

KION UPDATE CALL Q2 2014

Gordon Riske, CEO
Thomas Toepfer, CFO
Wiesbaden, 6 August 2014

1 Highlights H1 2014

Gordon Riske

2 Financial update

Thomas Toepfer

3 Outlook

Gordon Riske

H1 2014: FINANCIAL HIGHLIGHTS

H1 performance confirms guidance for a successful FY2014



Order intake continues to increase

- Q2: €1,228m up 11% on previous year
- H1: €2,424m up 8% compared to H1 2013
- In Q2, unit growth above market driven mainly by Western Europe
- Order book of €835m, up 20% over year-end 2013

Revenue stable with book-to-bill >1

- Q2: €1,144m at same high level as prior year
- H1: €2,233m at same level as H1 2013
- Service business with strong growth
- Continued adverse FX effects

H1 performance driven by strong Q2 development

Adjusted EBIT remains at high level

- Q2: €109m and 9.6% margin slightly above previous year
- H1: €197m and 8.8% margin close to H1 2013

Net income reflects one-off effects

- Q2: With €33m below previous year due to costs for refinancing in Q2 2014 and positive one-off tax effects last year
- H1: €61m also below H1 2013
- Sustained interest reduction from refinancing

H1 2014: OPERATIONAL HIGHLIGHTS

Recovery, investments and innovation underpin leading position



Above market growth in Q2

- Continued recovery in Western Europe with KION growing above the market
- Strong growth in China and Eastern Europe

New investments will strengthen set up in Europe

- KION launches investment program to optimize its core plants in Germany
- New plant in Czech Republic is planned to start production in 2016

Strong customer attention at trade fairs

- LMH successfully launches new interactive trade fair concept
- STILL is main customer attraction at CeMAT intralogistics fair in Hannover

Innovations in products and solutions

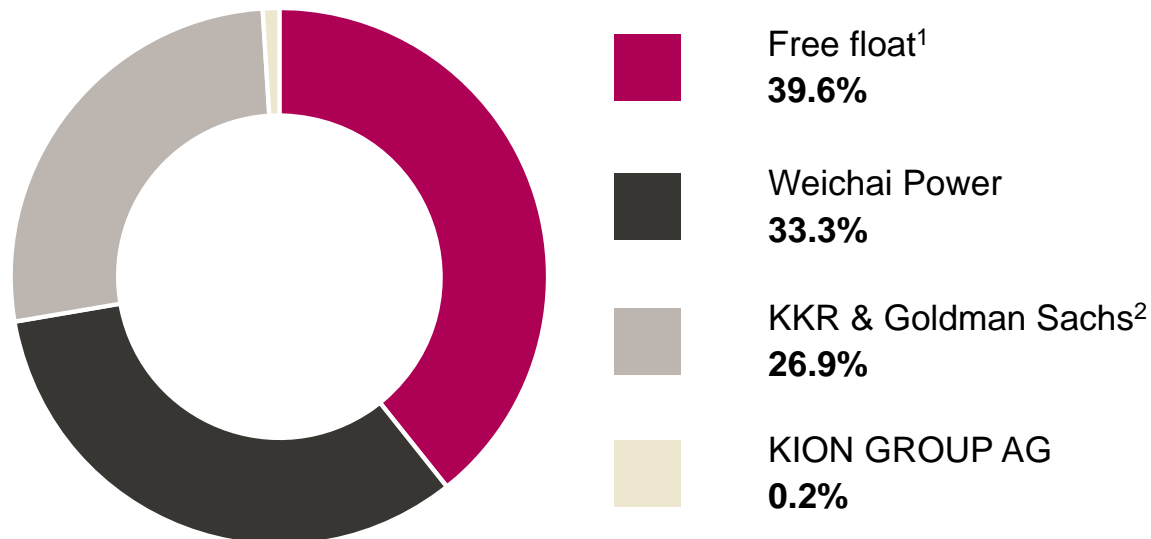
- KION presents new forklift products, including Li-ion trucks
- KION brands introduce new fleet management and automation solutions

H1 2014: KION SHARE HIGHLIGHTS

Free float increases significantly to almost 40%



Shareholder structure as at 30 June 2014



Recent changes

- Goldman Sachs sold down 7.5m shares on 10 June 2014
- Goldman Sachs and KKR are now prohibited from selling their shares until 10 September 2014
- Free float increases to 39.6%
- Weichai Power is largest shareholder with 33.3%
- Lock-up period for KION management has expired

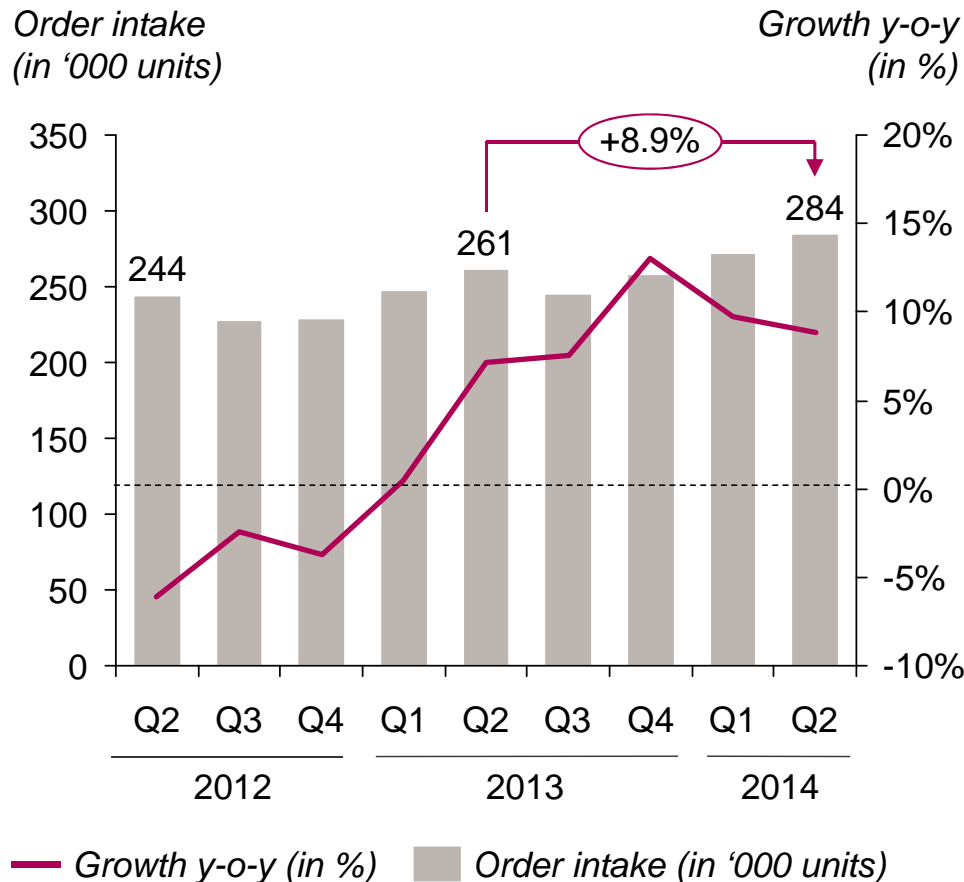
¹ Includes shares that are still held for the Board Members by KION Management Beteiligungs GmbH & Co. KG, but are no longer subject to a lock-up period and can therefore be sold or transferred to their private accounts

² Held through Superlift Holding S.à r.l.

