KION GROUP AG

Q2 2013 Update Call

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15:30 CEST

Gordon Riske: Yes, thank you very much and welcome all of you to our first official quarterly update as a publicly listed company and we are very happy here in Wiesbaden to be able to give you the numbers and background to what has happened in the first half year and then an outlook for the remainder of 2013. We have as an agenda today on page 2 just a small recap of the importance of the IPO, then we present the highlights in the first half of 2013. Thomas Toepfer, our CFO, will give you a financial update and then we will give you an outlook. Just as a reminder, one of the last pages we do have a disclaimer that you are all asked to read and understand.

With that I would like to turn directly to page 4 of the presentation. Successful IPO significant deleveraging, but at the end of the day it is much more than that. The IPO really is a basis for us for profitable growth. With the IPO our strong leading position as the number one in Western Europe, as the leading company in the growth markets, as the absolute technology leader with the premium pricing able to have the preferability benchmark, this IPO really underscores our strategy for profitable growth. And with the new solid capital structure that we have, we have been able to cut the financial leverage in half. We have a corporate style credit structure, which is, I would call, normal in the industry so we are really become a normal company with an appropriate leverage for a public company and, as Thomas will show you later on, we did receive upgrades in our ratings from Moody's and Standard & Poors.

On the right side of this chart you see the difference, let me just point to the financial leverage (2.6) that was end of March this year and post-IPO of 1.4. That really positions the company to do the things that we set out to do and that is to grow profitably worldwide. So the IPO was a very big event for us, it changes the company. It gives the company speed going forward, the entire workforce is thrilled that the IPO worked so well and as the development of the share price in the last couple of months we do believe there is still a lot of value in KION going forward.

With that I would like to turn to the highlights for the first half of 2013. We summarised it on one page for you and that is page 6. The headline in the middle: Sustain robust business performance. I think that does describe it very well. This business performance which is the foundation for a successful year for 2013 in its entirety, let me start with order intake. Order intake is at EUR 2.250 billion, so it is slightly below prior year by 3.6 per cent. As many of you know, the markets have been somewhat weak in Western Europe, all the more important that with our very, very strong performance in the emerging markets we were able to compensate a lot of that. And as a reminder to all of you, you know the first half of the year 2012 was a record year and so we are very comfortable now with an order book of about EUR 751 million going forward.

At that same time and those two numbers do always correspond to each other with the adjusted EBIT coming out of a revenue increase which was an all-time high, but let me talk about the EBIT performance because with the order intake we have been very, very strict on maintaining our high margins. With an adjusted EBIT margin of 9 per cent in the first half-year versus 8.7 per cent in the year 2012, an outstanding result. Q2 was even better and we managed to get 9.4 per cent. So we have not been buying market share. We have been very clear as market leader in Europe to maintain our price premium and to maintain our absolute benchmark in the EBIT.

On the revenue side we increased revenues by 0.7 per cent and Q2 with 2.4 per cent and both sides of the business, so the new business, and services pre-exceeded prior years. So a very good start into the year and Q2 with 2.4 per cent even better than a somewhat slow Q1 2013. After it is all said and done, net income – or as we say earnings after everything – was 70 million a very, very strong increase versus prior year. Of course we have a benefit of a one-off tax effect worth 36 million as a result of the transaction, but a lot of that is also due to the reduced interest expenses and does give you a flavour going forward that KION is a profitable company and, as the company develops during the next years and the discussion kind of goes around dividend policy, and so forth we are very happy that we have a very, very strong result after everything, a net income of EUR 70 million for the first half a year.

On our page 7 – our continuation some of the operational highlights, continuation of our profitable growth strategy – we did expand in the emerging markets. China, even though in many of the press releases that you have seen and many of the predictions for the market were somewhat negative. China, for the forklift business did grow and we managed to grow nicely there, we will show you the details in just a minute. Eastern Europe and Brazil and so that means that our total share of new orders from emerging markets is now 34 per cent and so also a very strong performance in these markets. We did continue to optimise our cost and our global footprint. In Europe we completed the deal that we stated some months ago with Konecranes and the collaboration with the container handling truck business and that has now been closed. So the deal has been completed and this sets the way clear for the closure of the Merthyr Tydfil site and that will be sometime towards the end of the year about end of October 2013.

We also continue to invest in our sales and service network. We took a majority interest in a Turkish dealer that was done by the STILL group. Turkey becoming an ever more important market for us, a growth market and so we strengthened our position. So, in total, with this very, very strong integrated business model services are now 43 per cent of total revenue. Let us talk about the market a little bit, I know there are questions and I am sure we will have time for Q&A.

On page 8, talking about the market and the global development in these markets, global market improved by 7 per cent in Q2 and global orders are above previous year and after a stable Q1 there has been a pick-up in demand in the second quarter especially driven by two very large markets. Those are the single two largest markets outside of Europe; China and US. The picture, though, is certainly different in different regions, although we have a broadly positive development in most of the regions we have seen a decline versus last year in Western Europe.

