



Q1

INTERIM REPORT
2014

We
keep
the
world
moving.

Key figures

KION Group overview

in € million	Q1 2014	Q1 2013	Change
Order intake	1,196.1	1,145.3	4.4%
Revenue	1,088.9	1,085.2	0.3%
Order book ¹	763.8	693.3	10.2%
Results of operation			
EBITDA	166.5	169.0	-1.5%
Adjusted EBITDA ²	171.2	167.9	2.0%
Adjusted EBITDA margin ²	15.7%	15.5%	-
EBIT	77.0	86.4	-10.9%
Adjusted EBIT ²	87.4	92.8	-5.8%
Adjusted EBIT margin ²	8.0%	8.5%	-
Net income for the period	27.8	28.6	-2.7%
Financial position¹			
Total assets	6,065.5	6,026.4	0.6%
Equity	1,602.1	1,610.0	-0.5%
Net financial debt	1,026.7	979.3	4.8%
Cash flow			
Free cash flow ³	-22.3	-5.9	<-100%
Capital expenditures ⁴	27.2	25.2	8.1%
Employees⁵	22,267	22,273	-0.0%

1 Value as at 31/03/2014 compared to the balance sheet date 31/12/2013

2 Adjusted for KION acquisition items and one-off items

3 Free cash flow is defined as Cash flow from operating activities plus Cash flow used in investing activities

4 Capital expenditures including capitalised R&D costs, excluding leased and rental assets

5 Number of employees in full-time equivalents as at 31/03/2014 compared to the balance sheet date 31/12/2013

All amounts in this interim report are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in rounding differences of +/- €0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

This interim report is available in German and English at www.kiongroup.com under Investor Relations/Financial Reports. Only the content of the German version is authoritative.

We keep the world moving.

The KION Group has a global presence with products, services and solutions provided by its six brand companies. Employing more than 22,000 people, KION is the European market leader and the world's second largest manufacturer of forklift trucks and warehouse technology. It is also one of the leading international suppliers in the sector in China.

Linde and STILL serve the premium segment worldwide while Baoli focuses on the economy segment. Fenwick is the material-handling market leader in France, OM STILL is a market leader in Italy and Voltas is one of the two market leaders in India. On this sound basis, the KION Group generated revenue in excess of €4.5 billion in 2013.



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Highlights of the first quarter of 2014

Strong performance of KION shares

- Share price rises by 10.8 per cent in Q1 2014
- Free float reaches 31.2 per cent
- Majority of analysts recommend KION Group shares as a buy

Economic recovery in western Europe and sound business performance in Q1 2014

- New truck orders up by 3.1 per cent year on year; total value of order intake increases by 4.4 per cent
- Revenue in the first three months maintained at high prior-year level
- Order book improves substantially
- Net income of €27.8 million in Q1 2014 almost at prior-year level; earnings per share of €0.28

Contents

KION SHARES	6
INTERIM GROUP MANAGEMENT REPORT	9
Fundamentals of the KION Group	9
Report on the economic position	9
Events after the reporting date	27
Outlook, opportunity and risk report	27
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	28
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	36
Basis of presentation	38
Selected notes to the consolidated income statement	38
Selected notes to the consolidated statement of financial position	38
Other disclosures	39
QUARTERLY INFORMATION	51
DISCLAIMER	52
FINANCIAL CALENDAR/CONTACT INFORMATION	53
PUBLISHER	54

KION shares

Share performance

Despite what were at times volatile conditions on the stock market, KION shares performed well in the first three months of 2014. They closed at €34.03 on 31 March 2014, which was up by around 10.8 per cent on their 2013 year-end closing price of €30.73. The shares therefore fared better than the SDAX, which rose by 5.6 per cent over the same period. They also outperformed the MDAX and DAX. They reached their lowest price of the year so far (€30.10) on 9 January 2014, while on 24 February 2014 they reached €37.07, their highest price since the IPO.

This strong performance has continued into the second quarter. On 2 May 2014, KION shares were priced at €33.88 and had therefore gained 43.0 per cent compared with the issue price on 28 June 2013. >> **DIAGRAM 01**

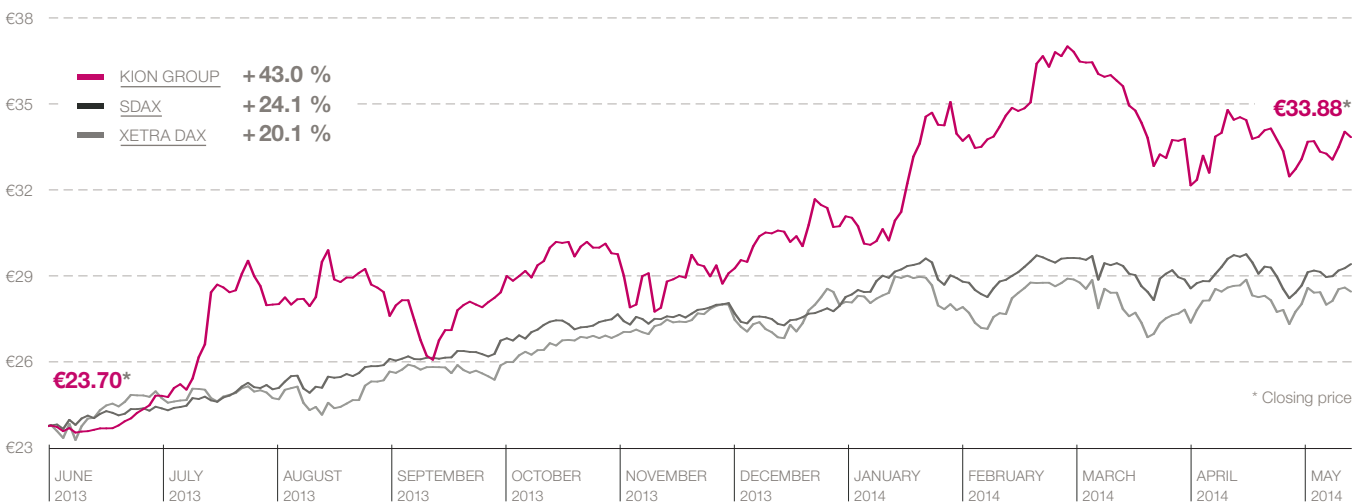
Shareholder structure

With market capitalisation of €3.4 billion and an average daily trading volume of 104.3 thousand shares – or €3.5 million – in the quarter under review, KION shares are ranked 43rd and 53rd respectively based on the criteria for inclusion in the MDAX (free float market capitalisation and trading volume).

There were changes to the shareholder structure in the first quarter of 2014. Weichai Power exercised its option to acquire shares from KKR and Goldman Sachs and thereby increase its stake from 30.0 per cent to 33.3 per cent. Since completion of this transaction on 15 January 2014, there has been a mutual right of first offer between Weichai Power on the one hand and KKR and Goldman Sachs on the other with respect to their shareholdings. Weichai Power has also undertaken not to acquire more than 49.9 per cent

Share price performance from 28 June 2013 to 2 May 2014

>> **DIAGRAM 01**



of KION shares between now and 28 June 2018 (as part of a standstill agreement). On 7 January 2014, KKR and Goldman Sachs placed a total of 10.7 million shares – 10.8 per cent of KION shares – on the stock exchange at a price of €29.50 per share. The placement closed within a few hours and was significantly oversubscribed. Whereas 20.3 per cent of shares were in free float as at 31 December 2013, following the exercise of the option by Weichai Power and the share placement by KKR and Goldman Sachs, this figure has now risen to 31.2 per cent. >> **DIAGRAM 02**

Dividend and 2014 Annual General Meeting

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.35 per share to the Annual General Meeting on 19 May 2014. This equates to a dividend payout rate of 25 per cent of net income. Over the coming years, the KION Group plans to progressively increase its dividend payout rate from 25 per cent to roughly 35 per cent. Other agenda items will include approval of the Executive Board remuneration system and the creation of authorised and conditional capital – equating in total to 10 per cent of the existing share capital – with the option of excluding pre-emptive rights. The speeches of the Chief Executive Officer and the chairman of the Supervisory Board will be broadcast live on our website at kiongroup.com/agm. A webcast of the Chief Executive Officer's speech will also be available on our website after the meeting.

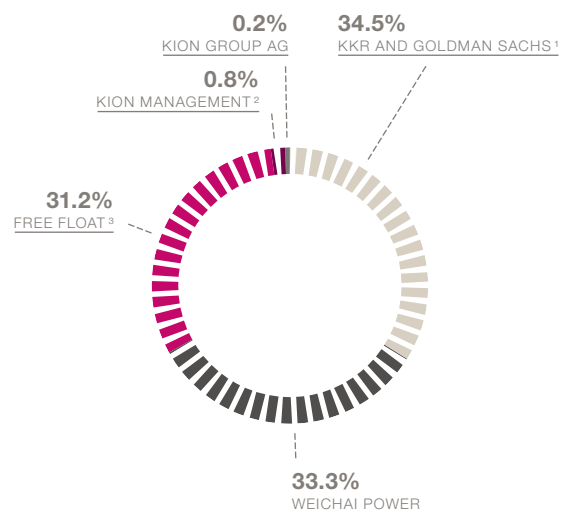
Investor relations

The main investor relations activity was a conference call that was held when the 2013 annual report was published on 20 March 2014. The key aspects of the KION Group Strategy 2020 were presented during this event. In addition, the Company appeared at investor conferences in the first quarter, such as the Unicredit German Corporate Conference, Commerzbank German Investment Seminar and Bank of America Merrill Lynch Global Industrial & EU Auto Conference. A number of roadshows and countless one-on-one meetings with analysts and institutional investors also took place.

10 brokerage houses published regular studies about KION shares. 6 analysts recommended KION shares as a buy; 4 rated them as neutral. The median target price specified for the shares was €37.50 as at 2 May 2014.

Shareholder structure as at 2 May 2014

>> **DIAGRAM 02**



¹ Held via Superlift Holding S.à.r.l.

² Held via KION Management Beteiligungs GmbH & Co. KG for participants in the management partnership plan whose shares are subject to a lock-up period.

³ Includes shares that are still held by KION Management Beteiligungs GmbH & Co. KG for participants in the management partnership programme but are no longer subject to a lock-up period and can therefore be sold or transferred to participants' private investment accounts.