MARKET DEVELOPMENT

Global market reaches all time high

Global market order intake and growth



Note: All data is based on industrial trucks order intake in units
Source: WITS/FEM

Global market is keeping the momentum

- Global orders increase by 9% in Q2 to order volume of 284,400 units
- Western Europe & China are biggest growth contributors

Strengthening growth trend in Western Europe

- Broad positive trend with volume growth driven by core markets
- Continued high order level

Diverging dynamics in emerging markets

- Chinese demand remains strong
- Eastern Europe negatively affected by Russia, very positive development in other countries
- South/Central America with continued weakness

MARKET DEVELOPMENT

Europe and China drive global growth

Order intake unit growth y-o-y in %

North America		
Q4/13	Q1/14	Q2/14
10.3%	14.2%	2.3%

Western Europe		
Q4/13	Q1/14	Q2/14
10.1%	10.3%	14.0%

Eastern Europe		
Q4/13	Q1/14	Q2/14
13.9%	-6.9%	9.5%

China		
Q4/13	Q1/14	Q2/14
23.4%	17.7%	12.6%

South/Central America		
Q4/13	Q1/14	Q2/14
0.0%	-18.4%	-11.3%

WORLD		
Q4/13	Q1/14	Q2/14
13.0%	9.7%	8.9%

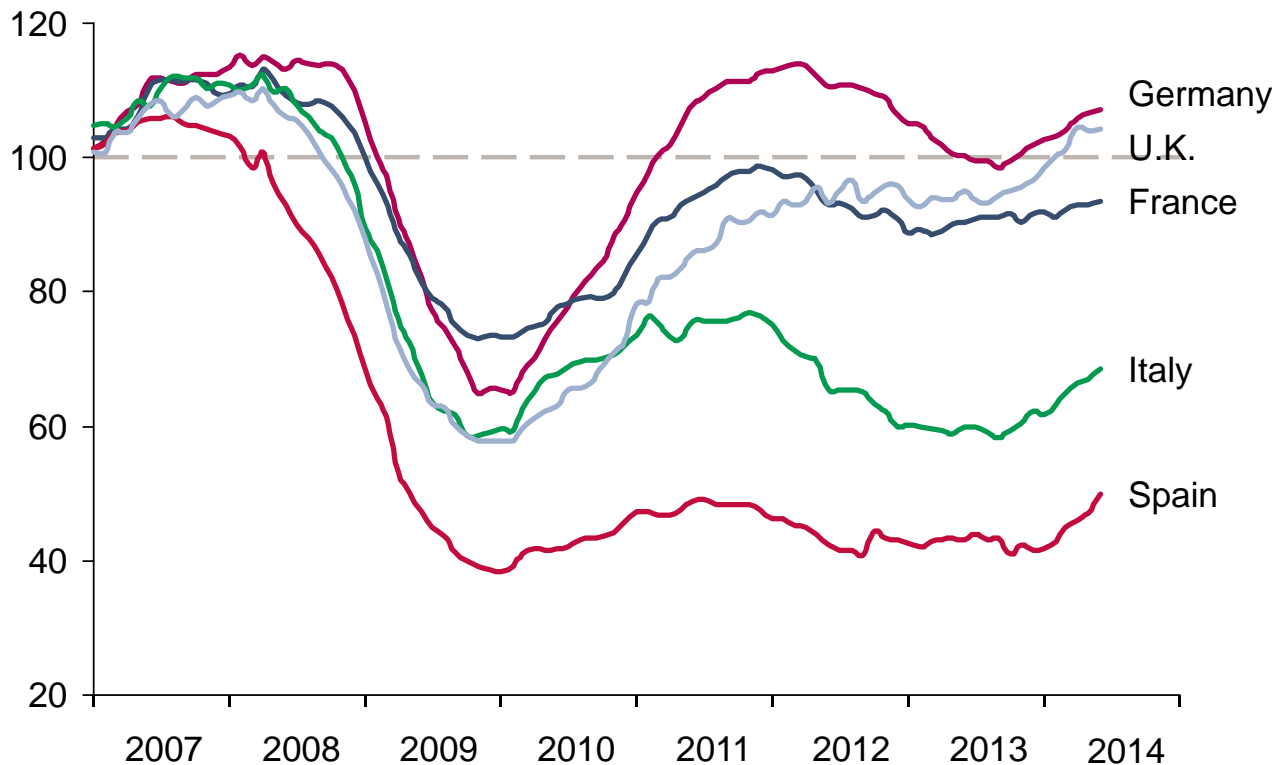
Note: All data is based on industrial trucks order intake in units
Source: WITS/FEM

MARKET DEVELOPMENT – WESTERN EUROPE

Recovery continues across key markets

Country markets pre- and post-crisis (status as at 30 June 2014)

Indexed LTM order intake units (year end 2006=100)



Note: All data is based on industrial trucks order intake in units
Source: WITS/FEM

Sustained upward momentum

- Recovery in core markets progressing
- Sentiment and early indicators suggest still a healthy business climate this year

Further upward potential

- Germany: good start, steady positive trend
- UK: healthy demand
- France: steady, but still below pre-crisis level
- Italy and Spain: highest levels in over two years, but still well below pre-crisis level

