA business association awarded its 2009 training prize to a young employee who completed her training to become a technical product designer at STILL.

Safety is an important topic, and the KION Group constantly provides initial and continuing training for its employees in this area. To improve safety at its sites, the KION Group conducted 486 training courses in Germany alone during 2010. The courses focused on issues such as risk assessment and hazardous materials. In-depth analyses of accidents and detailed action plans are used to reduce risks in the workplace. Training for managers heightens awareness for safety at all levels.

Brands and employees support society

Recognising their social responsibility, both the Executive Board and employees personally support numerous charities. Employees in the USA, for example, have been regularly donating blood to the American Red Cross for the past nine years. At the 2010 anniversary party, STILL employees and their families donated almost €20,000. The donations went to a Hamburg-based charity that supports children with cancer and to Switch, which is an initiative run by an organisation in Hamburg that carries out intercultural projects to help eliminate prejudice against people from immigrant backgrounds. Linde Material Handling employees provided financial support of around €38,000 to victims of the earthquake in Haiti by converting credit from their time accounts; Linde rounded this amount up to €45,000. During the year, Linde donated a further €5,000 to flood victims in Pakistan.

Immediately after a severe earthquake at the end of February, which left large areas of Chile completely devastated, the 'Linde helps Linde' initiative was started and employees in Santiago were quickly able to organise the transportation of food to Concepción using the company's own vans. KION donated approximately €100,000 to support the people of Chile in the sustainable reconstruction of the devastated areas.

A number of sites in various countries have stopped giving gifts to customers at Christmas and use the budget instead to donate to people in need.
As truck manufacturers, the KION Group brands are predetermined to help in places where aid needs to be delivered quickly, reliably and without bureaucracy. That is why Linde and STILL provided 15 industrial trucks to various relief organisations in 2010.

12 Opportunities and risks report

12.1 Opportunities report

Strategic focus on opportunities

Identifying and acting on opportunities is an integral element of strategic corporate management in the KION Group. To identify and evaluate these opportunities, the Company systematically monitors and analyses developments in its relevant markets and tracks overall and sectoral economic trends. Once it has analysed and evaluated the opportunities, the Company draws up strategic initiatives that are aimed at profitable growth and a sustained increase in shareholder value.

Various developments in the national and international markets have an impact on the KION Group as one of the world's leading providers of industrial trucks. The economic conditions described in this report, as well as the current market trends and business performance, create a multitude of potential opportunities. Using and building on its existing strengths and competitive edge, the KION Group endeavours to exploit the potential opportunities that arise to the best of its abilities.

The following developments open up significant potential opportunities:

Growth opportunities in an attractive market

The KION Group occupies an outstanding position in an attractive market. The market for industrial trucks is strongly correlated with industrial output – and therefore also with macroeconomic trends. Strong growth in the global economy and, in particular, the recovery in world trade in 2010 are having a correspondingly positive effect on demand for industrial trucks. This growth trend is expected to continue in the coming years. Greater division of labour and rising inventory turnover rates in the major industrialised nations will increase the degree of mechanisation in logistics. This, in turn, will increase demand for efficient warehouse equipment and comprehensive intralogistics solutions. In the next few years, market growth in the industrialised world will be reinforced by the gradual release of pent-up demand caused by the postponement of replacement investment in industrial trucks that was seen during 2009 and 2010. In fast-growing markets such as eastern Europe, South America and Asia, sales of industrial trucks will continue to benefit from more rapid overall economic growth and associated expansion investment. The KION Group is excellently placed to participate in this trend. Although customers in these countries generally have lower technological requirements and are more price-sensitive, there are also signs that demand for trucks based on high-quality, reliable technology is rising in these regions.

KION can seize the opportunities presented by market growth and, during the crisis for example, it actually expanded its market share in Europe. From this position, the KION Group is set to benefit from the continued recovery in the industrial trucks markets.

Successful multi-brand strategy meets specific market needs

The needs of customers in the market for industrial trucks are very wide-ranging and, with its five brands – Linde, Fenwick, STILL, OM and Baoli – the KION Group covers the entire spectrum of industrial trucks from basic warehouse equipment to container handlers. Linde/Fenwick and STILL/OM operate in growth markets such as ergonomics and intelligent intralogistics. By virtue of their technological and solutions-oriented competencies, they are widely regarded as leaders in technology and innovation. Baoli targets the economy segment, where customers have different priorities in terms of technology and pricing, and it also meets the needs of rapidly developing high-growth markets. The KION Group's broad-based structure enables it to benefit from growth in all market and product segments, using its expertise to develop new solutions and to build market share.

Continued expansion of service business

Service-related business offers an opportunity for growth that is largely independent of market cycles. With a fleet of over one million trucks in use worldwide, the KION Group has a broad platform from which to generate lucrative service business. It uses this business as a tool for maintaining long-term customer relationships and for tapping into profitable income streams. Services such as financing solutions, maintenance and repairs, spare parts, and efficient end-to-end solutions for fleet management play an increasingly important differentiation role. The KION Group will apply its expertise to expanding its range of efficient service solutions, adapting them to local needs and thereby increase its market share.

Expansion supported by selective opportunities for growth by acquisition

Despite the consolidation that has taken place within the sector, the market for industrial trucks is highly fragmented. Some providers only sell their products in certain regions. The KION Group can bolster its organic growth by making selective acquisitions – including in the area of sales and service structures – as a quick and effective way of strengthening its position in specific markets.

Trend for 'green' logistics and efficient technology

Economics and ecology are the mega-trends in the market for industrial trucks. That is why the KION Group as a driver of innovation is already ahead of the game in terms of environmentally-friendly trucks and fuel-saving technologies. The advantage for customers is the low total cost of ownership of products, which includes the cost of maintenance and repairs, consumption and labour costs in addition to the purchase cost. Examples include Linde's PureMotion programme – in which Linde Material Handling is using its expertise to protect people and the environment – and STILL's extremely fuel-efficient forklift trucks that have been developed thanks to its leading position in hybrid technology. Going forward, the KION Group will focus on exploiting its technological lead to develop new products that benefit its customers – innovations that provide opportunities for growth.

Consolidation in the sector

The KION Group has many small competitors, especially in the high-growth markets of Asia. However, past trends in the industrialised markets indicate that not all of these market participants will be able to establish themselves on a permanent basis. Regulatory requirements, such as in the area of environmental protection, are one reason for this. The KION Group's technology leadership enables it to use consolidation processes to expand its own market share.

In other markets, existing regulations act as a significant barrier to entry for international providers, such as Asian manufacturers in the economy segment. One example is EU Directive 2002/44/EC on vibration, This Directive obliges companies to protect their employees against noise and vibration, for which it sets mandatory limits. The KION Group possesses technologically advanced products that comfortably comply with these limits – a quality advantage that opens up further sales opportunities.

Additional potential synergies in the KION Group

The Group's organisational structure offers further potential for synergies. Even after the initial successes of the new 'One KION' organisational structure, there are more opportunities for savings in the overarching functions in KION and the brand companies, including in purchasing, development, production and logistics. The KION Group will exploit any as yet untapped potential synergies, which will give it opportunities for improving its competitiveness and efficiency.

12.2 Risk management

The KION Group encounters business risks that may jeopardise its business objectives. Its risk management systems therefore form an integral part of its day-to-day management. To ensure that these 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 types of risk and describe how to deal with inherent risks.

The organisational structure of risk management corresponds directly to 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 entire Group. His or her remit includes the definition and implementation of standards to ensure that risks are uniformly captured and evaluated.

The risk management process is organised on a decentralised basis. Firstly, a Group-wide risk catalogue is used to capture the risks attaching to each company. Each risk must be captured individually to ensure that no information is lost. If the losses caused by a specific risk or the likelihood of this risk occurring exceed a defined limit, an ad-hoc report is sent to the KION Group's Executive Board and to its Accounting & Finance function. A specially developed module within the internet-based reporting system used for the entire planning and reporting process is used to document each risk.

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. Material risks are discussed at the quarterly business review meetings. The divisional risk reports are then used to compile an overall risk portfolio for the KION Group as a whole. The Executive Board and the Supervisory Board's audit committee are informed of the KION Group's risk position at least once a quarter.

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

Principles

The primary objective of the special accounting-related internal control system is to avoid the risk of material misstatements in financial reporting, to identify material mismeasurement and to ensure compliance with the applicable regulations. Nevertheless, an internal control system – irrespective of the form that it takes – cannot give absolute certainty that this objective will be achieved.

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; the relevant changes are then incorporated into the Group's internal policies and systems.

Besides defined control mechanisms, this special accounting-related internal control system includes, for example, system-based 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. Employees monitor the system-based controls and supplement them with manual checks. The entire accounting process contains a number of specific approval stages. 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
- Formal and material correctness of the accounting and of the financial reporting that is based on the accounting.

12.3 Types of risk

12.3.1 Risks arising from the economic crisis

Even though the markets recovered considerably in 2010, risk management continued to examine the impact of risks resulting from the financial and economic crisis on the KION Group's financial position and financial performance. In addition to ongoing screening and monitoring, the risk report therefore includes a separate assessment of the risks arising from the receding crisis in financial and product markets. The economic problems in Greece, Spain, Portugal and Ireland, plus the EU rescue packages, highlight the fact that the financial and economic crisis has not yet ended. Risk management is also focusing once more on the risks associated with market recovery (e.g. potential supply bottlenecks). However, demand for industrial trucks remains significantly below its pre-crisis level. The KION Group has continued to systematically implement its KIARA performance enhancement programme and has significantly lowered costs.

Government action to support economies and the financial system resulted in a rise in government indebtedness worldwide. In Greece, Spain, Portugal and Ireland, debt repayments and the consolidation of national budgets restrict future flexibility and increase the pressure on governments to take appropriate action in terms of both income and expenditure. It is impossible to predict the implications for the material handling market and therefore also for the KION Group.

12.3.2 Market risks

Fluctuations in the business cycle in the relevant markets result in a risk to the KION Group's performance. In particular, sales of new trucks depend to a large degree on economic growth. The KION Group's distribution of sales over a variety of industries and regions as well as its limited dependency on big-ticket customers serve to mitigate the risk. Market risk is reduced by close monitoring of markets and competitors as well as any resulting necessary adjustments to production capacities. The KION Group takes measures to boost its sales and expand less cyclical businesses such as services to counteract economic downturns.

Times of crisis allow premium manufacturers, such as the KION Group, that have their own sales and service networks to benefit from the tendency of customers to opt for high-quality products. With its current brand and product portfolio, the KION Group is in an outstanding market position.

Market risk persists despite the positive outlook for all the major economies. The weak economic performance of Greece, Ireland and Portugal is a sign that the market environment remains susceptible to exogenous shocks. An escalation of the euro crisis and an associated adverse impact on the industrial trucks markets of the countries affected cannot be ruled out. Outside the euro zone, the UK and US economies are also affected by measures to consolidate their budget deficits. Depending on the scope of these measures and/or the ability of these countries to raise funds in the capital markets, negative effects could also be felt in their industrial trucks markets. The KION Group is also monitoring the political situation in North African and Middle Eastern countries as well as the impact on their industrial trucks markets, although these markets only play a minor role in a global context. The oil price and any consequences for global trade are also being closely observed. The KION Group therefore closely monitors macroeconomic and market conditions so that it is ready to promptly step up action already implemented or initiate additional measures if required.

12.3.3 Competition risks

Manufacturers from Asia, especially those from China and Korea, have an advantage in the production of lower-priced equipment due to the weakness of the euro and also because Asian labour costs are low. Providers from Asia can create competitive pressures for the KION Group, especially in the low-price segment. However, customers' high quality expectations and performance needs form a barrier to growth for many of these manufacturers, and their lack of an established distribution and service network in Europe makes it more difficult for them to gain a foothold in this market.

12.3.4 Procurement and sales risks

The KION Group is exposed to risks in its procurement and sales activities. In 2010, the Group rigorously maintained its more intensive management of receivables and procurement as a result of the economic crisis.

Procurement activities constitute a potential risk for the KION Group in terms of the lack of availability and rising cost of raw materials, energy, base products and intermediate products. While the financial situation of suppliers was a significant source of risk during the general financial and economic crisis, availability of components came to the fore as a risk in 2010 because our suppliers experienced a surge in demand. The KION Group was directly affected by supply problems and also indirectly via its suppliers, particularly in the case of electronic components. Supplier-related processes have since improved again. At the same time, the KION Group has taken additional steps to further increase the availability of production parts.

While the KION Group benefited from stable, relatively low prices in the commodity markets at the beginning of 2010, prices shot up from the second quarter onwards as a result of the aforementioned rise in demand in the supplier markets. However, there is still a risk of significant volatility in procurement prices in the future owing to the economic situation remaining benign.

The ongoing screening of suppliers from a risk perspective is proving to be highly effective. Only one of the selected suppliers initiated insolvency proceedings during 2010, but this did not lead to any significant interruption to supplies or to the ability of the KION Group to deliver its own products.

As far as its sales are concerned, the KION Group is now exposed to stiffer competition and downward pressure on prices as a result of increasing globalisation and greater market transparency. The KION Group ensures that it sustains a profitable level of pricing, and in 2010 it was able to withstand pricing pressures in a competitive environment, particularly in western Europe, while at the same time improving its market share. At the same time it is optimising its cost structures and business processes. The measures initiated in 2009 have made a major contribution to reducing costs. The KION Group's brand companies are also continually enhancing the services they provide. Important aspects of this work include expanding the sales force, improving spare-parts logistics processes and ensuring 24/7 availability.

The Baoli brand enables the KION Group to supply customers in low-price market segments who were previously difficult to reach. Baoli also provides the KION Group with a platform on which to meet demand for basic products, particularly in developing markets.

12.3.5 Production risks

Because the Company has a closely integrated manufacturing network, operational disruptions or lengthy periods of production downtime at individual sites present a potential risk to its ability to deliver goods on time. 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. So that it can manage quality-related risks arising from the products and services it provides, the KION Group attaches considerable importance to quality assurance right from the start of the value chain. It mitigates its quality-related risks significantly by applying rigorous quality standards to its development activities, conducting stringent controls throughout the entire process chain and maintaining close contact with its customers and suppliers.

12.3.6 Financial risks

The main types of financial risk managed by Group Treasury, including risks from funding instruments, are liquidity, exchange-rate, interest-rate and counterparty risk. Risk management procedures issued by Group Treasury stipulate how to deal with these risks. Counterparty risk consists only of risks related to financial institutions. The individual Group companies manage counterparty risks involving customers.

The restructuring of the existing acquisition finance during 2009 continued to provide the Group with the flexibility needed to meet the requirements of the financial covenants. Accordingly, the KION Group has secured acquisition finance in the form of committed credit lines (with maturities up to 2016). At the end of 2010, the capex facility (approximately €29 million) was reduced as agreed and the drawn portion of the RCF facility (€125.4 million) was also repaid. However, this credit line can be re-drawn if required. The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution. Deposits are also restricted to the limits covered by the deposit protection fund run by the Federal Association of German Banks (Einlagensicherungsfonds des Bundesverbandes deutscher Banken).

The KION Group only uses derivatives to hedge underlying operational transactions. It does not use them for speculation. Records are kept of the type of financial instruments used, the limits governing their use and the group of banks acting as counterparties. 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 for each company. Normally, at least 50 per cent of the exchange-rate risk related to the planned operating cash flows based on liquidity planning is hedged by currency forwards in accordance with the relevant guideline.

The KION Group uses interest-rate and currency-related derivatives – primarily interest-rate swaps and currency swaps, but also interest-rate and currency options – to hedge the interest-rate and currency risks arising in connection with the acquisition finance. The currency risk arising from the US dollar tranche (excluding PIK interest) is fully hedged by a combination of forwards and options within a USD/EUR exchange-rate range of 1.5139 to 1.1825 (the USD/EUR rate to be hedged within this range is around 1.375). These derivative contracts expire in September 2011. When the hedges expire, there may be a material outflow of funds, depending on the US dollar exchange rate. At the end of 2010, approximately 40 per cent of the Group's interest-rate exposure was hedged by interest-rate swaps; a further 44 per cent of its interest-rate exposure was hedged against one-month Euribor rising above 1.75 per cent per annum by means of interest-rate caps. The need to replace hedging instruments that expire is reviewed on an ongoing basis.

The funds raised for the acquisition of the KION Group also give rise to risks in terms of compliance with certain financial covenants specified in the loan agreement. However, these covenants were restructured in 2009 and the Company complied with them comfortably at the end of 2010. Despite the abatement of the economic crisis, there is still a risk of non-compliance with the covenants, although KION mitigates this risk with its comprehensive action plan instigated in 2009 and by including sufficient headroom in the revised covenants. The KION Group complied with all the financial covenants in the past financial year.

12.3.7 Risks from financial services

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.

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. The brand companies therefore constantly monitor and forecast residual values in the markets for used trucks.

KION regularly assesses its overall risk position arising from financial services, recognising write-downs, valuation allowances or provisions to cover the risks it identifies. Any change in residual values is immediately taken into account when calculating new leases.

The risk-mitigating measures taken by the KION Group include managing used trucks on an international basis, steadily increasing the number of used trucks remarketed to end customers and extending lease terms more frequently, which stabilises the residual values of its industrial trucks. It has also increased the proportion of leases with an underlying remarketing agreement because these leases transfer any residual-value risk to the leasing company. Group-wide standards to ensure that residual values are calculated conservatively reduce risk and provide the basis on which to create the transparency required. KION has also refined its management of residual values and implemented 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. These risks do not exist in cases where the KION Group offers financial services indirectly via selected funding partners.

In order to exclude exchange-rate risk, KION 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 KION Group. The Group has not identified any material changes between 2009 and 2010. KION's losses from defaults are also mitigated by its receipt of the proceeds from the sale of repossessed trucks. The Company is not generally exposed to counterparty risk in cases where the KION Group offers financial services indirectly via selected financing partners. The KION Group's credit risk management system takes into account the current economic conditions. KION has tightened the requirements that need to be satisfied prior to the signing of new leases as part of a more restrictive authorisation process for avoiding potential future risks.

12.3.8 Human resources

For KION to secure its long-term success, it is vital that managerial staff and young professionals of sufficient quality and quantity to meet its future challenges are retained within the Company for a long period, particularly in key functions.

One of its critical challenges is to promote suitable staff who already work for the Company and retain them over the long term, whilst also identifying talented young professionals, developing them as managers and drawing up succession plans for key roles across the entire Group. KION must also identify and recruit suitable candidates in the external market as strategic additions to the portfolio of existing staff. In this way, the risk of possibly losing expertise and staff to competitors is countered in advance.

Neither the KION Group nor any of its brand companies is currently ranked as an 'employer of choice' by graduates, so increasing the Company's appeal as an employer is crucial, alongside targeted succession planning and strategic management of new talent.

12.3.9 IT

In order to process and manage its business transactions, the Group needs a system landscape that is expandable and flexible enough to be adjusted in line with the requirements of the market. Complexity must be reduced so that differentiation is restricted only to those functions where it is absolutely required. This allows the KION Group to share existing expertise between the brands (on the basis of best practice) and strengthen its competitive position.

The rationalisation of the current brand-specific systems is being driven forward under the auspices of the 'KION ONE' project, which has three modules: 'KION ONE Factory', 'KION ONE Sales & Service' and 'KION ONE Infrastructure Consolidation'. Internal and external specialists with the necessary skills are implementing these action plans without impairing the day-to-day running of the business.

For this project, KION is using its internal IT service provider KION Information Management Services (KIM), which was established in 2007 as a private limited company in Germany (GmbH). KIM pools internal IT resources and makes them available throughout the Group. It is also gradually bringing contracts that had previously been outsourced back into the Group, thereby securing inhouse expertise. The Group was and remains able to monitor risk via the Group-wide portfolio management and project planning & control system. Independent external audits are conducted to provide additional quality assurance.

Various technical and organisational measures protect the Company's data against unauthorised access, misuse and loss. The technical protection measures include virus scanners, firewall systems and access controls. Access to the Group's infrastructure is also validated and recorded.

12.3.10 Legal risks

The legal risks for the KION Group arising from its business are typical of those faced by any company operating in this sector. The Company is a party in a number of pending lawsuits in various countries. It cannot assume with any degree of certainty that it 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 Company 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 faulty or the Company failed to comply with contractual obligations. The KION Group has taken measures to prevent it from incurring financial losses as a result of these risks.