Corporate bonds and credit rating

The amount of the outstanding bonds was reduced by a total of €525.0 million to €450.0 million on 15 April 2014. In detail, this meant that the fixed-rate tranche of the corporate bond issued in 2011, which was due to mature in 2018 and had a volume of €325.0 million, and the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million, were repaid early in full. Repayment of these bonds, which had

been issued before the IPO, was financed by drawdowns from the existing revolving credit facility and an extension to the credit facility of €198.0 million. The fixed-rate (6.75 per cent) tranche of the bond issued in 2013, which has a volume of €450.0 million and a maturity date of 2020, remains in place. On 7 April 2014, Moody's raised the rating of the KION Group and the bonds from Ba3 to Ba2 with a stable outlook. Then on 15 April 2014, S&P raised its rating for the KION Group from BB- with a positive outlook to BB, still with a positive outlook. >> **TABLE 01**

Share data

>> **TABLE 01**

Issuer	KION GROUP AG
Registered office	Wiesbaden
Share capital	€98,900,000; divided into 98,900,000 no-par-value shares
Share class	No-par-value shares
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
Index	SDAX, MSCI Small Cap Germany
Stock exchange symbol	KGX
ISIN	DE000KGX8881
WKN	KGX888
Bloomberg / Reuters	KGX GR / KGX.DE
Profit entitlement	From 1 January 2013
Closing price as at 31/03/2014	€34.03
Performance since beginning of 2014	10.8%
Market capitalisation as at 31/03/2014	€3,365.6 million
Free float	31.2%
Pro forma earnings per share based on 98.9 million no-par-value shares*	€0.28
Earnings per share*	€0.28

* For the reporting period 01/01/ – 31/03/2014

Interim group management report

FUNDAMENTALS OF THE KION GROUP

Strategy of the KION Group

When the KION Group presented its Strategy 2020 in March 2014, it clearly laid out its goals for the next few years. Under this strategy, the Company aims to leverage its strong global position and cross-brand synergies even more effectively and to become the industry leader worldwide. The focus is on growth, profitability, efficient use of capital and greater resilience during economic downturns. An integrated business model – with a high proportion of service business – and a multi-brand strategy form the basis. The targets are an EBIT margin of consistently more than 10 per cent and a far higher level of return on capital employed (ROCE).

The KION Group Strategy 2020 attaches particular importance to expansion outside Europe, above all in the fast-growing Asian and North American markets. The Company deliberately develops product ranges outside the premium segment that are geared to requirements in China, other Asian countries and other growth markets. In addition, the KION Group intends to significantly expand its presence in the US market with a specific product and service offering. It will do so with the aid of an existing plant in South Carolina and a comprehensive dealer network.

From production right through to marketing, sales and service, the aim is to fully exploit economies of scale and efficiency gains in every area. The purchasing and product development units will collaborate even more closely in order to further reduce production costs. Moreover, plant capacity utilisation is to be improved and the degree of inhouse production will be reviewed on an ongoing basis.

Increased use of shared modules and platforms – which is a core area of research and development work – should make the brand companies even more competitive. The shared platforms, which are mainly developed in the Chinese R&D centre, will be used in growth markets. Meanwhile, the focus in Europe will be on cross-brand modules.

The KION Group's company profile is unchanged compared with the description in the 2013 group management report. The description of the management system also remains the same.

REPORT ON THE ECONOMIC POSITION

Macroeconomic and sector-specific conditions

Macroeconomic conditions

Early estimates indicate that the economic uptrend has continued in 2014, albeit at a slower pace. Although most industrialised countries are increasingly contributing to the worldwide recovery, growth is decelerating in key emerging markets.

The latest economic data from China indicates a further reduction in the rate of growth. The high debt levels of companies in that country could hold back growth in subsequent quarters. Risks to growth have also increased in other emerging markets. Following the shift in monetary policy in the United States, these markets suffered outflows of capital (in some cases substantial) and devaluation of their local currencies. The response, which includes a rise in key interest rates, may also hamper growth in future. Furthermore, the Crimea crisis in Ukraine had a negative impact in eastern Europe, leading to a drop in direct investment in Russia and other countries.

By contrast, industrialised countries continued to recover. Despite disruptions to production caused by a cold snap, the United States has been growing at a faster rate than in 2013. Following a scaling back of the sovereign debt crisis, the eurozone registered moderate growth, albeit somewhat more muted in Italy and France. The German economy had a good start to 2014, maintaining its stable path of recovery.

At the moment, global sentiment indicators and leading indicators point to a generally robust business climate, with the piecemeal recovery of the worldwide economy likely to continue over the course of the year.

Sectoral conditions

Sales markets

The global market for industrial trucks generated strong growth in the first quarter of 2014. Manufacturers registered 9.7 per cent more orders than in the corresponding period of 2013.

As was the case in 2013 as a whole, almost half (44 per cent) of the additional trucks ordered were destined for the Chinese market, which saw growth of 17.7 per cent. Growth in this market, which remains by far the largest individual market, was concentrated on diesel trucks in the economy segment. The second largest market is the United States, where the number of orders went up by 16.4 per cent.

The number of trucks ordered in western Europe advanced by 10.3 per cent, making up for the decline in the previous year. Germany and the United Kingdom made a significant contribution to this gain, with growth of 8.2 per cent and 18.3 per cent respectively. Order numbers were also up in Spain and Italy, whereas France only managed a small increase of 2.0 per cent.

Political tension stemming from the crisis in Ukraine had a substantial impact in eastern Europe. The number of trucks ordered in Russia fell by 24.5 per cent. Conditions were more stable in other eastern European countries, with growth of 6.5 per cent.

Among the Asian emerging markets, Indonesia, Malaysia and Singapore reported particularly sharp rises in orders. By contrast, the numbers were down by a considerable 18.4 per cent in Central and South America. Brazil was unable to maintain the high level of the first quarter of 2013, registering a decrease of 10.0 per cent.

There was an above-average rise in demand for electric forklift trucks (up by 13.0 per cent). Diesel trucks also achieved a sharp year-on-year rise (up by 9.7 per cent), mainly driven by growth in China, whereas the increase was slightly less for warehouse trucks (up by 8.4 per cent). >> **TABLE 02**

Procurement markets and conditions in the financial markets

Overall, commodity prices were lower in the first three months of 2014 than in the same period of the previous year. The price of steel continued to fall, with steel scrap following a particularly steep downward trend. Copper also became much cheaper. The price of Brent crude oil hovered around the US\$ 108 mark, which was also below the average price in 2013.

Unfavourable currency effects have again created headwinds this year. The key factors here were the continued strength of the euro combined with the devaluation of currencies in relevant emerging markets.

Global industrial truck market (order intake)

>> **TABLE 02**

in thousand units	Q1 2014	Q1 2013	Change
Western Europe	74.7	67.7	10.3%
Eastern Europe	14.0	15.0	-6.9%
North America	52.7	46.1	14.2%
Central & South America	10.8	13.2	-18.4%
Asia (excl. Japan)	91.6	78.1	17.3%
Rest of world	28.3	27.8	1.8%
World	271.9	247.9	9.7%

Source: WITS/FEM

Financial position and financial performance

Overall assessment of the economic situation

As European market leader, the KION Group quickly benefited from the growing economic recovery in the established western European markets. While revenue remained at the same level as in the first three months of 2013 owing to currency effects, the KION Group's order intake and order book rose substantially in the first quarter of 2014. This increase was mainly driven by growth in Germany and the rest of Europe. Revenue from the service business went up significantly and accounted for 46.9 per cent of total revenue. The adjusted EBIT margin was 8.0 per cent in the first three months of the year. Net income and, therefore, earnings per share were largely unchanged year on year, with an average of 98.9 million no-par-value shares. Since the IPO, the repayment of financial liabilities has greatly increased financial scope and flexibility, and this was particularly reflected in the level of net financial expenses and current interest payments in the first quarter of 2014.

Level of orders

The KION Group had a strong start to 2014 with the value of orders up by 4.4 per cent compared with the first quarter of the previous year despite negative currency effects of €18.8 million. All three operating segments generated an increase in order volume. LMH and STILL benefited from both quantity effects and price effects.

The number of trucks ordered advanced by 3.1 per cent. In western Europe, the number increased by 2.6 per cent but was unable to keep pace with overall market growth, which was driven by the expansion of rental fleets. By contrast, a strong performance outside Russia and other factors enabled the KION Group to buck the negative market trend in eastern Europe and achieve almost the same high level as in the first quarter of 2013. In Asia, there were significant gains in all product categories. Of particular note was the encouraging rise in the number of diesel trucks ordered, which was mainly due to a new product platform developed in China. As a result, the KION Group generated growth of 18.7 per cent in China, thereby slightly outperforming the market as a whole. In Central and South America, the KION Group brand companies were unable to escape the negative market trend. This was particularly the case in Brazil owing to uncertainty about government subsidy programmes at the end of

2013. Nevertheless, the brand companies fared better overall than the general market trend in this region, despite the decrease. Overall, growth markets accounted for 32.6 per cent of new truck sales.

The total value of the order book amounted to €763.8 million, an increase of 10.2 per cent on the value at the end of last year (31 December 2013: €693.3 million).

Revenue

The revenue generated by the KION Group was up by 0.3 per cent on the first three months of the previous year (Q1 2013: €1,085.2 million) and stood at €1,088.9 million. The decline in new truck business was more than offset by the marked rise in the service business. Adjusted for currency effects, revenue went up by 2.0 per cent. Negative currency effects, which totalled €18.4 million, were primarily attributable to the currency areas of Brazil and Australia.

Revenue from new truck business came to €577.7 million, which was 5.5 per cent down on the first quarter of 2013 (Q1 2013: €611.4 million). Decreases in revenue from diesel trucks and electric forklift trucks were only partly offset by a gain in revenue from warehouse technology products.

The sharp increase in revenue from the service business, which climbed by 7.9 per cent to €511.3 million (Q1 2013: €473.7 million), was due to a number of factors, including a greater volume of servicing and maintenance work under service agreements and the acquisition of a majority stake in Willenbrock at the end of 2013. There were substantial year-on-year improvements for the short-term and long-term rental businesses. The used truck business also generated more revenue than in the first quarter of 2013. Overall, the high-margin service business contributed 46.9 per cent (Q1 2013: 43.7 per cent) of the KION Group's total revenue. >> **TABLE 03**

Revenue by product category

>> TABLE 03

in € million	Q1 2014	Q1 2013	Change
New business	577.7	611.4	-5.5%
Service offering	511.3	473.7	7.9%
- After sales	304.7	283.8	7.4%
- Rental business	116.5	107.8	8.0%
- Used trucks	64.0	52.8	21.1%
- Other	26.1	29.3	-11.0%
Total	1,088.9	1,085.2	0.3%

Analysis of the individual sales regions reveals a mixed picture. The KION Group returned to growth in western Europe following moderate losses in the previous year and achieved a moderate rise in the important German market. Although revenue decreased by 1.3 per cent in eastern Europe, the proportion of revenue generated by this region was largely unchanged year on year despite the negative market trend in Russia caused by increased political

tensions. Revenue in Brazil was affected by declining market volumes and currency effects. Asia also registered a slight decrease.