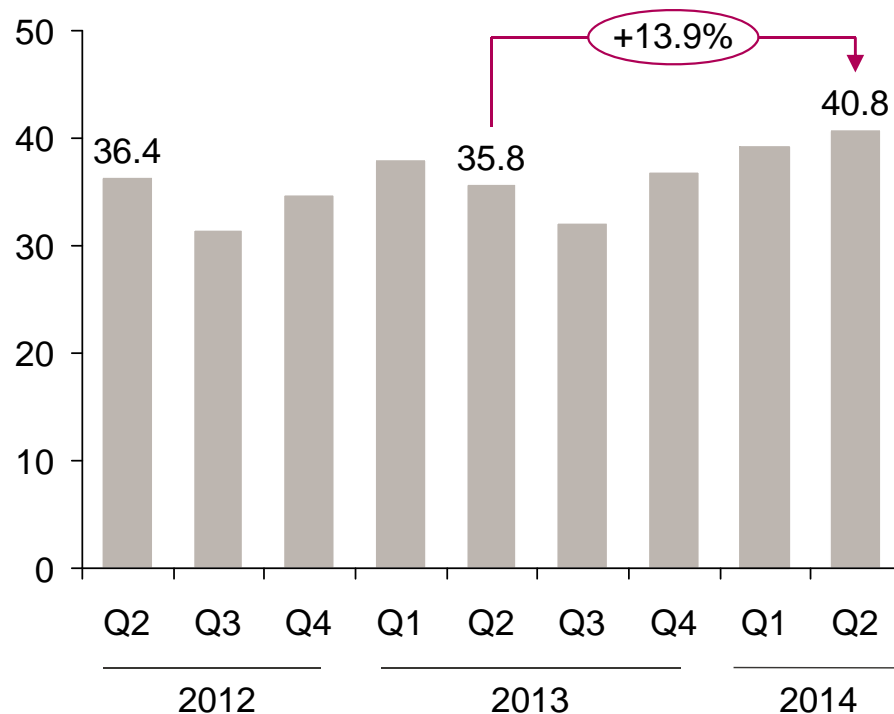
KION PERFORMANCE

Order activity improves visibly in Q2



KION global order intake

(in '000 units)



Orders 14% above previous year in Q2

- High level of 40.8 thousand units in Q2
- Benefitting from strong European performance
- Continued gains in WH- and E-trucks
- Overall growth above market

Demand picks up in Western Europe

- Growth above market in Q2
- Strong performance in Germany and France
- Continued improvements in Italy and Spain

Strong performance in emerging markets

- China achieves best quarterly result (> 5,000 units)
- Significantly above market trend in Eastern Europe, despite headwinds from Russia
- South/Central America impacted by decline

Note: All data is based on industrial trucks order intake in units

REGIONAL PERSPECTIVE

KION outpaces market growth in Europe and China



Regional development

Order intake unit growth y-o-y in %

	H1 2014		Q2 2014	
	Market	KION	Market	KION
Western Europe	12.1 ↑	10.0 ↑	14.0 ↑	18.2 ↑
Eastern Europe	0.9 →	9.6 ↑	9.5 ↑	20.7 ↑
China	15.0 ↑	17.5 ↑	12.6 ↑	16.5 ↑
South/Central America	-14.8 ↓	-16.4 ↓	-11.3 ↓	-17.7 ↓

Note: All data is based on industrial trucks order intake in units
Source: WITS/FEM

Western Europe

- **Market:** continued recovery driven by WH- and especially E-trucks
- **KION:** trending above market, regaining share

Eastern Europe

- **Market:** gains in remaining Eastern Europe overcompensate Russian market decline
- **KION:** strong development, better than market

China

- **Market:** record start with continued strong demand across products
- **KION:** realized all time high order level, growth driven by new Baoli D-series IC-truck

South/Central America

- **Market:** weakness compared to high base last year in Brazil; weakness in peripheral markets
- **KION:** solid order levels, impacted by regional decline especially in WH- and E-trucks in Brazil

EUROPEAN INVESTMENT PROGRAM

KION paves the way for further growth in Europe

KION plant locations



◆ Existing core plants ◆ Planned operations

Note: Map shows only selected European operations of the KION Group

Increase efficiency in core plants

- Plan to invest €83m by 2021 into core plants in Aschaffenburg (LMH) and Hamburg (STILL)
- Focus is on increasing cost efficiency in production processes and internal logistics

Invest in new plant in Czech Republic

- Around €12m will be invested in setting up a low capital intensive facility in Pilsen
- Production is scheduled to start 2016, initially of existing warehouse products
- Plant will also build trucks in the value and economy segments to supply markets in Eastern and Southern Europe in particular

TRADE FAIRS

KION achieves strong customer attention at Q2 trade fairs

LMH – World of Material Handling



- Three-week LMH-specific event with partners and suppliers in May 2014
- New live and interactive trade fair concept with displays, demos and test drive facilities
- Around 6,000 visitors spent a whole day each to experience Linde's World of Material Handling

STILL – CeMAT



- CeMAT Hannover is the largest intralogistics trade show worldwide
- STILL stand one of the most visited areas at CeMAT in May 2014
- Several ten thousand visitors experienced STILL's customer-oriented innovation capabilities

INNOVATIONS – PRODUCTS

New products

LMH



Linde Safety Pilot as a unique electronic driver assistance system



First pallet trucks with lithium-ion battery (T16-T18)



Compact pedestrian double stackers for light logistic use (D06, D08)

STILL



Reach truck with Active Load Stabilization and unique ergonomic concept (FMX)



Re-engineered electric forklift truck with higher speed and Blue-Q energy saver (RX20)



Compact and emission-free electric forklifts ranging up to 8.0 ton capacity (RX60)

INNOVATIONS – SOLUTIONS

Innovations beyond the truck

LMH – Example: Fleet management



- LMH launches new state-of-the-art generation of fleet management solutions
- Customers benefit from a significant further reduction in Total Cost of Ownership

STILL – Example: Truck automation



- STILL's automation technology iGoEasy wins International Forklift Truck of the Year Award
- First automated solution that can be configured and monitored through the iGoEasy app