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. Within the KION Group, these issues are also monitored by teams whose members come from a variety of functions. The aim of the teams is to identify and minimise risks, for example the risks arising from inadequate contractual arrangements. A further objective of this cooperation across functions is to ensure that the various departments comply with mandatory laws, regulations and contractual arrangements.

Although legal disputes with third parties have been insignificant both currently and in the past, the Company is in the process of establishing a centralised reporting system to record and assist pending lawsuits.

12.3.11 External risks

External 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. Although fairly unlikely, natural disasters and terrorist attacks constitute a further risk to the KION Group's financial position and financial performance.

12.4 Overall risk

In 2010, the KION Group continued to analyse the risks arising from the waning financial and economic crisis in addition to its normal quarterly risk reporting. Particular attention was paid to the potential impact of financial instability in some economies. Risk prevention measures were initiated at an early stage where risks were identified. Despite the incipient market recovery in 2010, the industrial trucks sector as a whole remains well below its 2008 market level. The KION Group is maintaining its rigorous pursuit of the KIARA performance enhancement programme, which was initiated in 2009 as a basis to ensure the Company has sufficient means to counter further unforeseeable market developments. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern.

13 Events after the balance sheet date

No events of any importance occurred after the balance sheet date.

14 Outlook

The forward-looking statements and information given below are based on the Company's current expectations and assessments (as at 31 December 2010). 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.

14.1 Outlook for the global economy

Uncertainty lingers

There is currently great uncertainty about the future performance of the global economy. The financial sector has been badly shaken. Problems in the real-estate sector and the risk of some countries defaulting on their debts threaten to heighten the pressure once more in 2011. Furthermore, it is difficult to foresee the consequences that the main industrial countries' efforts to consolidate their public debt will have on the economy in the medium to long term. The central banks in the emerging markets are likely to switch to slightly more restrictive monetary policies in view of their extremely high growth levels, and also to slow down the pace of growth. Depending on the scale of these restrictions, the industrialised countries may also experience a downturn in their rate of economic growth. Additionally, the extremely expansionary monetary policies pursued by the central banks in the industrialised countries will result in higher inflation and also in higher commodity prices and interest rates over the medium term. Because the upturn in 2010 bypassed the labour market in many industrialised countries, the private sector has so far proved incapable of providing much stimulus.

Global economic growth continues at a slower pace

In this context, slightly more moderate expansion is forecast for 2011, following the sharp rise in economic output in 2010 in many industrialised nations. Among the euro-zone economies, Germany remains the engine of growth although it is only likely to achieve a growth rate of 2.5 per cent, which is below its 2010 rate. For the first time since the start of the recession, Spain's GDP will return to slight growth. Overall, the pace of growth in the euro zone will decelerate a little and economic output will rise by 1.6 percent. The pace of growth in the euro zone is likely to be the same in 2012, when it will again be 1.6 per cent.

In the USA, a number of the economic stimulus packages approved in 2008 and 2009 will come to an end in 2011 – an indication that the growth rate is likely to slow down. However, the US government has renewed or extended the term of temporary tax cuts for employees, lower social security contributions and special unemployment benefits. The USA has also created an incentive programme for corporate investment. These measures are equivalent to 2.5 per cent of the GDP forecast for 2011 and 2012. The Federal Reserve's expansionary monetary policy is likely to continue largely unchanged. However, not all of the measures that have been approved will take full effect, because there are still high levels of consumer debt as well as structural problems in the real-estate market. Given the current conditions, the US economy is likely to grow by 3.2 per cent in 2011. The rate of growth could even rise to 3.3 per cent in 2012.

The Chinese economy was the first to benefit from the recovery and it grew strongly in 2010. The monetary and financial policy measures introduced in China to prevent its economy overheating will take effect in 2011 and, as a result, growth will fall back to between 8.1 and 8.5 per cent in 2012, a lower level than in recent years. The slight slowdown in Chinese economic activity is highly likely to decrease demand for raw materials from Latin America. The cycle of inventory building has also largely come to an end, and support from this quarter is declining. As a result, the upturn in the Brazilian economy is expected to be slightly smaller than it was in 2010, and growth will fall to 4.5 per cent. The economy is likely to grow at a similar pace in 2012, fuelled by a more robust global economy and capital expenditure in conjunction with the 2014 FIFA World Cup and the 2016 Olympic Games.

14.2 Market outlook

The market for industrial trucks is correlated with macroeconomic conditions. The statements below should therefore be read in the context of the conditions described above. If the performance of the global economy is adversely impacted by unforeseen exogenous factors, the consequences will also affect the industrial trucks market. From the current perspective, it is not possible to determine the extent, the timing or the likelihood of these exogenous factors.

Market upturn set to continue worldwide in 2011

The upturn in the global market for industrial trucks will continue in 2011. Despite its slower pace compared with 2010, the economic recovery will spill over into the markets.

The level achieved in western Europe in 2010 remains significantly below that experienced in the past, despite a rise of 23 per cent. Because the level is well below that needed to meet replacement requirements, there is certainly pent-up demand in this area – particularly as capacity utilisation and use of the trucks in the market are expected to continue to rise in 2011. The KION Group therefore expects the market in western Europe to improve again in 2011 and to approach the level that has been calculated as necessary to meet replacement needs. Eastern Europe will also maintain its growth trend, particularly as it is driven by the recovery in the Russian market.

The rapidly growing markets in China and Brazil, which are already far ahead of their 2008 levels, will enter a phase of normalisation in 2011. The KION Group believes both markets will slightly improve on the levels they achieved in 2010 but they will not achieve the high growth rates of 2010 again.

Given the recovery of the markets described above and the growth in other key regions such as North America and Japan, the global market is expected to expand by 9 per cent to more than 860,000 units in 2011. The KION Group believes the improvement will be even greater in 2012 as a result of the continued positive forecasts for the world's economies.

14.3 Outlook for the KION Group

In 2011, the KION Group will benefit substantially from the upward trend in the markets as well as from the cost-saving measures initiated in 2009 under the KIARA performance enhancement programme. Capacity utilisation in the plants will continue to rise. The full integration of products following the relocation of production from the Basingstoke plant and some areas of production from the Reutlingen plant have helped to raise the large-scale plants in Aschaffenburg and Hamburg to a more efficient level of production. In 2011, the KION Group will be implementing more measures to further enhance the performance and efficiency of its plants. The five brands in the KION Group represent a strong, global product portfolio that it will continue to use in 2011 to meet the specific local needs and different requirements profiles of its customers in different regions around the world. As the operational improvements made in 2010 were greater than originally planned in 2010, the KION Group will remain below the threshold values defined its financial covenants in 2011. As a result, the interest terms will be slightly more favourable.

Further improvement to the margin

At the start of 2011, the KION Group is optimistic that the further improvement in the market environment will enable it to increase its revenue by around 10 per cent. Growth will mainly be achieved by generating new business, but it will also be driven by all other product categories. The Company's profitability will increase substantially on the back of long-term structural improvements coupled with economies of scale. In late 2010/early 2011, the brand companies in the KION Group also responded to the rise in commodity prices and staff costs by raising their gross list prices. The KION Group believes its adjusted EBIT margin will increase significantly in 2011 but will be below its pre-crisis level (2008: 7.9 per cent). Further restructuring costs aimed at improving future operational performance mean the KION Group will again make a net loss, although the loss will be smaller than in 2010 due to ongoing improvements to operations.

Provided the market continues to improve, the KION Group is expecting a further rise in revenue, a higher adjusted EBIT margin and, therefore, a further improvement in its net income in 2012.

Wiesbaden, 17 March 2011

Gordon Riske

Harald Pinger

KION Holding 1 GmbH

Consolidated statement of comprehensive income for the year ended December 31, 2010

Consolidated income statement

(€ thousand)	Notes No.	2010	2009
Revenue	[8]	3,534,474	3,084,343
Cost of sales		-2,684,353	-2,484,174
Gross profit		**850,121**	**600,169**
Selling expenses		-483,639	-433,692
Research and development costs		-103,255	-100,526
Administrative expenses		-247,526	-260,423
Other income	[9]	59,585	75,474
Other expenses	[10]	-45,879	-66,437
Profit from equity investments	[11]	3,569	3,258
Other financial result		1,660	290
Earnings before interest and taxes		**34,636**	**-181,887**
Financial income	[12]	88,349	78,635
Financial expense	[13]	-354,405	-301,858
Earnings before taxes		**-231,420**	**-405,110**
Income taxes	[14]	**34,722**	**38,888**
current taxes		-14,997	-5,426
deferred taxes		49,719	44,314
Net loss		**-196,698**	**-366,222**
attributable to shareholders of KION Holding 1 GmbH		-198,655	-367,514
attributable to non-controlling interests		1,957	1,292

Consolidated statement of comprehensive income

(€ thousand)	2010	2009
Net loss	**-196,698**	**-366,222**
Impact of exchange differences	37,260	21,357
thereof changes in unrealised gains and losses	37,260	21,445
thereof realised gains and losses	0	-88
Gains/losses on employee benefits	-28,658	-608
thereof changes in unrealised gains and losses	-39,462	-1,134
thereof tax effect	10,804	526
Result of cash flow hedges	10,022	11,166
thereof changes in unrealised gains and losses	52,818	64,288
thereof realised gains and losses	-37,897	-48,201
thereof tax effect	-5,369	-4,921
Gains/losses from equity investments	-125	0
thereof changes in unrealised gains and losses	-125	0
Other comprehensive income	**18,499**	**31,915**
Total comprehensive income	**-178,199**	**-334,307**
Attributable shares		
attributable to shareholders of KION Holding 1 GmbH	-180,155	-340,083
attributable to non-controlling interests	1,956	5,776

Consolidated statement of financial position at December 31, 2010

ASSETS

(€ thousand)	Notes No.	2010	2009
Goodwill	[16]	1,507,010	1,504,796
Other intangible assets	[16]	986,410	996,458
Leased assets	[17]	501,164	536,224
Other property, plant and equipment	[18]	566,492	590,504
Equity investments	[19]	37,841	33,359
Lease receivables	[20]	246,808	259,965
Other non-current financial assets	[21]	17,474	18,693
Deferred taxes	[14]	241,772	206,357
Non-current assets		**4,104,971**	**4,146,356**
Inventories	[22]	535,529	470,827
Trade receivables	[23]	633,265	511,263
Lease receivables	[20]	120,950	115,388
Current income tax receivables	[14]	4,550	16,761
Other current financial assets	[21]	106,790	90,853
Cash and cash equivalents	[24]	252,884	463,408
Current assets		**1,653,968**	**1,668,500**
Total assets		**5,758,939**	**5,814,856**

EQUITY AND LIABILITIES

(€ thousand)	Notes No.	2010	2009
Subscribed capital		500	500
Capital reserves		348,483	348,483
Retained earnings		-711,504	-516,199
Accumulated other comprehensive income		-44,471	-62,971
Non-controlling interests		7,070	17,144
Equity	[25]	**-399,922**	**-213,043**
Shareholder loan	[27]	615,250	587,368
Retirement benefit obligation	[26]	374,063	333,157
Non-current financial liabilities	[27]	2,772,417	2,819,355
Lease liabilities	[28]	411,097	484,874
Other non-current provisions	[29]	164,299	181,649
Other non-current financial liabilities	[30]	127,870	111,999
Deferred taxes	[14]	334,930	355,139
Non-current liabilities		**4,799,926**	**4,873,541**
Current financial liabilities	[27]	106,470	108,263
Trade payables		508,108	356,765
Lease liabilities	[28]	250,552	214,735
Current income tax liabilities	[14]	6,661	16,767
Other current provisions	[29]	95,902	86,143
Other current financial liabilities	[30]	391,242	371,685
Current liabilities		**1,358,935**	**1,154,358**
Total equity and liabilities		**5,758,939**	**5,814,856**

Consolidated statement of cash flows

(€ thousand)	2010	2009
Net loss	-196,698	-366,222
+ income taxes	-34,722	-38,888
+ financial result	266,056	223,223
= Earnings before interest and taxes	**34,636**	**-181,887**
Depreciation/Impairment of non-current assets (excl. leased assets)	169,013	178,125
Depreciation/Impairment of leased assets	176,558	186,802
Other non-cash income and expenses	12,295	-18,346
Gains (-) / losses (+) on disposal of non-current assets	4,987	1,855
Cash payments for purchase of leased assets	-129,572	-92,469
Change in lease receivables and lease liabilities	-57,440	-78,992
Change in inventories	-45,685	164,352
Change in trade receivables	-103,890	173,123
Change in trade payables	145,491	-204,915
Cash payments for defined benefit obligations	-29,420	-22,134
Change in other provisions	-14,994	29,291
Change in other operating assets	7,195	52,089
Change in other operating liabilities	43,072	-50,279
Taxes paid	-12,957	-21,900
= Cash flow from operating activities	**199,289**	**114,715**
Cash receipts from disposal of non-current assets	4,177	5,595
Cash payments for purchase of non-current assets	-123,462	-108,202
Deposits from other loan claims (net)	-1,799	-391
Dividends	2,854	2,352
Interest income	3,623	4,420
Cash payments for acquisitions (excl. cash and cash equivalents)	-7,638	-17,588
Cash receipts and cash payments from sundry assets	-1,003	950
= Cash flow from investing activities	**-123,248**	**-112,864**
Dividends paid to non-controlling interests	-2,143	-2,307
Cash paid for increased ownership interests (after control)	-9,535	0
Proceeds from loan financing	56,742	232,523
Loan financing costs paid	-5,978	-29,606
Repayment of loan finance	-152,447	0
Borrowings repayment (net) of other capital received	-42,133	4,550
Interest paid	-134,716	-158,504
= Cash flow from financing activities	**-290,210**	**46,656**
Exchange-rate-related and other changes in cash	3,645	1,458
= Change in cash and cash equivalents	**-210,524**	**49,965**
Cash and cash equivalents at the beginning of the year	463,408	413,443
Cash and cash equivalents at the end of the year	252,884	463,408

KION Holding 1 GmbH

Consolidated statement of changes in equity for the year ended December 31, 2010

Annex 1.5

Consolidated statement of changes in equity

(€ thousand)

	Equity attributable to shareholders of KION Holding 1 GmbH								
				Cumulative other comprehensive income					
	Subscribed capital	Capital reserves	Retained Earnings	Cumulative translation adjustment	Gains/losses on defined benefit obligation	Cash Flow Hedges	Gains/losses from equity investments	Non-controlling interests	Total
Balance as at 1/1/2009	**500**	**348,483**	**-148,685**	**-96,159**	**41,764**	**-36,007**	**0**	**13,675**	**123,571**
Net loss			-367,514					1,292	-366,222
Other comprehensive income				16,873	-608	11,166		4,484	31,915
Dividends								-2,307	-2,307
Balance as at 12/31/2009	**500**	**348,483**	**-516,199**	**-79,286**	**41,156**	**-24,841**	**0**	**17,144**	**-213,043**
Balance as 1/12010	**500**	**348,483**	**-516,199**	**-79,286**	**41,156**	**-24,841**	**0**	**17,144**	**-213,043**
Net loss			-198,655					1,957	-196,698
Other comprehensive income				37,261	-28,658	10,022	-125	-1	18,499
Dividends								-2,143	-2,143
Effects on the acquisition of non-controlling interest			-1,496					-10,419	-11,915
Other Changes			4,846					532	5,378
Balance as at 12/31/2010	**500**	**348,483**	**-711,504**	**-42,025**	**12,498**	**-14,819**	**-125**	**7,070**	**-399,922**

Notes to the consolidated financial statements of KION Holding 1 GmbH for the year ended 31 December 2010

Basis of presentation

[1] General information on the Company

KION Holding 1 GmbH, whose registered office is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, is the parent company of the KION Group in Germany. KION Holding 1 GmbH was formed with articles of association dated 24 October 2006, and entered in the commercial register at the Wiesbaden Local Court under reference HRB 22785 on 21 February 2007. The parent company of KION Holding 1 GmbH is Superlift Holding S.à r.l., Luxembourg.

The KION Group is a leading global provider of industrial trucks (forklift trucks and warehouse equipment). In the 2010 financial year, it generated revenue of €3,534,474 thousand (2009: €3,084,343 thousand) from its Linde, Fenwick, STILL, OM and Baoli brands.

The consolidated financial statements and the Group management report have been prepared by the Executive Board of KION Holding 1 GmbH.

[2] Basis of preparation

The consolidated financial statements of the KION Group for the financial year ended 31 December 2010 were prepared in accordance with section 315a of the German Commercial Code (HGB) which requires the application of International Financial Reporting Standards (IFRSs) and the associated interpretations (IFRICs) of the International Accounting Standards Board (IASB) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. All of the IFRSs and IFRICs that were issued as at the reporting date and that were required to be applied in the 2010 financial year were applied in preparing the consolidated financial statements.

Financial reporting standards to be adopted for the first time in the financial year under review:

The following financial reporting standards and interpretations were adopted for the first time in 2010:

- Revised version of IFRS 1, 'First-time Adoption of International Financial Reporting Standards';
- Amendments to IFRS 1, 'First-time Adoption of International Financial Reporting Standards’, amendments relating to additional exemptions for first-time adopters;
- Amendments to IFRS 2, 'Share-based Payment', amendments relating to the accounting treatment of cash-settled, share-based payment transactions in a group;
- IFRS 3R, 'Business Combinations';
- IFRS 5 (2008 improvements), 'Non-current Assets Held for Sale and Discontinued Operations';
- IAS 27R, 'Consolidated and Separate Financial Statements'
- IAS 39, 'Financial Instruments: Recognition and Measurement’, amendments relating to qualifying hedged items;
- IFRIC 12, 'Service Concession Arrangements'
- IFRIC 15, 'Agreements for the Construction of Real Estate'

- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'
- IFRIC 17, 'Distributions of Non-cash Assets to Owners'
- IFRIC 18, 'Transfers of Assets from Customers'
- Improvements to IFRSs in 2009.

The first-time adoption of these standards and interpretations had no significant effect on the presentation of the financial position and financial performance of the KION Group.

Financial reporting standards released but not yet adopted

In its consolidated financial statements for the year ended 31 December 2010, 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 2010:

- Amendments to IFRS 1, 'First-time Adoption of International Financial Reporting Standards', amendments related to the limited exemption from comparative IFRS 7 disclosures for first-time adopters,
- Amendments to IFRS 1, 'First-time Adoption of International Financial Reporting Standards', amendments relating to fixed transition dates and severe hyperinflation;
- Amendments to IFRS 7, 'Financial Instruments: Disclosures', disclosures relating to transfer of financial assets;
- IFRS 9, 'Financial Instruments'
- Amendments to IAS 12 'Income Taxes': Limited amendment to IAS 12 relating to the recovery of underlying assets;
- Revised version of IAS 24, 'Related Party Disclosures'
- Amendments to IAS 32, 'Financial Instruments: Presentation', classification of rights issues (rights, options or warrants);
- Amendments to IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', prepayments of a minimum funding requirement;
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'
- Improvements to IFRSs in 2010.

These standards and interpretations will only be applied by the companies included in the KION Group from the date at which they must be adopted for the first time. Their effects on the financial position and financial performance of the KION Group are expected to be insignificant.

The various amendments issued in May 2010 as part of the annual improvement project mainly related to terminological and editorial aspects. They are not expected to have any significant effect on the presentation of the financial position and financial performance.

In order to improve the clarity of presentation, certain items are aggregated on the face of the statement of financial position and income statement. The items concerned are disclosed and explained separately in the notes. In accordance with IAS 1.60, assets and liabilities are broken down into current and non-current items. Liabilities from outstanding supplier invoices are reported in trade payables, while other accruals are reported in other financial liabilities. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The reporting currency is the euro. All amounts are disclosed in thousands of euros (€ thousand) unless stated otherwise. The addition of the totals presented may result in rounding differences of +/- €1 thousand. The separate financial statements included in the consolidation were prepared on the same reporting date as the annual financial statements of KION Holding 1 GmbH. Some prior-year figures have been reclassified to conform to the current year presentation.

[3] Principles of consolidation

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3R, 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 group's interest in 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 acquisitions in stages, previously held equity interests are recognised at their fair value on the date they were acquired. 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.