Taken together, the emerging markets accounted for 23.0 per cent of revenue in the first quarter of 2014 (Q1 2013: 24.3 per cent). Overall, markets outside Germany generated 73.3 per cent of total consolidated revenue (Q1 2013: 74.5 per cent). >> TABLE 04

Revenue by customer location

>> TABLE 04

in € million	Q1 2014	Q1 2013	Change
Western Europe	816.3	785.9	3.9%
Eastern Europe	82.0	83.0	-1.3%
Americas	55.1	70.4	-21.7%
Asia	100.3	105.0	-4.4%
Rest of world	35.2	40.8	-13.8%
Total revenue	1,088.9	1,085.2	0.3%

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) amounted to €77.0 million, which was 10.9 per cent below the same period of the previous year (Q1 2013: €86.4 million). Non-recurring items had resulted in income of €1.3 million in the prior-year period, whereas they led to expenses of €4.5 million in the first quarter of this year. As had been the case in the first three months of 2013, these one-off expenses included losses related to the purchase price allocation for the equity-accounted Linde Hydraulics. It should be noted that the figure for the

first quarter of 2013 had also included additional non-recurring income of €8.1 million relating to the hydraulics business, which was sold in December 2012. Depreciation, amortisation and impairment losses in connection with the KION acquisition in 2006 went down by €1.8 million to €5.9 million in the first quarter of 2014. Adjusted EBIT, which excludes non-recurring items and KION acquisition items, totalled €87.4 million (Q1 2013: €92.8 million). This decline of 5.8 per cent is largely due to the fact that the figure for the first quarter of 2013 had included positive exchange differences of €3.5 million, whereas these were insignificant in the period under review. The adjusted EBIT margin decreased from 8.5 per cent to 8.0 per cent in the first three months of 2014. >> **TABLE 05**

EBIT

>> **TABLE 05**

in € million	Q1 2014	Q1 2013	Change
Net income for the period	27.8	28.6	-2.7%
Income taxes	-18.9	-10.3	-84.7%
Net financial expenses	-30.3	-47.6	36.4%
EBIT	77.0	86.4	-10.9%
+ Non-recurring items	4.5	-1.3	>100%
+ KION acquisition items	5.9	7.6	-23.2%
Adjusted EBIT	87.4	92.8	-5.8%

EBITDA was down slightly year on year, declining by 1.5 per cent to €166.5 million (Q1 2013: €169.0 million). By contrast, there was a moderate rise in adjusted EBITDA, which climbed to €171.2 million (Q1 2013: €167.9 million). This equates to an adjusted EBITDA margin of 15.7 per cent (Q1 2013: 15.5 per cent). >> [TABLE 06](#)

EBITDA
>> [TABLE 06](#)

in € million	Q1 2014	Q1 2013	Change
EBIT	77.0	86.4	-10.9%
Amortisation and depreciation	89.5	82.6	8.5%
EBITDA	166.5	169.0	-1.5%
+ Non-recurring items	4.7	-1.3	>100%
+ KION acquisition items	0.0	0.2	-100.0%
Adjusted EBITDA	171.2	167.9	2.0%

Key influencing factors for earnings

Unlike revenue, the cost of sales was down by 0.8 per cent on the first three months of 2013 at €776.5 million (Q1 2013: €783.1 million). The growth in revenue from new trucks tailored to specific customer requirements had a positive impact on the gross margin, as did the higher proportion of total revenue accounted for by the service business. Gross profit advanced by 3.4 per cent to €312.5 million.

At €139.2 million, selling expenses were almost at the same level as in the first three months of 2013. Administrative expenses were slightly higher year on year at €74.4 million (Q1 2013: €72.7 million) owing to changes to collective bargaining agreements, among other things.

The reasons for the sharp decline in the 'Other' item, which dropped by €16.8 million to €7.6 million, included positive exchange differences in the prior-year period and the non-recurring item resulting from the sale of the hydraulics business in the prior-year period. The loss from equity-accounted investments amounted to €1.6 million (Q1 2013: loss of €1.3 million) and is included in the 'Other' item. The main reason for this was the pro-rata loss from Linde Hydraulics, which was the result of current depreciation, amortisation and impairment losses in connection with its purchase price allocation (PPA), among other factors. >> **TABLE 07**

(Condensed) income statement

>> **TABLE 07**

in € million	Q1 2014	Q1 2013	Change
Revenue	1,088.9	1,085.2	0.3%
Cost of sales	-776.5	-783.1	0.8%
Gross profit	312.5	302.1	3.4%
Selling expenses	-139.2	-137.8	-1.0%
Research and development costs	-29.5	-29.4	-0.1%
Administrative expenses	-74.4	-72.7	-2.3%
Other	7.6	24.3	-68.9%
Earnings before interest and taxes (EBIT)	77.0	86.4	-10.9%
Net financial expenses	-30.3	-47.6	36.4%
Earnings before taxes	46.7	38.8	20.4%
Income taxes	-18.9	-10.3	-84.7%
Net income for the period	27.8	28.6	-2.7%

Net financial expenses

There was a significant improvement in the balance of financial income and financial expenses, leading to net financial expenses of €30.3 million (Q1 2013: €47.6 million). The main reason for this was the decline in interest expenses arising from loan liabilities following repayment in full of the acquisition finance and repayment of the floating-rate portion of the 2011/2018 corporate bond (floating rate note, €175.0 million). On a long-term basis, this more than offset the higher interest expenses arising from the capital market liabilities that resulted from issuing the second bond in February 2013 with a higher fixed interest rate than the floating-rate bank liabilities that it replaced. Net financial income from exchange differences reduced by €3.8 million to €0.3 million following repayment in full of the foreign-currency loan denominated in US dollars and the termination of corresponding hedging instruments in the previous year.

Income taxes

Income taxes amounted to €18.9 million compared with €10.3 million in the first three months of 2013. One of the main reasons for the increase was the higher level of earnings before tax. The deferred tax expense of €4.7 million (Q1 2013: deferred tax income of €8.5 million) was predominantly the result of utilising deferred tax assets relating to loss carryforwards of the German tax group.

Net income for the period

The KION Group's net income after taxes totalled €27.8 million, which was slightly down on the €28.6 million reported in the first quarter of the previous year. Diluted and basic earnings per share for the reporting period came to €0.28 (Q1 2013: €0.44). Based on an average of 98.9 million no-par-value shares, pro-forma earnings per share for the first quarter of 2013 also came to €0.28.

Business situation and financial performance of the segments

Linde Material Handling segment

Following a moderate decline in order volumes in 2013, the Linde Material Handling segment's order intake climbed by 9.2 per cent to €796.0 million in the first quarter of this year (Q1 2013: €728.6 million). LMH saw particularly strong growth in western Europe – especially in Germany and the United Kingdom – and in Asia. The Dealer Willenbrock, which was included in the consolidation for the first time, contributed to the increase.

Segment revenue grew by 1.4 per cent year on year to €720.9 million (Q1 2013: €711.3 million). A moderate decrease in new truck business was offset by an encouraging increase in the service business, to which the first-time consolidation of Willenbrock also contributed.

Adjusted EBIT reached €75.3 million, just short of the figure for the first three months of last year (Q1 2013: €75.9 million). While there was an increase in gross profit, there was also a rise in selling expenses and administrative expenses. This was largely attributable to higher personnel expenses, including those caused by the consolidation of Willenbrock. The adjusted EBIT margin was 10.5 per cent (Q1 2013: 10.7 per cent). >> [TABLE 08](#)

Key figures – LMH –

>> [TABLE 08](#)

in € million	Q1 2014	Q1 2013	Change
Order intake	796.0	728.6	9.2%
Revenue	720.9	711.3	1.4%
EBITDA	112.6	107.4	4.9%
Adjusted EBITDA	115.2	109.8	5.0%
EBIT	67.0	67.4	-0.6%
Adjusted EBIT	75.3	75.9	-0.7%
Adjusted EBITDA margin	16.0%	15.4%	-
Adjusted EBIT margin	10.5%	10.7%	-

STILL segment

The STILL segment achieved year-on-year increases in both order intake and revenue. Order intake went up by 5.6 per cent to €471.7 million (Q1 2013: €446.8 million), primarily due to strong growth in western Europe – particularly in Italy – and in the eastern European market. The acquisition of a majority stake in the Turkish dealer Arser, which was completed in 2013, also had a positive impact on order intake. By contrast, the volume of orders was less satisfactory in Brazil, where uncertainties in the market resulted in a decline in new truck business.

Segment revenue grew by 5.5 per cent to €432.3 million (Q1 2013: €409.8 million), also driven by the recovery in western

European countries outside Germany and in eastern Europe. The Turkish dealer Arser also contributed to the increase in revenue. However, Brazil registered a year-on-year decrease in revenue. In terms of product categories, there was a rise in revenue from new truck business and an even stronger rise in the service business. Rental business and used truck business registered particularly significant year-on-year gains.

The segment's adjusted EBIT advanced by 10.3 per cent to €24.2 million (Q1 2013: €21.9 million), above all due to the substantial level of new truck business. The adjusted EBIT margin improved from 5.4 per cent in the first quarter of 2013 to 5.6 per cent in the reporting period. >> **TABLE 09**

Key figures – STILL –

>> **TABLE 09**

in € million	Q1 2014	Q1 2013	Change
Order intake	471.7	446.8	5.6%
Revenue	432.3	409.8	5.5%
EBITDA	49.4	45.4	8.6%
Adjusted EBITDA	50.6	46.4	9.0%
EBIT	23.0	19.6	17.4%
Adjusted EBIT	24.2	21.9	10.3%
Adjusted EBITDA margin	11.7%	11.3%	–
Adjusted EBIT margin	5.6%	5.4%	–

Financial Services segment

The Financial Services (FS) segment is the central financing partner for the LMH and STILL brand segments' end-customer leasing and financing of the short-term rental fleet. In the first quarter of 2014, the FS segment benefited from growing internal and external demand for financing. Long-term leasing with external end customers generated a volume of €77.3 million compared with €74.4 million in the prior-year period. Financing for short-term rental business grew at an even stronger rate. The LMH and STILL brand segments have operational responsibility for this business, which is recognised as intra-group revenue. External leasing business with end customers continued to be concentrated in western Europe. At €1,257.8 million, the FS segment's assets were up slightly compared with the end of last year (31 December 2013: €1,249.4 million) and up significantly year on year due to the increase in the volume of orders (31 March 2013: €1,038.4 million).

