

KION UPDATE CALL Q1-Q3 2014

Gordon Riske, CEO
Thomas Toepfer, CFO
Wiesbaden, 5 November 2014

1 Highlights Q1-Q3 2014

Gordon Riske

2 Financial update

Thomas Toepfer

3 Outlook

Gordon Riske

Q1-Q3 2014: FINANCIAL HIGHLIGHTS

Continued strong performance in softer macro environment



Order intake continues to grow

- Q3: €1,142m up 9% on previous year
- Q1-Q3: €3,566m up 8% compared to 2013
- In Q3, overall unit growth above market driven by Western Europe, Eastern Europe and China
- Order book of €806m, up 16% over year-end 2013

In Q3, revenue grows in all business areas

- Q3: €1,139m up 5% on previous year
- Q1-Q3: €3,372m slightly above 2013
- New business and services grow in Q3
- Book-to-bill ratio at 1x in Q3
- Further small adverse FX effects in Q3

Q1-Q3 performance further enhanced by strong Q3 growth

Adjusted EBIT margin increases significantly

- Q3: €112m and 9.8% margin significantly above 9.3% margin in Q3 2013
- Q1-Q3: €309m and 9.2% margin slightly above previous year

Net income improves following refinancing

- Q3: With €58m significantly above 2013
- Q1-Q3: €119m also significantly above 2013
- Sustained interest reduction from refinancing

Q1-Q3 2014: KION CAPITAL MARKET HIGHLIGHTS

MDAX inclusion strengthens visibility of KION stock

MDAX member since 22 September 2014



Recent changes and expected effects

- Inclusion of KION in MDAX became effective on 22 September 2014
- Free float increases through recent KKR and Goldman Sachs sell-downs drive inclusion
- Positive effects on capital market visibility and liquidity expected

Q1-Q3 2014: OPERATIONAL HIGHLIGHTS

Innovations and services support ongoing growth momentum



Above market growth in Q3

- KION unit growth in Q3 with 10.0% above world market growth of 6.4%
- KION shows double-digit growth in Western Europe, slightly below market
- KION outperforms markets in China and Eastern Europe

Leading in innovations

- KION introduced WH-trucks with Li-ion battery earlier this year as a first step towards technology roll-out
- KION has a long track record in fuel cell drive technology

Leading in services

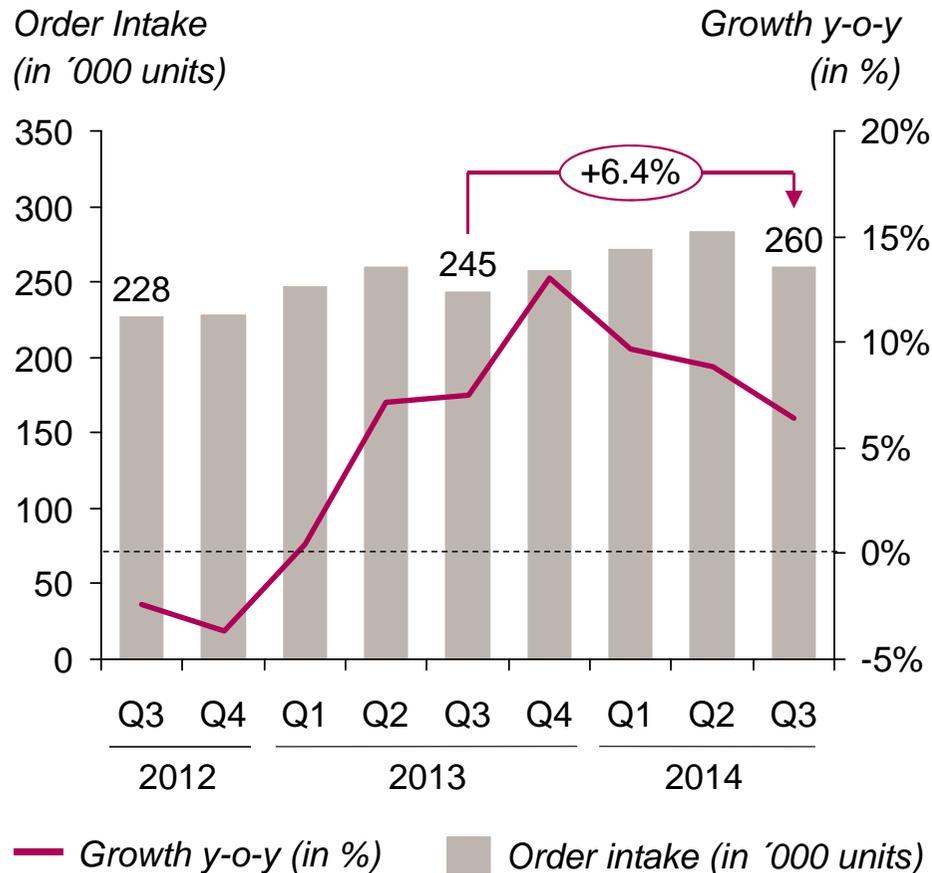
- Services show continuous growth from after-sales, used trucks and rental business
- Steady and high-margin service revenue stream increases KION's resilience

MARKET DEVELOPMENT

Global market is making steady progress



Global market order intake and growth



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

Global market continues steady growth path

- Global orders increase by 6% in Q3 to order volume of 260,500 units
- E- and WH-trucks drive global growth and expand at fastest pace in Q3

Sustained momentum in Western Europe

- Double-digit growth continues with ongoing recovery in core markets
- Q3 grows at high pace from previous quarter

Diverging dynamics in emerging markets

- China: moderate growth, but at all time high level
- Eastern Europe negatively affected by Russia, still positive development in other countries
- South/Central America improves, Brazil with continued weakness

MARKET DEVELOPMENT

Europe and China continue to drive global growth

Order intake unit growth y-o-y (in %)

