KION GROUP AG

FY 2013 Update

Conference Call

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Speakers: Gordon Riske (CEO)

Thomas Toepfer (CFO)

Gordon Riske: Yes. Thank you and welcome everyone to this KION update call for the full year 2013. I hope you all have the documentation in front of you and would like to present, as we usually do, the highlights of 2013; so for the past year. Thomas Toepfer will give you a financial update for 2013. We also intend to speak a little bit about the outlet for 2014 and we'd like to give you a little bit of a glimpse into the future, the KION 2020 strategy and what some of the targets are and how we want to achieve some of those targets are and how we want to achieve some of those targets in the years to come.

If you turn to page four on the presentation, of course, our biggest highlights for 2013 – or one of the biggest highlights – certainly the successful IPO that was on June 28, 2013 and, at the moment, last look on this page, 19 March we did have quite a significant upside. So all of you that invested in that sure made the right decision and the share price has developed nicely. Our shareholder structure at the moment, on the right side of the chart on page four with KKR Goldman having 34.5 percent, Weichai Power 33.3, free flow 31 and some stocks that we purchased 0.2 percent for employees. So quite simply a third, a third, a third at the moment and, as I said, the price has developed nicely.

On page five, we look back on the year 2013. Here in March 2014 and, as we look back, we can really say a very solid year. Solid financial results and the business has been very stable and at high levels. If we look at the order intake very close to the previous year 2012, slightly down, but that is mainly due to the negative exchange rate effects that we have had and some other companies that are in international markets have also had. We are happy with the fourth quarter order intake of 1.19 billion so we're on prior level. We did see a recovery in the fourth quarter after a week. First nine months, so the European recovery in the fourth quarter has happened and we do see some of that continuing here in the first couple of months of 2014 and, again a very solid year for us in many of the growth markets, the emerging markets.

On the revenue side also very high level, 1.4 percent versus 2012 so EUR4.495 billion, again the same FX effect and mix effects. If you try to adjust that a little bit, a very good year-on-year performance. With that weakness in the European market, especially in the first nine months, we were able to produce with EUR417 million an adjusted EBIT of 9.3 percent in 2013. So that is again a record year for us, a very strong performance, which is typical for KION Group. We do have a stronger second half of the year and the fourth quarter especially with an adjusted EBIT of 116 which meant the fourth quarter even had an EBIT margin of a record 9.8 percent. So all in all, in a somewhat weak market in Western Europe, stronger markets outside of Europe, we were able, again, to increase our profitability and net income, of course, reflecting that with EUR138 million. Based on good operating performance, of course, the positive IPO effects in the second half of the year and the net income in 2012, of course, which is a bigger number but was, of course, affected by the one-off gains through the sale of Hydraulics so all in all, as I said, a solid year that we can proudly look back on.

Some of the operational highlights on page six; the continuation of our profitable growth strategy; just a couple of the highlights here. The business did stabilise, as I said, despite a weak start in the European market growth in the fourth quarter for KION. 35 percent of unit sales coming out of emerging markets so that's a very good performance that will lead to future sales revenue also in the service business in those important markets. As always, we continue to optimise our global footprint as we have done in the past years with Linde in China celebrating its 20-year anniversary with KION delivering out of that factory the 100,000th forklift truck. Last December we ramped up a brand new facility in Brazil, extended our Indian plant and so in these markets – the emerging markets – we did make quite a bit of progress while at the same time making sure we optimise our cost and footprints in Western Europe with the closure of the Merthyr Tydfil facility.

On the new truck side – R&D side – we introduced more than a dozen new trucks and truck families, so also a very active year in terms of product launches for us and we anticipate here also some gains in the market based on these new products coming into the market. We also invested again, as we have done in past years, into our global sales and services network. We acquired dealers in Germany, in France, and Turkey in 2013, opened up some direct sales office for Linde in Thailand in Malaysia. Also the service business, which with an installed base of 1.2 million trucks worldwide now makes 44 percent of total revenues. In China it is already 25 percent so the service business did show good growth in the past year 2013.

Switching back to the market a little bit; how did the market itself perform; and then coming to KION performance on page seven. One million trucks, that's a new record for the industry. Kind of underlines some of the things that we have been saying on the road show and in the investor and analyst conferences that the market does outgrow GDP. That was certainly the case in the year 2013. The global market being up by 7 percent and, as I said, Q4 with an even accelerated growth; major contributions from the market coming out of China and the US and the positive signs, the positive momentum also in Western Europe, finally starting to come in towards the end of the year in the fourth quarter; Eastern Europe driven by Poland, Czech Republic, and also Latin America – the other side of the coin – did slow down somewhat. Although at a very high level in Asia as in the past years very, very strong global growth so that now with over a million forklifts sold, a big year 2013.