Net interest income, which is one of the segment's main sources of income, stood at €0.8 million and was therefore close to the figure for the first three months of 2013. Earnings before tax came to €1.3 million in the reporting period, which was largely unchanged on the €1.2 million reported in the first quarter of 2013. As at 31 March 2014, the FS segment had intra-group lease receivables of €450.0 million from the LMH and STILL brand segments relating to the intra-group financing of the short-term rental fleet (31 December 2013: €449.1 million; 31 March 2013: €372.1 million). The funding of intra-group long-term leases (finance leases) with LMH and STILL resulted in lease liabilities of €317.4 million (31 December 2013: €319.7 million; 31 March 2013: €262.1 million). Net financial debt amounted to €150.3 million at the end of the reporting period (31 December 2013: €163.6 million; 31 March 2013: €171.0 million). Return on equity (ROE) was 13.0 per cent, the same as it had been at the end of 2013. >> **TABLE 10**

Key figures – Financial Services –

>> **TABLE 10**

in € million	Q1 2014	Q1 2013	Change
Revenue	139.0	114.2	21.7%
Adjusted EBITDA	18.3	14.9	22.6%
Adjusted EBIT	0.5	0.2	>100%
Earnings before taxes (EBT)	1.3	1.2	10.1%
Lease receivables ¹	911.3	751.8	21.2%
thereof to third parties	461.3	379.7	21.5%
Lease liabilities ²	948.6	750.0	26.5%
thereof liabilities from funding of the short-term rental business	317.4	262.1	21.1%
Net financial debt	150.3	171.0	-12.1%
Equity	41.2	37.6	9.6%
Return on equity ³	13.0%	13.0%	-

1 Includes intra-group lease receivables from LMH and STILL segments from funding of the short-term rental business

2 Includes liabilities from financing of the short-term rental fleet reported as other financial liabilities

3 Earnings before taxes / Average equity tied up during the reporting period excluding the net income of the period

Other segment

Group head office functions that do not come under any other segment, plus the Indian brand company Voltas, are reported in the Other segment. The small year-on-year decrease in total revenue was attributable to a reduction in intra-group IT and logistics services.

Revenue generated outside the KION Group totalled €9.2 million (Q1 2013: €12.2 million). The volume of business and order intake at Voltas were both down compared with the first quarter of 2013.

The Other segment again reported a negative amount for adjusted EBIT of minus €6.7 million (Q1 2013: minus €5.3 million), which was due to the cost of central group functions. >> **TABLE 11**

Key figures – Other –

>> **TABLE 11**

in € million	Q1 2014	Q1 2013	Change
Order intake	57.3	63.1	-9.2%
Revenue	56.7	63.1	-10.1%
EBITDA	-3.4	3.4	<-100%
Adjusted EBITDA	-2.5	-1.0	<-100%
EBIT	-7.6	-0.9	<-100%
Adjusted EBIT	-6.7	-5.3	-26.1%

Consolidation/reconciliation

The increase in intra-group orders between brand segments and with Financial Services in the first quarter of 2014 was the main factor in the EBIT effect of minus €5.9 million (Q1 2013: plus €0.2 million).

Financial position

The principles and objectives applicable to financial management as at 31 March 2014 were the same as those described in the 2013 group management report. There were no significant financing activities in the reporting period. However, tranches of the corporate bonds were repaid ahead of schedule in the second quarter, as reported under Events after the reporting date (see page 27).

Analysis of capital structure

Long-term borrowing consisted of two secured corporate bonds with a total volume of €975.0 million as at 31 March 2014 – as had

been the case at 31 December 2013. As at the reporting date, €132.2 million (31 December 2013: €184.4 million) had been drawn down under the revolving credit facility, which includes other loan liabilities of individual Group companies outside Germany and contingent liabilities. Taking account of borrowing costs of €15.9 million, the financial debt recognised in the statement of financial position stood at €1,158.2 million (31 December 2013: €1,198.6 million). Because a proportion of cash and cash equivalents was used for repayments in the first quarter of 2014, net financial debt increased slightly during that period from €979.3 million to €1,026.7 million. As at 31 March 2014, net debt was roughly 1.4 times adjusted EBITDA for the past twelve months. >> **TABLE 12**

Net financial debt

>> **TABLE 12**

in € million	31/03/2014	31/12/2013	Change
Corporate bond – fixed rate (2011/2018) – gross	325.0	325.0	–
Corporate bond – fixed rate (2013/2020) – gross	450.0	450.0	–
Corporate bond – floating rate (2013/2020) – gross	200.0	200.0	–
Liabilities to banks (gross)	192.3	233.7	–17.7%
Liabilities to non-banks (gross)	6.8	6.6	2.3%
./. Capitalised borrowing costs	–15.9	–16.7	4.7%
Financial debt	1,158.2	1,198.6	–3.4%
./. Cash and cash equivalents	–131.4	–219.3	40.1%
Net financial debt	1,026.7	979.3	4.8%

At €609.7 million, pension provisions were higher than they had been at the end of last year (31 December 2013: €560.1 million) owing to interest rate changes. The net obligation increased to €586.9 million (31 December 2013: €537.7 million).

The lease liabilities resulting from sale and leaseback transactions used to fund long-term leases with end customers rose to €632.7 million (31 December 2013: €617.1 million) due to further growth in the volume of financial services activities. Of this total, €401.9 million related to non-current lease liabilities and €230.8 million to current

lease liabilities. Other financial liabilities also included liabilities of €324.5 million from sale and leaseback transactions used to finance the short-term rental fleet (31 December 2013: €327.5 million).

There was a small decrease in equity, which went down by 0.5 per cent to €1,602.1 million (31 December 2013: €1,610.0 million). This primarily resulted from the change in the interest rate for pensions. The equity ratio was therefore 26.4 per cent (31 December 2013: 26.7 per cent). >> **TABLE 13**

(Condensed) balance sheet, equity and liabilities

>> **TABLE 13**

in € million	31/03/2014	in %	31/12/2013	in %	Change
Equity	1,602.1	26.4%	1,610.0	26.7%	-0.5%
Non-current liabilities	2,766.0	45.6%	2,709.8	45.0%	2.1%
thereof:					
Retirement benefit obligation	609.7	10.1%	560.1	9.3%	8.9%
Corporate bond	959.1	15.8%	958.3	15.9%	0.1%
Other financial liabilities	27.8	0.5%	12.8	0.2%	> 100%
Deferred tax liabilities	303.3	5.0%	306.2	5.1%	-1.0%
Lease liabilities	401.9	6.6%	403.7	6.7%	-0.5%
Current liabilities	1,697.4	28.0%	1,706.6	28.3%	-0.5%
thereof:					
Financial liabilities	171.3	2.8%	227.5	3.8%	-24.7%
Trade payables	570.9	9.4%	550.5	9.1%	3.7%
Lease liabilities	230.8	3.8%	213.3	3.5%	8.2%
Total equity and liabilities	6,065.5		6,026.4		0.6%

Analysis of capital expenditure

The KION Group's total capital expenditure came to €27.2 million, compared with €25.2 million in the first quarter of 2013. As was the case last year, this spending mainly constituted capitalised development costs in the LMH and STILL brand segments. In addition, the KION Group expanded its production sites, especially in Germany, and updated its IT infrastructure as part of ongoing projects.

Analysis of liquidity

Net cash provided by the KION Group's operating activities totalled €41.0 million (Q1 2013: €44.8 million). The increase in net cash as a result of higher earnings was more than offset by the increase in working capital. Depreciation, amortisation and impairment increased in comparison with the same period of last year, primarily as a result of the acquisition of Willenbrock. Higher prepayments of trade tax led to a year-on-year rise in income taxes.

The net cash used for investing activities came to €63.3 million (Q1 2013: €50.7 million; adjusted for rental business, which was previously reported under cash flow from operating activities). Whereas the change in cash payments for capital expenditure was

insignificant, net investment in relation to disposals and acquisitions in the rental business rose from €25.5 million to €37.4 million in the reporting period. This primarily took the form of replacement investment, which meant that the level of rental assets on the balance sheet remained virtually unchanged compared with the end of the first quarter of 2013. As had been the case in the first three months of last year, there were no outflows of capital in connection with acquisitions.

Free cash flow declined to minus €22.3 million year on year (Q1 2013: minus €5.9 million).

Cash flow from financing activities amounted to minus €64.9 million (Q1 2013: minus €25.7 million) and reflected, above all, the higher volume of repayments under the revolving credit facility. Gross repayments of €558.9 million were partly offset by a gross drawdown of €506.6 million. The cash payments for costs incurred in connection with equity and debt transactions totalled €2.0 million (Q1 2013: €11.1 million). Current interest payments resulted in an outflow of funds of €22.4 million. Interest payments in the first quarter of 2014 included interest of €17.7 million arising on the corporate bond (2013/2020) issued in February 2013, which was not included in the interest payments of 20.1 million for the corresponding period of 2013. >> TABLE 14

(Condensed) cash flow statement*

>> TABLE 14

in € million	Q1 2014	Q1 2013	Change
EBIT	77.0	86.4	-10.9%
Cash flow from operating activities	41.0	44.8	-8.5%
Cash flow from investing activities	-63.3	-50.7	-24.8%
Free cash flow	-22.3	-5.9	<-100%
Cash flow from financing activities	-64.9	-25.7	<-100%
Currency effects on cash	-0.7	3.4	<-100%
Change in cash and cash equivalents	-87.9	-28.2	<-100%

* Adjusted due to a change in presentation, for details see, 'Information on the consolidated statement of cash flows'

Net assets

Non-current assets amounted to €4,433.9 million as at 31 March 2014, virtually unchanged on the end of the previous year (31 December 2013: €4,435.8 million). Intangible assets accounted for €2,422.9 million (31 December 2013: €2,428.7 million). Goodwill and the KION Group's brand names represented €2,087.5 million of that, almost unchanged on the end of the previous year (31 December 2013: €2,089.4 million). Leased assets for leases with end customers that are classified as operating leases rose only slightly, from €251.9 million at 31 December 2013 to €254.3 million at 31 March 2014. Long-term lease receivables arising from leases with

end customers that are classified as finance leases were largely unchanged on the end of the previous year at €308.0 million (31 December 2013: €308.8 million). There was also very little change in the rental assets in the brand segments' short-term rental fleet, which stood at €463.1 million (31 December 2013: €461.2 million).

The rise in current assets to €1,631.6 million (31 December 2013: €1,590.7 million) was primarily the result of increased inventories and trade receivables, which more than offset the decline in cash and cash equivalents. In both the LMH and STILL segments, inventories at 31 March 2014 were higher than they had been three months earlier but lower than at the end of the first quarter of 2013. The seasonal-related increase in inventories is necessary to prevent

Condensed balance sheet, assets

>> TABLE 15

in € million	31/03/2014	in %	31/12/2013	in %	Change
Non-current assets	4,433.9	73.1%	4,435.8	73.6%	-0.0%
thereof:					
Goodwill	1,493.1	24.6%	1,494.7	24.8%	-0.1%
Brand names	594.4	9.8%	594.7	9.9%	-0.0%
Deferred tax assets	300.4	5.0%	295.5	4.9%	1.7%
Rental assets	463.1	7.6%	461.2	7.7%	0.4%
Leased assets	254.3	4.2%	251.9	4.2%	0.9%
Lease receivables	308.0	5.1%	308.8	5.1%	-0.3%
Current assets	1,631.6	26.9%	1,590.7	26.4%	2.6%
thereof:					
Inventories	585.6	9.7%	511.8	8.5%	14.4%
Trade receivables	596.1	9.8%	558.7	9.3%	6.7%
Lease receivables	175.8	2.9%	170.8	2.8%	3.0%
Other current assets	128.2	2.1%	114.7	1.9%	11.8%
Cash	131.4	2.2%	219.3	3.6%	-40.1%
Total assets	6,065.5		6,026.4		0.6%

supply bottlenecks during the summer months, thereby ensuring the stability of the production process. There was a small rise in short-term lease receivables with end customers, which stood at €175.8 million at the end of the first quarter (31 December 2013: €170.8 million).