Transaction costs are immediately recorded in income. Contingent consideration is included at fair value when determining the purchase consideration, regardless of the likelihood of the contingency occurring. Contingent consideration 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 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 resulting from consolidation entries.

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 other comprehensive income. Gains and losses arising from the sale of non-controlling interests are also recognised in other comprehensive income, provided there is no change in control.

Associates and joint ventures that are material to the financial position and financial performance of the KION Group are accounted for using the equity method.

[4] Basis of consolidation

KION Holding 1 GmbH's equity investments include subsidiaries, joint ventures, associates and financial investments.

In addition to KION Holding 1 GmbH, the consolidated financial statements of the KION Group include those entities in which KION Holding 1 GmbH holds a majority of the voting rights, either directly or indirectly, or in which it exercises control i.e. has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Subsidiaries acquired in the course of the financial year are consolidated from the date at which control is transferred, i.e. the date from which it is possible to determine their financial and operating policies such that benefit 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. Joint control differs from significant influence insofar as it is governed by a contractual agreement.

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 Holding 1 GmbH holds between 20 per cent and 50 per cent of the voting rights.

All other equity interests over which KION Holding 1 GmbH is unable to exercise control or significant influence, or that are not jointly controlled by KION Holding 1 GmbH are classified as financial investments and are not consolidated.

The following table shows the shareholdings of KION Holding 1 GmbH:

Shareholdings

	1/1/2010	Acquisitions	Disposals	12/31/2010
Consolidated subsidiaries	**87**	**2**	1	**88**
Domestic	15	1	0	16
Foreign	72	1	1	72
Equity investments	**11**	1	0	**12**
Domestic	7	0	0	7
Foreign	4	1	0	5
Subsidiaries and other investments recorded at cost	**64**	**4**	0	**68**
Domestic	15	0	0	15
Foreign	49	4	0	53

As at 31 December 2010, a total of 16 German and 72 foreign subsidiaries were consolidated in addition to KION Holding 1 GmbH. URBAN-TRANSPORTE GMBH, Unterschleissheim, Germany, has been included in the consolidation since January 2010 because it had become more financially significant. A difference of €4,256 thousand was recognised in retained earnings as a result of the company being consolidated for the first time. It employed 81 people at the time it was first consolidated. In 2010, the company generated a profit before tax of €631 thousand and revenue of €82,586 thousand, of which €9,430 thousand was attributable to external customers. The remaining acquisitions are of minor financial importance to the KION Group.

As at 31 December 2010, twelve associates and joint ventures were accounted for using the equity method (2009: eleven). In each case, valuation was based on the latest available annual financial statements.

68 (2009: 64) subsidiaries with no business operations or minimal business volumes were not included in the consolidation. The unconsolidated subsidiaries and the associated companies not accounted for using the equity method (see the list of shareholdings in the annex to these notes) are of minor importance to the financial position and financial performance of the KION Group, both individually and as a whole.

Due to certain circumstances, 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:

German entities exempted from disclosure requirements

Entities exempted	Head Office
KION Holding 2 GmbH	Wiesbaden
Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan
Schrader Industriefahrzeuge GmbH & Co.	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 Holding 1 GmbH is presented in the list of shareholdings in the annex to these notes.

[5] Acquisitions

Following its consolidation for the first time in 2009, on 26 April 2010 the KION Group acquired a further 32 per cent of the shares in KION Baoli (Jiangsu) Forklift Co., Ltd. (KION Baoli) for a purchase consideration of €9,535 thousand. As at 31 December 2010, KION Holding 1 GmbH indirectly held 92 per cent of the equity and voting shares in KION Baoli, whose registered office is in Jingjian, Jiangsu Province, China, via KION ASIA (HONG KONG) Ltd., Kwai Chung, Hong Kong. The KION Group intends to purchase the remaining equity and voting shares (8 per cent) in stages within the next 24 months, for a total consideration of €2,268 thousand.

The shortfall of €1,496 thousand between the amount of the non-controlling interest and the fair value of the consideration paid is recognised in retained earnings.

[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 a company operates. The closing-rate method is used for currency translation.
The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle 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 for the year. 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 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 are translated at the rate prevailing on the transaction date. Currency translation differences are recorded in income and recognised in other income/expenses.

The following translation rates were used for currencies that are material to the financial statements:

Major foreign currency rates in €

	Average rate		Closing rate	
	2010	2009	2010	2009
Australian dollar (AUD)	1.4440	1.7746	1.3075	1.5957
Brazilian real (BRL)	2.3348	2.7713	2.2203	2.4958
Chinese yuan (CNY)	8.9863	9.5221	8.8173	9.7752
Pound sterling (GBP)	0.8584	0.8914	0.8575	0.8862
Polish zloty (PLN)	3.9941	4.3253	3.9666	4.1054
Swiss franc (CHF)	1.3815	1.5095	1.2496	1.4828
Czech koruna (CZK)	25.2775	26.4501	25.0415	26.3880
Hungarian forint (HUF)	275.3971	280.4258	278.3900	270.5650
US dollar (USD)	1.3275	1.3936	1.3380	1.4318

[7] Accounting policies

The consolidated financial statements are based on the separate financial statements of the parent and the consolidated subsidiaries, which are prepared in accordance with uniform KION Group accounting policies.

Revenue recognition

Revenue is the fair value received for the sale of products and services 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 economic benefit will accrue to the company and that it can be reliably measured. Other criteria may arise, depending on each individual transaction, such as:

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 deferred over the term of the agreement if the risks and rewards remain substantially with the KION Group. The term 'sale with risk' is discussed in detail in the following section and under 'Leases' below.

Rendering of services
Revenue from 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). Unrealised revenue from long-term service agreements is therefore deferred over the average term of the agreements concerned and recognised in line with progressive costs.
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 business, industrial trucks are also sold to finance partners who then enter into leases directly with the end customer (sale with risk). 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 default guarantee, 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 proportionately 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.

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 include directly attributable material and labour costs as well as directly attributable overhead, 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.

Government grants

Government grants are recognised at fair value provided that the Group has satisfied the necessary conditions for receiving the grant. Grants not related to capital expenditures are recognised in the income statement, under other income, in the period in which the expense intended to be covered by the grant is incurred. Grants for capital expenditures are deducted from the cost of the asset concerned and result in a corresponding reduction in depreciation over the subsequent periods.

Financial income and expenses

Net financial income mainly consists of interest expense 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 expense on pension provisions. The expected return on plan assets relating to pension provisions is also included in financial income.

Interest income and expense 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 expense over the relevant periods. The effective interest rate is the interest rate at which the estimated future 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 shorter of the expected term of the financial instrument or other appropriate period.

Dividends are recognised in income when a resolution on distribution has been passed. They are reported in the income statement under other financial income/expenses.

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 segments on the basis of their characteristics and risk profile. These segments also constitute CGUs.

The relevant CGUs for the purpose of goodwill impairment testing are defined at this level, as the structure of the internal reporting and management system, including the decision-relevant forecasts by the KION Group, is based on CGUs.

The goodwill relates to LMH and STILL. The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method.

Cash flow forecasts for the next five years were used to calculate value in use. The forecasts are based on past experience, current profits/losses on operations, the key management team's current assessment of future developments, and market assumptions. Cash flows beyond the five-year planning horizon were extrapolated using a growth rate of 1 per cent (2009: 1 per cent).

CGU cash flows are discounted using a weighted average cost of capital (WACC) that reflects current market assessments of the specific risks to individual segments. The underlying capital structure is determined by comparing peer group companies in the same sector.

The beta factor derived from the peer group is 1.09 (2009: 1.07). Yield curve data from Deutsche Bundesbank as at 31 December 2010 was used to determine the risk-free interest rate which was 3.45 per cent (2009: 4.25 per cent). The market risk premium taken from empirical studies was set at 5.5 per cent (2009: 5.0 per cent).

The risk-adjusted cost of borrowing before tax was based on an interest rate of 5.5 per cent (2009: 6.1 per cent). A leverage ratio of 32.2 per cent (2009: 28.3 per cent) was calculated, based on the capital structure determined for the peer group.

The interest rate determined for LMH and STILL by means of these parameters and used to discount the estimated cash flows was 10.3 per cent before tax (7.6 per cent after tax). The interest rates determined in 2009 were 10.8 per cent before tax and 8.1 per cent after tax.

The allocation of goodwill as at 31 December 2010, was as follows: LMH CGU, €954,802 thousand (31 December 2009: €952,513 thousand); STILL CGU, €552,208 thousand (31 December 2009: €552,283 thousand). No indications of impairment were identified in the impairment tests carried out as of 31 December 2010. Sensitivity analysis has enabled us to determine that no impairment losses need to be recognised for goodwill or intangible assets with an indefinite useful life, even if key assumptions vary within realistic limits.

Other intangible assets

Other purchased intangible assets with a finite useful life are recorded at cost less all cumulative amortisation and all cumulative 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 net of 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 recorded at cost. These assets are mainly the brand names that were capitalised as part of the purchase price allocation when the KION Group was acquired. The breakdown is as follows: LMH CGU, €468,400 thousand; STILL, €108,700 thousand; and OM, €7,000 thousand. Because they were recognised in the statement of financial position during the purchase price allocation, they were measured at their fair value during the purchase price allocation. They are not amortised, instead they are tested for impairment in accordance with IAS 36 at least once a year if 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. Brand names are not amortised provided they have been established in the market for a number of years and there is no foreseeable end to their 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 extent to which the intangible asset is expected to 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 overhead directly attributable to the development process. Following initial capitalisation, these costs and internally generated intangible assets, particularly internally generated software, are recorded at cost less cumulative amortisation and cumulative impairment losses. Internally generated intangible assets are not qualifying assets so finance costs are not capitalised. All non-qualifying research and development costs, if such costs arise, are expensed as incurred and reported on the income statement under research and development expenditure together with the amortisation of capitalised development costs.

The following useful lives are applied in determining the carrying amounts of other intangible assets:

Useful life of other intangible assets

	Years
Customer relationships/client base	10
Technology	10
Development costs	5-7
Patents and licenses	3-15
Software	3-8

Leases

As part of the financial services business, companies in the KION Group enter into leases as lessors and as lessees. In line with IAS 17, leases are classified as finance leases if substantially all of the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. All other leases are classified as operating leases, again in accordance with IAS 17.

Sales leases

KION Group companies lease equipment, mainly various industrial trucks, to their customers in order to promote sales. The leases may be of a short-term or long-term nature.

In the case of long-term leases, industrial trucks are generally sold to leasing companies. The assets are then either leased back by KION Group companies and subleased to customers (described below as 'sale and lease-back subleases') or the leasing company itself enters into the lease with the customer (described below as 'sales with risk'). Long-term leases generally have a term of four to five years.

Short-term leases are entered into directly with customers, with economic ownership of the leased assets remaining with the KION Group companies. The assets are reported as leased assets in a separate item on the face of the statement of financial position. Short-term leases usually have a term of one day to one year.

If a KION Group company enters into a finance lease as the lessor, the future lease payments to be paid 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.

If the economic ownership of leased assets remains with a KION Group company as the lessor under an operating lease, the assets are reported as leased assets in a separate item on the face of the statement of financial position. The leased assets are recorded at cost and depreciated in accordance with the accounting policies for property, plant and equipment. Lease-related income is recognised on a straight-line basis over the terms of the leases.

If the risks and rewards incidental to sale and leaseback subleases are substantially borne by KION Group companies, the corresponding assets are reported as non-current leased assets and are depreciated over the term of the underlying leases. If substantially all of the risks and rewards are transferred to the end customer, a corresponding lease receivable is recognised. Long-term customer leases are funded for terms that match those of the leases; funding items are recognised as lease liabilities.

As part of the financial services business, industrial trucks are also sold to finance partners who then enter into leases directly with end customers.

If KION Group companies provide residual value guarantees amounting to more than 10 per cent of the value of a leased asset or a customer default guarantee, 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 ('sale with risk'). Accordingly, the vehicles 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, over the term of the lease between the finance partner and end customer. If the KION Group provides a residual value guarantee, a lease liability equivalent to the residual value obligation is recognised. For further information, please refer to the information provided in the 'Revenue recognition' section.

Procurement leases

In addition to entering into leases for sales purposes, KION Group companies also lease buildings, machinery, office furniture and operating equipment for their own use, primarily using operating leases. The corresponding lease payments are recognised in the income statement on a straight-line basis over the term of the lease.

KION Group companies also lease assets for their own use using finance leases. In this case, the lower of the fair value of the leased asset or the present value of future lease payments is recognised at the inception of the lease under leased assets. A corresponding liability to the lessor is recognised as a lease liability in the statement of financial position.

Leased assets are depreciated over the shorter of their 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 leased assets are depreciated and the lease liabilities are reversed over the useful life of the leased assets.

The difference between total lease liabilities and the fair value of leased assets represents the finance charge which is recognised in the income statement over the term of the leases 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.

Other property, plant and equipment

Property, plant and equipment are recorded 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 overhead. 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 and the definition of a qualifying asset is met. No borrowing costs were capitalised in the year under review.

Depreciation of property, plant and equipment is recognised on a straight-line basis and reported in functional costs. The useful lives and depreciation methods are reviewed annually and adjusted to reflect changes in conditions.

The following useful lives are applied in determining the carrying amounts of items of property, plant and equipment:

Useful life of other property, plant and equipment

	Years
Buildings	10-25
Plant and machinery	6-15
Office furniture and equipment	3-15

If there are certain indications of impairment, property, plant and equipment 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 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 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 recorded at cost. In subsequent periods, 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 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. When an associate or joint venture is sold, the Group's interest in its goodwill is taken into account in determining the gain or losses on disposal.
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.

Other financial assets

The investments in non-consolidated affiliated companies and (long-term) equity investments that are reported in other non-current financial assets are recorded at 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. At each reporting date, financial assets or groups of financial assets are tested for impairment. Impairment losses are recognised in income as appropriate.

Primary financial assets are initially recognised and derecognised in the financial statements on their settlement dates.

Under IAS 39 ('Financial Instruments: Recognition and Measurement'), securities allocated to current or non-current financial assets are classified according to those carried at fair value through profit and loss (FAHfT), available for sale (AfS) and held to maturity (HtM).

The KION Group did not designate any securities as carried at fair value through profit and loss (FAHfT) in the reporting year. The FAHfT category therefore only includes financial derivatives that do not form part of a formally documented hedge.

Available-for-sale financial instruments (AfS) are carried at fair value. If they are equity investments for which no market price is available, they are recorded at cost. Unrealised gains and losses, including deferred taxes, are reported in other comprehensive income until they are realised.

Carrying amounts 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 recorded in an appropriate amount. Reversals may not exceed the amortised cost that would have arisen if the impairment loss had not been recognised. In the case of debt instruments, reversals of impairment losses are recognised in the income statement.

Held-to-maturity financial assets are carried at amortised cost less impairment losses in accordance with the effective interest method.

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 if they relate to transactions also recognised in other comprehensive income.

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 resulting from the expected utilisation of existing tax and interest loss carryforwards in subsequent periods and this utilisation is reasonably certain according to current forecasts. Deferred tax assets were recognised for interest carryforwards for the first time to extent that they are expected to be used in the future based on information available at the reporting date.
Deferred taxes are determined on the basis of the tax rates that will apply or are expected to apply 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 recorded at the lower of cost and net realisable value.

Raw materials and merchandise are carried at average cost.

The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overhead 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.

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. The amount recognised is an average value or a value determined in accordance with the FIFO method.

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.

Receivables

Receivables and other assets are carried at fair value, including directly attributable transaction costs, in the first period they are recognised. 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.

Derivative financial instruments

Derivative financial instruments comprise currency forwards, interest rate swaps and options and are used for hedging purposes to reduce exchange-rate and interest-rate risks.

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 (for cash flow hedges).

The KION Group currently only uses cash flow hedges for exchange-rate and interest-rate risks.

In the case of cash flow hedges, derivatives are employed to hedge future cash flow risks from existing underlying transactions or planned transactions. The effective portion of changes in the fair value of derivatives is initially recognised in other comprehensive income, 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 net financial income/expenses.
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 until the company is sold. In the past financial year, KION Group companies have not entered into any hedges for net investments in foreign subsidiaries.

Further information on risk management and accounting for derivative financial instruments can be found under note 33.

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 its present value. The calculation includes assumptions about future changes in certain parameters, such as expected salary and pension increases, and mortality 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 obligation. Plan assets are measured at fair value.

Actuarial gains and losses, including deferred taxes, are recognised in other comprehensive income. The cost of additions to pension provisions is allocated to functional costs. The interest cost on the pension obligation and the expected return on plan assets are reported in net financial income/expenses. Further details can be found in note 26.

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. A provision is recognised in the amount of the mean of the range of probabilities. Measurement includes indirect and direct costs.

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 existing on the reporting date that cannot be offset by recourse claims. The settlement amount also includes estimated future cost increases as of 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 expense.

Warranty provisions are recognised on the basis of past or estimated future claim statistics. Individual provisions are recognised for claims that are known to the Group. The corresponding expense is recognised in cost of sales at the date on which the revenue is recognised.

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 company has prepared a detailed, formal restructuring plan and this plan has raised a valid expectation in those affected that the company 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 company concerned.

Financial liabilities and other financial liabilities

Financial liabilities and other financial 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 fair value through profit or loss.

Non-current financial liabilities and other financial liabilities are then recorded at amortised cost. Any differences between historical cost and the settlement amount are recognised in accordance with the effective interest method.

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 be different from these estimates. 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,
- to 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 unit to which goodwill is allocated, by considering the Group's five-year operating forecasts and assuming division-specific growth rates for the period thereafter. Any material changes to these factors might result in the recognition of impairment losses.
Defined benefit pension obligations are calculated on the basis of actuarial parameters. As differences due to actuarial gains and losses are recorded in other comprehensive income, any change in these parameters would not affect the net profit for the current period. For further details about sensitivity analysis of the impact of certain assumptions, please refer to the information about provisions.

Significant estimates are involved in calculating provisions for tax. These estimates may change on the basis of new information and experience. Where necessary, the KION Group's accounting departments receive assistance from external legal advisers and tax consultants when making the estimates required.

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.

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.

Changes are recognised in profit or loss when they become 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:

Revenue by product category		
(€ thousand)	2010	2009
New truck business	1,775,628	1,477,278
Rental business	402,361	395,577
Used trucks	187,246	162,839
After Sales	970,668	880,871
Hydraulic components	119,901	107,036
Other	78,670	60,742
Total revenue	**3,534,474**	**3,084,343**

Further information on revenue can be found in note 36 Segment reporting.

[9] Other income

The breakdown of other income is as follows:

Other income		
(€ thousand)	2010	2009
Foreign currency exchange rate gains	18,554	24,523
Profit from release of deferred lease profits	6,952	8,274
Income from reversal of provisons	5,038	4,584
Lease and rental income	2,231	2,429
Gains from revaluation of non-current assets	1,546	0
Gains on disposal of non-current assets	1,077	1,162
Sundry income	24,187	34,502
Total other income	**59,585**	**75,474**

The foreign currency exchange rate gains result from the measurement of financial receivables and liabilities denominated in foreign currency and the measurement of the related derivatives. The year-over-year decrease in foreign currency exchange rate gains and losses (see also note 10 Other expenses) is primarily attributable to less volatile exchange rates compared with 2009.

Sundry income includes grants of €7,737 thousand (2009: €9,312 thousand). For the most part, this sum related to the lump-sum reimbursement of employer's social security contributions in connection with short-time working allowances linked to the economic situation. Income from grants recognised in the income statement in each financial year is offset by the relating expenses reported under functional costs.

[10] Other expenses

The breakdown of other expenses is as follows:

Other expenses		
(€ thousand)	2010	2009
Losses on exchange rate differences	16,949	19,975
Impairment of non-current assets	8,522	15,800
Book losses on disposal of property, plant and equipment	5,966	3,065
Sundry other expenses	14,442	27,597
Total other expenses	**45,879**	**66,437**

Other expenses comprise expenses not reported under functional costs.

Losses on exchange rate differences include losses of €3,947 thousand on derivative financial instruments used to hedge exchange rate risk resulting from our operations (2009: €16,892 thousand). These losses on derivatives are offset by gains on the currency translation of the corresponding underlying transactions.