North America		
Q1/14	Q2/14	Q3/14
14.2%	2.3%	1.2%

Western Europe		
Q1/14	Q2/14	Q3/14
10.3%	14.0%	13.7%

Eastern Europe		
Q1/14	Q2/14	Q3/14
-6.9%	9.5%	5.3%

China		
Q1/14	Q2/14	Q3/14
17.7%	12.6%	6.7%

South/Central America		
Q1/14	Q2/14	Q3/14
-18.4%	-11.3%	3.3%

WORLD		
Q1/14	Q2/14	Q3/14
9.7%	8.9%	6.4%

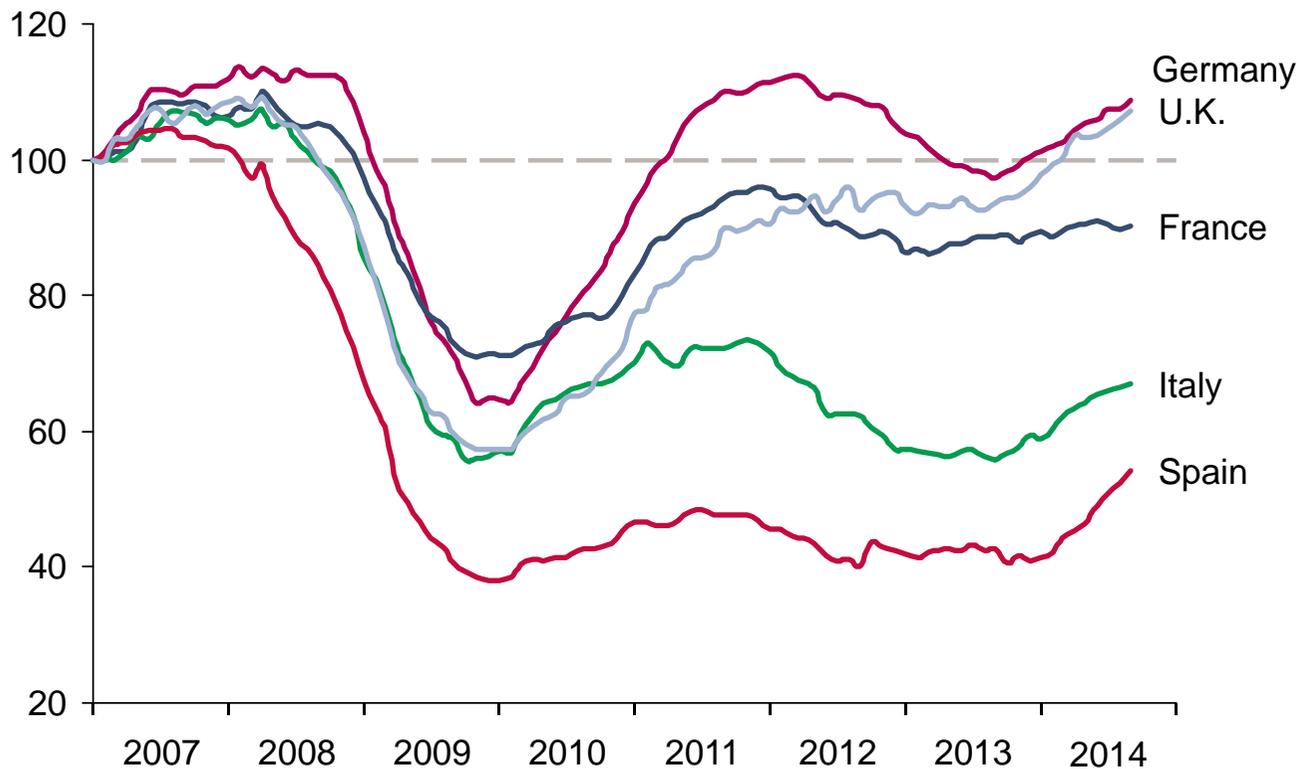
Note: All data is based on industrial trucks order intake in units
Source: WITS/FEM

MARKET DEVELOPMENT – WESTERN EUROPE

Solid upward trend

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

Indexed LTM order units (LTM Jan. 2007=100)



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

Positive momentum continues

- Recovery in core markets progressing
- Replacement activity supports solid demand levels

Further upward potential

- Germany: steady positive trend
- UK: healthy demand
- France: moving sideways
- Italy and Spain: highest levels in over two years, but still long road to normality

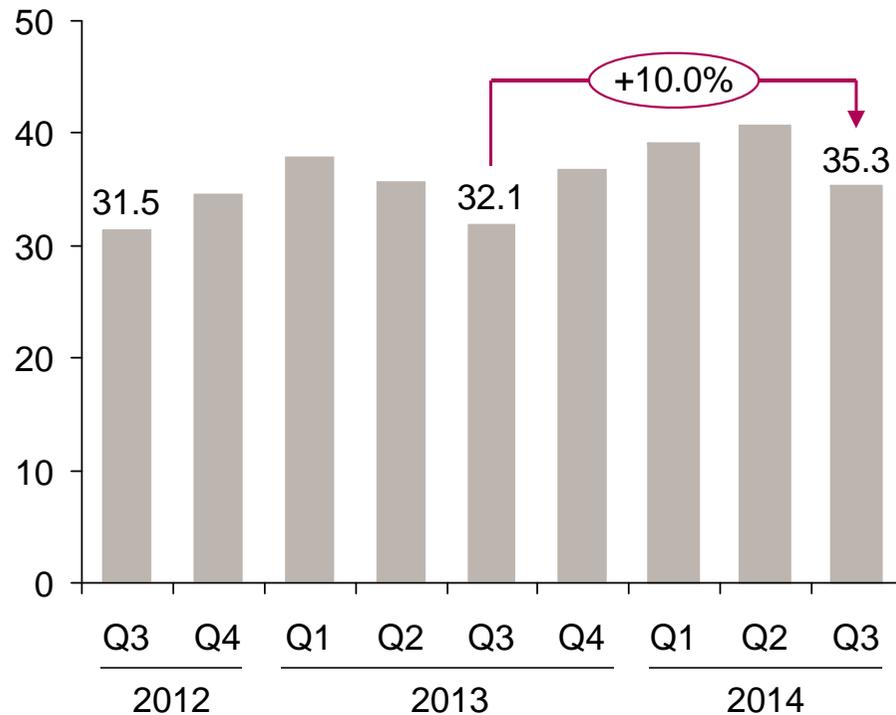
KION PERFORMANCE

Strong order intake development in Q3



KION global orders

(in '000 units)