Cash and cash equivalents had declined sharply as at 31 March 2014, falling to €131.4 million (31 December 2013: €219.3 million). This was because, for the first time, it became possible to use the existing cash on hand in China to reduce bank liabilities as part of the Group's funding activities. Taking into account the credit facility that was still available, the cash and cash equivalents available to the KION Group at 31 March 2014 had amounted to €1,043.9 million.

>> TABLE 15

Non-financial performance indicators

Employees

There was little change in the number of full-time equivalents, with 22,267 people employed as at 31 March 2014 compared with 22,273 at the end of 2013. The regional breakdown of headcount was essentially the same as it had been at 31 December 2013.

Personnel expenses went up by 6.5 per cent to €295.4 million (Q1 2013: €277.4 million) on the back of acquisitions and changes to collective bargaining agreements. >> TABLE 16

Employees (full-time equivalents)

>> TABLE 16

	31/03/2014	31/12/2013	Change
Western Europe	15,749	15,841	-0.6%
Eastern Europe	1,723	1,689	2.0%
Americas	640	649	-1.4%
Asia	3,573	3,526	1.3%
Rest of world	582	568	2.5%
Total	22,267	22,273	-0.0%

Research and development

The KION Group spent €29.4 million on research and development (R&D) in the first quarter of 2014, up by 4.7 per cent compared with the first three months of the previous year. Expressed as a proportion of revenue, this R&D expenditure increased to 2.7 per cent. The total amount included capitalised development costs of €9.8 million.

The number of full-time jobs in R&D stood at 958 as at 31 March 2014 (31 December 2013: 944).

The main R&D projects in 2013 continued into the first quarter of this year. They are described in detail in the 2013 group management report. The focus was on developing platform concepts for China and other growth markets that are crucial to the KION Group's global expansion. To this end, the KION Group's R&D centre in Xiamen was enlarged again (243 employees as at 31 March 2014). Two new counterbalance truck models, both developed in Xiamen, are to be launched on the market this year.

Linde Material Handling brought out various new products in the first three months of 2014, including two compact double stackers that complete its portfolio of warehouse technology products at the lower end of the load capacity range. The successful EVO counterbalance truck series, whose features include a high level of

performance, low emissions and low energy consumption, was extended to include new electric forklift trucks in the 1.2-2 tonne load capacity category. In February, STILL began offering the RX 60 electric forklift truck, which has an increased load capacity of up to 8 tonnes. >> **TABLE 17**

Customers

The KION brand companies continued to step up contact with their customers and partners in the first quarter of 2014.

LMH's connectivity solution 'connect', which is used in an all-electric concept vehicle built by the Swiss company Rinspeed, was presented at the Geneva International Motor Show in March 2014. In May, LMH will team up with partners and suppliers to demonstrate intralogistics in a large-scale interactive exhibition entitled World of Material Handling, which will be held over a number of weeks in the grounds of Mainz's exhibition centre.

At the LogiMAT trade fair in February, STILL showcased trucks (including one nominated as International Forklift Truck of the Year) and system solutions. It also exhibited at CeMAT, where it featured its innovative iGo product programme for automated logistics processes.

Total R&D spending

>> **TABLE 17**

in € million	Q1 2014	Q1 2013	Change
Research and development costs (P&L)	29.5	29.4	0.1%
Amortisation expense	-9.9	-11.3	12.5%
Capitalised development costs	9.8	9.9	-1.3%
Total R&D spending	29.4	28.0	4.7%
R&D spending as percentage of revenue	2.7%	2.6%	-

EVENTS AFTER THE REPORTING DATE

On 15 April 2014, the fixed-rate tranche of the corporate bond issued in 2011, which was due to mature in 2018 and had a volume of €325.0 million, and the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million, were repaid early in full. An amount of €8.4 million representing the proportion of the related deferred borrowing costs and a payment of €14.8 million representing early repayment charges have been recognised as financial expenses. The funds used for the repayment mainly originated from a revolving credit facility, which has a term to maturity of five years after the IPO in June 2013. This credit facility currently has far lower interest rates than the two corporate bonds.

Against this background, the revolving credit facility was increased by €198.0 million to a total of €1,243.0 million in April 2014. This was achieved through bilateral lending agreements with a group of banks. These additional loans mature in April 2019 and have a variable interest rate.

On 7 April 2014, Moody's raised the rating of the KION Group and the bonds from Ba3 to Ba2 with a stable outlook. Then on 15 April 2014, S&P raised its rating for the KION Group from BB- to BB, retaining the positive outlook.

OUTLOOK, OPPORTUNITY AND RISK REPORT

Outlook

Forward-looking statements

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, several of which are beyond the control of the KION Group, affect the Group's business activities and profitability. Any unexpected developments in the global economy would result in the

KION Group's performance and profits differing significantly from those forecast below. The KION Group does not undertake to update forward-looking statements to reflect subsequently occurring events or circumstances. Furthermore, the KION Group cannot guarantee that future performance and actual profits generated will be consistent with the stated assumptions and estimates and can accept no liability in this regard.

Actual business performance may deviate from the forecasts due, among other factors, to the opportunities and risks described in the 2013 group management report. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and political situation.

Expected business performance

Given its overall solid performance in the first quarter of 2014, the KION Group is adhering to the forecast for 2014 as a whole that was published in the 2013 group management report. The KION Group continues to aim for a slight increase in order intake and consolidated revenue, a marked rise in adjusted EBIT and – despite growing capital expenditure – a significantly higher level of free cash flow. The expectations regarding macroeconomic and sector-specific conditions also still apply.

The KION Group's financial position has continued to improve thanks to the measures implemented in the second quarter. The repayment of the bond tranches and the increase in the revolving credit facility will allow the KION Group to reduce its interest payments in subsequent quarters.

Overall, the KION Group is forecasting profitable growth for 2014 as a whole and aims to achieve a sustained improvement in its market positions worldwide.

Opportunity and risk report

The KION Group's overall risk and opportunity situation has not changed significantly compared with the description in the 2013 group management report. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern.

Condensed consolidated financial statements

Consolidated income statement

>> TABLE 18

in € million	Q1 2014	Q1 2013
Revenue	1,088.9	1,085.2
Cost of sales	-776.5	-783.1
Gross profit	312.5	302.1
Selling expenses	-139.2	-137.8
Research and development costs	-29.5	-29.4
Administrative expenses	-74.4	-72.7
Other income	18.2	35.7
Other expenses	-9.1	-10.0
Loss from at-equity investments	-1.6	-1.3
Earnings before interest and taxes	77.0	86.4
Financial income	11.5	23.8
Financial expenses	-41.8	-71.4
Net financial expenses	-30.3	-47.6
Earnings before taxes	46.7	38.8
Income taxes	-18.9	-10.3
Current taxes	-14.3	-18.7
Deferred taxes	-4.7	8.5
Net income for the period	27.8	28.6
Attributable to shareholders of KION GROUP AG	27.4	28.0
Attributable to non-controlling interests	0.4	0.5
Earnings per share according to IAS 33 (in €)		
Basic earnings per share	0.28	0.44
Earnings per share - diluted	0.28	0.44

Consolidated statement of comprehensive income

>> TABLE 19

in € million	Q1 2014	Q1 2013
Net income for the period	27.8	28.6
Items that will not be reclassified subsequently to profit or loss	-31.5	26.3
Gains / losses on employee benefits	-31.5	26.3
thereof changes in unrealised gains and losses	-44.5	34.7
thereof tax effect	12.9	-8.4
Items that may be reclassified subsequently to profit or loss	-6.1	7.6
Impact of exchange differences	-6.3	3.7
thereof changes in unrealised gains and losses	-6.3	3.7
Gains / losses on cash flow hedges	-0.6	3.9
thereof changes in unrealised gains and losses	-1.4	10.5
thereof realised gains (-) and losses (+)	0.5	-5.4
thereof tax effect	0.2	-1.3
Gains from at-equity investments	0.8	0.0
Other comprehensive loss (income)	-37.7	33.8
Total comprehensive loss (income)	-9.9	62.4
Attributable to shareholders of KION GROUP AG	-10.3	61.9
Attributable to non-controlling interests	0.4	0.5

Consolidated statement of financial position – Assets

>> TABLE 20

in € million	31/03/2014	31/12/2013
Goodwill	1,493.1	1,494.7
Other intangible assets	929.8	934.0
Leased assets	254.3	251.9
Rental assets	463.1	461.2
Other property, plant and equipment	494.1	499.4
At-equity investments	140.6	138.6
Lease receivables	308.0	308.8
Other non-current financial assets	50.6	51.7
Deferred taxes	300.4	295.5
Non-current assets	4,433.9	4,435.8
Inventories	585.6	511.8
Trade receivables	596.1	558.7
Lease receivables	175.8	170.8
Current income tax receivables	14.5	15.4
Other current financial assets	128.2	114.7
Cash and cash equivalents	131.4	219.3
Current assets	1,631.6	1,590.7
Total assets	6,065.5	6,026.4

Consolidated statement of financial position – Equity and liabilities

>> TABLE 21

in € million	31/03/2014	31/12/2013
Subscribed capital	98.7	98.7
Capital reserve	2,223.2	2,223.2
Retained earnings	-495.5	-524.9
Accumulated other comprehensive loss	-229.7	-192.0
Non-controlling interests	5.4	5.0
Equity	1,602.1	1,610.0
Retirement benefit obligation	609.7	560.1
Non-current financial liabilities	986.9	971.1
Lease liabilities	401.9	403.7
Other non-current provisions	75.2	76.5
Other non-current financial liabilities	388.9	392.1
Deferred taxes	303.3	306.2
Non-current liabilities	2,766.0	2,709.8
Current financial liabilities	171.3	227.5
Trade payables	570.9	550.5
Lease liabilities	230.8	213.3
Current income tax liabilities	25.4	27.7
Other current provisions	101.9	110.3
Other current financial liabilities	597.2	577.3
Current liabilities	1,697.4	1,706.6
Total equity and liabilities	6,065.5	6,026.4

Consolidated statement of cash flows

>> TABLE 22

in € million	Q1 2014	Q1 2013*
Earnings before interest and taxes	77.0	86.4
Amortisation, depreciation and impairment charges of non-current assets	89.5	82.6
Other non-cash income (-) and expenses (+)	7.6	6.3
Gains (-)/losses (+) on disposal of non-current assets	0.9	0.7
Changes in leased assets (excluding depreciation) and lease receivables / liabilities	-16.6	-13.2
Change in inventories	-74.1	-58.5
Change in trade receivables/payables	-16.3	-23.6
Cash payments for defined benefit obligations	-5.8	-5.0
Change in other provisions	-9.9	-13.8
Change in other operating assets/liabilities	4.1	-5.7
Taxes paid	-15.6	-11.4
Cash flow from operating activities	41.0	44.8
Cash payments for purchase of non-current assets	-27.2	-25.2
Cash receipts from disposal of non-current assets	1.4	0.8
Change in rental assets (excluding depreciation)	-37.4	-25.5
Dividends received	0.1	0.2
Cash payments for sundry assets	-0.2	-1.1
Cash flow from investing activities	-63.3	-50.7