AGENDA



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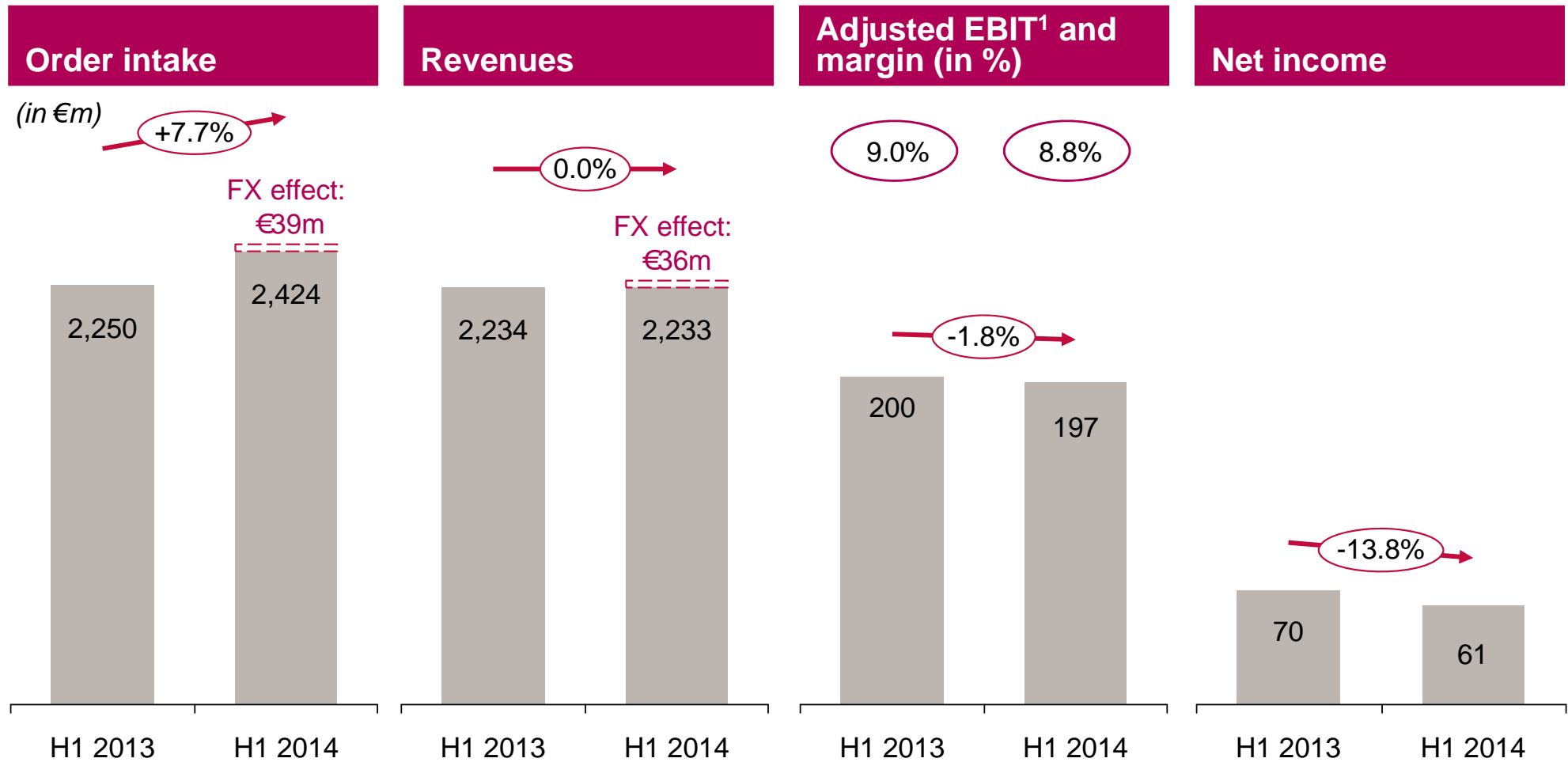
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KEY FINANCIALS H1 2014

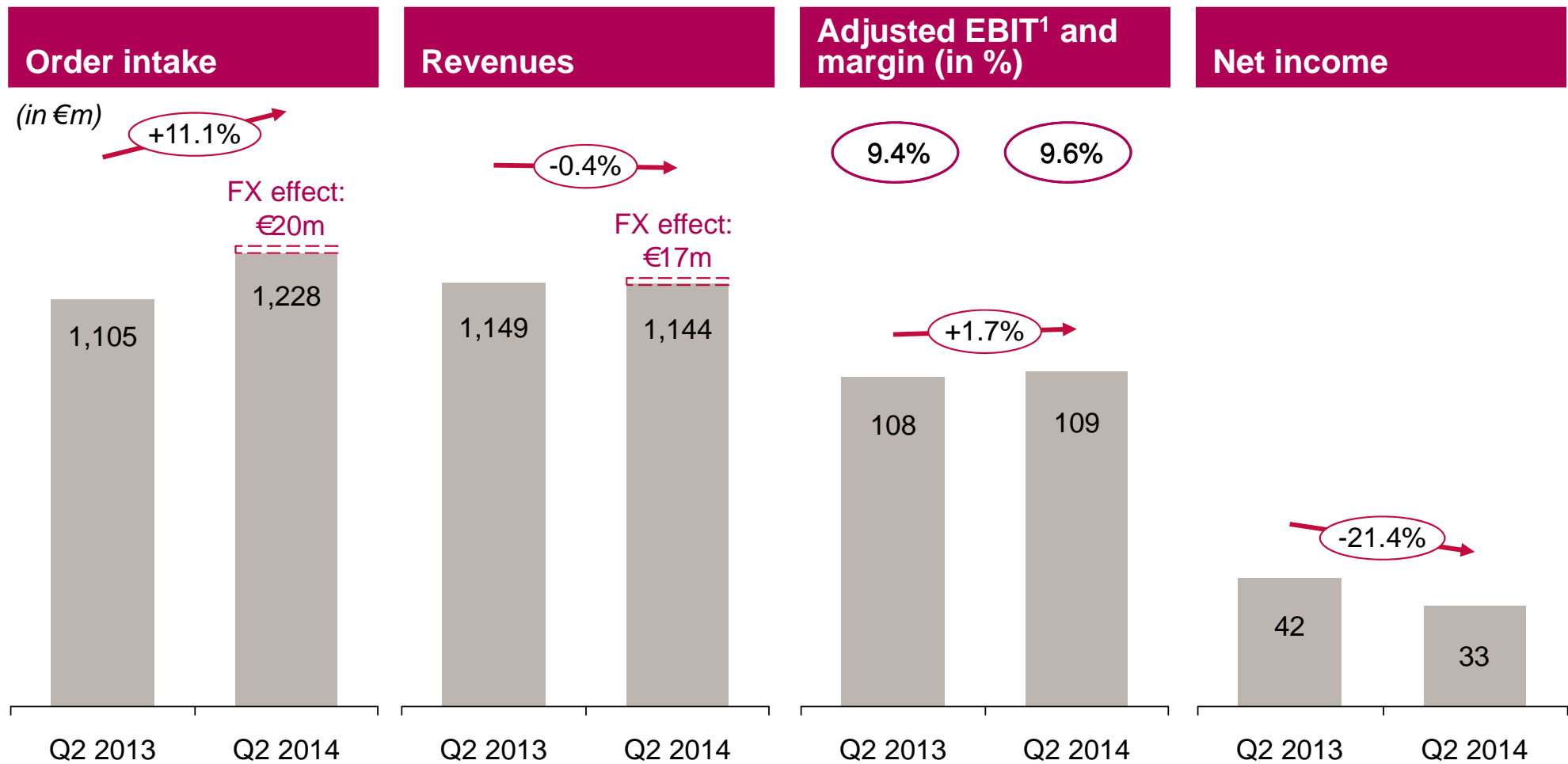
Order intake growth reflects continued recovery