On page eight, we have put that a little bit more in detail for each of the major markets and you can clearly see how they performed both in the year-to-year performance and especially in the fourth quarter. If we look at Western Europe, for instance, Q3 was minus 2 percent and then in Q4 came up with almost 10 percent so the full year actually was slight growth versus previous year and most of that was made up in the fourth quarter. China very strong, 21 percent; 23 percent in the fourth quarter for full-year growth also 14 percent and the world grew for the full-year 7 percent with a 13 percent mark in the fourth quarter. So all of the major markets did show some growth certainly with the different dynamics in each of the markets; the North American market with 10.9 percent also a very good year for the North American market.

For KION – on page nine – order intake in units 1 percent above previous year so at that high level that we had of 142,800 units again made some progress as I said with a stronger second half of the year and a strong fourth quarter. The growth driven mainly by warehouse trucks and outperformance in the emerging markets; we expect also for the German market, Western European market for this recovery to continue in the first quarter of 2014. The momentum that we are gaining from our emerging markets efforts, as I said, are at an all-time high in terms of order intake levels and we also have some healthy gains in Eastern Europe.

More specific on the KION numbers in the regions we have put for you into page seven; we call that a solid a finish supported by the Western European market. On the left side of the graphic here you have the market; again 10.1 percent in the fourth quarter; 0.3 percent for the full, KION with 7.8 percent in the fourth quarter. For the full year that was not enough to give it previous year levels but Eastern Europe, Central America, China, all very good performance for KION in the year 2013.

We move on to page 11. We kind of look at this every couple of weeks and try to digest all of the input that we get out of our markets, out of sales and service organisation, out of independent sources. We do, at the moment, still see a general uplift, a positive macroeconomic environment to support investment activities. Certainly each of the major European countries is a little bit different, especially if you compare current levels with prior peaks you see Germany recovering after a soft patch. UK demand is increasing and coming very close now to previous pre-crisis levels, France steady but will still be low as has been the pattern for many industries including the forklift business. Italy and Spain have stabilised but certainly far below the pre-crisis levels with the pent-up demand I think from aging fleets we should see some of that, as we've said, in the months and years to come.

On page 12, very important year for product launches for us and in a number of different categories. On the top-left hand-cover the Linde 393 EVO – that is a major facelift. We have put new engines in there at much better emission standards. Some of our competitors elected not to go with the newest emissions levels and take pre-buy engines from previous years. Linde is absolutely the cleanest and greenest diesel truck on the market available. We have also enhanced some of the ergonomics and safety. STILL: we introduced an RC 40 and 41, so we have extended the portfolio of this truck to three tons. We are using common platforms for this truck based on some of our Chinese developments and we will position this truck in other markets also in South Asia.

The bottom left-hand side with the Linde 1120 – that is the next generation of reach trucks. Designed based on the module of strategy so we do have more than 60 percent common parts in this product with the other brand; we have absolutely used the group-wide platform strategy for this and we will implement this as we talked to some of you during the one on ones on our global platform strategy.

In Asia we introduced a new line trucks that is extending the product and segment reach of the Linde product line with the 1219. There is a whole series of products coming out into the market. This is a new product family that is for emerging markets globally, so a certainly lower priced product in the premium segment. These are a full range of IC & E trucks that will be introduced worldwide specifically for these markets, emerging markets globally and should give us an uptick in the next couple of years with this brand new line of products coming into the market.

As I said, all in all 2013 a very solid year; we made some great progress in emerging markets with the launch of new products and with that I would like to turn it over to Thomas Toepfer.

Thomas Toepfer: Yes. Thank you very much and also a very warm welcome from my side to our update call. Let me take you through the financials and let us turn directly to page 14 where you have the key performance indicators for KION for the year 2013 on one page. I think, as you can see, we had a solid performance and against the background of a somewhat slow and still difficult market especially in the first half of the year we were able to improve our profitability. So, more specifically, if you look at the order intake 4.489 billion in 2013, slightly below 2012; however keep in mind that we had a negative FX effect of 74 million and if you adjust for that to make the numbers more comparable you will see that we are only slightly below 2013.

Somewhat similar effects – on the revenue side we had a total number of 4.495 billion, again slightly down but if you adjust for the 75 million of foreign exchange then we were on prior-year or even slightly above prior-year level and with this stable revenue development we were able to increase our profitability to 417 million adjusted EBIT. That is a new record in absolute terms for KION for a financial year, but also in terms of the margin we achieved 9.3 percent, which is also a record and especially Q4 was a very successful quarter for us in terms of profitability.