I think the silver lining on that is that the pace of deceleration has declined, all of the indications and if you look at some of the recent press statements from today and yesterday that Europe is starting a recovery, we feel that the European recovery will come in the second half of the year and that is a solid growth opportunity for us. Eastern Europe a solid growth path; Americas is a positive momentum, especially in South America, and Asia, a continued recovery. So, our performance was very, very solid in these emerging markets even though the competition has become stronger, especially in China, we have maintained and increased our traction in China; Brazil driving South America and the Russian market, not to be neglected, an important market for counter-balance trucks, IC trucks driven by engines.

On page 9, a little bit about the KION performance, page 8 I gave you a little overview on the market, on page 9 the KION performance, as I said a solid performance in the first half-year with a high-level of almost 74,000 units after a very much stronger Q2. Order intake in Q2 just below prior year level, so that the overall solid demand we were able to capture although, as I said, at two different regional speeds. The Western European market is slightly slower and the improvements coming mainly in the emerging markets. We did have a slight, very slight market share reduction, as I said, in 2013 after a very, very strong first half-year 2012, but the improvement relative to Q2 2013 was better than Q1 2013 but still slightly below the previous year. The increase in emerging markets is at 34 per cent. That is our share of new trucks being sold in total and order intake outside of Western Europe grew by 9 per cent; Brazil with the increase of 45 per cent and on the right-side of this chart you see the dynamics of Q1 versus Q2 in both of those years – 2012 and 2013.

Now we would like to give you a little bit more flavour of the individual regions that we are working in, on page 10. On the left-side of these charts there are a couple of charts – one, two, three, four – ahead of us with the different regions that we are active in. On the left-side of these charts we are showing what the market did and on the right-side the KION performance and activities in these markets. So, starting with Western Europe our main market was a pick-up in Q2 after a weaker Q1. It is a slow investment activity especially in some of the bigger markets like Germany and France, and France has picked up a little bit in Q2 so it is just below prior year. Even the UK remains slightly below 2012. And Italy and Spain – and that is a good sign - seem to be stabilising after years of decline. Italy and Spain are far, far below the previous peak levels of 2007 and 2008.

Within that context we maintained our market leadership with a 36 per cent market share and, as I said, in my opening statement very, very important for us balancing profitability and volume growth. KION is the absolute market leader in Europe. We have done a lot of work to maintain our absolute premium pricing and benchmark results and so we are not trading order intakes versus profitability. We have maintained our price increases so far in the first half-year, so some slight share losses but a very, very strong EBIT performance underlined especially in our leading position of electric trucks, the future technology in Europe in emission dedicated countries. We have increased our position with the E-Trucks and we will benefit in the year 2014 from the final closures of Merthyr Tydfil and in the year 2013, as we explained to some of you on the road shows from the final impact out of Montataire and Luzzara, those plants that are now closed. And at the bottom of these charts we show you how the performance was, KION versus the market and you see the Q2 for us minus 7.2 per cent, a better performance than in the first quarter, no question about it, but somewhere below the market development.

On page 11 Eastern Europe, a very, very strong market continuing to grow; Russia, Poland, peripheral markets healthy development especially in the warehouse segment. The markets in the first half of the year 5 per cent, Q2 2 per cent and we have really benefitted from the investments that we have made there in the sales and service locations, and now in the year 2013 the first half-year 12.7 per cent order intake increased, and 10.4 per cent in the second quarter of 2013. Central and South America for many years a very small market but with those kind of growth rates some years 30 per cent and in this year almost 50 per cent, 46 per cent for Brazil. Brazil is certainly the biggest market. But also the other markets, Argentina, Chile and Mexico are starting to grow at 25 per cent for Q2. And since we have introduced and installed and this year took online the new factory and localised many of the products with a product offensive that we have undertaken the beginning of the year, that has really paying off. The local production provides customers with products that are made right in the back door. We are able to provide the financing and with that improvement we have in the first half-year increased by 40 per cent and in Q2, 35.1 per cent.

China, participating in Q2 upturn; China a very interesting market this year although in most general industries the construction equipment, especially the markets, have not been so good. It is a different picture in the forklift business. You see with a Q2 of 17 per cent, the first half-year is 7.7 per cent. The volume growth has certainly been in the very, very low priced economy segment, but there is increasing demand for electric trucks and warehouse trucks and tighter emissions regulations are coming. With that backdrop knowing that most of the volume goes into the very, very low-cost IC trucks and that we do not offer other than with the brand Baoli, with our increase in Q2 of 15 per cent of first half of year 5.2 per cent an excellent performance. It is the highest order level that we have ever had. We have introduced a series of new IC products to address new price segments so that we are able to compete in many more price segments than was previously possible. Linde introduced an IC Torque Converter truck and a facelift of the IC truck and our very important collaboration with Weichai is progressing.