Consolidated statement of cash flows (continued)

>> TABLE 22

in € million	Q1 2014	Q1 2013*
Cash receipts from changes in ownership interests in subsidiaries without loss of control	0.0	0.1
Financing costs paid	-2.0	-11.1
Proceeds from borrowings	506.6	649.0
Repayment of borrowings	-558.9	-636.0
Interest received	1.9	1.3
Interest paid	-22.4	-20.1
Cash receipts/cash payments for other financing activities	9.8	-8.7
Cash flow from financing activities	-64.9	-25.7
Effect of foreign exchange rate changes on cash and cash equivalents	-0.7	3.4
Change in cash and cash equivalents	-87.9	-28.2
Cash and cash equivalents at the beginning of the period	219.3	562.4
Cash and cash equivalents at the end of the period	131.4	534.2

* Adjusted due to a change in presentation, for details see 'Information on the consolidated statement of cash flows'

Consolidated statement of changes in equity

in € million	Subscribed capital	Contributions for carrying out the approved capital increase	Capital reserves	Retained earnings
Balance as at 1/1/2013	0.5	1,132.6	348.5	-647.7
Effects from first-time adoption IAS 19R*				-3.0
Balance as at 1/1/2013 (restated)	0.5	1,132.6	348.5	-650.7
Net income for the period				28.0
Other comprehensive income (loss)				
Comprehensive income (loss)	0.0	0.0	0.0	28.0
Capital increase	0.8	-1,132.6	1,131.8	
Effects from the acquisition/ disposal of non-controlling interests				
Balance as at 31/03/2013	1.3	0.0	1,480.3	-622.7
Balance as at 1/1/2014	98.7	0.0	2,223.2	-524.9
Net income for the period				27.4
Other comprehensive income (loss)				
Comprehensive income (loss)	0.0	0.0	0.0	27.4
Changes from first-time application of the equity-method				2.0
Balance as at 31/03/2014	98.7	0.0	2,223.2	-495.5

* Adjusted due to the retrospective application of IAS 19R (2011), for details see also 'Accounting policies' in the consolidated financial statements 2013

>> TABLE 23

Accumulated other comprehensive income (loss)

	Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on cash flow hedges	Gains/losses from at-equity investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
	-32.8	-130.4	-16.9	0.4	654.2	6.2	660.3
		3.4			0.3		0.3
	-32.8	-127.0	-16.9	0.4	654.5	6.2	660.7
					28.0	0.5	28.6
	3.7	26.3	3.9	0.0	33.8	0.0	33.8
	3.7	26.3	3.9	0.0	61.9	0.5	62.4
					0.0		0.0
					0.0	0.1	0.1
	-29.1	-100.7	-13.0	0.4	716.4	6.7	723.1
	-66.5	-126.3	0.5	0.3	1,605.0	5.0	1,610.0
					27.4	0.4	27.8
	-6.3	-31.5	-0.6	0.8	-37.7	0.0	-37.7
	-6.3	-31.5	-0.6	0.8	-10.3	0.4	-9.9
					2.0	0.0	2.0
	-72.8	-157.8	-0.1	1.1	1,596.7	5.4	1,602.1

Notes to the condensed consolidated interim financial statements

BASIS OF PRESENTATION

General information on the Company

KION GROUP AG, whose registered office is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, is the parent company of the KION Group in Germany. It is entered in the commercial register at the Wiesbaden local court under reference HRB 27060.

The condensed consolidated interim financial statements were prepared by the Executive Board of KION GROUP AG on 5 May 2014.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the three months ended 31 March 2014 have been prepared in line with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and other International Financial Reporting Standards (IFRSs) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council concerning the application of international accounting standards for interim financial statements. A condensed scope of interim reporting has been prepared in accordance with IAS 34.

All of the IFRSs and the related interpretations (IFRICs/SICs) of the IFRS Interpretations Committee (IFRS IC) that had been issued by the reporting date and that were required to be applied for financial years commencing on or after 1 January 2014 have been applied in preparing these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not contain all the information and disclosures required of a set of consolidated annual financial statements and should therefore be read in conjunction with the consolidated financial statements prepared for the year ended 31 December 2013.

The reporting currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in rounding differences of +/- €0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

Financial reporting standards to be adopted for the first time in the current financial year

The following financial reporting standards were adopted for the first time in the condensed consolidated interim financial statements for the three months ended 31 March 2014:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 27 'Separate Financial Statements': amendments relating to the consolidation of investment entities
- IAS 27R 'Separate Financial Statements'
- IAS 28R 'Investments in Associates and Joint Ventures'
- Amendments to IAS 32 'Financial Instruments: Presentation': offsetting
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement': amendments relating to the novation of derivatives and continuation of hedge accounting.

The first-time adoption of these standards and interpretations has had no significant effect on the financial performance, financial position or notes to the interim financial statements of the KION Group.

Financial reporting standards released but not yet adopted

In its condensed consolidated interim financial statements for the three months ended 31 March 2014, the KION Group has not applied – besides the standards and interpretations reported as at 31 December 2013 – the following standard, which has been issued by the IASB but is not yet required to be applied in 2014:

- IFRS 14 'Regulatory Deferral Accounts'

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

Basis of consolidation

As was the case at 31 December 2013, a total of 22 German and 77 foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at 31 March 2014.

In addition, nine joint ventures and associates were consolidated and accounted for using the equity method (31 December 2013: eight). Two equity investments have been accounted for using the equity method since 1 January 2014 owing to their increased financial significance. One equity investment has become insignificant and is now accounted for at cost rather than using the equity method.

53 (31 December 2013: 53) companies with minimal business volumes or no business operations were not included in the consolidation. Baoli Material Handling Europe s.r.o., Prague, Czech Republic, was established in January 2014 and is carried at cost.

Accounting policies

With the exception of the new and amended IFRSs described above, the accounting policies applied in these condensed consolidated interim financial statements are fundamentally the same as those used for the year ended 31 December 2013. These condensed consolidated interim financial statements are based on the interim financial statements of the parent company and its consolidated subsidiaries prepared in accordance with the standard accounting policies applicable throughout the KION Group.

Assumptions and estimates

The preparation of these condensed IFRS consolidated interim financial statements requires the use of assumptions and estimates for certain line items that affect recognition and measurement in the statement of financial position and the income statement. The actual amounts realised may differ from estimates. Assumptions and estimates are applied in particular:

- in assessing the need for and the amount of impairment losses on intangible assets, property, plant and equipment, and inventories;
- in determining the useful life of non-current assets;
- in classifying leases;
- in measuring options;
- in the recognition and measurement of defined benefit pension obligations, provisions for tax, and other provisions; and
- in assessing the recoverability of deferred tax assets.

The estimates may be affected, for example, by deteriorating global economic conditions or by changes in exchange rates, interest rates or commodity prices. Production errors, the loss of key customers and changes in financing can also impact on the Company's performance going forward. Changes are recognised in profit or loss when they become known and assumptions are adjusted accordingly.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Net financial expenses

Interest expenses arising from loan liabilities decreased by a substantial €19.0 million owing to the vastly improved funding structure and funding conditions compared with the first quarter of 2013.

Income taxes

In the consolidated interim financial statements, current income taxes for the reporting period are calculated on the basis of the expected income tax rate for the full year.

Earnings per share

Basic earnings per share are calculated by dividing the net income (loss) accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (Q1 2014: 98,700,000 no-par-value shares; Q1 2013: 63,950,000 no-par-value shares). In the first three months of 2014, the KION Group generated net income accruing to the shareholders of KION GROUP AG of €27.4 million (Q1 2013: €28.0 million). Diluted and basic earnings per share for the reporting period came to €0.28 (Q1 2013: €0.44). Due to the additional capital increases carried out during the second quarter of 2013, the number of shares to be taken into account in accordance with IAS 33 advanced from 63,950,000 no-par-value shares as at 31 March 2013 to 98,700,000 no-par-value shares as at 31 March 2014. This did not include the 200,000 no-par-value treasury shares which were repurchased by KION GROUP AG in the third quarter of 2013 as part of a buy-back programme.

As at 31 March 2014, there were no equity instruments that diluted the earnings per share for the number of shares issued.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

The change in the amount of goodwill was the result of currency effects.

The total carrying amount for technology and development assets as at 31 March 2014 was €216.0 million (31 December 2013: €216.9 million). Development costs of €9.8 million were capitalised in the first quarter of 2014 (Q1 2013: €9.9 million). Total research and development costs of €29.5 million were recognised as an expense in the first quarter of 2014 (Q1 2013: €29.4 million). Of this amount, €9.9 million (Q1 2013: €11.3 million) related to amortisation.

Inventories

The rise in inventories compared with 31 December 2013 was largely attributable to the increase in materials and supplies (up by 4.2 per cent), work in progress (up by 11.0 per cent) and finished goods (up by 18.7 per cent). In the first three months of 2014, impairment losses of €4.5 million were recognised on inventories (Q1 2013: €3.2 million). Reversals of impairment losses had to be recognised in the amount of €0.4 million (Q1 2013: €2.8 million) because the reasons for the impairment losses no longer existed.

Trade receivables

The rise in trade receivables compared with 31 December 2013 was primarily due to the increase of €29.5 million in receivables due from third parties and the increase of €9.8 million in receivables due from associated companies and joint ventures. Valuation allowances of €43.3 million (31 December 2013: €42.4 million) were recognised for trade receivables.

Equity

As at 31 March 2014, the Company's share capital amounted to €98.9 million, which was unchanged on 31 December 2013, and was fully paid up. It was divided into 98,900,000 no-par-value shares, each with a value of €1. The total number of shares outstanding as at 31 March 2014 was 98.7 million no-par-value shares. At the reporting date, KION GROUP AG held 0.2 million treasury shares.

Retirement benefit obligation

For the purposes of the interim report, a qualified estimate of the defined benefit obligation was made based on the change in actuarial parameters and taking into account any particular effects in the quarter under review.

In the United Kingdom, the expected one-off payment to be made in 2014 due to the failure to reach certain defined targets has been reduced by €2.3 million to around €4.6 million.

The retirement benefit obligation was higher than it had been at the end of 2013 owing, above all, to actuarial losses resulting largely from lower discount rates. The estimated present value of the defined benefit obligation was calculated on the basis of the discount rates shown in >> **TABLE 24**.

The change in estimates in relation to defined benefit pension entitlements resulted in a decrease of €31.5 million in equity as at 31 March 2014 (after deferred taxes).