Last, but not least, the net income – we achieved 138 million. At first sight that looks like a decrease from 2012, but please keep in mind that in 2012 we had an extraordinary effect of 155 million from the sale of the Hydraulics business and if you adjust for that you can see that we have made quite some good progress in terms of our net income.

If you look at it more from a quarterly perspective, on page 15 I would like to elaborate a little bit on Q4. You have in the black line our order intake in terms of units while the bars show you the order intake in terms of Euros and, as you can see, Q4 was up some 6.4 percent relative to the last quarter of 2012 in terms of units. That from all perspectives a good development, however we were slightly down in terms of Euros and we put some key reasons for that in the bullets on the right-hand side. Mainly the FX effect, of course, has an impact here, but also the product mix was somewhat geared towards warehouse products, which carry a somewhat lower price and also the regional mix was one reason for this development. However, I think as you could see the profitability was not impacted because the products we were selling still were carrying a very high margin. One last word in terms of order backlog, we had an order backlog of 693 million at the year-end and that is stable relative to Q3 and therefore a good basis also for 2014.

If you then turn to page 16 you have the revenue development in some more detail. I think quite obviously, we successfully managed to expand our services business by 3.5 percent and all the categories – so this is after-sales, rental, and also the used truck business contributed to that. New truck business was somewhat affected by the negative FX effect that I was already mentioning, but as I said the shift to somewhat lower priced products was somewhat compensated by the higher margins that we achieved on these products as well.

If you then turn to page 17, let us talk about the profitability. As I said, our adjusted EBIT margin increased to 9.3 percent, which is a new record. Especially in Q4 we were able to achieve a margin of 9.8 percent. This is, also, the best we have ever achieved in a single quarter and the key reason for that is our price discipline that we have and our ability to push through prices. The new product offerings that Gordon Riske was already mentioning but also the optimisation of our footprint with the successful closure of several factories over the course of the last year and the final closure of the Merthyr Tydfil site in Q4 of last year. I also said services business has improved in terms of volumes and margin and therefore the gross profit improvement across all major product segments led to this adjusted EBIT margin. I think the same holds true if you look at it from an EBITDA perspective, both on a yearly but also quarterly level we were able to achieve a new record number.

If we look below EBIT, you have the numbers on page 18 and I would just quickly like to talk you through the line items. Quite obviously the non-recurring items have decreased significantly; 2012 was heavily impacted by the Hydraulics transaction and the non-recurring items have decreased as expected in the year 2013 and mainly contain IPO and some minor restructuring costs in this last year. In terms of net financial expenses we went down from 238 to 220 million, however that, of course, is negatively impacted by some 58 million, which stems from the post-IPO debt repayment and the LHY option valuation. I think in our last update call we gave you the indication that the Q4 number of 37 million would be a good indicator for a full-year run-rate number and therefore, I think, going forward we will be able to improve our number significantly from the 220 million that you see in 2013. In terms of taxes, we had a positive impact of 42 million partly offset by some interest barrier effects and I was already mentioning the net income number; if you make the comparison please keep in mind that 2012 was positively impacted by some 155 million.

If you then go to the next page – page 19 – you have the cash flow development. Let me make one general comment and start with the last line item of that page. At first sight it looks like a significant decrease in free cash flow from 518 to 203 million. However, 2012 contains the positive effect from the sale of the Linde Hydraulics business while 2013 contains the negative effect, which is the tax payment on that book gain of 2012 and therefore this one major event heavily positively impacts 2012 and has a negative impact of 58 million tax payment in 2013. If you adjust the numbers for the LHY affect you will see that we had a positive development also in our free cash flow. Maybe a little bit more in detail if you look at the line items, quite obviously EBITDA is influenced in 2012 by the Hydraulics transaction. Trade working capital I would just like to emphasise, that we were even able to optimise our trade working capital from an already a very good level of last year and had a positive cash effect of 17 million. Taxes, I was mentioning the negative effect of 58 million this year from the 2012 transaction and, I think, on the operating CAPEX line please keep in mind that the 155 million of last year comprised the CAPEX also for the Hydraulics business. Therefore, again, as a, let us say summary, for this one specific special effect of LHY if you adjust the numbers you will see that we had an improvement in 2013.