On page 14 a slight deep dive because I think it is important to understand what has happened in China the last four years and what is the impact for KION and the impact of other markets. This year, 2013, we are celebrating the 20th anniversary, so we have been in China a very long time and we have very dedicatedly built up our R&D capability not just for China but for all markets globally. With now over 200 trained people and we know how important trained people are to make things work, it is not just the number of people, but it is the number of trained people and with that new capability that we have in this market we launched 11 new products and 8 specifically for the Chinese markets. We have a number of new product launches and facelifts planned for the next 18 months. These new products – and we showed some of this to you on the road show – are the main driver of future growth also in other growth markets giving us a much different cost position and profit position. And so after the 20 years and the last four years of a heavy build-up in capability and capacity we will take advantage of that and we even see signs in China now with Beijing implementing the EU stage 3A beginning now. We were able, very quickly, because that is already standard technology for us, very quickly able to deliver these products into the market.

On page 15 and then I will turn it over to Thomas in just a minute. The services, the integrated business model 43 per cent of our total revenue being services. Services has grown so with a sales growth of 2 per cent in the first half-year compared to 2012, after sales revenue growth driven by certainly mature markets, but with the products – and I showed you with 34 per cent that we are delivering to emerging markets that is long-term potential that – we will be able to capitalise on going forward. We still have a high rental fleet demand, used trucks, a strong margin development and the key growth drivers are the large install base with 1.2 million trucks that we have. We have the largest offering of service technicians globally and we have a market penetration - that means market shares – of our own trucks well over 70 per cent and that generated a 958 million or 43 per cent of total revenues in the first half again increased versus the previous year. A very good first half-year for the services part and of course for the underlying bottom result of the KION Group.

With that I would like to turn over to Thomas Toepfer to take you through the financial numbers.

Thomas Toepfer: Thank you very much Gordon and also very welcome from my side to this update call. I will now give you the details on the financials so please turn to page 17 where you see 'Before Key KPIs'. Please let me remind you the first three of them, so that it is order intake, the revenue and also the adjusted EBIT number are adjusted for the sale of the Linde Hydraulics business in 2012, so we have like-for-like numbers and that income on the very right-hand side is not adjusted. As you can see order intake is down by 3.6 per cent, as Gordon said that is due to the fact that we are comparing the 2013 numbers to an extremely strong first half of 2012 and it is also driven by the regional mix with Western Europe still being somewhat slow. However, I think also as we said and as you can see there are some signs that Western Europe will take up.

I would like to point out that despite the decrease in order intake the absolute number order intake is still ahead of revenue and therefore we think it is still a healthy number and we are happy with the development. If you look at the revenue number up by 0.7 per cent that is driven by our strong services business which has developed nicely. Adjusted EBIT is also positive and up by 4.2 per cent to 200 million and with that we have achieved a new record margin of 9 per cent for the first half of 2013. And that development reflects the positive price assertion and also the efficiency measures that we have implemented last year and that we are following up on also in 2013.

Last, but not least, net income a very strong improvement to 17 million in the first half. However, we are very transparent about the fact that this includes a one-off tax effect of 36 million. However, I think it is important to note that even without that effect also our operational performance drives the improvement of our net income and it is not exclusively the one-off effect that have contributed to this growth.

If you turn to the next page – number 18 – that gives you somewhat the same picture but with the focus on Q2, so you see order intake is still below prior year. However, what is behind that? Gordon Riske was already mentioning that in terms of the unit we are on prior year level, so it is really the mixed effect behind it. We are very strong in the emerging markets while Western Europe is still somewhat lagging behind. Revenue: the growth has accelerated with 2.4 per cent to over 1.1 billion and we also have good momentum in our adjusted EBIT growing 5.6 per cent to 108 million. Again, the margin is improving in the second quarter to 9.4 per cent, so that is another uplift 0.3 percentage points.

I would just like to point out in terms of revenue and also adjusted EBIT both brands – both key brands I shall say; Linde and STILL – are contributing to that positive development, so both are really seeing good momentum in this second quarter. Net income, again, we have got the 36 million in this 2013 number which drives mainly this uplift.

If you go to page 19, that gives you some more detail on our revenue development. On the left-hand side you have the first half year numbers. Quite obviously we are growing at 0.7 per cent that is driven by the services business which is growing at 1.8 per cent while the new truck business is at par with previous year. If you look to the right-hand side of the picture that shows you we are gaining momentum. New truck business is picking up with a 12 million gross or equally 1.8 per cent and the services business growing healthily at 3.3 per cent, so clearly accelerating revenue growth in the second quarter.

The second bullet point in the box below the graph tells you we have some negative foreign exchange effect of roughly 1 per cent, so a pure translation effect due to the development of the foreign exchange rate in the British Pound and also the Brazilian Real. We have not adjusted for it, so just something to keep in mind that this somewhat depressing our 2013 revenue relative to the 2012 numbers.