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

Overall growth above market

- Orders 10% above previous year in Q3 vs. market with growth of 6.4%
- High level of 35,300 units in Q3 2014
- Continued strong development in Europe & China

Positive momentum for KION in Western Europe

- Double digit growth slightly below market
- Healthy order activity in WH- and E-trucks

Solid development in emerging markets

- China continues to grow above market
- Significantly above market trend in Eastern Europe, despite headwinds from Russia
- South/Central America impacted by continued weakness in Brazil

REGIONAL PERSPECTIVE

KION stays ahead of market trend in Eastern Europe and China



Regional development

Order intake unit growth y-o-y in %

	Q1-Q3 2014		Q3 2014	
	Market	KION	Market	KION
Western Europe	12.6 ↑	10.4 ↑	13.7 ↑	11.5 ↑
Eastern Europe	2.4 ↑	11.8 ↑	5.3 ↑	16.3 ↑
China	12.2 ↑	14.6 ↑	6.7 ↑	8.9 ↑
South/Central America	-9.2 ↓	-13.8 ↓	3.3 ↑	-8.3 ↓

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

Western Europe

- **Market:** Replacements support ongoing growth
- **KION:** Continued double digit growth trend

Eastern Europe

- **Market:** Gains in Eastern Europe (ex Russia) overcompensate Russian market decline
- **KION:** Strong development, better than market

China

- **Market:** Moderation due to slower IC demand
- **KION:** Demand for WH- and E-trucks drives growth above market

South/Central America

- **Market:** Peripheral markets drive regional improvement; persisting weakness in Brazil
- **KION:** Brazilian weakness continues to offset gains in remaining regional markets

LEADING IN INNOVATIONS

KION trucks with innovative drive technologies

Li-ion



- KION's first warehouse trucks featuring Li-ion batteries in series production
- Twice the energy storage capacity of lead acid batteries, reduction in energy costs and increasing productivity
- Scheduled roll-out throughout entire KION WH- and E-truck truck portfolio

Fuel cells



- First prototypes developed in 2000
- Since 2013, fleets equipped in warehouses (e.g. at BMW, DB Schenker)
- No lengthy recharging process, filled in minutes
- Sufficient range for driving several hours

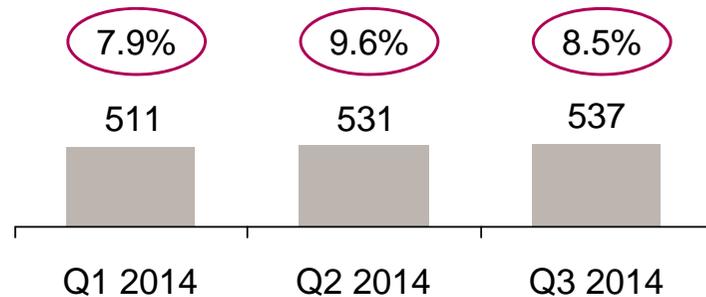
LEADING IN SERVICES

Service performance strengthens KION's resilience



KION service revenue growth

(Service revenues in €m and y-o-y growth in %)

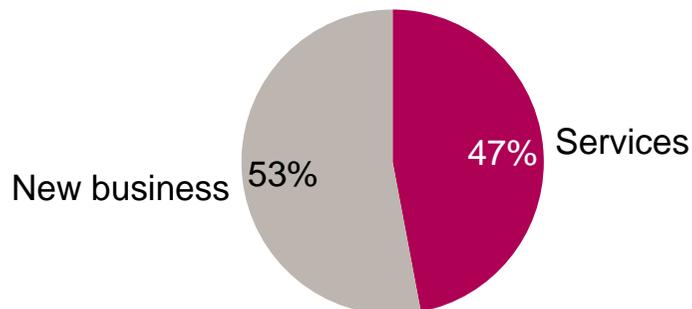


Services show continuous growth

- Strong growth in *after-sales* from service contracts, ad-hoc service and spare parts
- High growth rates also in *used trucks* and *rental business*, with growing fleet at high utilization
- Increasing importance of services in emerging markets generates new opportunities
- Bolt-on acquisitions driving service business

KION share of service revenues

(in % of total Q1-Q3 2014 revenues)



Service revenues support KION's resilience

- Services provide continuous revenue streams, also in uncertain macro environments
- Especially maintenance contracts generate recurring revenues over several years
- Attractive margins of service business