If then you turn to page 20, you have the development of our net debt position. We were 979 million at the end of 2013; down from roughly 1.8 billion one year before. Quite obviously the IPO had the biggest effect on that development. However, I would like to emphasise that also the operating activities had a quite significant deleveraging effect and therefore we are pretty confident that also going forward from our operations we will be able to further delever the company.

If you then go to page 21 we have tried in our annual report to give even some more clarity to the question: What is the industrial debt of the company? Here you have the corresponding bridge; so from the 979 million in our view it makes sense to deduct the procurement leases and quite obviously the financial debt; which is linked to our financial services business. That gives you then 833 million industrial net financial debt. On top of that come two effects that we have been mentioning earlier; one is the internal rental fleet funding by our financial services activity of 449 million and obviously the net pension liabilities of 538 million. With that I would like to hand it back over to Gordon Riske for the outlook.

Gordon Riske: Thank you. On page 23 of your document – we have titled this 'Outlook: Profitable Growth in 2014'. Based on those market assumptions, which we have put here on the left side, we do expect the global market to continue to grow in general. We also are expecting a further stabilisation in European growth. That means what we have seen in the fourth quarter and in the first couple of months of 2014 to continue. What we have not done is take any consideration whatsoever at this point for any of the unrest and difficult situation in Russia/Ukraine. We are assuming at this point still that the market recoveries that have started in Europe are on a good way, that that will continue. We expect the upward trend that has been more than a year or so in North America to continue, growth in Asia, Eastern European markets. So that in total we expect about a unit growth increase of about 4 percent and we do not expect any significant change in the different reporting of the segments generated by each by each segment. That means whether it is the mix of service and new truck sales.

Based on those assumptions our targets and our expectation for the year 2014 for KION is a slight increase in order intake and in consolidated revenue compared with the previous year, so slight growth in both of those categories. We do expect a more significant rise in the adjusted EBIT reflecting the growth but also reflecting the efficiency gains that I talked about earlier and that we have seen in past quarters. That means that the adjusted EBIT margin will continue expansion as it has done in the previous years. Based on that performance then, the net income will, again, increase. We will have reduced financial expenses, but also no positive tax one-offs, but in total we do expect net income to grow again in the year 2014 and free cash flow, of course, to be considerably higher due to the increased EBIT and less one-off effects as Thomas just described to you.

We will have a slightly higher capital expenditure, as we said we are investing in new markets and new products and so we will have a slightly higher capital expenditure in 2014 versus previous year and the continued reduction in our net debt has always been a goal that we will continue. So that’s the outlook, profitable growth for 2014.

With that I would like to turn your attention to page 25. I would like to give you just on a couple of charts here some more flavour on our aspiration, our KION 2020 Strategy and some of the targets we have set for ourselves. On page 25, we have four areas of target setting that we have focused the company on for the next couple of years of course the first one, growth. To be at the level of any major competitor that means really to be market leader in this industry. That is a clear goal that we have, to be achieved by the year 2020 and we certainly have the capability and the market environment in which to achieve this. In terms of capital efficiency, the second major pillar of our four strategic target setting areas – to be on par with capital goods companies in the world. Our biggest focus there is really to improve what we have done in the last couple of years to have the capital efficiency at a rate that is comparable with other companies in our business.

The profitability today, we are already the most profitable player in the industry and that trend we would like continue; that is leading to a double digit EBIT margin in the mid-term. Underlying those three is the fourth target setting area, which is very important for the company, is to be resilient enough to profitably cope with a decline in markets that are as large as was the case in 2009. Those four areas of target setting are what we have focused the company on and that means the activities that we will show you on the next page are all focused towards achieving those four goals.

On page 26 we have specific actions and measures and initiatives to achieve those goals. We have on page 26, six areas of focus and specific measures. I will start with top regional growth strategies and work clock-wise. The regional growth strategies – the two biggest regions in the world where we still have some room for market share gains, where markets are growing and with our multi-brand strategy we can leverage the company to make growth in those areas are North America and China. China, we have invested heavily, we have the big Linde factory, we have introduced the Baoli brand, we have with our co-operation with Weichai Power already introduced some new channels to market, so we do expect to be able to grow in China.

In North America we are bringing the STILL brand, so to offer the customer two brands instead of one; focusing on different customer segments and different products and expanding our service and sales infrastructure to be able to handle the growth in North America. So that is a very important one for us, a big focus in the coming couple of years. The aftersales – the next one aftersales – and service business, we have done a great job in Europe with company-wide more than 40 percent coming after the sale of the truck with a globally installed base of 1.2 million trucks. We have enough manpower, we have enough leverage here to also accelerate our service business around the world. A key focus for us is the continued roll-out globally of the multi-brand strategy, especially for North America and China.