If you turn to page 20 that gives you an overview of the profitability development, the upper side of the graph is the EBIT development, the lower part the EBITDA, and both raised first half and second quarter. I think all the numbers pointing to the same direction which is a healthy uplift in profitability, and the drivers behind that is that we have a very significant new truck margin increase and that is driven by the positive price assertion and lower raw material prices. In addition to that we have, as you all know, optimised our production footprint and thereby gain flexibility and therefore we have positive effect on the cost of sales, but also the other business segments and services versus after-sales, rental and used truck are improving their margins, due to the measures that we have implemented. So, all our business segments have improved their gross profit over the last half-year.

Research and development expenses are on prior year level at 2.5 per cent of revenue. We think that is a healthy number. In total this gross profit improvement then leads to a better adjusted EBIT, despite of course the couple of headwinds especially in terms of personal costs which are increasing in line with the usual tariff increases.

You turn to page 21 that gives you the reconciliation, how to come from the adjusted EBIT all the way down to net income, so you will find a 200 million adjusted EBIT and a 70 million net income. I would like to give you some explanation on the next page where you have the quarterly numbers in terms of what is driving the individual line items. Just one number where I would like to point your attention to: On the lower line items you see the earnings per share. The reported number is 1 EUR 0.07 per share, however please be aware of the fact that is calculated on the average number of the 64.7 million shares in the first half-year. Probably the more meaningful number is the pro-forma number which is based on the 99 million shares which we had at the end of June and that number is 70 cents per share.

Please turn to the next page – 22 – where we should have a look at the individual line items that are between the EBIT and the net income. You see the non-recurring items that we are adjusting for, the 2012 numbers include the reversal of the EBIT from Hydraulics which we had at that point in time which is roughly 9 million, while the 2013 numbers include the costs for the IPO and some minor restructuring expenses. The KION acquisition items, you are well aware of the fact these are due to the buy-out of KION in 2006 and the depreciation of the purchase price allocation. We said this will go down in 2013 and the development in Q2 and also the first-half points exactly into that direction.

Net financial expenses, improvement by 10 million; positive effects are, of course, the conversion of the shareholder loan, and that was 671 million which were converted into equity at the end of last year. The debt reduction from the proceeds of the Weichai deal and a couple of positive foreign exchange effects. On the other hand there is a negative one-off effect of 16.8 million from the valuation of the Hydraulics options which is reflected in the net financial expense, which is working against the positive effects. This effect is completely non-cash, it is completely non-operational, however it will be reflected in our 2013 net financial expense line and it was not in the original plan because it stems from the current valuation of the Linde

Hydraulic options. In terms of taxes, you see a positive tax amount of 50 million that is driven by the positive effect from the profit and loss tooling agreement that we concluded, the number is 36 million. And that then brings you to the net income line with 42 million in the second quarter.

If you turn to 23, you will see the cash flow statement. We have slightly rearranged the numbers relative to the statement that you find in the report in order to make it a little easier to explain. So, please be aware of the fact that is not a like-for-like statement so you have the Linde Hydraulics numbers in the 2012 column. We start with the EBITDA excluding the financial services segment in order to show the leave-in cash flow in one condensed line item. The change in trade working capital worth 98 million is due to the normal course of business where we build-up working capital during the course of the year. At first sight it looks to be slightly higher than 2012 that is true. However, what is to be born in mind is the fact that in absolute terms we were able to decrease our working capital by almost a hundred million relative to the number at the end of June 2012. We think that is good news because we were able to maintain the working capital at a much lower level than in 2012.

In terms of taxes paid, 31 million that does not yet include the one-off tax payment which is due to the Linde Hydraulics option and we are still expecting that during the course of the year. Rental CAPEX is stable, as are the pension payments and the other line item includes the payments for the employee bonus. And the difference between 2012 and 2013 mainly due to higher advance payments this year and a higher bonus in 2012 due to the fact that Linde Hydraulics was still in the Group. Plus we had a re-measurement of our UK dealers which is also reflected in the 2012 numbers.

The lead-in cash flow includes the EBITDA of the financial services segment plus the change in leased assets and leased liability. We always said that in a stable business environment this will be close to zero. As we are a moderately growing it is slightly negative and it is fully in line with our expectations. Operating CAPEX at 52 million, the difference relative to 2012 was driven by Linde Hydraulics and some saving differences. The acquisitions in 2012 refer to the Creighton acquisition at that time and the other line items are mostly the disposal proceeds from Konecranes in 2013. So that leads you to a free cash flow of 16 million relative to 8 million for the same period in 2012.

If you look to page 24 you have our net debt structure. On the left-hand side you see the column represents the numbers as at June 30th of this year and the net financial debt of 1.7 billion only includes the par value of the IPO proceeds. The share premium that we received from the capital increase at June 30th was reported in other current assets. We received these proceeds on July 2nd and therefore what is important is the pro-forma column where you can see that our net debt is then 1 billion, net pension liabilities amount to 513 and the net lead-in liabilities are stable at 392 million. With that we have improved significantly our financial leverage to 1.4 that is roughly half of the leverage pre-IPO and the total adjusted leverage including pension and lead-in liabilities is 2.7.