Impairment of non-current assets related to impairment losses of €8,464 thousand for intangible assets in 2010, while the impairment losses of €13,024 thousand recognised in 2009 were for property, plant and equipment during the relocation of production.

[11] Profit from equity investments

In the year under review, the profit from equity investments amounted to €3,569 thousand (2009: €3,258 thousand). Further details can be found in note 19.

[12] Financial income

Financial income breaks down as follows:

Financial income		
(€ thousand)	2010	2009
Foreign currency exchange rate gains	36,141	29,034
Interest income from leases	25,528	27,608
Return on pension plan assets	23,247	17,763
Other interests and similar income	3,433	4,230
Total financial income	**88,349**	**78,635**

The foreign currency exchange rate gains include gains on hedging transactions amounting to €36,048 thousand (2009: losses of €27,855 thousand). The gains are offset by losses arising from the translation of a foreign-currency loan for €38,219 thousand denominated in US dollars (2009: gain of €13,161 thousand) that are reported in finance expenses.

The interest income from leases relates to the interest portion of lease payments in financial services transactions in which KION Group companies operate as the lessor (finance leases).

The return on pension plan assets item shows the expected return on plan assets used to cover pension obligations.

[13] Financial expenses

The financial expenses break down as follows:

Financial expense		
(€ thousand)	2010	2009
Interest expenses from loans	167,347	144,129
Foreign currency exchange rate losses	53,877	28,904
Interest cost of defined benefit obligation	41,434	37,836
Interest cost of leases	35,951	41,153
Interest cost of shareholder loan	27,882	27,882
Amortisation of finance costs	8,333	1,418
Interest cost of non-current financial liabilities	3,263	3,817
Other interest expenses and similar charges	16,318	16,719
Total financial expense	**354,405**	**301,858**

The interest expenses from loans include interest costs of €129,260 thousand (2009: €95,928 thousand) arising from variable-rate loan liabilities in connection with the senior facilities agreement and losses of €38,087 thousand (2009: €48,201 thousand) on interest rate swaps.

The foreign currency exchange rate losses include a loss of €38,219 thousand on the translation of a foreign-currency loan denominated in US dollars (2009: gain of €13,161 thousand) and losses on derivatives amounting to €15,641 thousand (2009: gain of €15,438 thousand).

The interest cost of leases relates to the interest portion of lease payments in financial services transactions in which risks and rewards are borne by KION Group companies as lessees (finance leases). Sale-finance lease-back-operating subleases (SALB-FL-OL) gave rise to interest expense of €16,615 thousand (2009: €19,580 thousand). This interest expense was not directly offset by any interest income. The interest income is a component of the lease payments reported within revenue.

The interest cost of the defined benefit obligation is the annual interest expense in connection with the non-current pension obligations.

[14] Income taxes

The tax income of €34,722 thousand (2009: €38,888 thousand) consists of €14,997 thousand (2009: €5,426 thousand) in current tax expenses and €49,719 thousand (2009: €44,314 thousand) in deferred tax income. The current tax expenses include income of €11,868 thousand (2009: €2,568 thousand) relating to prior financial years.

On the reporting date, there were income tax receivables due from taxation authorities in the amount of €4,550 thousand (2009: €16,761 thousand) and income tax liabilities of €6,661 thousand (2009: €16,767 thousand).

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 are expected to apply 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 (2009: 15.0 per cent). Taking into account the average trade tax rate of 13.9 per cent (2009: 14.0 per cent) and the solidarity surcharge (5.5 per cent of corporate income tax), the combined tax rate for companies in Germany was 29.8 per cent (2009: 29.9 per cent). The income tax rates for foreign companies used in the calculation of deferred taxes are between 10.0 per cent and 37.8 per cent (2009: 12.5 per cent and 38.7 per cent).

No deferred taxes have been recognised for differences between the IFRS carrying amounts and the tax base for investments (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 include the following items in the statement of financial position:

Deferred tax assets

(€ thousand)	2010	2009
Intangible assets and property, plant and equipment	65,130	46,230
Financial assets	705	10,025
Current assets	26,485	28,167
Deferred charges and prepaid expenses	2,922	70
Provisions	88,501	80,366
Liabilities	163,136	188,564
Deferred income	47,953	47,107
Tax loss carryforwards and tax credits	95,341	71,593
Offsetting	-248,401	-265,765
Total deferred tax assets	**241,772**	**206,357**

Deferred tax liabilities include the following items in the statement of financial position:

Deferred tax liabilities

(€ thousand)	2010	2009
Intangible assets and property, plant and equipment	444,580	446,641
Financial assets	3,097	1,657
Current assets	97,701	111,484
Deferred charges and prepaid expenses	15	79
Provisions	28,837	38,294
Liabilities	8,003	19,405
Deferred income	1,098	3,344
Offsetting	-248,401	-265,765
Total deferred tax liabilities	**334,930**	**355,139**

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.

Deferred tax assets in the amount of €161,119 thousand (2009: €145,014 thousand) were not recognised as it is unlikely that the corresponding benefit can be utilised. Unrecognised deferred tax assets relate to tax loss carry-forwards of €74,263 thousand (2009: €82,296 thousand), interest carryforwards of €81,844 thousand (2009: €59,704 thousand) and other temporary differences of €5,012 thousand (2009: €3,014 thousand).

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. Of the total tax loss carrryforwards of €74,263 thousand (2009: €82,296 thousand) for which no tax assets have been recognised, €0 thousand (2009: €3,362 thousand) relates to tax loss carryforwards which expire within one year and €74.263 thousand (2009: €78,934 thousand) to tax loss carryforwards which can be carried forward indefinitely.

As at 31 December 2010, the KION Group's tax loss carryforwards in Germany amounted to €400,286 thousand (2009: €315,263 thousand) for corporate income tax and the solidarity surcharge, and €288,910 thousand (2009: €220,288 thousand) for trade tax. There were also foreign tax loss carryforwards totalling €183,353 thousand (2009: €240,041 thousand).

As at 31 December 2010, the interest carryforward in Germany that can be carried forward indefinitely amounted to €342,252 thousand (31 December 2009: €220,242 thousand).

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 29.8 per cent (2009: 29.9 per cent).

Income taxes

(€ thousand)	2010	2009
Earnings before taxes	**-231,420**	**-405,110**
Anticipated income taxes	68,894	120,966
Deviations due to the trade tax base	-2,026	-1,866
Deviations from the anticipated tax rate	3,289	2,268
Change in valuation allowance on deferred taxes	-1,999	787
Losses without the recognition of deferred taxes	-11,108	-41,163
Change in tax rates and tax legislation	-311	167
Interest carry forward without the recognition of deferred taxes	-34,073	-45,014
Non-deductible expenses	-14,608	-3,750
Tax-exempt income	34	1,023
Tax relating to other periods	11,868	2,568
Deferred taxes prior periods	16,055	1,760
Other	-1,293	1,142
Effective income taxes (current and deferred taxes)	**34,722**	**38,888**

[15] Other income statement disclosures

In the year under review, the cost of materials rose by €234,391 thousand to €1,713,907 thousand (2009: €1,479,516 thousand).

Personnel expenses increased by €43,324 thousand in 2010 to €968,210 thousand (2009: €924,886 thousand). Personnel expenses include wages and salaries of €755,923 thousand (2009: €705,902 thousand) together with social security contributions and expenses for pensions and other benefits of €212,287 thousand (2009: €218,984 thousand). The accretion of interest cost related to the discount on estimated pension obligations is not recognised under personnel expenses but is instead reported under financial expenses as a component of interest cost of the defined benefit obligation. The pension expense of €25,774 thousand (2009: €28,009 thousand) essentially comprise pension entitlements of €14,315 thousand (2009: €14,121 thousand) earned in 2010 and the unrecognised past service cost of €79 thousand (2009: €2,984 thousand).

In the year under review, impairment losses and depreciation expense on property, plant and equipment, together with impairment losses and the amortisation expense of intangible assets amounted to €347,117 thousand (2009: €364,927 thousand). Inventories were written down by €6,311 thousand (2009: €27,778 thousand).

The breakdown of lease payments expensed in the period and arising in connection with operating leases in which KION Group companies are the lessee is as follows:

Lessee: Expenses recognised for operating lease payments

(€ thousand)	2010	2009
Procurement lease contracts	57,913	55,093
Sublease contracts	43,015	45,586
Total recognised expenses for lease payments	**100,928**	**100,679**

The expenses in connection with subleases relate to leases in which KION Group companies are both the lessor and lessee. In 2010, the income from these subleases amounted to €52,806 thousand (2009: €50,550 thousand).

Notes to the consolidated statement of financial position

[16] Goodwill and other intangible assets

Goodwill is allocated to the segments as follows:

Goodwill broken down by segment

(€ thousand)	2010	2009
LMH	954,802	952,513
STILL	552,208	552,283
Total Goodwill	**1,507,010**	**1,504,796**

Given the strategic orientation of OM, no goodwill was assigned to this segment in the purchase price allocation for the acquisition of the KION Group in 2006.

Intangible assets

(€ thousand)	Goodwill	Brand names	Technology & development	Sundry intangible assets	Total
Balance as at 1/1/2009	**1,490,183**	**584,100**	**263,119**	**136,000**	**2,473,402**
Group changes	0	0	0	6	6
Currency translation adjustments	-159	-166	1,190	1,976	2,841
Additions	15,490	6,406	44,840	19,485	86,221
Disposals	-718	0	-490	-125	-1,333
Amortisation	0	0	-45,156	-29,228	-74,384
Impairment	0	0	0	-20	-20
Reclassification	0	0	-40	14,561	14,521
Balance as at 12/31/2009	**1,504,796**	**590,340**	**263,463**	**142,655**	**2,501,254**
Gross carrying amount as at 12/31/2009	1,504,796	590,340	363,695	194,270	2,653,101
Accumulated amortisation	0	0	-100,232	-51,615	-151,847
Balance as at 1/1/2010	**1,504,796**	**590,340**	**263,463**	**142,655**	**2,501,254**
Group changes	0	0	0	234	234
Currency translation adjustments	778	678	304	2,744	4,504
Additions	1,511	0	47,538	21,582	70,631
Disposals	-75	0	0	3	-72
Amortisation	0	0	-47,328	-27,360	-74,688
Impairment	0	0	-3,044	-5,420	-8,464
Appreciation	0	0	0	21	21
Reclassification	0	0	261	-261	0
Balance as at 12/31/2010	**1,507,010**	**591,018**	**261,194**	**134,198**	**2,493,420**
Gross carrying amount as at 12/31/2010	1,507,010	591,018	406,879	214,386	2,719,293
Accumulated amortisation	0	0	-145,685	-80,188	-225,873

The Group intends to retain and further strengthen the Linde, STILL, OM and KION brand names on a long-term basis. In 2009, a value of €6,406 thousand was attached to the Baoli brand name and allocated to the Linde Material Handling (LMH) segment as part of the purchase price allocation in accordance with IFRS 3. Brand names with a value of €471,918 thousand (31 December 2009: €471,240 thousand) are allocated to the LMH segment. The carrying values recognised for brand names amounting to €107,000 thousand in the STILL segment, €7,000 thousand in the OM segment and €5,100 thousand in the 'Other' segment. As required by IAS 38, these assets are not amortised as they have an indefinite useful life.

The total carrying amount for technology and development assets as at 31 December 2010 was €261,194 thousand (31 December 2009: €263,463 thousand). In the past financial year, development costs of €47,538 thousand (2009: €44,840 thousand) were capitalised. Total research and development costs of €103,255 thousand (31 December 2009: €100,526 thousand) were expensed. Of this amount, €50,372 thousand (31 December 2009: €45,156 thousand) related to amortisation and impairment losses.

Due to the lack of future opportunities to use these developments, impairment losses of €8,464 thousand were recognised last year, of which €3,044 thousand related to technology and development and €5,420 thousand to software. Impairments amounting to €6,505 thousand related to the LMH segment and impairments of €1,959 thousand related to the 'Other' 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.

The amortisation expense and impairment losses on intangible assets are reported under functional costs.

[17] Leased assets

The changes in leased assets in 2009 and 2010 were as follows:

Leased assets

(€ thousand)	2010	2009
Balance as at January 1	**536,224**	**618,024**
Group changes	0	3,624
Currency translation adjustments	16,830	15,541
Additions	188,832	156,071
Disposals	-65,140	-69,965
Depreciation	-176,558	-186,802
Reclassification	976	-269
Balance as at December 31	**501,164**	**536,224**
Gross carrying amount as at December 31	1,443,182	1,399,241
Accumulated depreciation	-942,018	-863,017

The segment breakdown of leased assets is as follows:

Leased assets broken down by segment

(€ thousand)	LMH	STILL	OM	Other	Total
Balance as at 1/1/2009	**357,765**	**211,192**	**47,992**	**1,075**	**618,024**
Changes in group of consolidated entities	-505	-1,202	0	1,707	0
Group changes	0	3,624	0	0	3,624
Currency translation adjustments	12,820	2,718	7	-4	15,541
Additions	95,080	37,953	19,294	3,744	156,071
Disposals	-43,502	-20,109	-6,354	0	-69,965
Depreciation	-109,499	-59,847	-14,852	-2,604	-186,802
Reclassification	112	-18	-363	0	-269
Balance as at 12/31/2009	**312,271**	**174,311**	**45,724**	**3,918**	**536,224**
Gross carrying amount as at 12/31/2009	858,585	395,899	136,854	7,903	1,399,241
Accumulated depreciation	-546,314	-221,588	-91,130	-3,985	-863,017
Balance as at 1/1/2010	**312,271**	**174,311**	**45,724**	**3,918**	**536,224**
Currency translation adjustments	14,230	2,606	0	0	16,830
Additions	103,549	56,935	27,305	1,043	188,832
Disposals	-39,660	-16,053	-9,427	0	-65,140
Depreciation	-103,939	-58,575	-11,686	-2,358	-176,558
Reclassification	-157	62	1,071	0	976
Balance as at 12/31/2010	**286,294**	**159,286**	**52,987**	**2,603**	**501,164**
Gross carrying amount as at 12/31/2010	871,633	410,273	152,336	8,946	1,443,182
Accumulated depreciation	-585,339	-250,987	-99,349	-6,343	-942,018

The breakdown of leased assets by contract type is shown in the following table:

Leased assets broken down by contract types

	Operating leases as lessor		Sale with Risk		Finance leases as lessee		Total	
(€ thousand)	2010	2009	2010	2009	2010	2009	2010	2009
Land and buildings	–	–	–	–	12,426	8,752	12,426	8,752
Industrial trucks	386,971	412,991	86,322	93,069	25	83	473,318	506,143
Plant and machinery	–	–	–	–	2,671	5,530	2,671	5,530
Office furniture and equipment	3,375	4,030	641	954	8,733	10,815	12,749	15,799
Total leased assets	**390,346**	**417,021**	**86,963**	**94,023**	**23,855**	**25,180**	**501,164**	**536,224**

Assets held under operating leases include leased assets with a residual value of €274.877 thousand (31 December 2009: €298.853 thousand) which are funded by means of sale-leaseback transactions with leasing companies and leased assets with a residual value of €115,469 thousand (31 December 2009: €118.168 thousand) that are largely funded internally or by means of bank loans.

Total operating leases have resulted in non-cancellable lease obligations from customers in the amount of €129,946 thousand (31 December 2009: €151,795 thousand).

The following table shows the maturity structure of the minimum lease payments:

Minimum lease payments

(€ thousand)	2010	2009
Cash receipts from minimum lease payments	**129,946**	**151,795**
due within one year	53,965	60,010
due in one to five years	75,510	91,565
due in more than five years	471	220

The buildings, plant and machinery, and office furniture and equipment leased under finance leases are reported in leased assets with a residual value of €23,855 thousand (31 December 2009: €25,180 thousand). The corresponding liabilities are reported as lease liabilities.

[18] Other property, plant and equipment

The changes in the carrying amounts of other property, plant and equipment were as follows:

Other property, plant and equipment				
(€ thousand)	Land and buildings	Plant, machinery, and office furniture and equipment	Advances paid and assets under construction	Total
Balance as at 1/1/2009	**347,609**	**278,786**	**13,264**	**639,659**
Group changes	11,547	1,129	0	12,676
Exchange rate adjustments	2,832	1,918	41	4,791
Additions	9,281	37,205	8,625	55,111
Disposals	-78	-3,607	-76	-3,761
Depreciation	-16,927	-73,770	0	-90,697
Impairment	-11,403	-1,621	0	-13,024
Reclassification	5,416	-7,040	-12,627	-14,251
Balance as at 12/31/2009	**348,277**	**233,000**	**9,227**	**590,504**
Gross carrying amount as at 12/31/2009	596,216	885,099	9,227	1,490,542
Accumulated depreciation	-247,939	-652,099	0	-900,038
Balance as at 1/1/2010	**348,277**	**233,000**	**9,227**	**590,504**
Group changes	0	1,019	0	1,019
Exchange rate adjustments	9,353	3,176	212	12,741
Additions	7,892	34,045	10,835	52,772
Disposals	-57	-816	-2,813	-3,686
Depreciation	-16,193	-71,156	0	-87,349
Impairment	0	-58	0	-58
Appreciation	203	1,322	0	1,525
Reclassification	4,709	431	-6,116	-976
Balance as at 12/31/2010	**354,184**	**200,963**	**11,345**	**566,492**
Gross carrying amount as at 12/31/2010	619,066	923,997	11,345	1,554,408
Accumulated depreciation	-264,882	-723,034	0	-987,916

Land and buildings in the amount of €12,293 thousand (31 December 2009: €12,312 thousand) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

As required by IAS 36, the KION Group recognised impairment losses of €13,024 thousand in 2009, predominantly in connection with the relocation of production. Of this amount, €11,403 thousand related to land and buildings, and €1,621 thousand to plant and machinery and office furniture and equipment. The segment breakdown of impairment losses was as follows: LMH, €12,834 thousand; STILL, €21 thousand; and OM, €169 thousand. In the past financial year, the impairment losses recognised in the LMH segment in 2009 were partially reversed due to the improved market environment.

[19] Equity investments

As at 31 December 2010, the Group reported equity investments with a total carrying amount of €37,841 thousand (31 December 2009: €33,359 thousand). These associates and joint ventures can be seen in the list of shareholdings in the annex to these notes. Their key figures are as follows:

Equity investments		
(€ thousand)	2010	2009
Associates		
Revenue	562,596	629,422
Net income	9,214	14,165
Assets	611,561	667,538
Liabilities	529,526	589,086
Joint ventures		
Revenue	77,086	114,536
Net income	1,321	-2,635
Assets	46,410	49,139
non-current assets	28,070	29,445
current assets	18,340	19,694
Liabilities	26,419	33,689
non-current liabilities	2,053	1,577
current liabilities	24,366	32,112

The figures shown in the table are based on a notional 100 per cent investment.

[20] Lease receivables

In the case of leases under which KION Group companies lease assets directly to customers as part of the Group's financing 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:

Lease receivables

(€ thousand)	2010	2009
Gross investment	**411,116**	**425,482**
due within one year	140,737	136,903
due in one to five years	260,835	277,826
due in more than five years	9,544	10,753
Present value of outstanding minimum lease payments	**367,758**	**375,353**
due within one year	120,950	115,388
due in one to five years	237,571	249,682
due in more than five years	9,237	10,283
Unrealised financial income	**43,358**	**50,129**

Gross investments include minimum lease payments from non-cancellable subleases amounting to €336,585 thousand (31 December 2009: €353,228 thousand).

They also include the unguaranteed residual values accruing to the benefit of the KION Group in the amount of €39,640 thousand (31 December 2009: €40,275 thousand).

Lease receivables include receivables in the amount of €3,013 thousand (31 December 2009: €4,592 thousand) that have been sold but whose significant risks and rewards remain with the KION Group due to default and residual-value guarantees. Corresponding liabilities in the same amounts have been recognised.