AGENDA



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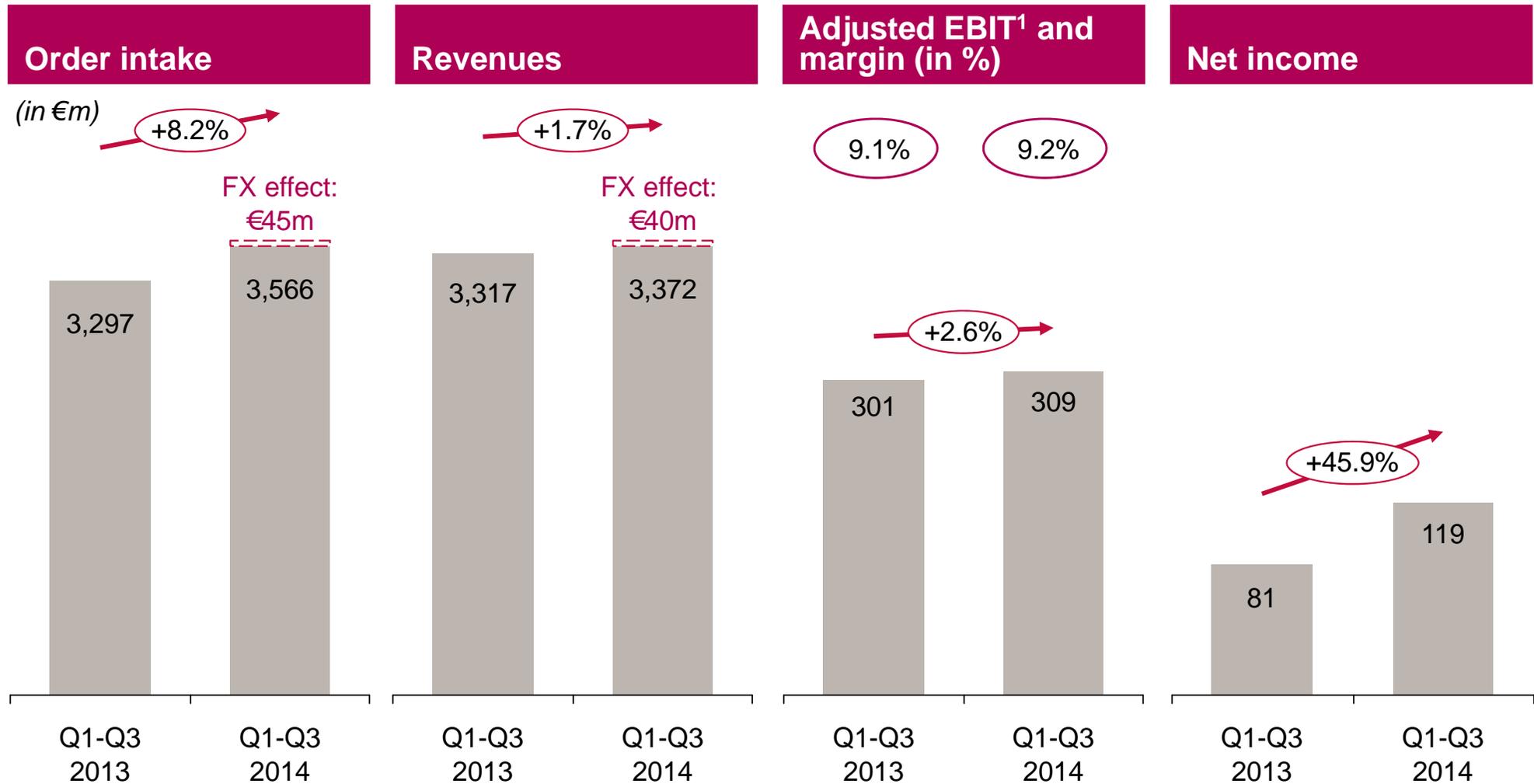
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3 Outlook