¹ Adjusted for one-off items and purchase price allocation

KEY FINANCIALS Q2 2014

Adjusted EBIT margin improves to 9.6%



¹ Adjusted for one-off items and purchase price allocation

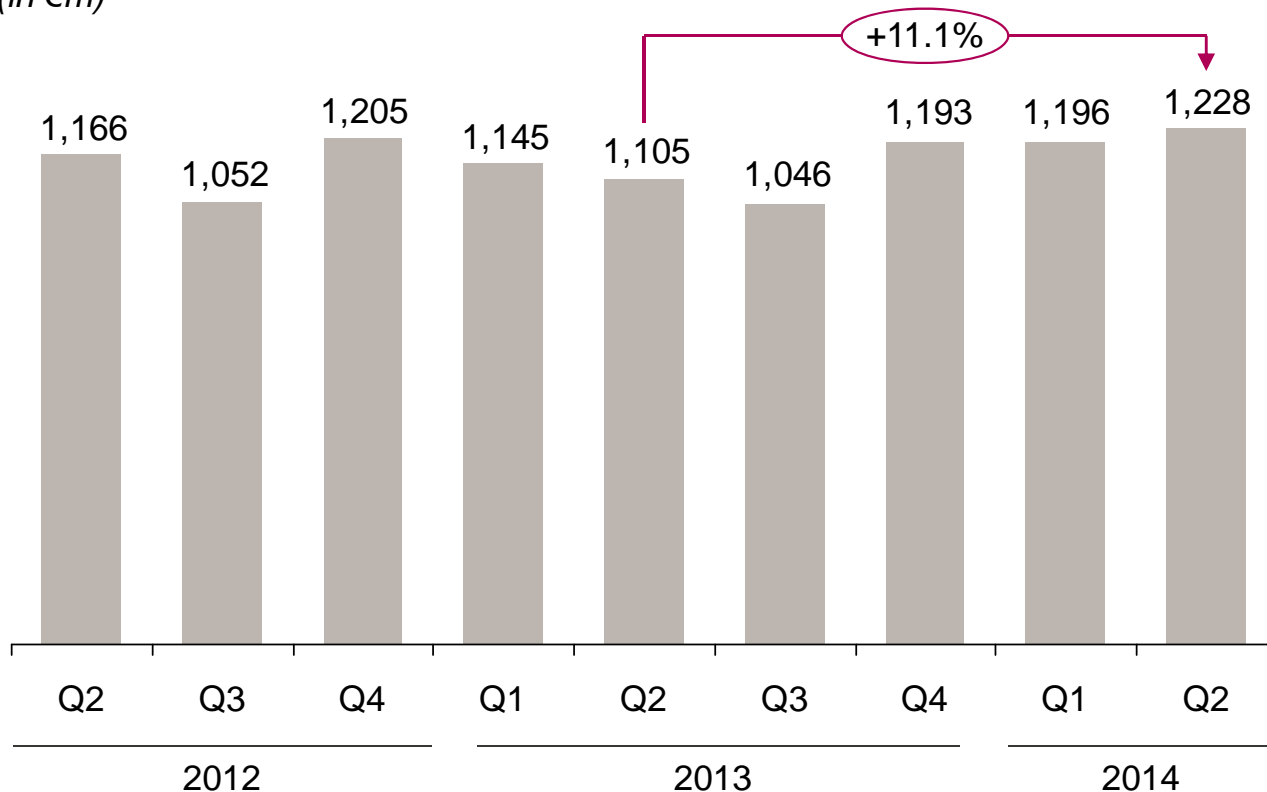
ORDER INTAKE

Order intake growth driven by Western Europe and China



KION global order intake¹

(in €m)



Comments

- Continued strong order intake growth in Q2, mainly in Western Europe and China
- Order backlog increases by 20% to €835m compared to year-end 2013
- Order backlog forms basis for increase in new business revenues
- Book-to-bill ratio stays above 1x

¹ For comparability purposes 2012 figures are adjusted for the disposal of our Hydraulics Business