That was also the basis on which the two main rating agencies Standard & Poors and Moody's gave us an upgrade. S&P upgraded us by two notches to double D minus with a positive outlook and Moody's up three notches to BA three with a stable outlook. We think that is a good result for us and it shows that the IPO was really a game-changing event for KION.

Just on page 25 an update on our financing activities and the debt repayment post the IPO. We have now available the new revolving credit facility of 995 million with a maturity in 2018. We think we are now in a corporate style financing structure. We have repaid the last remaining bit of the CAPEX facility in Q2 that was 18 million. On July 5th we have fully repaid the outstanding SFA term loans with the proceeds of the IPO, available cash and some drawings of the RCS free line, and on July 19th we have repaid 175 million of the floating rate loans which were due in 2018 also with drawings of the RCS free. So that our majority structure is depicted on the right-hand side now consists of the two bonds due in 2018 and 2020 and the RCS also due in 2018. We think that is a very straightforward and healthy structure for KION and that gives us a good basis for operational growth in the future.

With that I would like to hand back to Gordon to give you our outlook for the remainder of the year.

Gordon Riske: Thank you, Thomas, I am on page 27. As the title of this page confirming our previous outlook that is the most important message for you to take away from this call today. The global economic growth forecasts they, in the last couple of days, are changing a little bit. I would call that a mixed bag. On the one side the IMF has reduced its growth forecasts and continued weakness in Western Europe, a lower growth in emerging markets on the other side reports today that the European recession is officially over. In our view – my personal view and the management view of KION – remains a challenging environment but we can handle it. We have a slight recovery of the global forklift demand in 2013 versus 2012. After the first quarter we do see a stable demand in Western Europe coming from the replacements, as we have explained in our road show, and the growth driver in emerging markets, but still possibly some slower growth in China.

So, what does that mean for investors? What does that mean for you to listening to the call? The KION Group Management Report 2012 which had the outlook in that for the year 2013 we are confirming that. We do, at the same time, say we have a somewhat more challenging economic environment and sectoral conditions but due to the very early started cost measures and due to the things of controlling cost and due to other performance enhancing measurements that we have taken we see no significant impact on the financial performance. So that means that we have an unchanged expectation for moderate growth of revenue and adjusted EBIT. Although assuming that we have no significant weakening of the macro environment. The service contribution will be over 40 per cent; that is an increase over our previous expectation. We expect significant contribution on the gross sides from emerging markets. And at the end of the day when everything is said and done due to the benefit of the deferred taxes, due to our better operational performance, due to the lower cost of interest, a significant positive impact on net income.

So that means that the KION story which you see on page 28 has not changed post-IPO, so the pre-IPO story is the same post-IPO story. We can report that we are on track to achieve our mid- and long-term targets, as we have shown many of you it is an attractive market, it grows faster than GDP. We are a global leader; we have a very robust integrated business model and today, already the profitability benchmark.

With that I would like to close the formal presentation given here and turn it back to the Operator so that we can take your questions.

Operator: Thank you, ladies and gentlemen. At this time we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. If you are using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press star followed by one at this time. The first question is from Markus Almerud of Morgan Stanley.

Markus Almerud: Hi Markus Almerud here from Morgan Stanley. A couple of questions, first starting with Europe. You say you see a sequential increase in sales but you also see sometimes a slowdown in orders and a book to bill below one. Was this as expected for the second quarter or is there a see-saw mix here which I am missing? Because for the half-year if you have a book to bill of around one and then it is below one for the second quarter. So that is my first question if you can elaborate a little bit on that. Then my second question is about China quarter-on-quarter especially about the manner of the Asia quarter-on-quarter, if you could break those two down. If you see a pick-up or a slowdown in China, you say you are seeing a slowdown in China, a potential slowdown in the second half and what you are basing that on. Those are my questions please.

Gordon Riske: Okay, let us start with the second question, China demands. The reason we are a little bit cautious there, as you know, in other industries – the construction equipment industries and others – the market is nowhere near as buoyant as it has been in the forklift business. If you look at our own numbers with a very high growth rate in the first and second half we are not sure whether that growth rate will continue. The market, the forklift market very specifically, has grown by 17 per cent in this time and that is a very high number compared to other industries. And with our performance, as I said, of 14.9 per cent we have been very good with that growth. That is in total, when I talk about Asia – China is 80 per cent of Asia you always have to remember that I am always talking about Asia without Japan where we are not present – but we do see possibly a slow-down but we have been surprised many times by China. It has just had a growth rate now of 17 per cent in the second quarter, KION with 15 per cent that is a pretty high growth rate to follow that through for the rest of the year.

Markus Almerud: Okay.