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KEY FINANCIALS Q1-Q3 2014

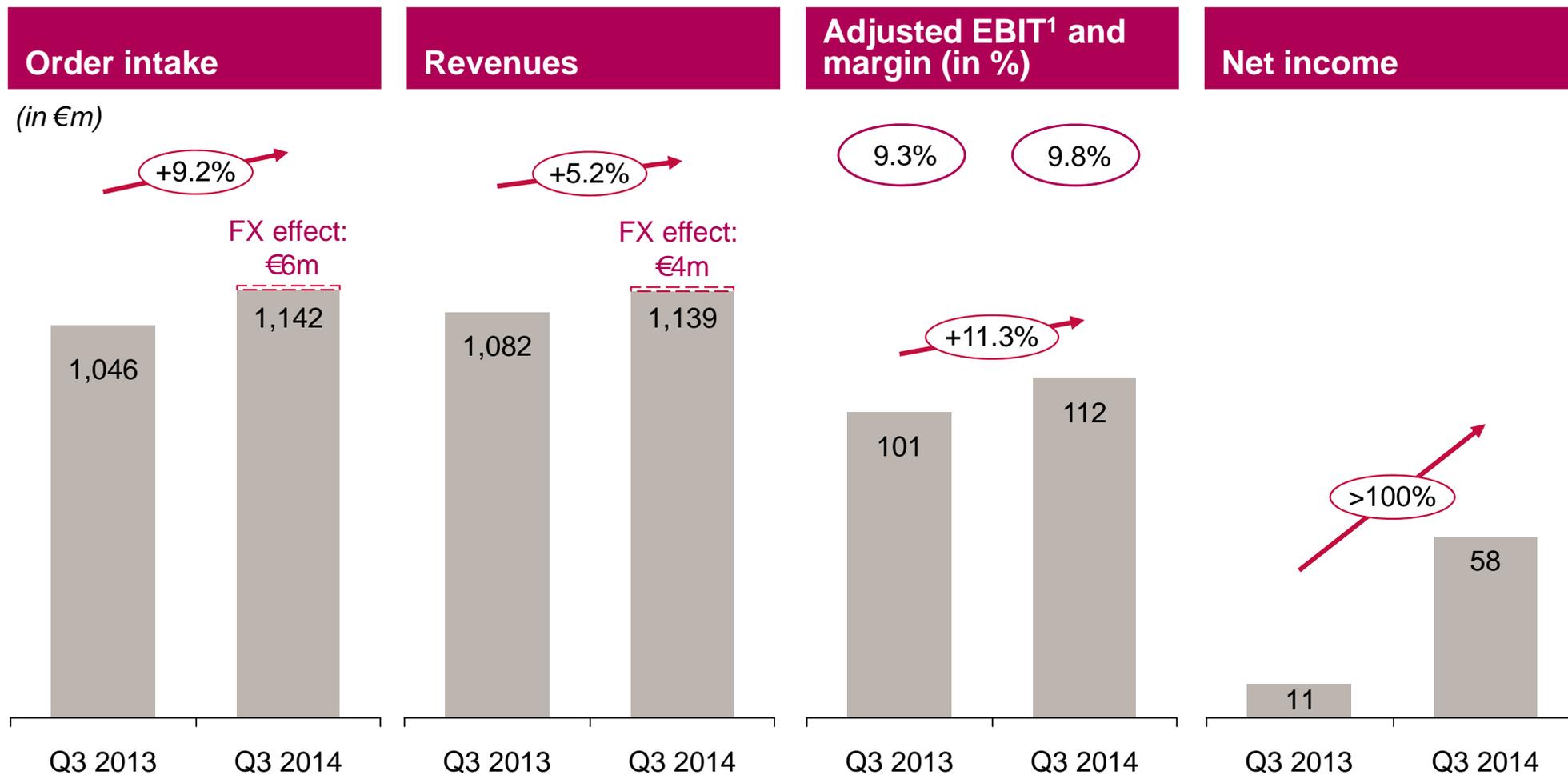
All main KPIs above prior year



1 Adjusted for one-off items and purchase price allocation

KEY FINANCIALS Q3 2014

Adjusted EBIT margin increases to 9.8%



¹ Adjusted for one-off items and purchase price allocation

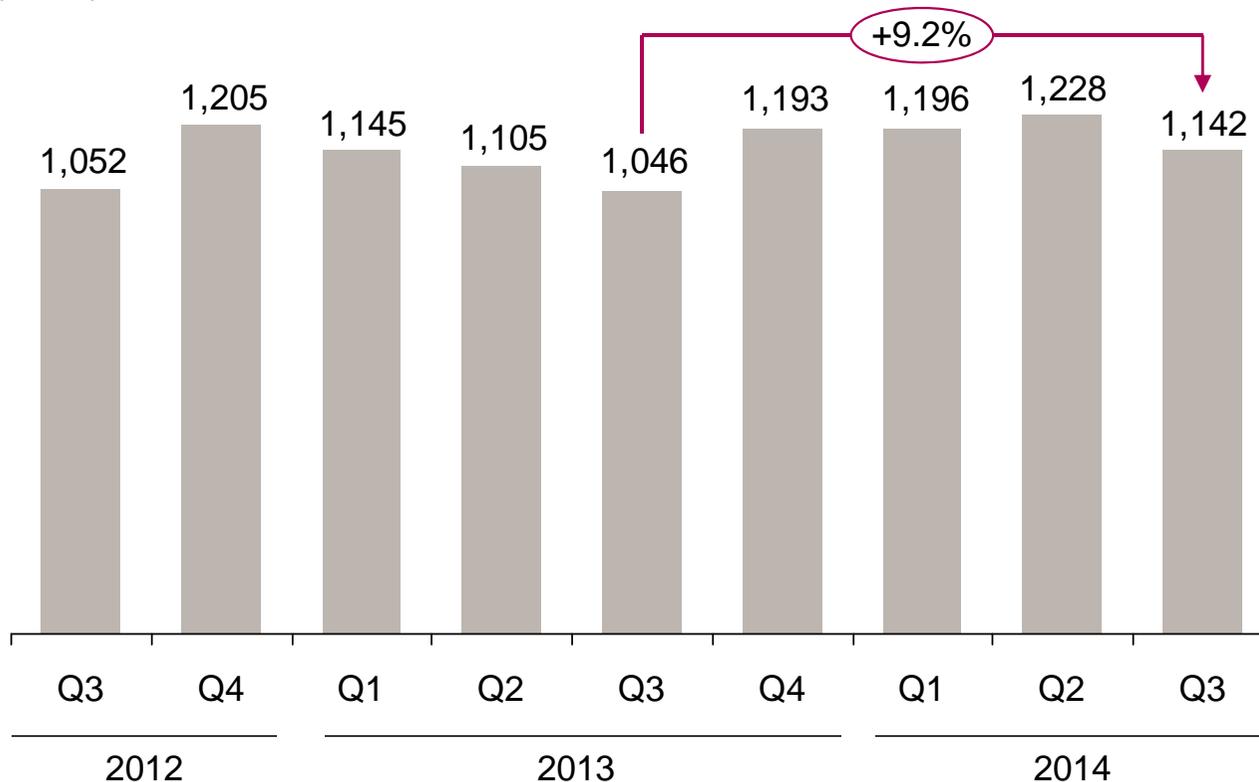
ORDER INTAKE

Order intake growth driven by Europe and China



KION global order intake¹

(in €m)



Comments

- Order intake growth remains strong in Q3, mainly in Western Europe, Eastern Europe and China
- Order backlog is €806m, 16% above year-end 2013
- Order backlog forms basis for increase in new business revenues
- Book-to-bill ratio at 1x for Q3 2014