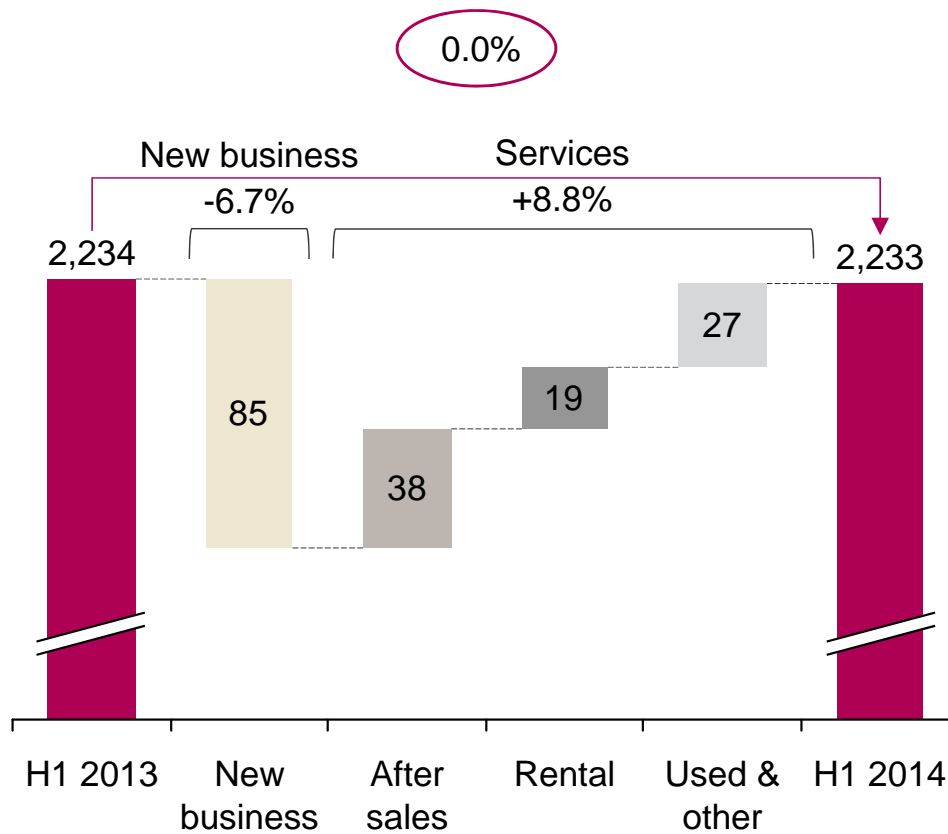
REVENUES

Positive development in service revenues



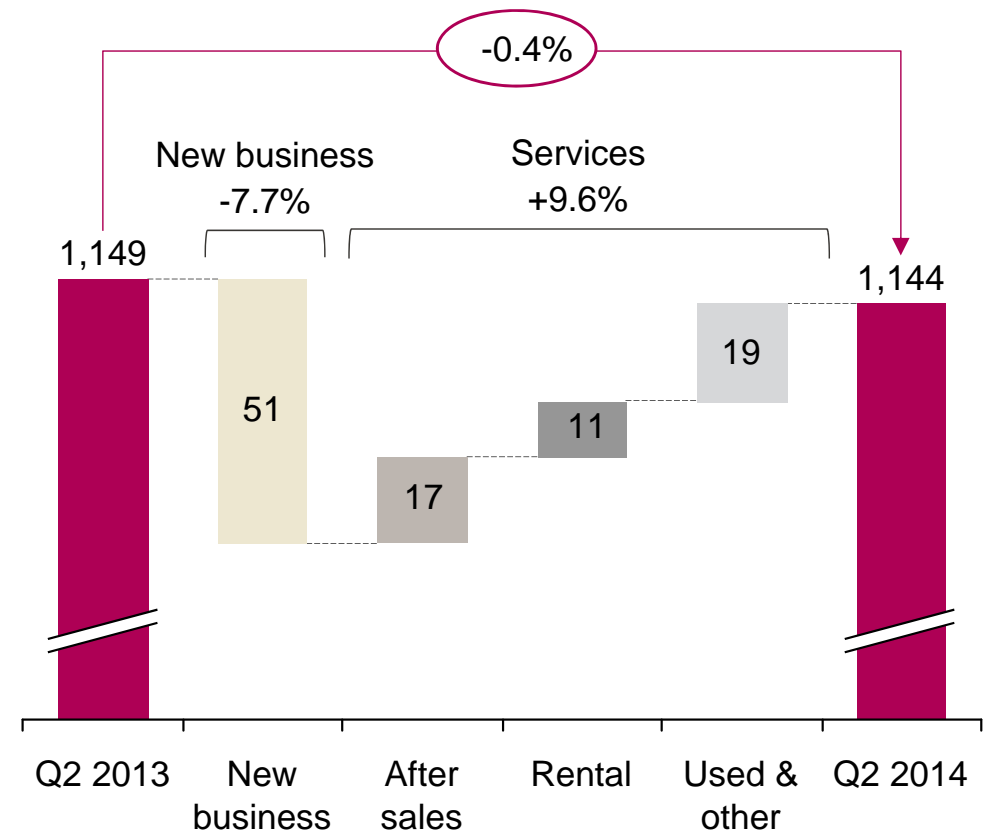
H1 2014: Revenue by product categories

(in €m)



Q2 2014: Revenue by product categories

(in €m)



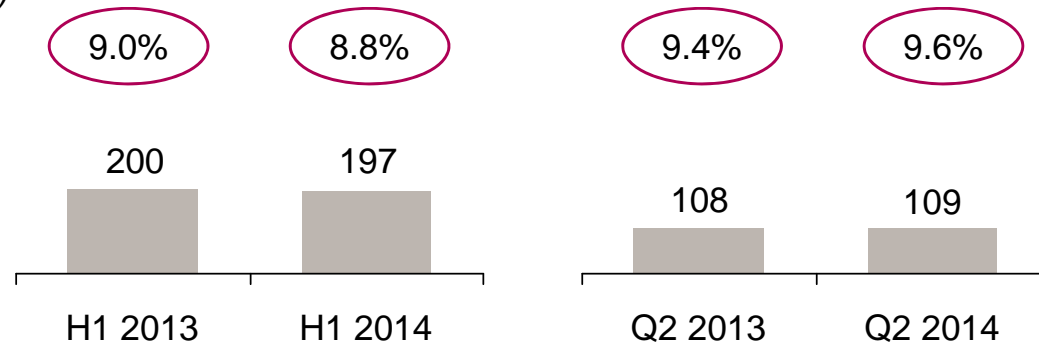
ADJUSTED EBIT AND EBITDA

Adjusted EBIT in Q2 increases based on improved gross margin



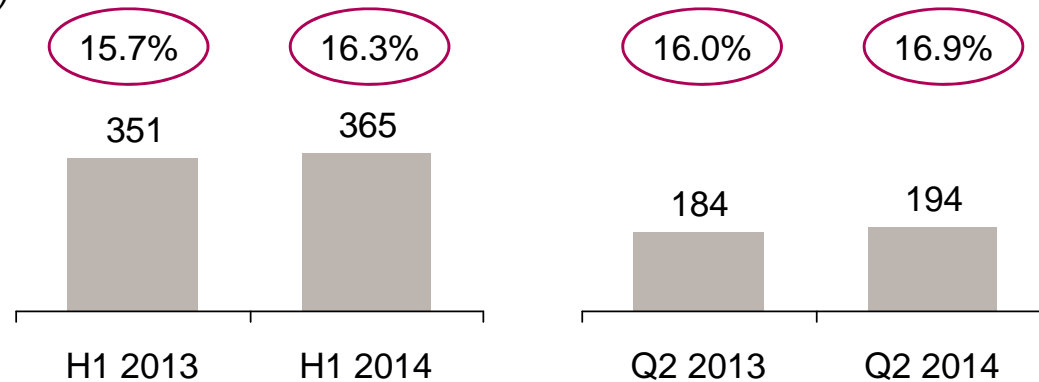
Adjusted EBIT¹ and margin (in %)

(in €m)



Adjusted EBITDA¹ and margin (in %)

(in €m)



¹ Adjusted for one-off items and purchase price allocation

Comments

- Improved gross margin in Q2 from increase in both new business and services
- Increase in fixed costs driven by wage inflation, trade fairs and cost increase following IPO
- Adjusted EBITDA above 2013 level, mainly driven by effects from first time consolidation of dealers

ADJUSTED EBIT TO NET INCOME

Improved interest level is offset by higher tax expenses



<i>(in €m)</i>	Q2 2014	Q2 2013	Change	H1 2014	H1 2013	Change
Adjusted EBIT¹	109	108	1.7%	197	200	-1.8%
Non-recurring items	-5	-8	41.7%	-9	-7	-32.0%
KION acquisition items	-13	-8	-69.7%	-19	-15	-23.3%
Reported EBIT	92	91	0.0%	169	178	-5.3%
Net financial expenses	-50	-64	21.9%	-81	-112	28.1%
EBT	41	27	52.2%	88	66	33.5%
Taxes	-8	15	<-100%	-27	4	<-100%
Net income	33	42	-21.4%	61	70	-13.8%
EPS reported	€0.33	€0.63		€0.60	€1.07	
EPS pro forma ²	€0.33	€0.42		€0.60	€0.70	