Thomas Toepfer: Well and maybe with respect to the first question, it is due to the fact that while the number of units was on par with previous year that we had a negative mix effect with Western Europe being somewhat slow and being very strong in emerging markets like Brazil, Eastern Europe and also China. We do not think that this is a worrying sign because we are pretty sure that there will be a pick-up in Western Europe in the second half. That is the first point and secondly the comparison is somewhat distorted because it is really against an extremely strong quarter in 2012 and therefore we do not see this as a sign that we could not achieve our target for the second half of the year. We think that overall the development of the order intake is fully intact despite the fact that the second quarter was somewhat slower in terms of Euro numbers; that is true.

Markus Almerud: Okay, thank you. I will leave it there and then I will come back after others have asked. Thank you.

Operator: The next question is from Sven Weier of UBS.

Sven Weier: Yes, good afternoon gentlemen, four questions from my side please. The first one is a follow-up on the first question from just before. I hear you that you said you expect a pick-up in the second half, so do you have some concrete evidence for that? Because Q2 is now only seasonally a relatively strong quarter, Q3 is seasonally normally somewhat slower. And as I take Q2 times four I will get to revenue run-rate of 4.4 against your guidance of 4.6. So, is there also an element of you consuming the backlog further? The second question is more a question on the weak Yen. Your competitor Jungheinrich has said last week that they do not see any negative impact from that at the moment from the Japanese up-using that benefit. Would you confirm those statements? The third question, also what you said on the order mix. You said it is more shifting to lower cost IC trucks and warehouse trucks. In terms of margins, would that make no difference in general? And then just finally please on your net interest line. You spoke about a one-time effect in Q2, we also got now the IPO cash in at the beginning of Q3. So, where would you see the net financial interest line in Q3 and Q4? Thank you.

Gordon Riske: So, start with the first one pick-up second half, what is the evidence. As you know – maybe you do not know that is why I will explain it – we do have an order to delivery time for a lot of products that is, you know, six weeks. So the look ahead in terms of order is not the only indicator. The indicator is certainly the feedback from the markets, what are the customers saying, how long does the quotation process take, how big is the order pipeline? There are some special effects; certainly in the first half of the year as a tendency, some of the warehouse equipment especially the big ones they more order in the first half of the year rather than the second half of the year. But our evidence is more what is coming as the feedback out of the market. We are saying that the second half should have a slight pick-up.

Number two: The Japanese Yen. We have not seen to date any real impact by Toyota in the European markets, more in the Asian markets and more in the South American markets. As you know in North American market we are with a very small market share, so it does not affect us. So, I can confirm what Jungheinrich has said, it is very similar, our view. Up to date, no impact. Order mix, a very interesting question. Order mix, so-called emerging markets versus mature markets has a tendency and the two that stick out the most are Asia, specifically China and Brazil. On average, our average EBIT margins in those regions is already higher than many of the European regions, so we do have the ability to command premium pricing and do sell quite a few of the electric trucks and warehouse trucks. On the low-cost IC trucks we have developed some new products and we use Baoli there, but as an overall regional margin mix we are performing at least as good as the European and specifically China and Brazil somewhat better. The fourth one, the one-time effect?

Thomas Toepfer: With respect to the net interest development we had a total net interest of 239 million for the year 2012. Our guidance with respect to that number was that we expected it to reduce by roughly 16 million in 2013. However I mean there are two new effects that have to be taken into account. One is the valuation of the hydraulics option which has the negative effect of 16.8 million so that will reduce the improvement of the interest result by that number. However, as I pointed out it is a purely non-operational and non-cash effect. And secondly as we paid back our... as a pay debt there will be some negative one-off effects from the closure of our interest rate swaps. I would expect some 10 million associated with that. So overall, I would expect that the interest results will reduce from the 239 million in 2013, however not by 16 million but by a lower amount, roughly by 30 million.

Sven Weier: So that the run-rate for next year we would be still looking at the minus 60 plus the full-year effect of the IPO I would guess.

Thomas Toepfer: That is true.

Sven Weier:	Okay, many thanks. Thank you.
Gordon Riske:	Thank you.
Operator:	And the next question is from Gerhard Orgonas of Exane BNP Paribas. Please go ahead.
Gerhard Orgonas:	Yes, good afternoon. I have got three questions please. First I wanted to know whether you have booked all of the IPO costs already in Q2 or shall we expect any more to be booked in Q3? Secondly, maybe you can also elaborate on the tax rate that you expect for the second half of this year following the couple of one-offs that you had. And thirdly maybe you can comment on the market share loss in order intake in Western Europe. Is there any specific behaviour from your competitors or any specific reason for this?
Gordon Riske:	I think I will start with the third one and then we will get back to number one and two. It is a very aggressive market and, as I said, we always make the balance between maintaining our profitability. We had a price increase at the end of last year that we have pretty much pushed into the market. So we have seen a number of players and – I do not want to give any names, but it is not too complicated to figure out who that is – are trying to, you know, get to our market share and attacking on certain orders. That is why with the 36 per cent that we have maintained in Europe – especially in Germany and France was well over 40 per cent – the team has done a great job putting the higher prices through.
Gerhard Orgonas:	Would you expect this to turn around in the second half when Jungheinrich raises prices?
Gordon Riske:	Yes, it could be that... We see, but that is very difficult to predict. In this market, in this uncertainty that could very well be the case.
Thomas Toepfer:	And then maybe with respect to the first two questions, cost of the IPO have been fully accounted for in the second quarter, so you have the details in the report. Total number is 29 million directly attributable as 21 million. So that is all reflected in the second quarter. In terms of tax, our guidance was that we expect a normal tax rate of roughly 27 million plus the positive one-time effect from the 36 million. That is slightly lower than the 40 million that we expected. The driver behind it is that the 40 million was based on the assumption that