We have three global brands: Linde, STILL and Baoli but at the same time we also have well-defined three local brands: Voltas for India; Fenwick for France; OM STILL for Italy. With the strategy; three global brands addressing different price points; and three local brands addressing very regional specific needs and then leveraging – that is the second one the global platform and modules strategy – leveraging common components. Leveraging new products to cover additional markets, integrated platforms and modules within those brands to have the cost position based on the efficiency of a large company while at the same time offering the customer different products in different segments will take us to the next step.

The manufacturing set-up we have, as I said, really optimised our European manufacturing set-up. We will continue to integrate the manufacturing set-up also in terms of vertical integration to be able to assemble these products closer to end-markets and having factories that address the need to supply all of the brands with components and so have the global KION plans that are much more cost-effective than was the case in the past. With the support function that is simply to realise the scale and synergies within the organisation, within the more than 22,000 people we have and the strong sales and service network that we have in all six of those focus areas, as we continue to implement our KION 2020 Strategy over the next years. We will work together to achieve those four main target areas.

On page 27, wrapping up, again, just to remind everyone that the investment highlights have not changed in this company; number one we have a very attractive market. Growing faster than GDP that was the case in 2013 and certainly is the case in the first quarter of 2014. We are today already a global

	leader with a very strong home base and well positioned to increase our market shares in the growth markets; technologically advanced products that we offer helped deliver a premium pricing in our home markets with a very exceptional customer value; robust; integrated business model with more than 40 percent of revenues coming after the sale of the truck. We are today the profitability benchmark and we continue and it is our intention to stay that and a management team that has been able to deliver in the past and we intend to deliver in the future.
	With that we would like to close the presentation part of this call and turn it back over to the Operator so that we can answer any questions that you may have.
Operator:	Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press star and one on the touch-tone telephone. If you wish to remove yourself from the question queue, may press star and two. If you are using speaker equipment today please lift your handset before making your selections. Anyone who has may press star followed by one at this time; one moment for the first question please. The first question is from Sebastian Growe from Commerzbank. Please go ahead.
Sebastian Growe:	Yes, good afternoon gentlemen. Three questions from my side; the first one is on your outlook regarding the markets as a whole and the respective volumes for KION in particular. So, firstly I would like to ask a little bit around the statement that you made on the further stabilisation in Europe, so how should we read that? Is it based on the full-year 2013 that either 317,000 units that the market has seen in the last year or is it more on the Q4 volume which is 83 million and if you would then extrapolate that it is more than 320,000 units for the year 2014. So, I would assume at least that we should more look at growth in 2014 rather than seeing a stagnation of the European market. The second question on the market is relating to China, you said in a recent interview, Mr Riske, that you target a doubling of your share in China over the year. So, first point here that I would like to ask is what the actual volume unit-wise and in 2013 that you sold to China and secondly what is the timeframe behind this target of doubling the units sold to the Chinese market?
Gordon Riske:	Okay, outlook Europe – I do not believe through the entire year that we will see the activity in double digit like we did in the fourth quarter so yes we see

growth in the European market, no question; but 330,000 a number I do not see, but we do see a good improvement for the market in Europe. Not a stagnation, as you correctly pointed out, but a slight growth in the European markets, as I said all of those statements about Western Europe really are based on this Russia/Ukraine not getting out of hand. I am not assuming that it will be, but we all know should that get to a bigger question mark then we do have an issue.

The second one, the China – last year we have 7 percent market share, about 16,000 units. Now that is all brands together; that means Baoli, that means Linde and our let us say double digit or to double that within the next three to five years I think that is very reasonable. Certainly on the lower end of the five years and simply based on a number of issues. The first one is that we have extended or are extending the Linde product line as I showed you – I think that was on page 12 – so we are offering a new set of products to expand the customer offering for the Linde brand. Number two we have increased dramatically our sales at Baoli; they are growing double-digit that is certainly is the biggest part of the market, but all of the work was done in the past three or four years is starting to pay off. Thirdly, we have with the partnership of Weichai Power not only the operational issues like, you know, cost saving through purchasing, using engines, all those things, but we are doing some sales activities. We have a number of sales partners and sales and service locations through that partnership so that will shore up our distribution in that market.

Sebastian Growe: Okay and just to get it right it was 16,000 units?

Gordon Riske: Yes. Yes, 16,000. Not six zero, one six.