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

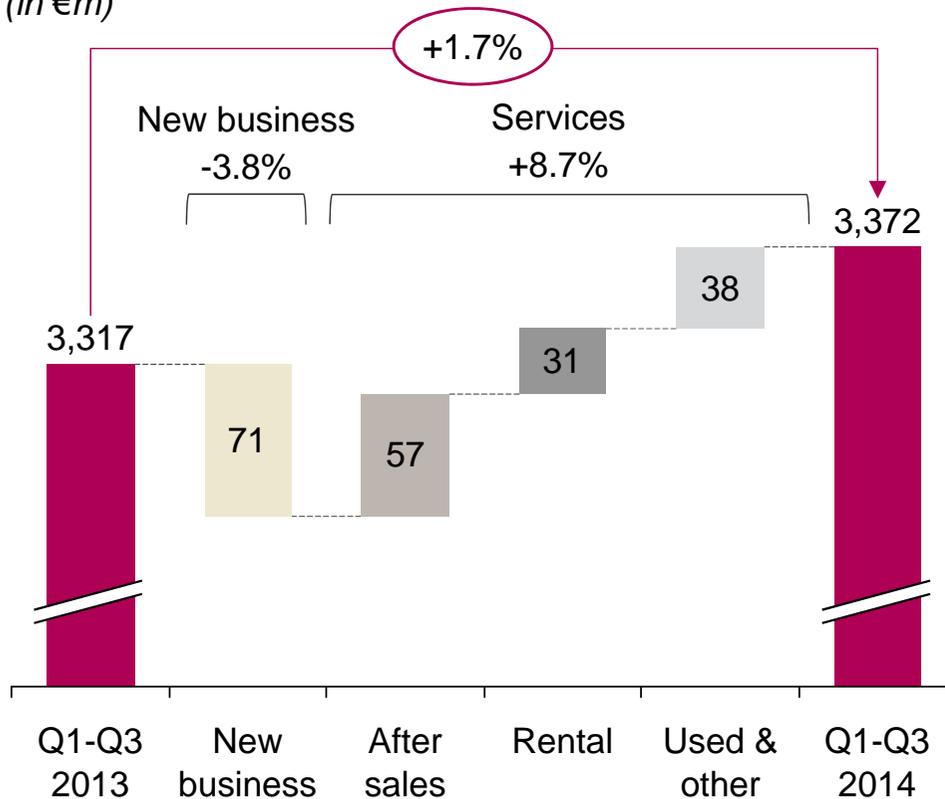
REVENUES

Growth in new business and service revenues in Q3



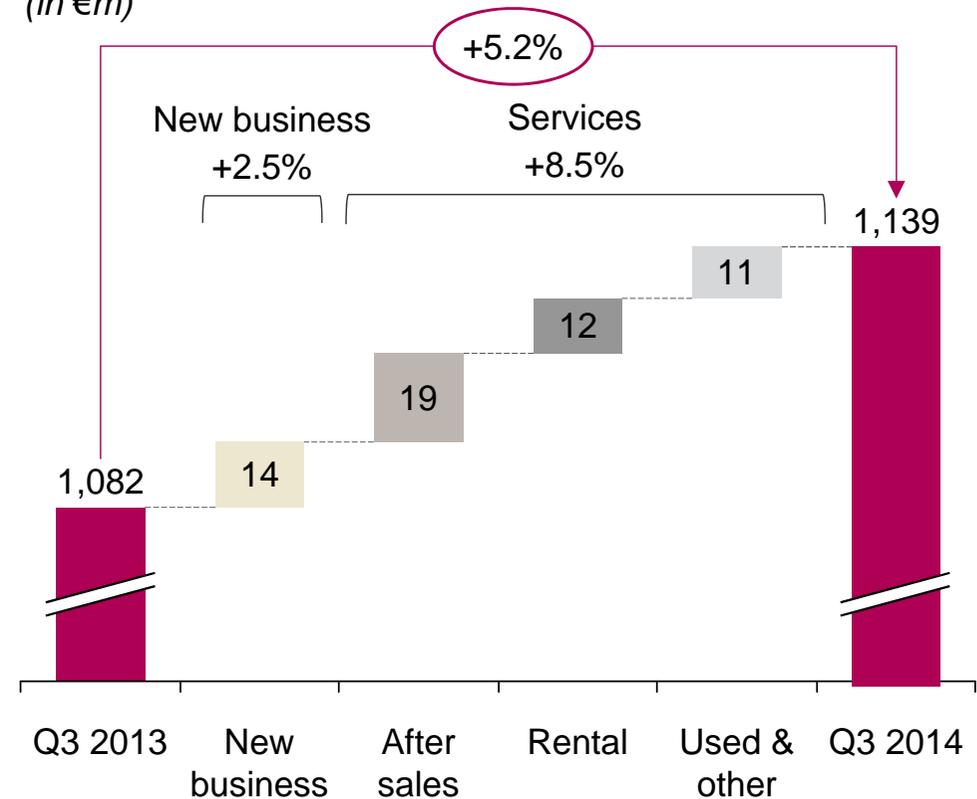
Q1-Q3 2014: Revenue by product categories

(in €m)



Q3 2014: Revenue by product categories

(in €m)



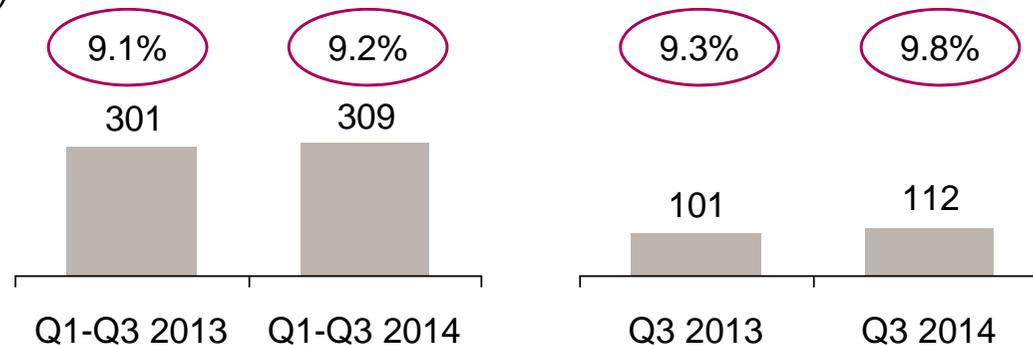
ADJUSTED EBIT AND EBITDA

Adjusted EBIT increase in Q3 driven by improved gross margin



Adjusted EBIT¹ and margin (in %)