Discount rate >> **TABLE 24**

	31/03/2014	31/12/2013
Germany	3.30%	3.60%
UK	4.30%	4.40%
Other (weighted average)	2.62%	2.95%

OTHER DISCLOSURES

Information on the consolidated statement of cash flows

At the start of 2014, changes were made to how information is disclosed in the three categories of the consolidated statement of cash flows. The LMH and STILL brand segments have operational responsibility for the short-term rental business (rental assets) and use it to generate operating income – in the same way as they would with capital expenditure on property, plant and equipment. That is why the changes relating to the rental business will be reported in cash flow from investing activities in future. The figures for the first quarter of 2013 have been restated to reflect this disclosure change. As a result, cash flow from operating activities in the first three months of 2013 has improved by €25.5 million, while cash flow from investing activities has decreased by the same amount. In addition, interest received has been reclassified from cash flow from investing activities to cash flow from financing activities because the KION Group's cash and cash equivalents are also used to repay existing financial debt. Accordingly, both interest payments and interest received will, as a component of financing, be allocated to cash flow from financing activities in future. As a result, cash flow from investing activities in the first three months of 2013 has decreased by €1.3 million, while cash flow from financing activities has increased by the same amount.

Information on financial instruments

In line with IFRS 7, the following table shows the carrying amounts and fair values of financial assets and liabilities:

Whereas lease liabilities stood at €632.7 million (31 December 2013: €617.1 million), lease receivables arising from sale and leaseback transactions amounted to €440.1 million (31 December 2013: €431.4 million) and leased assets under sale and leaseback transactions totalled €204.3 million (31 December 2013: €201.2 million).

The finance lease obligations reported in other liabilities comprise liabilities arising from the sale and leaseback financing of industrial trucks of €324.5 million (31 December 2013: €327.5 million). These are allocated to the Financial Services segment and result from the intra-group financing provided by the Financial Services segment for the short-term rental business of the Linde Material Handling and STILL brand segments.

Carrying amounts and fair values broken down by class

>> TABLE 25

in € million	31/03/2014		31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments in non-consolidated subsidiaries/Other investments	11.4	11.4	11.9	11.9
Loans receivable	0.7	0.7	0.8	0.8
Financial receivables	11.7	11.7	11.6	11.6
Available-for-sale investments	0.8	0.8	0.8	0.8
Lease receivables*	483.8	483.3	479.6	478.4
Trade receivables	596.1	596.1	558.7	558.7
Other receivables	61.7	61.7	55.0	55.0
thereof non-derivative receivables	44.7	44.7	35.7	35.7
thereof derivative receivables	17.0	17.0	19.4	19.4
Cash and cash equivalents	131.4	131.4	219.3	219.3
Financial liabilities				
Liabilities to banks	192.3	192.6	233.7	234.1
Corporate bond	959.1	1,039.1	958.3	1,040.8
Other financial liabilities	6.8	6.8	6.6	6.6
Lease liabilities*	632.7	633.7	617.1	619.2
Trade payables	570.9	570.9	550.5	550.5
Other liabilities	553.1	553.7	554.4	555.5
thereof non-derivative liabilities	165.8	165.8	162.4	162.4
thereof liabilities from finance leases*	358.8	359.3	363.0	364.1
thereof derivative liabilities	28.5	28.5	29.1	29.1

* as defined by IAS 17

The investments in unconsolidated subsidiaries that are shown in >> TABLE 25 are carried at amortised cost less impairment losses, as observable fair values are not available and reliable results cannot be obtained using other permitted measurement techniques. At present there is no intention to sell these financial instruments.

Fair value measurement and assignment to classification levels

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 13 for financial instruments measured at fair value. >> TABLES 26-27

Financial instruments measured at fair value

>> TABLE 26

in € million	Fair Value Hierarchy			31/03/2014
	Level 1	Level 2	Level 3	
Financial assets				17.8
thereof available-for-sale	0.8			0.8
thereof derivative instruments		2.0	14.9	17.0
Financial liabilities				28.5
thereof derivative instruments		2.7	25.8	28.5

Financial instruments measured at fair value

>> TABLE 27

in € million	Fair Value Hierarchy			31/12/2013
	Level 1	Level 2	Level 3	
Financial assets				20.2
thereof available-for-sale	0.8			0.8
thereof derivative instruments		3.6	15.7	19.4
Financial liabilities				29.1
thereof derivative instruments		1.9	27.2	29.1

Level 1 comprises available-for-sale assets for which the fair value is calculated using prices quoted in an active market.

All interest-rate swaps and currency forwards are classified as Level 2. The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of the observable market information at the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Both contractually agreed payments and forward interest rates are used to estimate the future cash flows, which are then discounted on the basis of a yield curve that is observable in the market. There were

no longer any material interest-rate hedging instruments as at 31 March 2014. The fair value of currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date.

The financial assets and liabilities allocated to Level 3 relate to a put option held by Linde Material Handling GmbH, Aschaffenburg, and two call options held by Weichai Power on the remaining shares in Linde Hydraulics. The Black-Scholes model is used to calculate the fair value of the put option and the two call options. At 31 March 2014, the material changes in fair value and the impact on the income statement for the first three months of the year were as follows: >> **TABLE 28**

Development of financial assets / liabilities classified as level 3

>> **TABLE 28**

in € million

Value as at 1/1/2014	-11.5
Gains recognised in net financial expenses	0.6
Value as at 31/03/2014	-10.9
Gains of the period relating to financial assets/liabilities held as at 31/03/2014	0.6
Change in unrealised gains for the period relating to financial assets/liabilities held as at 31/03/2014	0.6

Significant unobservable inputs of level 3

>> TABLE 29

Financial assets/liabilities	Input	Value as at 31/03/2014
Put-Option	Initial exercise price (in € million)	77.4
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	1.24–3.24
Call-Option 1	Initial exercise price (in € million)	77.4
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	3.74
Call-Option 2	Initial exercise price (in € million)	38.7
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	1.24–3.74

The fair values are measured using a probability-weighted scenario analysis, which is based on the significant unobservable input parameters in >> TABLE 29.

As at 31 March 2014, the net value calculated for the options on the remaining shares in Linde Hydraulics came to minus €10.9 million (31 December 2013: minus €11.5 million). If the fair value of the shares had been 10.0 per cent lower on the reporting date, the net value arising from the options would have increased by €9.3 million (31 December 2013: €9.4 million) to minus €1.6 million (31 December 2013: minus €2.1 million) and led to a gain of €9.3 million (31 December 2013: lower expense of €9.4 million). A 10.0 per cent rise in the fair value of the shares in Linde Hydraulics would have

reduced the net value arising from the options by €9.3 million (31 December 2013: €9.4 million) to minus €20.2 million (31 December 2013: minus €20.9 million) and led to an additional expense of €9.3 million (31 December 2013: €9.4 million).

In order to eliminate default risk to the greatest possible extent, the KION Group only ever enters into derivatives with investment-grade counterparties.

If events or changes in circumstances make it necessary to reclassify financial instruments as a different level, they are reclassified at the end of a reporting period. No financial instruments were transferred between Levels 1, 2 or 3 in the first three months of 2014.

KION performance share plan

As part of the KION GROUP AG performance share plan, the Executive Board members are allocated virtual shares over a fixed period (two-and-a-half years for the 2013 tranche and three years for all subsequent tranches). The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the STOXX® Europe TMI Industrial Engineering index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2014 tranche ends on 31 December 2016. At the beginning of the performance period on 1 January 2014, the Executive Board members were granted a total of 0.2 million virtual shares for this tranche with a specific fair value based on an allocation value in euros specified in each Executive Board member's service contract.

At the end of the performance period, the number of the virtual shares in each tranche is amended depending on the degree to which the relevant targets are achieved. The resulting final number of virtual shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary personal performance factor to adjust the final payment at the end of the performance period by +/- 20 per cent. The maximum amount payable is limited to 200 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation is based on the fair value of the virtual shares on each valuation date, which is calculated using a Monte-Carlo simulation. The valuation parameters shown in >> TABLE 30 were used to value the virtual shares on the reporting date.

Significant measurement parameters for the KION GROUP AG Performance Share Plan

>> TABLE 30

Measurement parameters	Valuation date 31/03/2014	
	Tranche 2014	Tranche 2013
Expected volatility of the KION share	40.0%	30.0%
Expected volatility of the STOXX® Europe TMI Industrial Engineering Index	25.0%	20.0%
Risk-free interest rate	0.2%	0.1%
Expected dividend yield	€0.88	€0.88
Price of the KION share as at valuation date	€34.03	€34.03
Initial value of the KION share (60 days average)	€29.49	€26.64
Initial value of the STOXX® Europe TMI Industrial Engineering Index (60 days average)	€208.87	€204.26
Expected pay-out for internal target ROCE	100.0%	100.0%

The historic volatility of shares in similar companies (peer group) was used to determine the volatility of KION shares on which the valuation is based. As at 31 March 2014, the fair value of one virtual share was €26.80 for the 2013 tranche and €25.73 for the 2014 tranche. On that date, the total fair value based on 0.3 million and 0.2 million virtual shares respectively was €7.0 million (2013 tranche) and €5.0 million (2014 tranche). Because the performance period for the 2013 tranche has been set at 30 months, a pro-rata expense of €0.9 million for three months was recognised in the first quarter of 2014. The total carrying amount for liabilities in connection with share-based remuneration (2013 tranche) as at 31 March 2014 was €2.1 million (31 December 2013: €1.2 million). A liability of €0.4 million in respect of the 2014 tranche was recognised as a pro-rata expense for three months in the first quarter of 2014.

Segment report

The Executive Board divides the KION Group into financial services activities, the activities grouped in the 'Other' segment and the Linde Material Handling (LMH) and STILL brands for management purposes. Segment reporting follows the same breakdown, taking into account the relevant organisational structures and corporate strategy of the KION Group.

The key performance indicators (KPIs) used to manage the brand segments are order intake, revenue and adjusted EBIT. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) – including KION acquisition items and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT').

Earnings before tax (EBT) and return on equity (ROE) are the KPIs used to manage the Financial Services segment. ROE is calculated on the basis of average equity employed excluding net income (loss) for the current period. As at 31 March 2014, ROE – earnings before tax as a percentage of average equity – remained unchanged compared with 31 December 2013 at 13.0 per cent.

The following tables show information on the KION Group's operating segments for the first quarters of 2014 and 2013.