Weichai have a 30 per cent stake in KION while the 36 million was conservative. And it already assumes a potential step-up to 33 per cent of Weichai. So we have booked here a more conservative positive number than the 14 million that we were previously talking about.

Secondly we have a couple of costs coming up which are not fully tax deductable. One of them is 16.8 million valuation impact from the NHY option and therefore for 2014 I would still expect a normalised tax rate of 27 per cent. In 2013 we will have two negative effects, one being that the cost which are not fully tax deductable. I would therefore rather expect a tax rate of I would say 35 per cent in this year.

Gerhard Orgonas: P&L tax rate of 35 per cent.

Operator: The next question is from Sebastian Growe of Commerzbank.

Sebastian Growe: Yes, good afternoon, gentlemen, Sebastian Growe from Commerzbank. Three questions also from my side, one on the order intake situation in Europe. You said that you temporarily lost some market share and since that this has been quite a voluntary decision, so what are the key measures probably to win the loss share back? That is the first part of the question. The second question is on the gross margin development which was down 50 basis points quarter-on-quarter despite an increase in the relative share of service revenues. So I would have expected the gross margin to improve quarter-on-quarter so probably you can just talk us through the reasons for that development. And last not least also on the tax side, a very, very quick question. You said that there was obviously the positive effect from the pooling on the tax income here. Is there anymore to be expected or is this process, so to speak, said and done?

Thomas Toepfer: Yes, let me take up the financial questions. I mean the gross margin development that is driven by Linde Hydraulics. If you adjust for it - and I regret that it is not fully transparent from the report because we were not able to adjust each and every line item. But if you look at the operational performance of our business segment for the new truck business, after sales business and the individual segments of our after sales business they are all performing better in the first half of 2013 relative to previous year in terms of gross margin performance. The decrease that you are referring to is entirely driven by the fact that these numbers that you are looking at contain the Linde Hydraulics business in 2012 and they do not contain in 2013.

Sebastian Growe: But I was not referring to the first quarter gross margin which was 27.8 per cent it was 27.3 so 50 basis points lower in the second quarter of this fiscal year.

Thomas Toepfer: I think that is, I would say that is two things; a seasonable development and some mixed effect. I think what is important is the comparison on a year-by-year basis. And if you do that we see a very consistent improvement on our operational segment, and therefore I think the way we are also internally monitoring our business performance we do see a very positive development here.

Sebastian Growe: And then ...

Thomas Toepfer: Then in terms of tax there could be some other effect in the second-half in the order of magnitude of 5 to 10 million, so I would expect some minor effects in the second half. The big one though, the 36 million has been fully accounted for in the first half.

Sebastian Growe: Okay thanks.

Gordon Riske: So, regarding the first question, order intake, how to get back to the market shares, maybe there or three or four points to that. Number one, we have doubled the market coverage of anyone else, so there is no organisation as powerful in the market as we are. Number two, we are going to do some new products, the warehouse reach truck and a new IC truck for Linde that is coming on stream now. Number three, it is not so unusual that in the first half of the year we do have a slight down-take in market share in the second half of the year that returns to normal simply due to the fact that KION has a very balanced product portfolio, about a third IC truck, a third electric truck and a third warehouse truck. Many of our competitors, especially in Germany have more like 80 per cent warehouse and 20 counter-balance trucks in the warehouse but bigger orders are normally placed in the first half of the year. The last point that maybe has not gone so noticed in the total market but I think it is an interesting development, Italy and Spain. Spain has stopped decline. As a matter of fact some reports say that they are slightly ahead in our market. In the year 2007 the Spanish market had about 30,000 trucks. In 2012 the Spanish market has 13,000 trucks; that is total market. On the other side the time that these trucks are in service the clock is ticking. And since the average lifetime of most of these products are eight to ten years we are coming to a cycle where the replacement of these trucks in these markets will