(in €m)

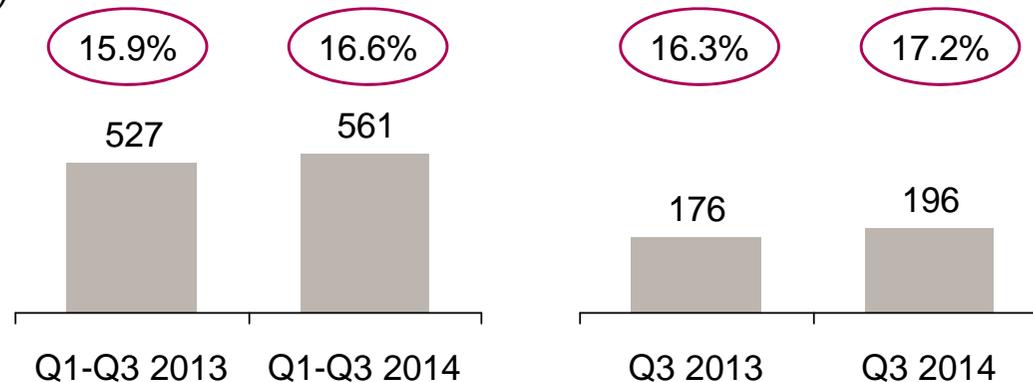


Comments

- Gross margin increase driven by new business product mix and growth in services
- Increase in fixed costs Q1-Q3 2014 driven by wage inflation, trade fairs and cost increase following IPO
- Adjusted EBITDA above 2013 level also driven by effects from first time consolidation of dealers

Adjusted EBITDA¹ and margin (in %)

(in €m)



¹ Adjusted for one-off items and purchase price allocation

ADJUSTED EBIT TO NET INCOME

Strong underlying net income growth

<i>(in €m)</i>	Q3 2014	Q3 2013	Change	Q1-Q3 2014	Q1-Q3 2013	Change
Adjusted EBIT¹	112	101	11.3%	309	301	2.6%
Non-recurring items (NRI)	-37	-5	<-100%	-47	-12	<-100%
KION acquisition items	-5	-7	25.4%	-24	-22	-8.0%
Reported EBIT	69	89	-22.1%	238	267	-10.9%
Net financial expenses	19	-70	>100%	-62	-182	66.1%
EBT	88	18	>100%	176	84	>100%
Taxes	-30	-7	<-100%	-57	-3	<-100%
Net income	58	11	>100%	119	81	45.9%
EPS reported	€0.59	€0.12		€1.19	€1.07	
EPS pro forma ²	€0.58	€0.12		€1.19	€0.82	

Comments

- NRI impacted by €32m impairment of 30% stake in Linde Hydraulics
- Financial result improved by €42m in Q3 due to revaluation of options relating to Linde Hydraulics
- Sustainable interest reduction after IPO and refinancing

¹ Adjusted for one-off items and purchase price allocation

² EPS for 2013 based on 98.9m no-par-value shares

FREE CASH FLOW

Cash flow from operations shows strong improvement



<i>(in €m)</i>	Q1-Q3 2014	Q1-Q3 2013	Change
EBITDA (excl. FS segment)	445	467	-4.8%
Change of TWC	-138	-124	-11.8%
Taxes paid	-41	-40	-4.9%
Pension payments	-16	-18	13.3%
Other	34	-35	>100%
Leasing cash flow	10	-8	>100%
CF from operating activities	294	244	20.6%
Operating capex	-87	-79	-10.3%
Rental capex (net)	-123	-107	-14.7%
Acquisitions	0	-4	>100%
Other	14	10	43.4%
CF from investing activities	-196	-180	-8.7%
Free cash flow	98	63	54.5%

Comments

- EBITDA 2014 includes negative €32m non-cash effect from LHY impairment, which is reversed in the line “Other”
- FCF improvement is driven by increase of EBITDA from operations
- Working capital kept at tight levels with comparable seasonal pattern
- Gradual increase in operating capex as expected
- Increase in net rental capex driven mainly by fleet replacements in Q1