Comments

- Sustainable interest reduction after IPO
- One-off expenses from refinancing
- Taxes in H1 in line with FY guidance
- Previous year with positive one-off tax effects

¹ Adjusted for one-off items and purchase price allocation

² EPS based on 98.9m no-par-value shares

FREE CASH FLOW

Cash flow from operations shows strong improvement



<i>(in €m)</i>	H1 2014	H1 2013	Change
EBITDA (excl. FS segment)	310	313	-1.1%
Change of TWC	-96	-98	2.1%
Taxes paid	-25	-31	18.4%
Pension payments	-10	-13	18.1%
Other	-27	-33	18.9%
Leasing cash flow	0	-14	>100%
CF from operating activities	151	125	21.3%
Operating capex	-58	-52	-11.5%
Rental capex (net)	-84	-69	-21.5%
Other	10	9	-17.4%
CF from investing activities	-131	-112	-17.1%
Free cash flow	20	12	59.2%

Comments

- Trade working capital (TWC) kept at tight levels
- Expected gradual increase in operating capex
- Increase in rental fleet driven mainly by fleet replacements in Q1
- Leasing cash flow close to 0

Note: Cash flow 2013 adjusted due to reclassifications

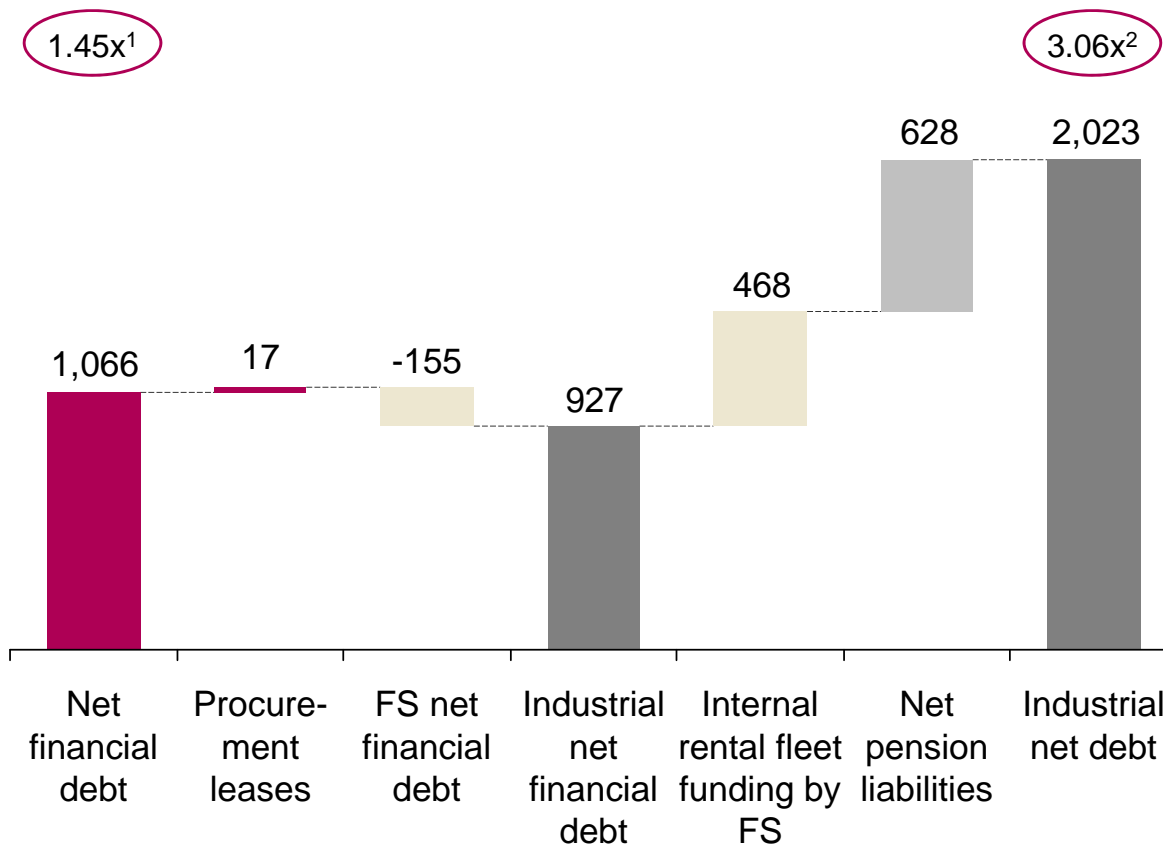
NET DEBT

Leverage remains at comparable level to previous quarter



Net debt and leverage as at 30 June 2014

(in €m)



Net debt development

- Group net financial debt increases with seasonality
- Increase in rental fleet funding and FS net financial debt
- Increase in pension liabilities due to lower interest rates

End customer leasing

- Total assets for end customer leasing of €751m increased slightly relative to previous quarter (€738m)
- Funding through SALB increased slightly by €10m to €643m compared to previous quarter (€633m)

¹ Based on LTM adjusted EBITDA of €735m

² Industrial leverage based on €661m of LTM adjusted industrial EBITDA (excluding €73m of LTM EBITDA for FS)