[21] Other financial assets

Other financial assets of €124,264 thousand (31 December 2009: €109,546 thousand) comprise the following:

Other financial assets		
(€ thousand)	2010	2,009
Pension assets	10,263	11,848
Investments in affiliated companies	2,224	1,831
Other investments	2,253	2,253
Loans receivable	1,907	1,934
Non-current securities	827	827
Other non-current financial assets	**17,474**	**18,693**
Derivative financial instruments	23,706	22,309
Financial receivables from affiliated companies and related companies	7,459	5,833
Financial receivables from third parties	658	1,098
Receivables from employees	2,068	1,660
Deferred charges and prepaid expenses	16,647	12,674
Sundry financial assets	56,252	47,279
Other current financial assets	**106,790**	**90,853**
Total other financial assets	**124,264**	**109,546**

Pension assets relate to asset surpluses from defined benefit plans. As at the reporting date, the present values of defined benefit obligations are netted against the fair value of plan assets. If the plan assets exceed the obligation, this results in an asset (negative net liability).

Sundry financial assets includes non-derivative financial receivables amounting to €35,416 thousand (31 December 2009: €40,441 thousand) which fall within the scope of IFRS 7.

[22] Inventories

The reported inventories break down as follows:

Inventories		
(€ thousand)	2010	2009
Materials and supplies	120,019	93,864
Work in progress	72,294	57,722
Finished goods and merchandise	337,249	317,512
Advances paid	5,967	1,729
Total inventories	**535,529**	**470,827**

The increase in inventories as compared to 2009 largely results from the higher volume of business in 2010.

[23] Trade receivables

The trade receivables consist of the following:

Trade receivables		
(€ thousand)	2010	2009
Receivables from third parties	601,214	491,784
thereof receivables from third parties before valuation allowances	648,339	540,398
thereof valuation allowances for overdue receivables > 90 days ≤ 180 days	-9,213	-6,911
thereof valuation allowances for overdue receivables > 180 days	-28,836	-29,267
thereof other valuation allowances for receivables	-9,076	-12,436
Trade receivables from affiliated companies	4,011	3,143
Trade receivables from investments in associated companies and joint ventures	28,040	16,336
Total trade receivables	**633,265**	**511,263**

Valuation allowances of €47,125 thousand (31 December 2008: €48,614 thousand) were recognised for trade receivables.

[24] Cash and cash equivalents

Cash and cash equivalents		
(€ thousand)	2010	2009
Cash held by banks, on hand and checks	252,572	463,258
Current securities	312	150
Total cash and cash equivalents	**252,884**	**463,408**

The effective interest rate on the Group's material short-term bank deposits was between 0.15 per cent p.a. and 1.20 per cent p.a. (31 December 2009: 0.1 per cent p.a. and 3.0 per cent p.a.). The change in cash and cash equivalents is shown in the consolidated cash flow statement. For more detailed information, please also refer to note 32.

[25] Equity

Subscribed capital and capital reserves

As at the reporting date, the Company's subscribed capital was fully contributed and amounted to €500 thousand and was unchanged from the prior year. Also, as in the previous year, capital reserves amounted to €348,483 thousand as at the reporting date.

Retained earnings

The development of retained earnings is shown in the consolidated statement of changes in equity.

Accumulated other comprehensive income

The accumulated other comprehensive income 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, gains and losses on equity investments, and the actuarial gains and losses in connection with defined benefit pension obligations.

Non-controlling interests

Non-controlling interests in companies in the KION Group amount to €7,070 thousand (31 December 2009: €17,144 thousand).

[26] Retirement benefit obligation

Pension provisions are 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 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. In the year under review, the total expense arising from defined contribution plans amounted to €42,987 thousand (2009: €45,200 thousand). Of this amount, employer's contributions totalling €40,600 thousand were paid to statutory pension plans in Germany (2009: €42,870 thousand). The defined contribution plan expense is reported within the functional costs.

Defined benefit plans

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. 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.

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 former employees of the KION Group and their surviving dependants.

Some of 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. In the United Kingdom, Switzerland and the Netherlands, significant plan assets are invested in external pension funds with restricted access.

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 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.

Measurement assumptions

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 mortality 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 following weighted average figures at the reporting date:

Assumptions underlying provisions for pensions and other postemployment benefits

	Germany		U.K.		Other	
	2010	2009	2010	2009	2010	2009
Discount rate	5.45%	6.00%	5.45%	5.70%	4.15%	4.64%
Expected return on plan assets	5.54%	5.70%	5.21%	5.82%	4.26%	4.33%
Rate of remuneration increase	2.75%	2.75%	4.17%	4.25%	2.28%	2.67%
Rate of pension increase	1.75%	1.90%	3.65%	3.39%	0.76%	0.76%

The assumed discount rate is determined on the basis of the yield as at the reporting date on 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.

The expected return on plan assets is determined on the basis of the plan's policy regarding the asset classes in which it invests. Expected returns are based on the current yields on government bonds with corresponding maturities, adjusted for specific credit spreads for the different asset classes. The expected return on plan assets is recognised as income in the relevant period. The differences between expected and actual income on plan assets represent experience adjustments and are recognised in other comprehensive income in the year in which they arise.

The rate of remuneration increase relates to expected future increases in salaries, which are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The 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 basis; the modified tables include a somewhat higher life expectancy for males than the unmodified tables.

The actuarial assumptions not listed in the table above, 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 assumptions applied in calculating the defined benefit obligation as at 31 December 2009 also apply to the calculation of the interest cost and the current service cost in 2010.

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (actuarial gains and losses) are recognised immediately in other comprehensive income in accordance with IAS 19. This serves to ensure that the pension liability on the face of the statement of financial position is always the actuarial present value of obligations not funded by plan assets.

In the case of external pension funds, the actuarial present value of the pension obligations as calculated in accordance with the projected unit credit method is reduced by the fair value of the assets of the external pension funds. If the assets of the external pension funds exceed the pension obligations, a corresponding asset is recognised in accordance with IAS 19. IAS 19.58 in conjunction with supplementary explanatory guidance in IFRIC 14 states that the recognition of an asset for an excess of pension plan assets over pension obligations is only permitted if the company concerned is entitled to receive a refund of this excess or a reduction in future contributions in its function as the employer responsible for the benefits under the plan. If pension obligations are not covered by the assets of an external pension fund, the net obligation is reported in pension provisions.

Plan assets for the defined benefit plans in the U.K., exceed the pension obligations. The requirements which limit the asset to be recognised on the statement of financial position do not apply.

Statement of financial position

The change in the present value of the defined benefit obligation is as follows:

Changes in defined benefit obligation

	Germany		U.K.		Other		Total	
(€ thousand)	2010	2009	2010	2009	2010	2009	2010	2009
Present value of defined benefit as at January 1	**331,745**	**311,389**	**328,057**	**253,634**	**62,977**	**64,175**	**722,779**	**629,198**
Group changes	1,890	–	–	–	–	–	1,890	–
Exchange differences	–	–	11,005	20,208	5,135	186	16,140	20,394
Current service cost	10,411	10,112	1,514	1,797	2,390	2,212	14,315	14,121
Interest cost	19,733	18,420	18,801	16,510	2,900	2,906	41,434	37,836
Employees' contributions	–	–	174	235	708	569	882	804
Actuarial gains (-) and losses (+)	28,081	-539	22,471	52,158	4,617	-819	55,169	50,800
Pension benefits paid by the Company	-9,947	-9,410	–	–	-1,693	-3,059	-11,640	-12,469
Pension benefits paid from plan assets	–	–	-19,306	-17,758	-2,361	-1,998	-21,667	-19,756
Past service cost (+) and income (-)	–	–	–	2,986	1,442	-42	1,442	2,944
Gains (-) / losses (+) on the curtailment of a plan	–	1,773	–	-1,713	-434	-1,153	-434	-1,093
Present value of defined benefit as at December 31	**381,913**	**331,745**	**362,716**	**328,057**	**75,681**	**62,977**	**820,310**	**722,779**
thereof unfunded	173,889	282,738	–	–	22,245	19,665	196,134	302,403
thereof funded	208,024	49,007	362,716	328,057	53,436	43,312	624,176	420,376

The increase in the present value of the defined benefit obligation caused by actuarial gains/losses is largely attributable to the lower discount rates for U.K. and German pension plans compared with the previous year.

The effects of the current restructuring programme on the defined benefit obligation are reported in the relevant financial year as gains on the curtailment of a plan in accordance with IAS 19.

The following table shows the change in the fair value of plan assets:

Changes in plan assets

	Germany		U.K.		Other		Total	
(€ thousand)	2010	2009	2010	2009	2010	2009	2010	2009
Fair value of plan assets as at January 1	**25,322**	**21,212**	**336,095**	**261,590**	**40,093**	**37,446**	**401,510**	**320,248**
Exchange differences	–	–	11,272	20,829	4,759	195	16,031	21,024
Expected return on plan assets	1,443	1,266	19,868	14,709	1,936	1,788	23,247	17,763
Actuarial gains (+) and losses (-)	-809	2,844	14,766	48,741	3,393	178	17,350	51,763
Employer's contributions	9,000	–	6,401	7,749	2,379	1,915	17,780	9,664
Employees' contributions	–	–	174	235	708	569	882	804
Pension benefits paid by funds	–	–	-19,306	-17,758	-2,361	-1,998	-21,667	-19,756
Fair value of plan assets as at December 31	**34,956**	**25,322**	**369,270**	**336,095**	**50,907**	**40,093**	**455,133**	**401,510**

In 2010, employer's contributions included a non-recurring payment of €9,000 thousand into a German CTA. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. For companies outside Germany, decisions also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

The expected payments for the following year amount to €20,571 thousand (2010: €20,980 thousand) which include expected employer's contributions to the plan assets of €8,156 thousand (2010: €9,579 thousand) and expected direct payments of pension benefits amounting to €12,415 thousand (2009: €11,402 thousand), which are not covered by corresponding reimbursements from plan assets.

The reconciliation of funded status and net defined benefit obligation to the amounts reported on the face of the consolidated statement of financial position as at 31 December is shown in the following table:

Funded status and net defined benefit obligation

	Germany		U.K.		Other		Total	
(€ thousand)	2010	2009	2010	2009	2010	2009	2010	2009
Present value of the partially or fully funded defined benefit obligation	208,024	49,007	362,716	328,057	53,436	43,312	624,176	420,376
Fair value of plan assets	34,956	25,322	369,270	336,095	50,907	40,093	455,133	401,510
Surplus (-) respectively deficit (+)	**173,068**	**23,685**	**-6,554**	**-8,038**	**2,529**	**3,219**	**169,043**	**18,866**
Present value of the unfunded defined benefit obligation	173,889	282,738	–	–	22,245	19,665	196,134	302,403
Unrecognised past service cost (+) and income (-)	–	–	–	–	-1,377	40	-1,377	40
Net defined benefit obligation as at December 31	**346,957**	**306,423**	**-6,554**	**-8,038**	**23,397**	**22,924**	**363,800**	**321,309**
Reported as "Retirement benefit obligation"	346,957	306,423	3,709	3,810	23,397	22,924	374,063	333,157
Reported as "Other non-current financial assets"	–	–	-10,263	-11,848	–	–	-10,263	-11,848

The KION pension plan for employees of the KION Group in Germany holds plan assets of €16,840 thousand (2009: €13,348 thousand) which are wholly offset by corresponding liabilities relating to the direct pension entitlement scheme.

Cash flow statement

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 net cash used for operating activities.

In the year under review, pension benefits of €33,307 thousand (2009: €32,225 thousand) were paid in connection with the main pension entitlements in the Group, of which €11,640 thousand (2009: €12,469 thousand) was paid directly by the Company and €21,667 thousand (2009: €19,756 thousand) was paid from plan assets. Cash contributions to plan assets in 2010 amounted to €17,780 thousand (2009: €9,664 thousand).

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 a systematic way. 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 actuarial 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.

The interest cost, i.e. the expense arising from the increase in the defined benefit obligation since the end of the previous year because the benefits are one period closer to settlement using the discount rate assumed for the year under review, is recognised in the income statement, as is the expected return on plan assets in the case of benefits covered by external plan assets.

An unrecognised past service cost arises if there is a change to the pension entitlement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the income statement for 2010 is as follows:

Cost of defined benefit obligation

	Germany		U.K.		Other		Total	
(€ thousand)	2010	2009	2010	2009	2010	2009	2010	2009
Current service cost	10,411	10,112	1,514	1,797	2,390	2,212	14,315	14,121
Interest cost	19,733	18,420	18,801	16,510	2,900	2,906	41,434	37,836
Expected return on plan assets	-1,443	-1,266	-19,868	-14,709	-1,936	-1,788	-23,247	-17,763
Past service cost (+) and income (-)	–	–	–	2,986	79	-2	79	2,984
Gains (-) or losses (+) on the curtailment of a plan	–	1,773	–	-1,713	-434	-1,153	-434	-1,093
Total cost of defined benefit obligation	**28,701**	**29,039**	**447**	**4,871**	**2,999**	**2,175**	**32,147**	**36,085**

Overall, the KION Group reported an expense of €18,187 thousand (2009: €20,073 thousand) in net financial income/expenses. This amount comprised the interest cost and the expected return on plan assets. All other components of pension expenses are recognised under functional costs.

The actual total income from plan assets in 2010 was €40,597 thousand (2009: €69,528 thousand).

Accumulated other comprehensive income

The breakdown of actuarial gains and losses on the defined benefit obligation recognised in the statement of comprehensive income in 2010 is as follows:

Accumulated other comprehensive income

	Germany		U.K.		Other		Total	
(€ thousand)	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated other comprehensive income/loss as at January 1	**-94,873**	**-91,490**	**31,985**	**26,472**	**3,137**	**4,133**	**-59,751**	**-60,885**
Gains(-) and losses(+) on the measurement of defined benefit obligation	28,081	-539	22,471	52,158	4,617	-819	55,169	50,800
Gains (-) and losses (+) on plan assets	809	-2,844	-14,766	-48,741	-3,393	-178	-17,350	-51,763
Exchange differences	–	–	1,079	2,096	564	1	1,643	2,097
Accumulated other comprehensive income/loss as at December 31	**-65,983**	**-94,873**	**40,769**	**31,985**	**4,925**	**3,137**	**-20,289**	**-59,751**
thereof actuarial gains and losses	-65,983	-94,873	40,769	31,985	6,830	4,741	-18,384	-58,147
thereof effect of reduction in future contributions (IFRIC 14)	–	–	–	–	-1,904	-1,604	-1,904	-1,604

The change in actuarial assumptions about defined benefit pension entitlements resulted in a total reduction of €28,658 thousand in other comprehensive income as at 31 December 2010 (after deferred taxes).

Additional disclosures

The plan assets of the main pension plans consist of the following components:

Fair value of plan assets

	Germany		U.K.		Other		Total	
(€ thousand)	2010	2009	2010	2009	2010	2009	2010	2009
Securities	6,123	7,344	78,395	180,044	7,020	5,666	91,538	193,054
Fixed-income securities	12,754	13,927	258,959	150,243	11,233	8,943	282,946	173,113
Real estate	2,552	2,532	282	–	3,510	2,671	6,344	5,203
Insurance policies	–	–	–	5,808	27,506	20,895	27,506	26,703
Other	13,527	1,519	31,634	–	1,638	1,918	46,799	3,437
Total plan assets	**34,956**	**25,322**	**369,270**	**336,095**	**50,907**	**40,093**	**455,133**	**401,510**

The plan assets do not include any real estate or other assets used by the Group itself.

The expected return in 2011 for the main investment categories of plan assets are as follows:

Expected return on plan assets

	Germany		U.K.		Other	
	2011	2010	2011	2010	2011	2010
Securities	7.45%	8.15%	6.73%	7.10%	7.10%	5.00%
Fixed-income securities	3.50%	4.19%	4.81%	4.27%	2.90%	3.50%
Real estate	5.20%	6.01%	6.50%	–	4.60%	4.25%
Insurance policies	–	–	–	5.61%	3.88%	4.64%
Other	6.68%	7.01%	4.17%	–	6.40%	2.50%
Weighted average of expected return	**5.54%**	**5.70%**	**5.21%**	**5.82%**	**4.26%**	**4.33%**

The total expected return is calculated from the weighted average of expected returns from the investment categories in the plan assets.

The present value of the defined benefit obligation is based on the assumptions detailed above. If the discount rate were to increase or decrease by a quarter of one percentage point (decreasing to 5.2 per cent or increasing to 5.7 per cent, for the German and U.K. pension plans as at 31 December 2010), the pension entitlement would be €32,312 thousand lower (2009: 27,661 thousand) or €34.559 thousand higher (2009: €28,147 thousand). After tax, the losses recognised in other comprehensive income would be €23,147 thousand lower (2009: €19,699 thousand) or €24,757 thousand (2009: €20,064 thousand) higher.

Five-year overview

The following table shows a five-year overview of experience adjustments arising from the differences between actuarial assumptions and actual circumstances:

History of experience adjustments

(€ thousand)	2010	2009	2008	2007	2006
Present value of defined benefit obligation as at December 31	**820,310**	**722,779**	**629,198**	**750,713**	**852,657**
Experience adjustments arising on the plan liabilities	-76	4,858	39	4,747	–
Fair value of plan assets as at December 31	**455,133**	**401,510**	**320,248**	**495,639**	**468,866**
Experience adjustments arising on the plan assets	17,348	51,763	-107,388	-4,641	–
Unrecognised past service cost (+) and income (-)	-1,377	40	–	–	–
Cumulative effect of the asset ceiling	–	–	–	3,258	2,254
Net defined benefit obligation as at December 31	**363,800**	**321,309**	**308,950**	**258,332**	**386,045**

While the actuarial gains and losses on the present value of the obligation only result in part from experience adjustments, the actuarial gains or losses on the fair value of the plan asset are entirely attributable to experience adjustments.

[27] Financial liabilities and shareholder loan

The interest-bearing obligations of KION Group are reported in financial liabilities.

In the course of the acquisition of the KION Group, a loan agreement (senior facilities agreement and a subordinated facilities agreement hereafter referred to as 'SFA') with a total original volume of €3,300,000 thousand was entered into with the lead banks Barclays Bank Plc, Bayerische Hypo- und Vereinsbank AG, Credit Suisse London Branch, Goldman Sachs International Bank, Lehman Commercial Paper Inc. – U.K. Branch and Mizuho Corporate Bank Ltd. on 23 December 2006.

Following a reduction of unused lines of credit of €200,000 thousand and the early repayment of a further €50,000 thousand, a supplementary agreement to the SFA dated 8 March 2007, lowered the total volume to €3,050,000 thousand.

A further supplementary agreement to the SFA dated 23 September 2009, adjusted the terms and conditions of the loan and increased the total loan amount by €100,000 thousand to a nominal amount of €3,150,000 thousand. Specifically, the adjustments related to an increase in interest rates between 0.25 and 1.5 percentage points, an extension of the collateral for the lenders to cover the new terms and conditions and the new total amount, and adjustments to the financial covenants imposed on the KION Group for the term of the loan. The interest increases are primarily in the form of bullet payments due at maturity (payments in kind 'PIK'). The interest on the new tranche of €100,000 thousand is payable exclusively in the form of a bullet payment. The capex credit line was reduced by €28,560 thousand in 2010.

The transaction costs of €31,578 thousand incurred in connection with the loan negotiations are allocated to the individual tranches on a pro rata basis and deducted from the carrying amounts of the liabilities in accordance with IAS 39.

Among other things, the SFA requires compliance with certain requirements, or undertakings and certain 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. The covenants are expressed in the form of key figures relating to leverage, available liquidity, EBITDA, interest paid and capital expenditures. If the Group fails to meet these requirements and financial covenants, the loan agreement may be terminated by the lending banks.

All the financial covenants were met in the past financial year.

As a portion of the senior term loan (€600,000 thousand) was converted into US dollars, the total volume is now dependent on the euro/US dollar exchange rate. As at the reporting date, the total volume was €3,143,969 thousand, which includes accrued interest (payment in kind 'PIK'), although it is possible that €7,332 thousand less than the total principal may be distributed, which we believe is contrary to the contractual agreement.

Under the SFA, the KION Group is under an obligation to provide collateral for its obligations and liabilities. As at the reporting date, a total of 21 (31 December 2009: 21) Group companies (guarantors) in five countries, which include Germany, U.K., France, Spain and Italy, had provided corresponding collateral.

The collateral includes guarantees, the assignment of shares in the guarantors (with the exception of shares in KION GROUP GmbH), the assignment of bank accounts and 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 November 5, 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 require that all the assets of the U.K. guarantor are pledged as security.

The carrying amounts of the financial assets pledged as collateral amounted to €709,051 thousand as at the reporting date (31 December 2009: €898.325 thousand).