Note: Cash flow 2013 adjusted due to reclassifications

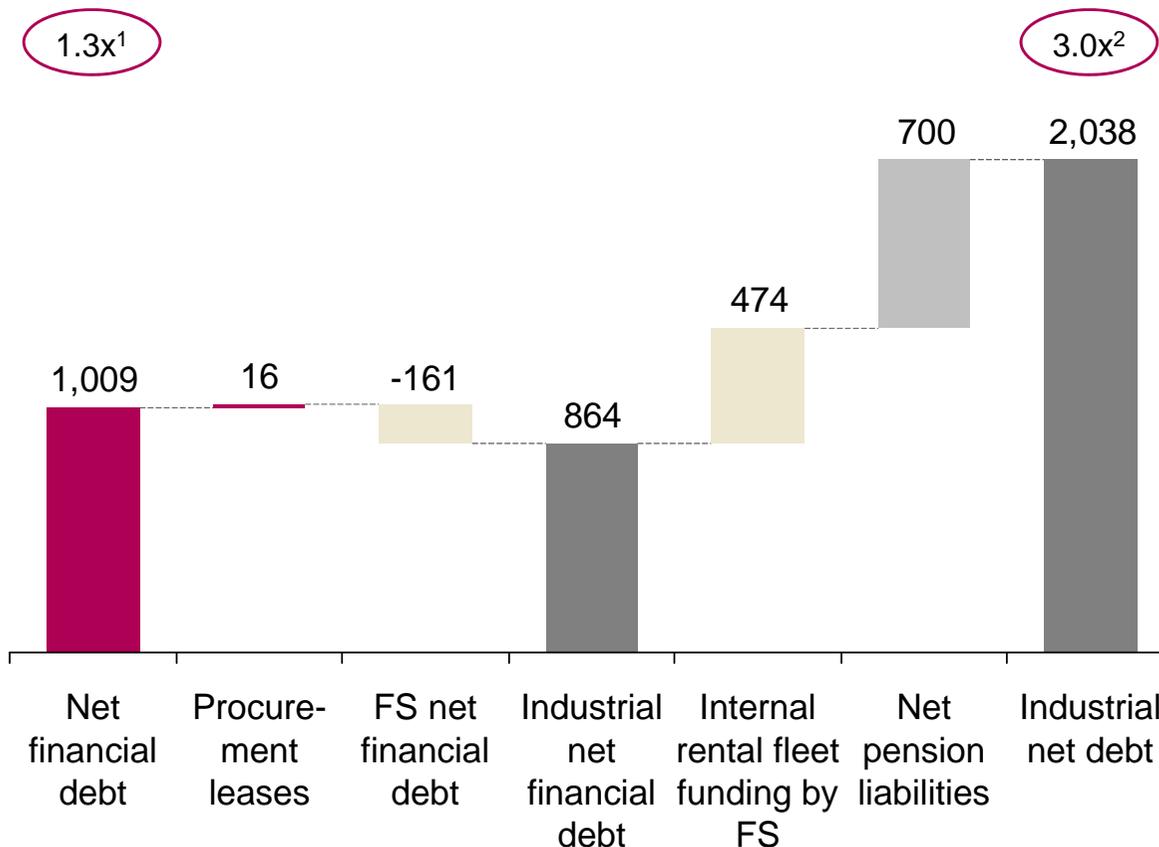
NET DEBT

Leverage improves compared to previous quarter



Net debt and leverage as at 30 September 2014

(in €m)



¹ Based on LTM adjusted EBITDA of €755m

² Industrial leverage based on €675m of LTM adjusted industrial EBITDA (excluding €80m of LTM EBITDA for FS)

Net debt development

- Group net financial debt decreases by €56m from Q2 due to cash generation
- Leverage thereby improves compared to previous quarter
- Increase in pension liabilities due to interest rate changes

End customer leasing

- Total assets for end customer leasing of €775m increase by €25m compared to previous quarter (€751m)
- Funding through SALB increases similarly by €25m to €668m compared to previous quarter (€643m)

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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

FINANCIAL CALENDAR

Date	Event
2 December 2014	Capital Markets Day In Mainz near Frankfurt, beginning at 10:30 am and finishing at around 16:30 pm Please register via ir@kiongroup.com
12 February 2015	Publication of preliminary results on the fiscal year 2014 (FY 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

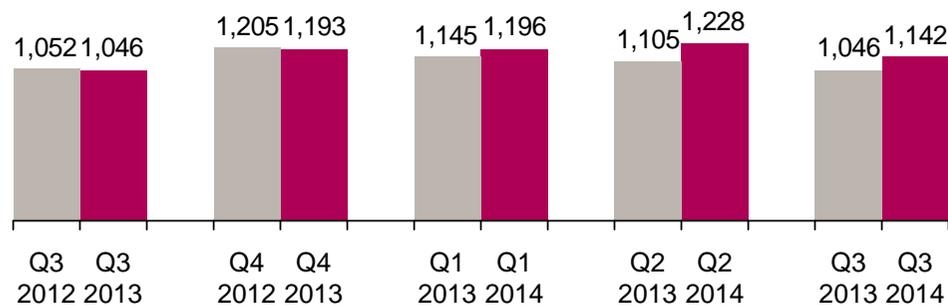
Subject to change without notice

-
- 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

KEY FINANCIAL FIGURES BY QUARTER

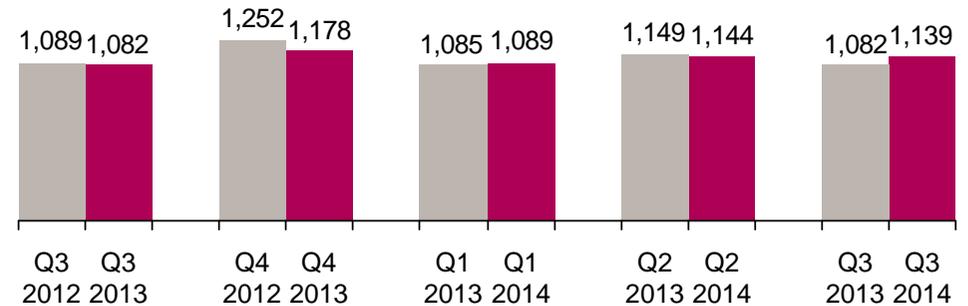
Order intake¹

(in €m)



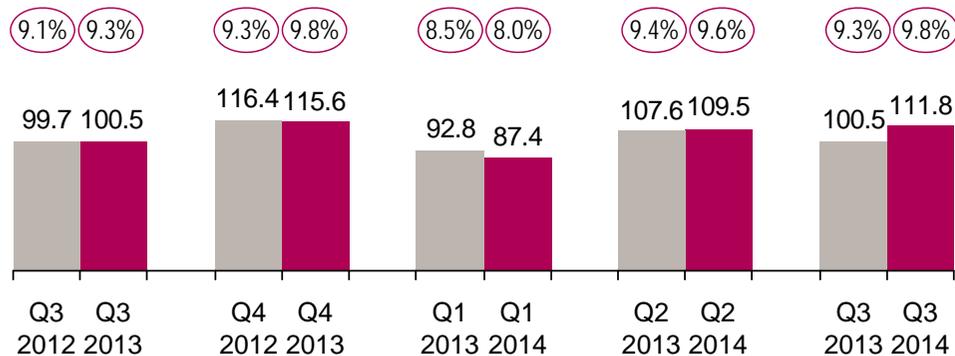
Revenue¹

(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

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