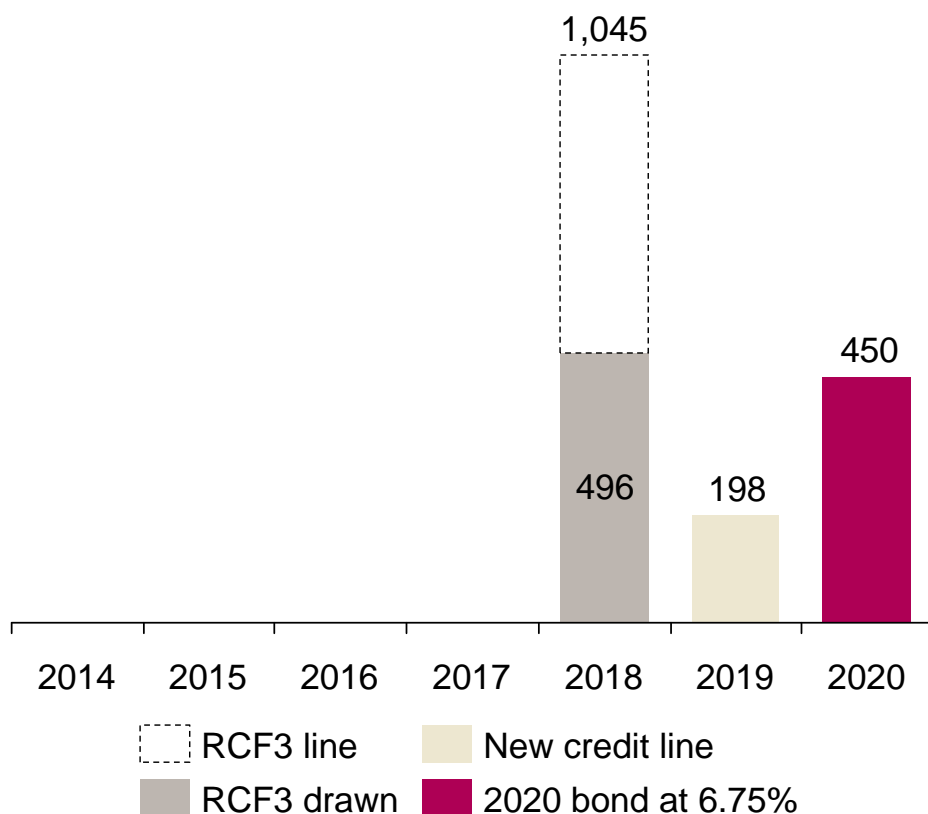
FINANCING UPDATE

Bonds were called and ratings upgraded in April 2014



Maturity profile after bond calls

(in €m)



Refinancing of pre-IPO bonds on 15 April

- Call of two pre-IPO bonds
 - €325m 2018 bond with 7.875%
 - €200m 2020 bond with Euribor +4.50%
- Refinancing with long-term, pre-payable bank debt
 - Drawing under existing RCF3
 - New credit line of €198m
- Full year interest savings of over €20m
 - One-off expenses of €23m in Q2 2014

Ratings upgrades by one notch

STANDARD
& POOR'S

BB with positive outlook

MOODY'S

Ba2 with stable outlook

AGENDA



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OUTLOOK CONFIRMED

Profitable growth in 2014

Market

➤ Global market volumes are expected to moderately increase

- Further stabilisation in Europe
- A sustained uptrend in North America
- Growth in Asian and Eastern European markets
- Average global unit growth rate of about 4% over the next few years
- No significant changes in the proportion of total revenue generated by each product segment

KION

➤ Unlock the full potential of the Western European and emerging markets in 2014

- **Slight increase in order intake** and consolidated **revenue** compared with 2013
- **Significant year-on-year rise in adjusted EBIT** reflecting top line growth and efficiency gains
- **Adjusted EBIT** margin continues to **increase** in line with medium term margin expansion
- **Strong net income growth** from higher EBIT and reduced financial expenses, but no positive tax one-offs
- **Free cash flow** to be **considerably higher** due to increased EBIT and lack of one-off effects
- **Higher capital expenditure** than in 2013
- Continue **reduction of net debt** using operating cash flow and optimising capital structure

Note: Please see disclaimer on last page regarding forward-looking statements

- 1 Attractive market with growth profile above GDP
- 2 Global leader – strong home base and well positioned in growth markets
- 3 Technology leadership drives premium positioning and customer value
- 4 Robust integrated business model with high contribution from services
- 5 Profitability benchmark – well prepared for future value creation
- 6 Proven management team with a clear strategy

WE KEEP THE WORLD MOVING

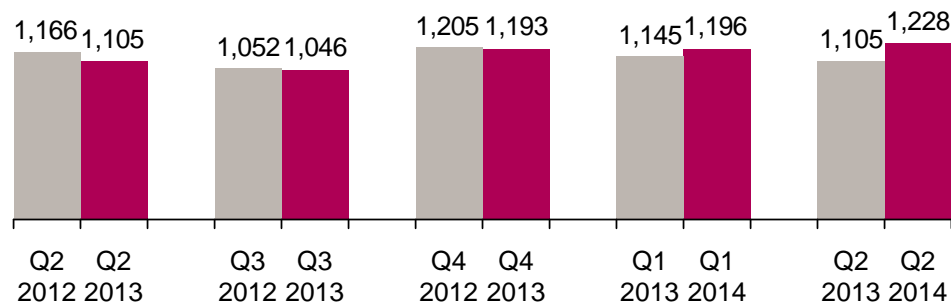


ANNEX

KEY FINANCIAL FIGURES BY QUARTER

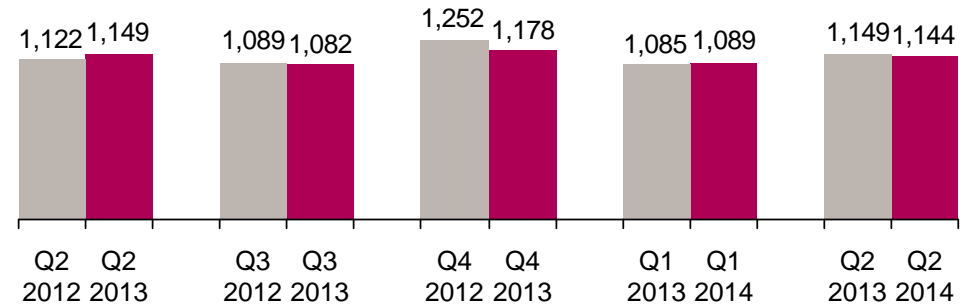
Order intake¹

(in €m)



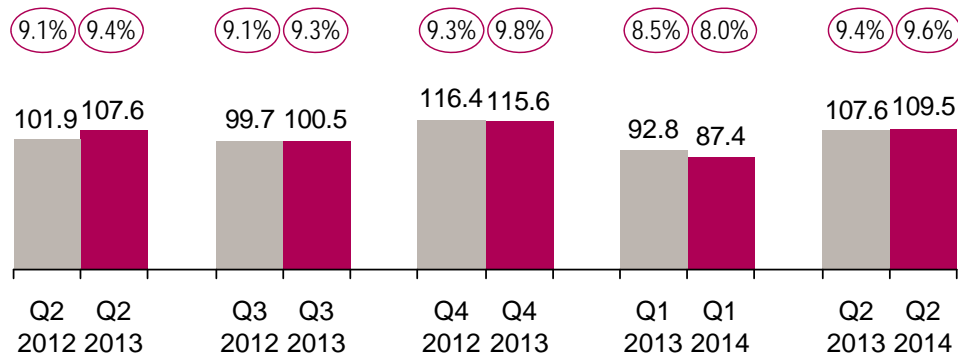
Revenue¹

(in €m)



Adjusted EBIT^{1,2} and margin (in %)

(in €m)



¹ For comparability purposes 2012 figures are adjusted for the disposal of our Hydraulics Business

² Adjusted for one-off items and purchase price allocation

Financial Calendar

Date	Event
5 November 2014	Interim report for the period ended 30 September 2014 (Q3 2014)
19 March 2015	Financial statements press conference Publication of 2014 annual report (FY 2014)
7 May 2015	Interim report for the period ended 31 March 2015 (Q1 2015)
12 May 2015	Annual General Meeting

Subject to change without notice

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