Sebastian Grow: Okay, I am a bit surprised because if I remember it correctly in 2012 you had already 15,000 units sold; so 12,000 from Linde if I remember that correctly from the IPO process and another 3,000 from Baoli so just 1,000 units increase seems pretty low.

Gordon Riske: No, the exact number is 16,774. I will have to check what the number is the past year, but 16,774.

Sebastian Growe: Okay, and then finally moving onto the financial section if I may, just a quick one. You say that a slight increase equals about 3 to 4 percent growth, at least unit-wise when I take your wording on the guidance for the top line. So,

	my question here is what significant rise in EBIT means regarding quantitative growth?
Thomas Toepfer:	Significant, certainly is more than slight but it is double-digit just and therefore I think that is kind of range where we would see the word ‘significant’.
Sebastian Growe:	Okay, and while you are speaking, just quickly Mr Toepfer, may I pick your brain on the working capital. You said you did an excellent job in 2013 on improving working capital further. I clearly can confirm that. What is the target then going forward for 2014 and even beyond that probably? Do you see further room for improvement here?
Thomas Toepfer:	I would say I do not see further room for improvement in terms of absolute working capital reduction. I think it is a relative improvement; of course we will strive for further potentials that we have but with the growth that we target for 2014 it could well be that we have a slight absolute increase in working capital; but it will not significantly negatively impact our capital.
Sebastian Growe:	Okay. Perfect. Thank you very much.
Operator:	And the next question is from the line of Sebastien Gruter of Socgen.
Sebastien Gruter:	First question will be on the aftermarket, it was up 2 percent in 2013 and you mentioned that you expect more or less the same growth in new equipment and aftermarket service also but I guess about 4 percent if we take the mid-point of your guidance. I am just surprised – usually we see in the recovery phase a stronger momentum in aftermarket revenues and high single digit growth. What could prevent from such an outcome in 2014 and what has been the aftermarket growth in the first two months of this year. And coming in back in China: There are a lot of talks about pollution in recent weeks. We have not seen a mix change in China with more IC than electric trucks, have you seen any growing interest from your customers to shift to electrical trucks, forklift trucks going forward?
Gordon Riske:	Well, I mean maybe with respect to your question of the after-sales business, definitely we do see a recovery here but I think a double digit would be not what we expect. I think in general we can say that our aftermarket business is quite stable in terms of crisis, but also of course relatively stable in terms of recovery and therefore I would say for the entire financial year we do not expect the order of magnitude as you would expect, as you were just

mentioning. However, I can confirm we have quite a good start in 2014 in terms of after-sales business growth, which was significantly higher than the 3.5 percent that we saw in the year 2013.

Sebastien Gruter: Okay, thank you.

Gordon Riske: The second part of your question was the shift to E trucks; did I understand that correctly?

Sebastien Gruter: I mean in China there are a lot of talks about pollutions and do you see a growing interest in electric forklift trucks?

Gordon Riske: Still the electric segment for China: very small. You know for us to be market leader in that market and the market is small. What we have seen, you know in January 1st, 2015 – so in a few months – will be implemented the so-called Beijing Stage 4, which is pretty tough for Chinese standards and in October 2015 that same standard will be applied basically to all of China but they are making a big push into Beijing. As you know, that is a very difficult area to breathe in if you try to go outside and do something and so that push will force companies to use more emission compliant engines similar to what we have had in Europe and the US market over years.

We are positioned very well for delivering those products, that is what we have here in our home base and we also have a Chinese solution to address that. So, I think that will be the first step to force some of these non-compliant, absolutely low cost trucks at least in the bigger mega cities to use higher emission level trucks before it goes to electric trucks. That is the normal path.

Sebastien Gruter: Okay and a final question on the adjusted EBIT guidance you give us today. I understand you do not want to quantify and that is dependent on volume, but at least can you give us some colour on the efficiency gains that you expect to impact, you expect to have in 2014 in terms of million Euros?

Gordon Riske: Well, I mean, in several presentations we mentioned the key lever that we do see for the EBIT improvement. One of them being the module strategy, the second one the use of our global R&D network and the third one a thorough review of what is to be made in our own factories and what could potentially be taken into other factories and we said that these measures together will then probably give us the uplift to the medium-term target. I would say they will continuously come in also in the year 2014 with the exception of the module one where in 2014 we have less products based on common modules than in the year 2015 and 2016. Therefore, I mean to give some colour on what we mean with significant improvement, I think I said slight would be a medium, mid single-digit number but we do not expect double digit and therefore that is roughly what we are expecting.

One thing that will come through though in 2014 is the roughly 12 million EBIT effect from the closure of our Merthyr Tydfil site which we successfully concluded at the end of last quarter.