In addition, liabilities to banks amounting to €125 thousand (2009: €144 thousand) are secured by encumbrances on real property.

As at the reporting date, the weighted average interest rate for liabilities to banks was 4.6 per cent (31 December 2009: 4.3 per cent). Due to the fact that approximately 40 per cent of the variable interest exposure of the SFA was transformed into fixed interest obligations through the use of interest rate swaps the KION Group only benefited to a limited extent from the lower market interest rates in 2010. An additional 44 per cent of the interest rate exposure of the SFA is hedged by means of interest-rate caps against one-month Euribor rising above 1.75 per cent per annum.

The following table shows the contractual maturity structure of the financial liabilities:

Maturity structure of financial liabilities and Shareholder loan

(€ thousand)	2010	2009
Liabilities to banks	**2,871,887**	**2,917,548**
due within one year	103,282	101,755
due in one to five years	2,464,124	1,398,502
due in more than five years	304,481	1,417,291
Liabilities from shareholder loan	**615,250**	**587,368**
due within one year	0	0
due in one to five years	0	0
due in more than five years	615,250	587,368
Other financial liabilities	**7,000**	**10,070**
due within one year	3,188	6,508
due in one to five years	0	0
due in more than five years	3,812	3,562
Total current financial liabilities	**106,470**	**108,263**
Total non-current financial liabilities	**3,387,667**	**3,406,723**

The liabilities to banks include €100,000 thousand (plus capitalised interest) received by the KION Group from investment funds advised by Kohlberg Kravis Roberts & Co. L.P. ('KKR') and Goldman Sachs Capital Partners via Superlift Funding S.à r.l., Luxembourg, following a supplementary agreement signed on 6 October 2009 to the loan agreement dated 23 September 2009.

The terms of the syndicated loan are as follows:

Credit terms	Interest rate	Notional amount	
		2010	2009
Term Loan Facility Term B (EUR)	EURIBOR + MARGIN	911,162	897,418
Term Loan Facility Term B (USD)	LIBOR + MARGIN	296,873	273,239
Term Loan Facility Term C (EUR)	EURIBOR + MARGIN	869,985	856,862
Term Loan Facility Term C (USD)	LIBOR + MARGIN	296,873	273,239
Term Loan Facility Term D	EURIBOR + MARGIN	201,167	200,150
Term Loan Facility Term G	EURIBOR + MARGIN	105,779	101,021
Multicurrency Revolving Credit Facility	EURIBOR + MARGIN	–	125,438
Multicurrency Capex Restructuring and Acquisition Facility	EURIBOR + MARGIN	162,131	132,398
Other liabilities to banks	Various currencies and interest terms	49,743	87,942
Total financial debt		2,893,713	2,947,707
Borrowing costs		-21,826	-30,159
Total financial debt after borrowing costs		2,871,887	2,917,548

[28] Lease liabilities

Lease liabilities primarily relate to finance lease obligations of €617,547 thousand (2009: €651,487 thousand) arising from sale and leaseback transactions for funding leases with customers.

Lease liabilities also include residual-value guarantee obligations of €17,814 thousand (2009: €20,200 thousand). These relate to residual-value guarantees granted in connection with the sale of assets to leasing companies where the amount guaranteed is greater than 10 per cent of the fair value of the assets involved.

The Group has recognised lease liabilities amounting to €26,288 thousand (2009: €27,922 thousand) arising from procurement leases, which are classified as finance leases due to their terms and conditions.

The amounts recognised as lease liabilities are based on the following data:

Minimum lease payments

(€ thousand)	2010	2009
Total minimum lease payments (gross)	**724,220**	**775,568**
due within one year	278,967	247,550
due in one to five years	427,041	508,848
due in more than five years	18,212	19,170
Present value of minimum lease payments	**661,649**	**699,609**
due within one year	250,552	214,735
due in one to five years	393,335	466,296
due in more than five years	17,762	18,578
Interest included in minimum lease payments	**62,571**	**75,959**

[29] Other provisions

Other provisions relate to the following items:

Other provisions

(€ thousand)	Provisions for product warranties	Provisions for personnel	Other obligations	**Total other provisions**
Balance as at 1/1/2010	**55,185**	**156,369**	**56,238**	**267,792**
thereof non-current	54,485	104,978	22,186	181,649
thereof current	700	51,391	34,052	86,143
Changes in group of consolidated entities	0	226	180	406
Additions	31,635	15,754	34,561	81,950
Utilisations	-24,680	-44,458	-14,898	-84,036
Reversals	-2,499	-1,204	-8,151	-11,854
Additions to accrued interest	0	3,516	530	4,046
Exchange differences	814	385	698	1,897
Other Adjustments	0	3,305	-3,305	0
Balance as at 12/31/2010	**60,455**	**133,893**	**65,853**	**260,201**
thereof non-current	60,455	94,750	9,094	164,299
thereof current	0	39,143	56,759	95,902

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks and spare parts.

The provisions for personnel comprise provisions for partial retirement obligations, long-service awards, annual bonuses and severance pay. The provision for partial retirement obligations is recognised on the basis of individual contractual arrangements.

Other obligations largely relates to provisions for guarantees, restructuring and litigation.

[30] Other financial liabilities

Other financial liabilities include the following items:

Other financial liabilities

(€ thousand)	2010	2009
Deferred income	124,948	87,304
Sundry other liabilities	2,922	24,695
Other non-current financial liabilities	**127,870**	**111,999**
Deferred income	81,274	123,358
Personnel liabilities	94,573	69,605
Derivative financial instruments	30,030	57,343
Social security liabilities	35,460	31,725
Tax liabilities	35,683	17,379
Advances received from third parties	40,682	15,979
Liabilities on bills of exchange	2,303	4,864
Sundry current financial liabilities	71,237	51,432
Other current financial liabilities	**391,242**	**371,685**
Total other financial liabilities	**519,112**	**483,684**

Other financial liabilities include non-derivative liabilities of €156,053 thousand (2009: €137,534 thousand) that fall within the scope of IFRS 7.

[31] Contingent liabilities and other financial obligations

Contingent liabilities

Contingent liabilities

(€ thousand)	2010	2009
Liabilities on bills of exchange	2,303	4,864
Liabilities on guarantees	1,098	3,449
Total contingent liabilities	**3,401**	**8,313**

Litigation

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Company is a party in a number of pending lawsuits in various countries. It cannot assume with any degree of certainty that it 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 Company is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance.

Other financial commitments

Other financial commitments

(€ thousand)	2010	2009
Liabilities under non-cancellable operating leases	208,874	208,876
Capital expenditure commitments	6,865	6,576
Other financial commitments	17,290	19,111
Total other financial commitments	**233,029**	**234,563**

The maturity structure of the total future minimum lease payments under non-cancellable operating leases is as follows:

Minimum lease payments

(€ thousand)	2010	2009
Nominal minimum lease payments	**208,874**	**208,876**
due within one year	63,621	62,603
due in one to five years	96,175	101,216
due in more than five years	49,078	45,057

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 subleased to end customers (sale and leaseback subleases).

The future minimum lease payments for sale and leaseback transactions not recognised in the statement of financial position amount to €50,468 thousand, payments received under non-cancellable subleases amount to €16,795 thousand. The future payments also include obligations arising from the refinancing of industrial trucks for which there are no offsetting receipts under short-term subleases.

Minimum lease payments broken down into procurement leases & sale-and-leaseback subleases

	Procurement leases		Sale-Leaseback Subleases	
(€ thousand)	2010	2009	2010	2009
Nominal minimum lease payments (cash out)	**158,406**	**146,434**	**50,468**	**62,442**
due within one year	39,844	35,233	23,777	27,370
due in one to five years	69,484	66,167	26,691	35,049
due in more than five years	49,078	45,034	–	23
Nominal minimum lease payments (cash in)	**–**	**–**	**16,795**	**24,746**
due within one year	–	–	8,358	11,198
due in one to five years	–	–	8,437	13,525
due in more than five years	–	–	–	23

Other disclosures

[32] Consolidated cash flow statement

The consolidated cash flow statement shows the changes in cash 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. 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.

In 2010, cash flow from operating activities surged by 74 per cent to €199,289 thousand (2009: €114,715 thousand). The underlying reason for this improvement was the increase in earnings before interest and tax (EBIT) to €34,636 thousand (2009: -€181,887 thousand).
The volume-related increase in working capital had the opposite effect on cash flow.

Because the Group increased its investing activities once more, the cash used for investing activities rose by 9 per cent in 2010 to €123,248 thousand (2009: net outflow of €112,864 thousand). The reason for this was the higher capital expenditures on non-current assets and property, plant and equipment, with total cash payments amounting to €123,462 thousand (2009: €108,202 thousand).

The proceeds from the disposal of assets primarily related to disposals of assets no longer required for the Group's operating activities. Cash payments for acquisitions amounting to €7,638 thousand (2009: €17,588 thousand) largely relate to the acquisition of additional shares in subsidiaries which were recognised as a purchase price liability in the Financials 2009 in accordance with IAS 32 and consequently reported in full in the consolidated financial statements.
Cash flow from financing activities amounted to a total net cash outflow of €290,210 thousand (2009: net cash inflow of €46,656 thousand). Whereas the main activities in 2009 were the borrowings against the existing line of credit (capex facility) and the senior facility agreement (SFA), the net outflow of funds in 2010 was largely due to the net repayment of loans (€95,705 thousand) and the repayment of other funding by individual Group companies (€42,133 thousand). Interest payments fell by €23,788 thousand to €134,716 thousand as a result of lower payments for interest-rate hedges.

In 2009, the KION Group acquired 60 per cent of the shares in KION Baoli (Jiangsu) Forklift Co. Ltd., China which resulted in cash payments for acquisitions amounting to €17,588 thousand, including transaction costs. In April 2010, a further 32 per cent of its shares were purchased for €9,535 thousand. The cash used for this transaction is reported in cash flows from financing activities as required by IAS 7.

Cash and cash equivalents decreased by a total of €210,524 thousand, of which €3,645 thousand was attributable to fluctuations in exchange rates for the year ended December 31, 2009. Cash and cash equivalents totalled €252,884 thousand as at the reporting date.

[33] 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:

Carrying amounts broken down by class and category

Classes	Carrying amount	Categories						Fair Value
		FAHfT	AfS	LaR	HtM	FLaC	FLHfT	
(€ thousand)	2010							
Financial assets								
Loans receivable	1,907			1,907				1,907
Financial receivables	8,117			8,117				8,117
Available-for-sale investments	825		825					825
Lease receivables*	367,758							374,358
Trade receivables	633,265			633,265				633,265
Other receivables	59,122							59,122
thereof non-derivative receivables	35,416			35,416				35,416
thereof derivative receivables	23,706	19,900						23,706
Cash and cash equivalents	252,884							252,884
Financial liabilities								
Financial liabilities	3,494,137					3,494,137		3,433,245
Lease liabilities*	661,649							666,622
Trade payables	508,108					508,108		508,108
Other liabilities	186,083							186,083
thereof non-derivative liabilities	156,053					156,053		156,053
thereof derivative liabilities	30,030						5,029	30,030

* as defined by IAS 17

Carrying amounts broken down by class and category

Classes	Carrying amount	Categories						Fair Value
		FAHfT	AfS	LaR	HtM	FLaC	FLHfT	
(€ thousand)	2009							
Financial assets								
Loans receivable	1,934			1,934				1,934
Financial receivables	6,931			6,931				6,931
Available-for-sale investments	825		825					825
Lease receivables*	375,353							370,784
Trade receivables	511,263			511,263				511,263
Other receivables	62,750							62,750
thereof non-derivative receivables	40,441			40,441				40,441
thereof derivative receivables	22,309	20,365						22,309
Cash and cash equivalents	463,408							463,408
Financial liabilities								
Financial liabilities	3,514,986					3,514,986		3,449,605
Lease liabilities*	699,609							713,245
Trade payables	356,765					356,765		356,765
Other liabilities	194,877							194,877
thereof non-derivative liabilities	137,534					137,534		137,534
thereof derivative liabilities	57,343						19,587	57,343

* as defined by IAS 17

The change in valuation allowances for lease receivables and trade receivables was as follows:

Development of valuation allowances

(€ thousand)	2010	2009
Valuation allowances as at January 1	**48,614**	**39,952**
Currency translation adjustments	-1,723	-2,412
Additions (cost of valuation allowances)	13,912	26,063
Utilisations	-4,212	-7,171
Reversals	-9,466	-7,818
Valuation allowances as at December 31	**47,125**	**48,614**

The net gains and losses on financial instruments by IAS 39 category are as follows:

Net results broken down by category

(€ thousand)	2010	2009
Loans and receivables (LaR)	9,223	16,094
Available-for-sale investments (AfS)	15	28
Financial assets held for trading (FAHfT)	39,381	5,295
Financial liabilities held for trading (FLHfT)	-27,063	-38,544
Financial liabilities carried at amortised cost (FLaC)	-220,979	-123,299

The above gains and losses do not include losses arising on hedging transactions amounting to €38,087 thousand (31 December 2009: losses of €48,201 thousand) because these losses relate to a documented hedge.

Fair value measurement

The majority of the funding, loans, investments, 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 approximate their fair values.

The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of observable market information at the reporting date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency forwards is calculated on the basis of the forward rates at the reporting date. The fair value of options is calculated using recognised mathematical techniques. In the KION Group, all derivative financial instruments are classified as level 2 measurement as defined by IFRS 7.
In order to eliminate default risk to the greatest possible extent, the KION Group only enters into derivatives with counterparties holding a good credit rating.

With the exception of derivative financial instruments and available-for-sale assets, all financial assets and liabilities are measured at amortised cost.

Financial assets measured at fair value

(€ thousand)	2010	2009
Financial assets	**24,531**	**23,134**
thereof available-for-sale	825	825
thereof derivative instruments	23,706	22,309

Financial liabilities measured at fair value

(€ thousand)	2010	2009
Financial liabilities	**30,030**	**57,343**
thereof derivative instruments	30,030	57,343

The fair value of available-for-sale assets is determined on the basis of data in an active market.

[34] Financial risk reporting

Capital management

Ensuring permanent liquidity is one of the primary objectives of capital management. 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 long-term financing requirements were secured through the supplementary agreement to the existing SFA (see 'Credit terms' table).

Close cooperation between local units and the Group head office ensures that the local legal and regulatory requirements faced by foreign group companies are considered in the capital management process.

Bank debt net of borrowing costs – defined as the difference between liabilities to banks and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level. Lease liabilities and other financial liabilities are excluded from this figure, which was €2,640,829 thousand in 2010 (2009: €2,484,299 thousand).

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.

Age structure analysis of receivables

(€ thousand)	2010	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	Thereof: Not impaired at the reporting date, but more than 90 days overdue
Financial receivables		8,117	8,117			
Lease receivables		367,758	367,758			
Trade receivables		633,265	493,781	10,101	114,472	13,896
Other non-derivative receivables		35,416	35,060	21	–	83
(€ thousand)	**2009**					
Financial receivables		6,931	6,931			
Lease receivables		375,353	375,353	–	–	–
Trade receivables		511,263	386,203	13,383	91,058	18,749
Other non-derivative receivables		40,441	39,993	–	–	253

Impairment losses are based on the credit risk associated with the receivables and is assessed primarily using factors such as a 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 covered by corresponding trade payables or collateral. Apart from these items, the Group did not hold any significant collateral.

Liquidity risk

Based on IFRS 7, a liquidity risk arises if a company 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 at all times.

The following table shows all of the contractually agreed payments under recognised financial liabilities as at 31 December 2010, including derivative financial instruments with a negative fair value. Options are only included in liquidity analysis if they have an intrinsic value.

Liquidity analysis of financial liabilities and derivatives

(€ thousand)	2010			
	Carrying amount 2010	Cash flow 2011	Cash flow 2012 - 2015	Cash flow from 2016
Primary financial liabilities				
Gross liabilities to banks	2,893,713	-192,543	-3,132,989	-370,561
Borrowing costs	-21,826			
Net liabilities to banks	2,871,887			
Financial liabilities	622,250	-3,188		-788,677
Trade payables	508,108	-508,108		
Lease liabilities	661,649	-278,967	-427,041	-18,212
Other financial liabilities	156,053	-156,053		
Derivative financial liabilities				
Derivatives with negative fair value	30,033			
+ Cash in		175,364	40,867	
- Cash out		-203,057	-41,809	

(€ thousand)	2009			
	Carrying amount 2009	Cash flow 2010	Cash flow 2011 - 2014	Cash flow from 2015
Primary financial liabilities				
Net liabilities to banks	2,947,707	-210,103	-2,151,679	-1,719,540
Borrowing costs	-30,159			
Net liabilities to banks	2,917,548			
Financial liabilities	597,438	-5,710		-788,277
Trade payables	356,765	-356,765		
Lease liabilities	699,609	-247,550	-508,848	-19,170
Other financial liabilities	137,534	-137,557		
Derivative financial liabilities				
Derivatives with negative fair value	57,343			
+ Cash in		152,116	571,240	
- Cash out		-183,104	-598,456	

The calculation of the future cash flows for derivative financial liabilities includes all currency forwards, interest-rate swaps and options (with their intrinsic values) that have a negative fair value as at the reporting date.
As at 31 December 2010, bank guarantee lines (e.g. sureties, performance bonds) had been issued under the ancillary facility agreements for a total amount in the low double-digit millions. They included guarantees payable 'on first demand'. Cases in which such guarantees have been accessed were extremely rare in past years.
The volume of business for which factoring was used in 2010 was €19,853 thousand (2009: €23,246 thousand). Because all material risks and rewards are assigned to the purchaser, these assets are derecognised in full.

Default risk

For financial assets, default risk is defined as the risk that a counterparty will default, and therefore is limited to a maximum of the carrying amount of the assets relating to the counterparty involved.

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 investment-grade securities.

Risks from financial services

The KION Group's leasing activities mean that it may be exposed to residual value risks from the marketing of machinery and equipment that is returned by the lessee at the end of a long-term lease and subsequently sold or re-leased. The brand companies therefore constantly monitor and forecast residual values in the markets for used equipment.

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. Any change in residual values is immediately taken into account when calculating new leases.

The risk-mitigating measures taken by the KION Group include managing used equipment on an international basis, steadily increasing the amount of equipment remarketed to end customers and extending lease terms more frequently, which stabilises the residual values of its industrial trucks. It has also increased the proportion of leases with an underlying remarketing agreement because these leases transfer any residual-value risk to the leasing company. Group-wide 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 has also refined its management of residual values and implemented an IT system for residual-value risk management.

The KION Group offsets its liquidity risk and interest-rate risk by ensuring that most of its transactions and funding loans have comparable 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. These risks do not exist in cases where the KION Group offers financial services indirectly via selected financing partners.

In order to eliminate exchange rate risk, the KION Group generally funds its leasing business in the local currency used in each market.

The low default rates among its leasing customers mean that counterparty default risk has not been significant to the KION Group to date. The Group has not identified any material changes between 2009 and 2010. The KION Group's risk of potential default is also mitigated by its receipt of the proceeds from the sale of repossessed vehicles. The Group is not generally exposed to counterparty risk in cases where it offers financial services indirectly via selected financing partners. The KION Group's credit risk management system takes into account the current economic conditions. As part of a more restrictive authorisation process for avoiding potential future risks, the KION Group has increased the requirements that need to be satisfied prior to signing a new lease.

The diversity of the customer base in the Group's leasing business resulted in no significant concentrations of risk at the reporting date.

Exchange rate risk

In accordance with its treasury risk policy, the KION Group hedges exchange rate risks both locally at the level of the individual companies and centrally via KION GROUP 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 the entity 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 35).

Foreign-currency forwards are also employed to hedge the exchange rate risks resulting from internal financing.

The following table shows an overview of the foreign-currency forwards entered into by the KION Group.

Foreign-currency forwards

		Fair value		Notional amount	
(€ thousand)		2010	2009	2010	2009
Foreign-currency forwards (assets)	Hedge	3,762	1,894	109,653	47,901
	Trading	19,824	1,938	639,473	47,267
Foreign-currency forwards (liabilities)	Hedge	4,236	1,503	89,900	76,947
	Trading	3,595	19,556	79,335	626,322

The currency options bought and sold in 2008 for a notional amount of US$ 780,000 thousand each with strike prices of USD/EUR 1.5139 and USD/EUR 1.1825 had a negative fair value on the reporting date of €1,433 thousand (31 December 2009: €14,209 thousand). Options that are not part of a formally documented hedge are recognised in line with the general rules specified in IAS 39.