	become necessary. So, if there is a European recovery, especially some of these smaller markets which we have great positions in, that is an opportunity for us.
Sebastian Growe:	Okay, very helpful, thank you.
Operator:	The next question is from Felicitas von Bismarck of Deutsche Bank.
Felicitas von Bismarck:	Yes, hi, just one question. Could you please comment a little bit on more detail on operational cash flow in Q2 in particular and on working capital and leasing development and what your outlook is for 2013 in this regard? And the second thing is could you repeat the expected tax rate for full-year 2013?
Gordon Riske:	Yes, sure. I think first of all I think it is very important that when you look at cash flow it is more meaningful to look at the first half then looking at the individual quarters because we had a somewhat uneven development of all working capital in Q1/Q2 2012 relative to Q1/Q2 2013. So it is simply some saving effects of how working capital developed here. I think the right way to look at this is really what happened in the first half and then I think both quarters are quite comparable. And what is driving the difference, if you look at the quarter by quarter way is simply the absolute number of working capital that is driving that and that has equalled out then over the time. So, the full development of cash flow for 2013 we have not changed our expectation, so we still think that 2013 will be cash positive. Despite the fact that we have a number of negative items that we have to compensate, one is the tax payment for the Linde Hydraulics transaction, the second one is the cost for the IPO and third one is the restructuring payments that are due for the restructuring actions that were completed in 2012. And therefore we are, in terms of cash flow, fully on track with respect to the goals that we have set. And then with respect to tax rates, as I said, while we expect 27 per cent to be our normal medium to long-term tax rate, there are some negative effects in 2013. So I would rather expect the tax rate to be at 35 per cent. However these are non cash effects and therefore it is really a P&L effect that we are looking at and not a cash burden that we had to cope with.
Felicitas von Bismarck:	Okay, thank you.
Operator:	The next question is a follow-up question from Markus Almerud of Morgan Stanley.

Markus Almerud: Hello, can you hear me?

Thomas Toepfer: Yes..

Markus Almerud: Hi Markus Almerud here again, so two follow-up questions. The first one is on rental. You saw the sale of rentals increasing in the quarter sequentially. Can you just remind us on where is the rental; where in the compatible view trucks is the rental? So, can we read anything into that or does it follow new trucks generally?

The second one is on competition for local producers in China with regards to the EU stage VA. If you said anything from the two major local producers over there in terms of trying to come up with a Euro staged VA truck?

Gordon Riske: On the second question, local competitors China some of that is for Beijing but I am sure it will be some of the major cities. The two major competitors Heli and Hungar do have an export business where they are required to deliver these engines so they are also able to deliver this technology in China. The nice thing is the relative competiveness between us with our Linde products and with these two pre-products is more inlined cost quite a significant driver when it comes to meeting the new emissions levels. So we see that as a very positive development for our products.

Thomas Toepfer: With respect to the first question, I hope that I understood it correctly. I took away your question is how is rental developing and where in the cycle is that and is it...

Markus Almerud: Yes.

Thomas Toepfer: ... an indicator? The way we look at it is what is the utilisation rate of our short-term rental fleet? That is in fact for us an indicator of how healthy is the market and what is the market sentiment. And that number has consistently been over 70 per cent which is a very healthy range and therefore if the question is what is the rental business telling us as an indicator, I would say it is a positive and in a very good state.

Markus Almerud: Okay, thank you very much.

Operator: The next question is from Stefan Augustin of Kepler Cheuvreux.

Stefan Augustin: Yes hello gentlemen, just here directly follow-up on the rental business. Can you outline a little bit where the demand came from, what reasons - especially that? And given you had in your cash flow constant investment in the rental fleet, did only your capacity utilisation rise so far? Or did you increase your fleet in these certain areas as well? And the second one would be on the Weichai co-operation progress. So, what has changed since prior to the IPO? Have you made any new arrangements? What has happened? Or are there already maybe any talks about the Shantui forklift business going into your hands also? Thank you.

Gordon Riske: Yes, maybe starting with number the rental business that is more than 80 per cent in Europe. That is a very European type of business that is not so well established. Rental fleets and so forth in emerging markets there they generally buy new products. The second thing in Brazil plus you have different interest rates so it is very difficult to be competitive so it is a very European phenomenon. Question three we have a strategic collaboration agreement with Weichai Power. We have two teams working on a number of projects consistently. Shantui forklift is one of the things that we have had many discussion about. But at this point for the results for the first half-year 2013, we are not in a position to give a guidance on that right now that is going to take a little bit of time.

Stefan Augustin: Okay, just coming back to Europe, can you then give us there an indication which countries have the good rental of demand?

Gordon Riske: Normally the big five, Germany, France and UK is a very strong rental market. Italy and Spain are less relevant simply due to the fact that the markets have gone down so far. So those three countries Germany, France and UK.

Stefan Augustin: Okay, thank you very much.

Operator: Mr. Riske this was the last question, please continue with any other points you wish to raise.

Gordon Riske: We thank you all for participating and for the number of questions asked. As I said this was our very first formal presentation as a publicly listed company and we are very much looking forward in the following quarters to be able to report the progress that we are making, achieving our mid- to long-term goals. Thank you very much for participating.