Sebastien Gruter: Okay, that is very clear. Thank you.

Operator: And the next question is from Markus Almerud of Morgan Stanley.

Markus Almerud: Hi I'm Markus Almerud can you hear me?

Gordon Riske: Yes, very fine.

Markus Almerud: Can I just start out with – sorry I missed your definition of significant. If I got you right, slight was mid single-digit but not double digit and is then significant double digit, did I get that right?

Thomas Toepfer: No, slight is the lower half of the single digit spectrum and significant is the upper half of the single digit spectrum.

Markus Almerud: Okay. Okay, so that is where the 5 to 10 percent in the EBIT growth has been coming from. This is the headline which has been floating around. So that is how it should interpret that, thank you very much. Okay, then my second question is on trading conditions. You said that they were very strong. This Q4 that you saw continued at the beginning of the year. Is that February as well so we saw the trends continue in both January and February unchanged in Europe?

Thomas Toepfer: Yes.

Markus Almerud: Okay and then when you talk about a double-digit margin. I know you do not want to quantify but I know a number that has been floating around before; that you have been mentioning before is 12 percent. Is that still kind of a reasonable number and when you talk about 2020 that is pretty far out.

Before, when these levers you have been talking about, how long do you expect it to take for them to have full effect?

Gordon Riske: The 12 percent is absolutely the number that we have discussed in meetings and that is the number we stick to and when we started the discussion after the IPO which was, you know, mid-2013 we said in the mid-term and we said, you know, 2017/2018. Certainly not 2020, but I know for the financial markets six years is a long, long time. When you develop products and rebuild a company you are surprised how fast things go and that five years is not that long a time. So that is clearly – our guidance there is the 12 percent is the number and we have always talked about a mid-term thing so that is 2017/2018.

Markus Almerud: Okay. Okay, perfect. Then, can I just so I compare apples to apples, the 35 percent sales that you have in emerging markets in 2013, what was that in 2012?

Thomas Toepfer: That was roughly 33 percent but let me check the exact number so I think it is constantly growing with that pace that I was just mentioning.

Markus Almerud: Yes. Yes, okay and then finally the 1.2 million of trucks that you have as installed base, what share of the total outstanding trust is that and what part or how big a part of that 1.2 million are you currently serving, servicing?

Thomas Toepfer: Well the 1.2 million is all of our trucks that are out there.

Markus Almerud: But what would you estimate? I mean what market share do you have if you want all the installed base, would you estimate is it? Is it 40 percent or 20 percent or 60 percent or ballpark?

Thomas Toepfer: Let me put it this way – I think, I mean, what we are looking at as we are measuring the market share that we have our service in our installed base and here I would say, especially in Western Europe where we have a high performance direct organisation. We serve roughly 80 percent of the trucks that are in the field that are from ourselves. What is the worldwide installed base including other competitors – that is difficult to measure for us because we do not know the life expectancy of other products. We do not know who they, what kind of customers they deliver them to and the life expectancy depends strongly from the application and therefore we are only making estimates of the installed base of our own trucks.

Markus Almerud: Okay and that is about 80 percent of the installed base you serve. Okay, excellent. Thank you very much.

Operator: If you would like to ask a question, please press star followed by one. We are waiting for further questions and the next question is from Luca Orsini of One Investments.

Maura Garbero: Hi, good afternoon. It is actually Maura Garbero on the phone. Just trying to better understand what are the drivers of the improvement in the profitability in 2014; is it from an acceleration in the first margin or it is more driven by OPEX and cost savings? Because just to give an idea I have noticed that for example in the fourth quarter you have a lower amount of R&D, and also administrative expenses as a percentage of sales is continuing to go down. So if you can just elaborate on that and then have a follow up, thank you.

Gordon Riske: Good. Our main, you know, as volume slightly increases and we have over the past years throug the restructuring of the European footprint, of course, brought our cost down, so the efficiency per product is much better. As Thomas said before, this is simply the effect of the Merthyr Tydfil being not in the system anymore – 2014 versus 2012 – that alone is a 12 million effect. So the efficiency is more operative. That just means we have taken out costs versus the revenue. It is not so much on trying to save R&D costs or not spending money on CAPEX. We will have some investment in CAPEX higher in 2014 versus 2013. The R&D amount in total – we have not done any less in R&D but you know we now have 25 percent of our total, global R&D force, which is in people or in headcount about 900, about 25 percent of that alone today is in China, so we do have a different cost basis than we had three years has ago and that has of course a firm effect.