Significant exchange rate risks from financial instruments are measured on the basis of value at risk (VaR) as part of internal Group management. VaR figures are calculated using historical variance-covariance analyses. Correlations and volatilities are calculated on the basis of the 250 working days prior to the reporting date (unweighted).

Exchange rate risks from financial instruments, as defined by IFRS 7, are only included in calculating value at risk if the financial instruments are denominated in a currency other than the functional currency of the reporting entity concerned. This means that exchange rate risks resulting from the translation of the separate financial statements of subsidiaries into the Group reporting currency, i.e. currency translation risk, are not included.

Value-at-Risk

(€ thousand)	2010	2009
Currency risk	19,968	31,946

As at 31 December 2010, the value at risk for currency risk was €19,968 thousand (31 December 2009: €31,946 thousand). 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 (2009: 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 following table shows the cumulative effect of a 100 basis point (bps) shift up or down in the relevant yield curves:

Interest sensivity analysis

	+100 bps	-100 bps	+100 bps	-100 bps
(€ thousand)	2010	2010	2009	2009
Other comprehensive income	34,714	-32,600	38,903	-26,786
Net income	-17,226	18,454	-10,009	4,038

The Group essentially funds itself by drawing down loans under its agreed credit facilities. The resulting interest rate risk is hedged using interest rate derivatives, generally interest rate swaps and interest rate caps denominated in various currencies.

Interest-rate swaps

		Fair value		Notional amount	
(€ thousand)		2010	2009	2010	2009
Interest-rate swaps (assets)	Hedge	46	–	70,000	–
	Trading	–	–	–	–
Interest-rate swaps (liabilities)	Hedge	20,769	36,254	2,493,706	1,598,378
	Trading	–	31	–	844

The interest rate caps bought in 2009 with a notional value of €1,250,000 thousand and a strike price of 1.75 per cent per annum had a fair value on the reporting date of €76 thousand (31 December 2009: €4,268 thousand). Based on the rules specified in IAS 39, only the intrinsic value of interest rate caps may be included in a hedge. Any changes in fair value must be recognised directly in the income statement.

[35] Hedge accounting

Hedging currency risk

In accordance with its treasury risk policy, the KION Group applies hedge accounting in hedging the exchange rate risks arising from highly probable future revenues in various currencies. Foreign-currency derivatives 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 derivatives is recognised in other comprehensive income and only reversed when the corresponding hedged item is recognised in income.

Because 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. Hedge accounting continues until the corresponding payment is received, with the changes in the fair value of the derivative being recognised in the income statement, thereby largely offsetting the effect of the measurement of the receivable at the reporting date.

The changes in fair value recognised and reclassified in other comprehensive income in 2010 are shown in the consolidated statement of comprehensive income. The ineffective portion of the changes in the fair value of the hedging transactions is recognised directly in the income statement. There were no significant ineffective portions in 2010.

In total, foreign currency cash flows of €199,554 thousand (2009: €124,842 thousand) were hedged and designated as a hedged item, of which €161,820 thousand is expected to be settled by 30 September 2011 (2009: €91,222 thousand expected by 30 September 2010). The other cash flows designated as hedged items are due in the period up to 31 March 2012.

Hedging of interest rate risk

The KION Group uses hedge accounting in connection with the hedging of interest rate risk.

The KION Group is essentially financed by the utilisation of loans with variable interest rates and in different currencies. The resulting interest rate risk has been hedged using interest rate derivatives, interest rate swaps and interest rate caps denominated in various currencies. As at the reporting date, the weighted average interest rate for liabilities to banks was 4.6 per cent (31 December 2009: 4.3 per cent). Due to the fact that approximately 40 per cent of the variable interest exposure had been converted into fixed-rate interest obligations by way of interest rate swaps the KION Group was not able to fully benefit from the low market interest rates in 2010. An additional 44 per cent of the interest rate exposure is hedged by means of interest rate caps against one-month Euribor rising above 1.75 per cent per annum. The individual hedges were designated when the swaps were entered into.

The effective portion of the hedges was recognised in other comprehensive income. As in the previous year, the cumulative effectiveness of the hedging transactions was almost 100 per cent. Again, as in 2009, there were no ineffective portions.

In total, future variable interest payments of €402,275 thousand (2009: €200,207 thousand) were designated as hedged items, of which €63,713 thousand fall due before 30 September 2011 (2009: €62,290 thousand fell due by 30 September 2009). The remaining cash flows designated as hedged items fall due by 31 December 2013.

[36] Segment report

IFRS 8 specifies the 'management approach' for defining operating segments. Under this approach, the internal reports that are regularly used by the chief operating decision maker to make decisions on the allocation of resources to a segment and to assess the performance of a segment must be used as the basis for defining operating segments. The chief operating decision maker in the KION Group is its key management team comprising Gordon Riske (CEO), Otmar Hauck (COO) and Harald Pinger (CFO).

The chief operating decision makers divide the KION Group into the Linde Material Handling (LMH), STILL and OM brands for management purposes. Segment reporting follows the same breakdown, taking into account the relevant organisational structures and corporate strategy of the KION Group.

Linde Material Handling (LMH)
Linde Material Handling manufactures material-handling products under the Linde, Fenwick and Baoli brands and also produces hydraulic components that are used both in its own trucks and in the products of external manufacturers.

Baoli operates in the market as an independent brand focusing on the economy segment in China and other growth markets.

STILL
The STILL brand positions itself as the leading provider of intelligent intralogistics management tools. In addition to core products (forklifts, warehouse handling equipment and tow tractors), the product range includes pioneering material flow services.

OM
As a leading Italian manufacturer, OM provides customers in the value segment with reliable, technologically advanced electric and diesel trucks as well as warehouse handling equipment.

Other
The 'Other' segment comprises holding companies together with service companies that provide cross-segment services for the KION Group. The bulk of the revenue in this segment is generated by internal IT and logistics services.

The basis for internal reporting is a presentation of the financial position and financial performance based on data from continuing operations, excluding the effects of the acquisition of the KION Group in December 2006 and excluding non-recurring items. In addition to the above items, other net financial income/expenses and profit/loss from equity investments are also excluded from the performance indicator known as 'management reporting EBIT'. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) including purchase price allocation effects and non-recurring items with the adjusted EBIT for the segments ('management reporting EBIT').

Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in detail in note 7. Intra-group transactions are generally conducted on an arm's length basis.

The following tables show information for the KION Group's operating segments for 2010 and 2009:

Segment report

(€ thousand) 2010	LMH	STILL	OM	Other	Consolidation/ Reconciliation	Total
Revenue	2,191,490	1,150,417	183,072	9,495	–	3,534,474
Intersegment revenue	62,399	94,642	18,697	150,373	-326,111	–
Total revenue	2,253,889	1,245,059	201,769	159,868	-326,111	3,534,474
Earnings before taxes	69,831	-20,064	-23,925	-230,230	-27,032	-231,420
Financial income	42,572	10,245	2,800	47,378	-14,646	88,349
Financial expense	-59,227	-32,078	-6,346	-243,518	-13,236	-354,405
= Financial result	-16,655	-21,833	-3,546	-196,140	-27,882	-266,056
EBIT	86,486	1,769	-20,379	-34,090	850	34,636
+ Non-recurring items	26,922	18,914	17,880	11,979	–	75,695
+ KION acquisition items	25,712	5,348	-2,585	556	–	29,031
= Adjusted EBIT	139,120	26,031	-5,084	-21,555	850	139,362
./. Other financial result	1,197	558	–	-3,305	3,210	1,660
./. Equity result	3,838	-269	–	–	–	3,569
EBIT Management Reporting	134,085	25,742	-5,084	-18,250	-2,360	134,133
Carrying amount of equity investments	33,433	4,408	–	–	–	37,841
Capital expenditures*	70,477	30,068	4,082	18,835	–	123,462
Depreciation*	103,596	38,132	5,712	14,597	–	162,037
Order intake	2,509,672	1,328,242	222,192	159,868	-360,294	3,859,680
Number of employees**	12,240	6,271	964	493	–	19,968

* Excl. leased assets
**Number of employees in full-time equivalents as at December 31

Segment report

(€ thousand) 2009	LMH	STILL	OM	Other	Consolidation/ Reconciliation	Total
Revenue	1,882,769	1,022,073	179,415	86	–	3,084,343
Intersegment revenue	37,576	72,683	11,686	79,187	-201,132	–
Total revenue	1,920,345	1,094,756	191,101	79,273	-201,132	3,084,343
Earnings before taxes	-87,516	-70,100	-20,418	-229,706	2,630	-405,110
Financial income	38,695	18,716	3,279	39,842	-21,897	78,635
Financial expense	-58,364	-33,782	-7,854	-195,873	-5,985	-301,858
= Financial result	-19,669	-15,066	-4,575	-156,031	-27,882	-223,223
EBIT	-67,847	-55,034	-15,843	-73,675	30,512	-181,887
+ Non-recurring items	73,109	30,797	8,817	16,040	–	128,763
+ KION acquisition items	20,037	7,858	-3,874	-2,920	2,971	24,072
= Adjusted EBIT	25,299	-16,379	-10,900	-60,555	33,483	-29,052
./. Other financial result	814	-552	–	-33,763	33,791	290
./. Equity result	3,785	-527	–	–	–	3,258
EBIT Management Reporting	20,700	-15,300	-10,900	-26,792	-308	-32,600
Carrying amount of equity investments	29,012	4,347	–	–	–	33,359
Capital expenditures*	65,504	24,299	5,024	13,375	–	108,202
Depreciation*	103,086	41,883	5,352	14,760	–	165,081
Order intake	1,879,166	1,076,170	190,253	79,273	-196,710	3,028,152
Number of employees**	12,229	6,295	1,038	391	–	19,953

* Excl. leased assets
**Number of employees in full-time equivalents as at December 31

The increase in revenue in the 'Other' segment is the result of including URBAN-TRANSPORTE GMBH, Unterschleissheim in the consolidation for the first time.

The breakdown of segment revenue by region is as follows

Segment revenue broken down by customer location

(€ thousand)	2010	2009
Germany	899,817	769,836
EU w/o Germany	1,820,151	1,746,767
Rest of Europe	151,807	115,103
America	232,673	136,218
Asia	301,879	218,947
Rest of world	128,147	97,472
Total segment revenue	**3,534,474**	**3,084,343**

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 KION acquisition items comprise a net write-down on the fair value adjustments identified as part of the purchase price allocation (PPA). The non-recurring items mainly comprise severance payments, social plan costs, costs relating to the relocation of production and consultancy costs.

Segment capital expenditures include additions to intangible assets and property, plant and equipment, but not additions to leased assets. A separate segment report for leased assets is shown in note 17.

Depreciation/amortisation relates to intangible assets with finite useful lives and property, plant and equipment.

Capital expenditures broken down by company location (excl. leased assets)

(€ thousand)	2010	2009
Germany	88,875	71,653
EU w/o Germany	25,688	31,204
Rest of Europe	187	154
America	4,364	1,310
Asia	3,870	3,460
Rest of world	478	421
Total capital expenditures	**123,462**	**108,202**

The regional breakdown of non-current assets excluding financial assets, financial instruments, deferred tax assets and post-employment benefits is as follows:

Non-current assets broken down by company location (IFRS 8)

(€ thousand)	2010	2009
Germany	2,711,755	2,734,231
EU w/o Germany	661,375	725,261
Rest of Europe	19,992	18,839
America	30,609	26,172
Asia	88,213	79,407
Rest of world	49,132	44,072
Total non-current assets (IFRS 8)	**3,561,076**	**3,627,982**

[37] Employees

The Group had an average of 19,764 employees in the year under review (2009: 20,667). The number of employees (including part-time employees expressed as a proportion of full-time equivalents) is broken down by region as follows:

Employees (average)

	2010	2009
Germany	7,785	7,971
France	3,172	3,395
U.K.	1,467	1,862
Italy	1,044	1,106
Rest of Europe	3,073	3,229
Asia	2,319	2,199
Rest of world	904	905
Total employees	**19,764**	**20,667**

Information on employee numbers as at the end of the year is available in the Group management report. When it was included for the first time, URBAN-TRANSPORTE GMBH, Unterschleissheim employed a workforce of 81.

[38] 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. Transactions with these companies are conducted on an arm's length basis. The related companies that are controlled by the KION Group or that are able to exercise a significant influence over the KION Group are included in the list of shareholdings in the annex to these notes and in the following table:

Related parties

Superlift Holding S.à r.l., Luxembourg	Parent company
Kohlberg Kravis Roberts & Co. L.P., New York, USA	Entity with significant influence
Goldman, Sachs & Co., New York, USA	Entity with significant influence
Superlift Funding S.à r.l., Luxembourg	Affiliated company

Superlift Funding S.à r.l., Luxembourg

Under a supplementary loan agreement dated 23 September 2009, investment funds advised by Kohlberg Kravis Roberts & Co. L.P. ('KKR') and Goldman Sachs Capital Partners extended the SFA to include an additional loan of €100,000 thousand to be paid via Superlift Funding S.à r.l., Luxembourg. The purpose of the supplementary loan was to further strengthen the operational and strategic options for the KION Group. Both the loan amount and the associated interest are repayable as a bullet payment on maturity (payment in kind 'PIK').

Shareholder loan agreement

On 27 December 2006, KION Holding 1 GmbH (then Neggio Holding 1 GmbH) entered into a shareholder loan agreement with Superlift Holding S.à r.l., Luxembourg, for €500,000 thousand of principal. The original maturity date for the loan was 31 December 2010. The loan has now been renewed with a maturity date of 31 December 2016. Both the unsecured loan principal and the associated interest are repayable as a bullet payment on maturity (payment in kind 'PIK'). Since 1 September 2007, the loan has been subject to interest at a rate of 5.5 per cent per annum. As at 31 December 2010, the carrying amount of the loan including accrued interest was €615,250 thousand (31 December 2009: €587,368 thousand).

Advisory agreement

On 8 May 2007, KION Group GmbH, Kohlberg, Kravis Roberts & Co. L.P. ('KKR') and Goldman, Sachs & Co. entered into an advisory agreement under the terms of which KKR and Goldman Sachs are to perform advisory services for the KION Group. These advisory services relate, in particular, to financial and strategic issues. The annual advisory fee payable to KKR and Goldman, Sachs & Co. was €4,609 thousand in 2010 (2009: €4,456 thousand) and was recognised as an expense.

As at the reporting date, the receivables due from related parties were as follows:

Receivables from related parties

(€ thousand)	2010	2009
Non-consolidated subsidiaries	7,059	4,873
Associates and joint ventures	25,129	15,422
Other related parties	7,545	5,058
Total receivables from related parties	**39,733**	**25,353**

As at the reporting date, liabilities to related parties were as follows:

Liabilities to related parties

(€ thousand)	2010	2009
Non-consolidated subsidiaries	3,771	1,024
Associates and joint ventures	45,027	44,532
Other related parties	730,686	693,276
Total liabilities to related parties	**779,484**	**738,832**

[39] KION management partnership plan ('MPP')

Arrangements for managers to invest in the Company have been in place since 2007. These arrangements are governed by the 'Shareholders' and co-investment agreement on the implementation of the management partnership plan for the KION Group' (the co-invest agreement) dated 14 June 2007, entered into by Superlift Holding S.à r.l., KION Holding 1 GmbH and KION Management Beteiligungs GmbH & Co. KG. The managers who have joined the management partnership plan are also parties to the co-invest agreement.

KION Management Beteiligungs GmbH & Co. KG holds an equity interest of 14.61 per cent in KION Holding 1 GmbH. In total, the key management team holds an interest of €3,250 thousand in the limited partner capital of KION Management Beteiligungs GmbH & Co. KG, which equates to an indirect interest in the share capital of KION Holding 1 GmbH of 3.16 per cent. In addition to the KION Group's key management team, approximately 300 executives around the world have purchased shares in KION Management Beteiligungs GmbH & Co. KG. The shares are sold at their fair value and shareholdings are divided into virtual 'A', 'B', and 'C' shares. Different terms and conditions concerning payment of the purchase price and rights to purchase attach to these virtual shares. The purchase price for 'A' shares became payable when participants joined the programme, while KION Management Beteiligungs GmbH granted participants interest-bearing loans for the purchase price of the 'B' and 'C' shares. The vesting conditions and resulting purchase rights for 'B' shares accrue to participants in equal, annual tranches over a period of five years. By contrast, executives become eligible to purchase 'C' shares if the targets for revenue, EBITA and operating cash flow set in the business plan are achieved over a 5-year period or predefined target returns are achieved if the Group is sold or there is a change of control.

In 2010, the performance-related vesting conditions for the 'C' shares relating to the 2009–2012 bonus period were adjusted to take into account the revised long-term KION business plan, which is in turn based on the amended loan terms in the supplementary agreement to the SFA dated 23 September 2009. The change in vesting conditions affects a total of 1,034 shares with an expected exercise price of €16 thousand each. The agreement had two years remaining as at 31 December 2010. The total fair value of this adjustment is €1,044 thousand. The fair value of the individual purchase rights is €1 thousand. The number of purchase options outstanding as at the reporting date remained unchanged at 1,034, of which 292 were exercisable.

The fair value of the new vesting conditions was calculated using the Black-Scholes model based on a share price of €11 thousand. The risk-free interest rate on the reference date for the calculation was 1.6 per cent. The expected holding period for the options is three years. The expected volatility is 32 per cent and it was calculated by taking the implied volatility of a peer group. Expected dividends were not taken into account.

Expense of €590 thousand was recorded under the management partnership plan in 2010.

[40] Remuneration of key management and the Supervisory Board

Key management

Gordon Riske, Chief Executive Officer (CEO), is responsible, among other things, for the strategic management of the Group, communications, governance and compliance, and the Group's Asian business.

Harald Pinger, Chief Financial Officer (CFO), is responsible, among other things, for finance including financial services, IT activities, human resources, legal affairs, internal audit, business development/M&A, and the Americas region. On 1 January 2010, he took over the position of Labour Relations Director from Gordon Riske.

Otmar Hauck (member of the key management team of KION GROUP GmbH, Wiesbaden), Chief Operating Officer (COO), is responsible for quality and central operations (operational excellence/production control), purchasing, logistics, health & safety and environmental issues in the Group.

The remuneration paid to the Group's key management team 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. The pension entitlements consist of retirement, invalidity and surviving dependants' benefits.

The total remuneration for members of the key management team in 2010 amounted to €5,049 thousand (2009: €3,428 thousand). This consisted of short-term benefits in the amount of €4,550 thousand (2009: €3,100 thousand), post-employment benefits totalling €366 thousand (2009: €328 thousand) and share-based payments amounting to €133 thousand (2009: €0). The current service cost resulting from pension provisions for the key management team is reported under provisions for pensions and similar obligations. In the year under review, loans or advances of €151 thousand had been made to members of the key management team. The interest rate payable on the short-term loan is 5 per cent.

Provisions for pension obligations to former members of the key management team and their surviving dependants amounting to €2,953 thousand (2009: €2,639 thousand) were recognised in accordance with IAS 19.

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 2010 amounted to €822 thousand (2008: €638 thousand) including VAT. There were no loans or advances to members of the Supervisory Board in 2010. 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.