>> TABLES 31 – 32

Segment report Q1 2014

>> TABLE 31

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	651.3	351.1	77.3	9.2	–	1,088.9
Intersegment revenue	69.6	81.2	61.7	47.5	–260.0	–
Total revenue	720.9	432.3	139.0	56.7	–260.0	1,088.9
Earnings before taxes	64.0	14.7	1.3	–27.9	–5.4	46.7
Financial income	2.7	–1.4	14.5	3.4	–7.7	11.5
Financial expenses	–5.6	–7.0	–13.8	–23.6	8.2	–41.8
= Net financial expenses	–2.9	–8.4	0.8	–20.3	0.5	–30.3
EBIT	67.0	23.0	0.5	–7.6	–5.9	77.0
+ Non-recurring items	3.1	0.5	0.0	0.9	–	4.5
+ KION acquisition items	5.3	0.6	0.0	0.0	–	5.9
Adjusted EBIT	75.3	24.2	0.5	–6.7	–5.9	87.4
Segment assets	4,748.2	2,126.0	1,257.8	727.3	–2,793.8	6,065.5
Segment liabilities	1,567.5	1,232.6	1,216.6	3,172.2	–2,725.5	4,463.4
Carrying amount of at-equity investments	119.7	5.1	15.8	0.0	–	140.6
Loss from at-equity investments	–1.6	0.0	0.0	0.0	–	–1.6
Capital expenditures ¹	14.3	9.3	0.0	3.5	–	27.2
Depreciation ²	21.5	9.5	0.0	4.2	–	35.3
Order intake	796.0	471.7	137.9	57.3	–266.8	1,196.1
Number of employees ³	13,838	7,689	60	680	–	22,267

1 Capital expenditures including capitalised R&D costs, excluding leased and rental assets

2 On intangible assets and property, plant and equipment excl. leased and rental assets

3 Number of employees in full-time equivalents as at 31 March; Allocation according to the contractual relationship

Segment report Q1 2013

>> TABLE 32

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	646.7	351.9	74.4	12.2	–	1,085.2
Intersegment revenue	64.6	57.9	39.9	50.9	–213.2	–
Total revenue	711.3	409.8	114.2	63.1	–213.2	1,085.2
Earnings before taxes	64.2	11.9	1.2	–37.9	–0.6	38.8
Financial income	2.9	0.5	12.2	18.0	–9.8	23.8
Financial expenses	–6.1	–8.2	–11.2	–55.0	9.1	–71.4
= Net financial expenses	–3.2	–7.7	1.0	–37.0	–0.7	–47.6
EBIT	67.4	19.6	0.2	–0.9	0.2	86.4
+ Non-recurring items	2.4	0.9	0.0	–4.7	–	–1.3
+ KION acquisition items	6.1	1.4	0.0	0.2	–	7.6
Adjusted EBIT	75.9	21.9	0.2	–5.3	0.2	92.8
Segment assets	4,590.9	2,069.6	1,038.4	778.9	–2,208.6	6,269.1
Segment liabilities	1,459.4	1,172.0	1,000.8	4,121.0	–2,208.8	5,546.0
Carrying amount of at-equity investments	134.2	6.1	13.2	0.0	–	153.5
Loss from at-equity investments	–1.3	0.0	0.0	0.0	–	–1.3
Capital expenditures ¹	14.5	7.0	0.0	3.6	–	25.2
Depreciation ²	21.1	9.3	0.0	5.1	–	35.6
Order intake	728.6	446.8	114.2	63.1	–207.4	1,145.3
Number of employees ³	13,222	7,426	58	715	–	21,421

1 Capital expenditures including capitalised R&D costs, excluding leased and rental assets

2 On intangible assets and property, plant and equipment excl. leased and rental assets

3 Number of employees in full-time equivalents as at balance sheet date; Allocation according to the contractual relationship

The non-recurring items mainly comprise consultancy costs, as well as expenses in connection with severance payments, social plan costs and costs relating to the relocation of production and closure of production facilities. In addition, the purchase-price-related depreciation, amortisation and impairment (PPA) are eliminated from the non-operating profit (loss) of Linde Hydraulics reported in the profit (loss) from equity-accounted investments. Non-recurring items resulted in an overall expense of €4.5 million in the first quarter of 2014 (Q1 2013: income of €1.3 million). In the first quarter of 2013,

non-recurring items had included income and expenses amounting to net income of €6.3 million in connection with the sale of the controlling interest in Linde Hydraulics GmbH & Co. KG, Aschaffenburg, in December 2012.

The KION acquisition items relate to the acquisition of the KION Group, which was formed at the end of 2006 when it was spun off from Linde AG, Munich. These items comprise net write-downs on the hidden reserves identified as part of the purchase price allocation.

Related party disclosures

In addition to the subsidiaries included in these condensed consolidated interim financial statements, the KION Group maintains direct or indirect relationships with a large number of unconsolidated subsidiaries, joint ventures and associates in the course of its ordinary business activities. Related parties that are controlled by the KION Group, through which a significant influence can be exerted over the KION Group, or which are members of the Superlift group are either included in the list of shareholdings as at 31 December 2013 or in >> **TABLE 33** below.

Related parties

>> **TABLE 33**

Superlift Holding S.à r.l., Luxembourg	Entity with significant influence
Kohlberg Kravis Roberts & Co. L.P., New York, USA	Entity with significant influence
Goldman, Sachs & Co., New York, USA	Entity with significant influence
Weichai Power Co. Ltd., Weifang, China	Entity with significant influence

Advisory agreements

KION GROUP AG concluded a new global advisory agreement on 7 June 2013, with KKR and Goldman, Sachs & Co., which stipulates a fixed annual fee of €125,000 each. Under the agreement, KKR and Goldman, Sachs & Co. will continue to provide limited advisory services for the KION Group after its IPO in the event that the KION Group decides it wishes to draw on this expertise. In the first quarter of 2014, a total of €0.1 million was recognised as an expense. A pro-rata amount of €1.2 million had been recognised as an expense in the first quarter of 2013 under the old advisory agreement.

Weichai Power

Weichai Power Co. Ltd., Weifang, China (referred to below as Weichai Power) holds a 33.3 per cent stake in KION GROUP AG, Wiesbaden. In addition, Weichai Power has a controlling interest (70.0 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics). The remaining shares (30.0 per cent) in Linde Hydraulics are held by the KION Group. During the first three months of 2014, the KION Group earned revenue of €4.9 million from selling goods and services to Linde Hydraulics and its subsidiaries (Q1 2013: €4.3 million). Over the same period, companies in the KION Group obtained goods and services from Linde Hydraulics and its subsidiaries amounting to €30.1 million (Q1 2013: 35.3 million). The receivables arising from the sale of goods and services stood at €2.5 million as at 31 March 2014 (31 December 2013: €6.0 million). No valuation allowances for trade receivables had been recognised as at the reporting date, a situation that was unchanged on 31 December 2013. As at 31 March 2014, liabilities to Linde Hydraulics and its subsidiaries resulting from the purchase of goods and services came to €9.2 million (31 December 2013: €2.7 million).

In parallel with its global advisory agreement with KKR and Goldman, Sachs & Co., KION GROUP AG also concluded a global advisory agreement with Weichai Power on 7 June 2013. Under the agreement, Weichai Power will provide advisory services related to the Asia-Pacific region for the KION Group after its IPO in the event that the KION Group decides it wishes to draw on this expertise. A fixed annual fee of €125,000 was agreed for these services. In the first quarter of 2014, a total of €0.0 million was recognised as an expense. There had not been any reportable transactions with Weichai Power in the first quarter of the previous year.

Material events after the reporting date

On 15 April 2014, the fixed-rate tranche of the corporate bond issued in 2011, which was due to mature in 2018 and had a volume of €325.0 million, and the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million, were repaid early in full. An amount of €8.4 million representing the proportion of the related deferred borrowing costs and a payment of €14.8 million representing early repayment charges have been recognised as financial expenses. The funds used for the repayment mainly originated from a revolving credit facility, which has a term to maturity of five years after the IPO in June 2013. This credit facility currently has far lower interest rates than the two corporate bonds.

Against this background, the revolving credit facility was increased by €198.0 million to a total of €1,243.0 million in April 2014. This was achieved through bilateral lending agreements with a group of banks. These additional loans mature in April 2019 and have a variable interest rate.

Wiesbaden, 5 May 2014

The Executive Board



Gordon Riske



Bert-Jan Knoef



Theodor Maurer



Ching Pong Quek



Dr Thomas Toepfer

Quarterly information

Quarterly information

>> TABLE 34

in € million	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012*
Order intake	1,196.1	1,192.5	1,046.4	1,104.8	1,145.3	1,213.5
Order intake - excluding Hydraulics Business	-	-	-	-	-	1,204.5
Revenue	1,088.9	1,177.8	1,082.3	1,149.3	1,085.2	1,287.9
Revenue - excluding Hydraulics Business	-	-	-	-	-	1,252.0
EBIT	77.0	107.4	88.8	91.5	86.4	274.1
Adjusted EBIT	87.4	115.6	100.5	107.6	92.8	116.4
Adjusted EBIT margin	8.0%	9.8%	9.3%	9.4%	8.5%	9.3%
Adjusted EBITDA	171.2	194.2	175.9	183.5	167.9	191.7
Adjusted EBITDA margin	15.7%	16.5%	16.3%	16.0%	15.5%	15.3%

* Key figures for Q4 2012 were adjusted due to the retrospective application of IAS 19R (2011); Order intake, Revenue, Adjusted EBIT and EBITDA were aligned due to the sale of the Hydraulics Business

DISCLAIMER

Forward-looking statements

This interim report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of KION GROUP AG. These statements only take into account information that was available up to and including the date that this interim report was prepared. The management of KION GROUP AG makes no guarantee that these forward-looking statements will prove to be right. The future development of the KION GROUP AG and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of KION GROUP AG and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic conditions and the competitive situation, changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the 2013 group management report and in this interim group management report. However, other factors could also have an adverse effect on our business performance and results. KION GROUP AG neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this interim report.

Rounding

Certain numbers in this interim report have been rounded to the nearest whole number. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown as well as between the numbers in the tables and the numbers given in the corresponding analyses in the text of the interim report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

ADDITIONAL INFORMATION

Disclaimer
Financial calendar / Contact information

FINANCIAL CALENDAR**8 May 2014**

Interim report for the period ended
31 March 2014

19 May 2014

Annual General Meeting

6 August 2014

Interim report for the period ended
30 June 2014

5 November 2014

Interim report for the period ended
30 September 2014

Subject to change without notice

CONTACT INFORMATION**Contacts for the media****Michael Hauger**

Head of Corporate Communications
Phone: +49 (0) 611.770-655
michael.hauger@kiongroup.com

Frank Brandmaier

Head of Corporate Media Relations
Phone: +49 (0) 611.770-752
frank.brandmaier@kiongroup.com

Contacts for investors**Frank W. Herzog**

Head of Corporate Finance
Phone: +49 (0) 611.770-303
frank.herzog@kiongroup.com

Silke Glitza

Head of Investor Relations and M&A
Phone: +49 (0) 611.770-450
silke.glitza@kiongroup.com

Securities identification numbers

ISIN: DE000KGX8881
WKN: KGX888

KION GROUP AG

Abraham-Lincoln-Strasse 21
65189 Wiesbaden | Germany
Phone: +49 (0) 611.770-0
Fax: +49 (0) 611.770-269
info@kiongroup.com
www.kiongroup.com



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kiongroup.com under Investor Relations/Financial Reports.
Only the content of the German version is authoritative.

Publisher

KION GROUP AG
Corporate Communications
Abraham-Lincoln-Strasse 21
65189 Wiesbaden | Germany

Phone: +49 (0) 611.770-0
Fax: +49 (0) 611.770-269
info@kiongroup.com
www.kiongroup.com