Maura Garbero: Right and sorry to go back and regarding administrative expenses, are there additional savings that we can count on for 2014?

Thomas Toepfer: I think that is not the key focus for 2014. I would say we are, of course, constantly looking for efficiencies but that is more on a, let us say, synergy level in terms of R&D costs or R&D responsiveness to market demands. I think the administrative part of the cost base is not the big driver of the profitability uplift.

Maura Garbero: Right and a final one since you a give guidance about adjusted EBIT what sort of adjustments we should consider or pencil in?

Thomas Toepfer: Well there are always two sorts of adjustment. One is the depreciation of the purchase price allocation part and I think our guidance to this was, it was roughly 40 million in 2012 and we said it would decrease to 30 million in 2013, which it did. I would expect a further decrease of another 10 million in 2014 so that I would be expecting a number of 20 million for that particular item in 2014 and then the rest is restructuring items and I would expect a somewhat lower number than what we have in 2013 in our numbers.

Maura Garbero: Thank you.

Operator: And the next question is from the line of Felicitas von Bismarck of Deutsche Bank.

Felicitas von Bismarck: Yes, thank you. Can you hear me?

Gordon Riske: Yes, very fine.

Felicitas von Bismarck: Yes, I might have missed that, but again on your sales guidance: Is there any reason you would not grow at least in line with the market? So what is your opinion on in terms of pricing, market share, product mix, currency maybe and perhaps you could be a little bit more specific on January/February market development in Europe especially? Continue trend, does that mean we are still talking 10 percent growth or is it slightly lower than that or slightly better than that. Thank you.

Thomas Toepfer: Let me start with the last one. So, as you said Western Europe was up 10 percent in Q4 and the first two months of the year the growth rate was slightly below that number but still in the high single digits and therefore I would say continued trend from Q4 into the year 2014. So with that we do not expect to grow below the market but with the market, but when we talk about the market we have to be careful with a position in the US market that is growing 10 percent at this point. With all the new activities that we have implemented I do not know that we can grow at that market rate now because we do not have all the products in place, but in our home markets and certainly in some of the emerging markets we should be able to keep up with market growth.

Felicitas von Bismarck: Okay, thank you. One second. What do you expect in terms of currency?

Thomas Toepfer: In terms of currency I think the point that I would like to make here is while we have the 75 million negative currency effects in 2013 it is somewhat unclear where it will develop, but what will happen is if the currency remains at the

	same level, we will have a somewhat negative effect on our EBIT number from this because our hedging policies, of course, do not reach so far into the year 2014 and therefore I would expect a low double-digit burden in 2014 from negative FX effects on our EBIT.
Felicitas von Bismarck:	Low double-digit?
Thomas Toepfer:	So 10 to 15 million I think would probably be something that I would expect could come through if the currencies remain at the level where they are, relative to 2013 where we were able to compensate these effects through our hedging policies.
Felicitas von Bismarck:	Okay, thank you.
Operator:	And a follow-up question from Luca Orsini from One Investments.
Maura Garbero:	Hi, it is me again, Maura Garbero. Just a simplification on the European market and your performance because I mean Europe grew by 10 percent in the fourth quarter, but it does not seem that you managed to achieve that sort of growth level; at least you are trying to extrapolate that from your order intake. So, I was wondering does it mean that at the beginning of the year, the first two months of the year the high single digit of the European market is what you are recording in your order book as well?
Gordon Riske:	For the fourth quarter in last year – it was on page 10 I think – the 10 percent. Yes we were on 7.8 percent on that quite the market growth level. On the other side, you know, we did make a conscious decision to make sure that we keep our price positioning where it is at. Other companies made choices let us say to reduce their EBIT margins and we did not do that. We went the other way and so we are very close to the market levels and I expect, you know, the first quarter to be very similar there.
Thomas Toepfer:	And if I may add, I think that also clearly a mixed effect to this so the recovery took place mainly in the warehouse segment. However, especially our key brand, which is Linde, is strongly positioned in the counter-balance segment and therefore also the structure of the market was somewhat working against us but the main reason is that, as Gordon Riske just mentioned, we were making very conscious choices not to sacrifice any margin by kind of not pushing our price assertion through.

Maura Garbero: Right and the outgrow of the warehouse segment is still valid for the first two months or was it only related to the fourth quarter?

Thomas Toepfer: I think that continued somewhat also into 2014.

Maura Garbero: Thank you.

Operator: We have no further questions.

Gordon Riske: Okay, thank you very much and we look forward to speaking to you again at the next update based on the Q1 2014 numbers. Thank you very much.