[41] Members of the Group's Executive Board and Supervisory Board

Executive Board

Gordon Riske
CEO

Harald Pinger
CFO

Supervisory Board

Manfred Wennemer
(Chairman of the Supervisory Board)
Former Chief Executive Officer, Continental AG, Hannover

Joachim Hartig[1]
Deputy Chairman of the Supervisory Board
Chairman of the Plant I & II Works Council, Linde Material Handling GmbH, Aschaffenburg

Dr. Alexander Dibelius
Managing Director of Goldman, Sachs & Co. OHG, Frankfurt am Main

Denis Heljic[1]
Deputy Chairman of the Works Council of STILL GmbH, Dortmund plant

Dr. Martin Hintze
Managing Director of Goldman Sachs Capital Partners, London

Johannes P. Huth
Member of Kohlberg Kravis Roberts & Co. L.P., New York

Thilo Kämmerer[1]
Trade Union Secretary on the Executive Board of IG Metall, Frankfurt am Main

Dr. Roland Köstler[1]
Head of Business Law at Hans-Böckler-Stiftung, Düsseldorf

Peter Kolb[1]
Head of Facility Management, Linde Material Handling GmbH, Aschaffenburg

Kay Pietsch[1]
Chairman of the KION Group Works Council; Chairman of the Works Council of STILL GmbH, Hamburg

Silke Scheiber
Director of Kohlberg Kravis Roberts & Co. L.P., New York

Dr. Michael Süß
CEO, Fossil Power Generation Division, Siemens AG, Munich

[1] Employee representatives

[42] Auditors' fees

The fees recognised as an expense and paid to the auditors of the consolidated financial statements in 2010 amounted to €888 thousand (2009: €1,002 thousand) for the audit of the financial statements, €32 thousand (2009: €442 thousand) for tax consultancy services and €20 thousand (2009: €167 thousand) for other services.

[43] Events after the reporting date

In the period after the end of the 2010 financial year up to 17 March 2011, 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 2010, or that it would be necessary to disclose.

[44] Information on preparation and approval

The Executive Board of KION Holding 1 GmbH prepared the consolidated financial statements on 17 March 2011, 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, 17 March 2011

The Executive Board

Gordon Riske Harald Pinger

KION Holding 1 GmbH

List of shareholdings for the year ended December 31, 2010

List of shareholdings as of December 31, 2010

according to section 313 para. 2 No. 1-4 Commercial Code (HGB)

No.	Name	Registered office	Country	Parent company	Holding in (%)	Equity, Local GAAP, TEUR	Earnings, Local GAAP, TEUR	Note
1	KION Holding 1 GmbH	Wiesbaden	Germany			229,990	-28,427	
	Consolidated affiliated companies							
	Domestic							
2	KION Holding 2 GmbH	Wiesbaden	Germany	1	100.00%	848,331	0	[D]
3	KION GROUP GmbH	Wiesbaden	Germany	2	100.00%	332,648	-43,750	
4	KION Information Management Services GmbH	Wiesbaden	Germany	3	100.00%	129	0	[A]
5	Linde Material Handling GmbH	Aschaffenburg	Germany	3	100.00%	342,960	-173,839	
6	Fahrzeugbau GmbH Geisa	Geisa	Germany	14	100.00%	7,329	0	[C]
7	Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan	Germany	5	100.00%	7,885	897	
8	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	5 & 9	99.64%	29,968	1,140	
9	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	5	94.00%	116	62	
10	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	5	100.00%	26	2	
11	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	5	100.00%	26	2	
12	OM Deutschland GmbH	Neuhausen a.d. Fildern	Germany	56	100.00%	-954	686	
13	Schrader Industriefahrzeuge GmbH & Co.	Essen	Germany	5	100.00%	2,322	495	
14	STILL GmbH	Hamburg	Germany	5	100.00%	206,250	0	[B]
15	KION Warehouse Systems GmbH (formerly: STILL Wagner GmbH)	Reutlingen	Germany	14	100.00%	22,670	0	[C]
16	BlackForxx GmbH	Stuhr	Germany	14	100.00%	757	0	[C]
17	URBAN-TRANSPORTE GmbH	Unterschleißheim	Germany	5	100.00%	3,202	449	
	Foreign							
18	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	5	100.00%	34,386	2,476	
19	STILL N.V.	Wijnegem	Belgium	14 & 60	100.00%	5,714	1,200	
20	KION South America Fabricação de Equipamentos para Armazenagem Ltda. (formerly: Empilhadeiras Sul Americanas Ltda.)	Rio de Janeiro	Brazil	14	100.00%	17,662	3,988	
21	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	China	5	100.00%	67,318	22,446	
22	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jiangjiang	China	52	92.00%	27,068	-1,197	
23	STILL DANMARK A/S	Kolding	Denmark	14	100.00%	4,419	-143	
24	BARTHELEMY MANUTENTION SAS	Vitrolles	France	27	90.41%	2,761	725	
25	Bastide Manutention SAS	Toulouse	France	27	100.00%	1,668	272	
26	Bretagne Manutention S.A.	Pacé	France	27	54.27%	7,138	3,629	
27	FENWICK-LINDE S.A.R.L.	Elancourt	France	35 & 5	100.00%	168,197	9,788	
28	LOIRE OCEAN MANUTENTION SAS	St. Herblain	France	27	89.91%	3,865	918	
29	Manuchar S.A.	Gond Pontouvre	France	27	80.00%	3,318	1,519	
30	OM PIMESPO FRANCE S.A.S.	Mitry Mory	France	56	100.00%	-273	-251	
31	SAS Société Angoumoisine de Manutention - SAMA	Champniers	France	34	100.00%	12,094	846	
32	MANUSOM SAS	Rivery	France	34	50.13%	287	-16	
33	SM Rental SAS	Roissy Charles de Gaulle	France	27	100.00%	1,071	458	
34	STILL SAS	Marne la Vallee	France	35	100.00%	24,767	2,205	
35	KION France SERVICES SAS	Elancourt	France	5	100.00%	97,850	8,681	
36	Lansing Linde Severnside Ltd.	Basingstoke	U.K.	46	100.00%	4,560	0	[R]
37	Linde Castle Ltd.	Basingstoke	U.K.	39 & 153	74.50%	3,829	206	
38	Linde Heavy Truck Division Ltd.	Basingstoke	U.K.	42	100.00%	5,258	-6,801	
39	Linde Holdings Ltd.	Basingstoke	U.K.	49	100.00%	161,262	2,078	
40	Linde Hydraulics Ltd.	Abingdon	U.K.	42	100.00%	5,928	93	
41	Linde Jewsbury's Ltd.	Basingstoke	U.K.	39	100.00%	3,999	1,562	
42	Linde Material Handling (UK) Ltd.	Basingstoke	U.K.	39	100.00%	40,948	21,895	
43	Linde Material Handling East Ltd.	Basingstoke	U.K.	39 & 50	100.00%	-3,830	2,081	
44	Linde Material Handling Scotland Ltd.	Basingstoke	U.K.	42	100.00%	5,065	945	
45	Linde Material Handling South East Ltd.	Basingstoke	U.K.	42	100.00%	1,455	323	
46	Linde Severnside Ltd.	Basingstoke	U.K.	42	100.00%	5,417	813	
47	OM PIMESPO (UK) Ltd.	Basingstoke	U.K.	56	100.00%	-1,326	-537	
48	STILL Materials Handling Ltd.	Leyland	U.K.	49	100.00%	-16,379	-4,208	
49	Superlift UK Ltd.	Basingstoke	U.K.	5	100.00%	67,971	-14,886	
50	Trifik Services Ltd.	Basingstoke	U.K.	39	100.00%	0	0	[1]
51	Linde Material Handling Hong Kong Ltd.	Kwai Chung	Hong-Kong	5	100.00%	1,865	472	
52	KION ASIA (HONG KONG) Ltd.	Kwai Chung	Hong-Kong	5	100.00%	26,024	-195	
53	Linde Material Handling (Ireland) Ltd.	Walkinstown	Ireland	39	100.00%	482	-629	[1]
54	COMMERCIALE CARRELLI S.r.l.	Lainate	Italy	57 & 58	100.00%	650	71	
55	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	5	100.00%	16,809	-371	
56	OM Carrelli Elevatori S.p.A.	Lainate	Italy	5	100.00%	68,667	-22,222	
57	STILL ITALIA S.p.A.	Lainate	Italy	14	100.00%	10,045	2,246	
58	STILL NOLO S.r.l.	Lainate	Italy	57	100.00%	1,048	77	
59	Linde Vilicari Hrvatska d.o.o.	Samobor	Croatia	5	100.00%	76	-54	
60	STILL Intern Transport B.V.	Hendrik Ido Ambacht	Netherlands	14	100.00%	9,711	1,687	
61	Linde Fördertechnik GmbH	Linz	Austria	5 & 63	100.00%	8,436	-1,791	
62	STILL Ges.m.b.H.	Wiener Neudorf	Austria	14	100.00%	4,204	507	
63	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	56	100.00%	1,600	-457	
64	Linde Material Handling Polska Sp. z o.o.	Warschau	Poland	5	100.00%	11,868	3,281	
65	STILL POLSKA Spol. z o.o.	Gadki	Poland	14	100.00%	9,742	298	
66	OOO "STILL Forklifttrucks"	Moskau	Russia	5 & 14	100.00%	1,251	-187	
67	STILL MOTOSTIVUITOARE S.R.L.	Giurgiu County	Romania	5 & 14	100.00%	600	901	
68	Linde Material Handling AB	Örebro	Sweden	5	100.00%	21,064	4,151	
69	STILL Sverige AB (formerly: STILL STOCKA AB)	Stockamöllan	Sweden	14	100.00%	1,686	-1,054	
70	Linde Lansing Fördertechnik AG	Dietlikon	Switzerland	5	100.00%	9,000	2,059	
71	STILL AG	Otelfingen	Switzerland	14	100.00%	4,765	639	
72	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	5	100.00%	-276	630	
73	Linde Material Handling Slovenska republika s.r.o.	Trencin	Slovakia	5 & 83	100.00%	1,826	289	
74	STILL SR spol. s.r.o.	Nitra	Slovakia	14 & 85	100.00%	1,340	-19	
75	Linde Vilicar d.o.o.	Celje	Slovenia	5	100.00%	1,353	3	
76	IBERCARRETILLAS, S.A.	El Prat de Llobregat	Spain	56	100.00%	-4,245	-4,336	
77	IBER-MICAR S.L	Gava	Spain	5	100.00%	2,559	-21	

No.	Name	Registered office	Country	Parent company	Holding in (%)	Equity, Local GAAP, TEUR	Earnings, Local GAAP, TEUR	Note
	Consolidated affiliated companies							
	Foreign							
78	Islavista Spain S.A.U.	Barcelona	Spain	5	100.00%	22,838	1,215	
79	Linde Holding de Inversiones, s.r.l.	Pallejá	Spain	78	100.00%	30,999	40	
80	Linde Material Handling Ibérica, S.A.	Pallejá	Spain	79	100.00%	43,584	1,366	
81	STILL, S.A.	Barcelona	Spain	78	100.00%	11,904	-1,794	
82	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	5	100.00%	4,119	207	
83	Linde Material Handling Ceská republika s r.o.	Prag	Czech Republic	5 & 14	100.00%	7,625	2,103	
84	Linde Pohony s r.o.	Ceský Krumlov	Czech Republic	5	100.00%	27,241	3,420	
85	STILL CR spol. s r.o.	Prag	Czech Republic	5 & 14	100.00%	5,469	829	
86	Linde Fördertechnik Ungarn GmbH	Dunaharaszti	Hungary	5	100.00%	862	-794	
87	STILL Kft.	Környe	Hungary	14	100.00%	1,449	270	
88	Linde Hydraulics Corporation	Canfield	United States	5	100.00%	6,349	101	
89	Linde Material Handling North America Corporation	Summerville	United States	5	100.00%	-2,497	-2,969	
	Non-consolidated affiliated companies							
	Domestic							
90	Eisenwerk Weilbach GmbH	Wiesbaden	Germany	5	100.00%	288	0	[B]
91	Klaus Pahlke Betriebsführungs-GmbH	Haan	Germany	5	100.00%	46	1	
92	PAGEMA Miet- und Gebrauchtstapler GmbH	Haan	Germany	7	100.00%	62	0	[1], [L]
93	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.00%	573	0	[D]
94	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	5	100.00%	54	5	[1]
	Foreign							
95	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	42	100.00%	-1,756	-16	[1]
96	Urban Transporte spol. s.r.o.	Moravany / Brna	Czech Republic	17	100.00%	931	65	[1]
97	SCI Champ Lagarde	Elancourt	France	27	100.00%	103	0	[1]
98	OTHEA	Elancourt	France	35	100.00%	3	-2	[1]
99	URBAN LOGISTIQUE SAS	Elancourt	France	17	100.00%	939	159	[1]
100	Claymore Fork Truck Services Ltd.	East Kilbride	U.K.	113	100.00%	0	0	[1], [R]
101	Fork Truck Rentals Ltd.	Basingstoke	U.K.	42	100.00%	335	0	[1], [R]
102	Fork Truck Training Ltd.	Basingstoke	U.K.	42	100.00%	113	-112	[1], [R]
103	HFT Lift Trucks (South West) Ltd.	Basingstoke	U.K.	46	100.00%	-5	0	[1], [R]
104	Lansing Bagnall Ltd.	Basingstoke	U.K.	42	100.00%	0	0	[1], [R]
105	Lansing Linde Castle Ltd.	Basingstoke	U.K.	42	100.00%	0	0	[1], [R]
106	Lansing Linde Creighton Ltd.	Basingstoke	U.K.	42	100.00%	1	0	[1], [R]
107	Lansing Linde Jewsbury's Ltd.	Basingstoke	U.K.	42	100.00%	0	0	[1], [R]
108	Lansing Linde Ltd.	Basingstoke	U.K.	42	100.00%	113	0	[1], [R]
109	Lansing Linde Scotland Ltd.	Basingstoke	U.K.	42	100.00%	150	0	[1], [R]
110	Lansing Linde South East Ltd.	Basingstoke	U.K.	42	100.00%	0	0	[1], [R]
111	Lansing Linde Sterling Ltd.	Basingstoke	U.K.	42	100.00%	0	0	[1], [R]
112	Lansing Linde Trifik Ltd.	Basingstoke	U.K.	42	100.00%	0	0	[1], [R]
113	Leader Lift Trucks Ltd.	East Kilbride	U.K.	39	100.00%	60	0	[1], [R]
114	Linde Trifik Limited	Basingstoke	U.K.	43	100.00%	-104	-79	[1]
115	M.D.A. (GB) Ltd.	Liverpool	U.K.	42 et al.	85.83%	160	-106	[1]
116	Rack-N-Stak Ltd.	Preston	U.K.	48	100.00%	0	0	[1], [R]
117	Regentruck Ltd.	Basingstoke	U.K.	42	100.00%	1	0	[1], [R]
118	Severnside Mechanical Handling Group Ltd.	Basingstoke	U.K.	46	100.00%	1,966	0	[1], [R]
119	Stephensons Lift Trucks Ltd.	Newton Aycliffe	U.K.	37	100.00%	62	2	[1]
120	Urban Logistics (UK) Ltd.	Basingstoke	U.K.	17	100.00%	95	180	[1]
121	Handling & Storage Equipment (Ireland) Ltd.	Walkinstown	Ireland	53	100.00%	0	0	[1], [R]
122	Carest SRL	Buguggiate	Italy	56	100.00%	12	-1	[1]
123	Milano Carrelli Elevatori S.r.l.	Monza	Italy	56	100.00%	27	-5	[1]
124	URBAN LOGISTIKA S.R.L.	Lainate	Italy	17	100.00%	44	-9	[1]
125	Linde Viljuskari d.o.o.	Belgrad - Zemun	Serbia	61	100.00%	73	-98	
126	STILL viljuškari d.o.o.	Belgrad	Serbia	127	100.00%	99	-173	[1]
127	STILL VILICAR d.o.o.	Ljubljana	Slovenia	14	100.00%	-996	-236	
	Associates (equity investments)							
	Domestic							
128	Beutlhauser-Bassewitz GmbH & Co. KG	Hagelstadt	Germany	5	25.00%	4,667	627	[1]
129	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	5	21.00%	3,613	1,513	[1]
130	Linde Leasing GmbH	Wiesbaden	Germany	5	45.00%	28,097	3,630	[1]
131	MV Fördertechnik GmbH	Blankenhain	Germany	5	25.00%	951	66	[1]
132	Pelzer Fördertechnik GmbH	Kerpen-Sindorf	Germany	5	24.96%	16,134	100	[1]
133	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	5	23.00%	8,486	806	[1]
	Foreign							
134	Linde High Lift Chile S.A.	Santiago de Chile	Chile	5	45.00%	9,936	1,659	[1]
135	Linde Creighton Ltd.	Basingstoke	U.K.	39	49.00%	3,682	1,046	[1]
136	Linde Sterling Ltd.	Basingstoke	U.K.	39	49.00%	5,906	577	[1]
137	Linde High Lift Peru S.A.C.	Lima	Peru	134	45.00%	-	-	new in 2010
	Joint Ventures (equity investments)							
	Domestic							
138	Eisengießerei Dinklage GmbH	Dinklage	Germany	14	50.00%	3,490	-174	[1]
	Foreign							
139	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	5 & 14	50.00%	15,659	1,430	[1]

KION Holding 1 GmbH

List of shareholdings for the year ended December 31, 2010

Annex to the notes

No.	Name	Registered office	Country	Parent company	Holding in (%)	Equity, Local GAAP, TEUR	Earnings, Local GAAP, TEUR	Note
	Associates (accounted at cost)							
	Domestic							
140	Carl Beutlhauser Verwaltungs GmbH	Hagelstadt	Germany	128	25.00%	33	2	[1]
141	JETSCHKE GmbH	Hamburg	Germany	5	22.00%	67	5	[1]
142	Supralift Beteiligungs- und Kommunikationsgesellschaft mbH	Hofheim am Taunus	Germany	5	50.00%	18	-1	
143	Supralift GmbH & Co. KG	Hofheim am Taunus	Germany	5	50.00%	758	19	
144	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	133	23.00%	99	172	[1]
145	Willenbrock Arbeitsbühnen GmbH & Co. KG	Bremen	Germany	133	23.00%	72	-123	[1]
146	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	133	23.00%	35	3	[1]
147	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	133	23.00%	33	1	[1]
148	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	133	23.00%	2,400	222	[1]
149	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	133	23.00%	3,600	680	[1]
	Foreign							
150	Willenbrock Baltic OÜ	Tallinn	Estonia	133	23.00%	224	-134	[1]
151	Labrosse Equipement S.A.	Saint Peray	France	27	34.00%	4,548	1,105	[1]
152	Normandie Manutention S.A.	Le Grand Quevilly	France	27	34.00%	13,614	3,148	[1]
153	Castle Lift Trucks Ltd.	Newton Aycliffe	U.K.	39	50.00%	1,210	481	[1]
154	Chadwick Materials Handling Ltd.	Corsham	U.K.	42	48.00%	1,205	-10	[1]
155	D.B.S. Brand Factors Ltd.	Liverpool	U.K.	136	49.00%	0	0	[1], [R]
156	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	U.K.	135	49.00%	621	109	[1]
157	Stephensons Enterprise Fork Trucks Ltd.	St. Helens, Merseyside	U.K.	136	49.00%	0	0	[1], [R]
158	Tructec Ltd.	Exeter	U.K.	159	32.34%	0	0	[1], [R]
159	Granville Group Ltd.	Exeter	U.K.	48	33.00%	0	0	[1], [L], [R]
160	DAC Handling Solutions Ltd.	Exeter	U.K.	159	32.33%	0	0	[1], [L], [R]
161	EUROPA CARRELLI S.R.L.	Bastia Umbra	Italy	57	40.00%	576	50	[1]
162	Willenbrock Baltic SIA	Riga	Latvia	133	23.00%	-217	-373	[1]
163	Willenbrock Baltic UAB	Vilnius	Lithuania	133	23.00%	138	-84	[1]
164	Nordtruck AB	Örnsköldsvik	Sweden	68	25.00%	632	291	[1]
165	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	80	38.53%	3,215	-364	[1]
166	CAYSA MANUTENCION S.L.	Valladolid	Spain	80 & 165	46.71%	162	50	
167	Motorové závody JULI CZ s r.o.	Moravany	Czech Republic	5	50.00%	7	0	[1]
	Other investments							
	Foreign							
168	Giffard Manutention, S.A.	Carquefou	France	56	7.54%	5,699	213	[1]
169	NORTHERN FORKLIFT (SCOTLAND) Ltd.	Leyland	U.K.	48	18.00%	697	701	[1]

[1] Financial figures from prior financial years

[A] Profit and loss transfer agreement with KION GROUP GmbH
[B] Profit and loss transfer agreement with Linde Material Handling GmbH
[C] Profit and loss transfer agreement with STILL GmbH
[D] Profit and loss transfer agreement with KION Holding 1 GmbH

[L] in liquidation
[R] Dormant company