



# **KION GROUP AG**

## **Update Call Q2 2015**

Gordon Riske (CEO), Dr Thomas Toepfer (CFO) – Wiesbaden, 6 August 2015

1. Highlights
2. Market Update
3. Financial Update
4. Outlook

**Gordon Riske**

Gordon Riske

Thomas Toepfer

Gordon Riske

# Financial Highlights H1 (Q2) 2015

## On course for a successful year following strong Q2 results

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- » **Order intake** value rises by 8.2% to €2,565m in H1 2015 (Q2: €1,317m, +9.3% y-o-y)
  - Overall unit growth above market, driven by Western Europe and China
  - Healthy order book at €928m
- » **Revenues** grow by 8.4% to €2,421m in H1 2015 (Q2: €1,256m, +9.8% y-o-y)
- » **Adjusted EBIT** of €210m results in margin of 8.7% in H1 2015 close to previous year (Q2: €116m, 9.3% margin)
  - Operational margin improvement offset by expenses following court ruling
- » **Net income** increases significantly following refinancing
- » Lower **free cash flow** related to business growth (trade working capital, rental capex)
- » **FY 2015 guidance confirmed**

# Strategy 2020 Highlights Q2 2015

## Implementation track record continues



### Multi-brand strategy & Innovation

#### Continued focus on automation solutions

- Egemin closing well under way, will be completed shortly
- Linde introduces automated WH-trucks under Linde-Matic series
- STILL wins second IFOY<sup>1</sup> award in the category “intralogistic solutions”



### Global module/platform strategy

#### New CTO strengthens global R&D capability

- Dr Eike Böhm new Executive Board member since 1 August 2015
- Focus on exploiting full potential of cross-brand R&D synergies

#### New product launches out of global platforms

- Preparations in progress for over ten new product presentations at Asian industry fair in October 2015 (market launches starting 2016)



### Regional growth strategies

#### Growth drivers for new business in China

- Linde wins China Premium E-commercial Logistics Equipment Supplier award on the 6th China E-commerce Logistics Forum
- Linde strengthens its end-customer financing through cooperation with Strong Leasing Co.

1. International Forklift Truck of the Year

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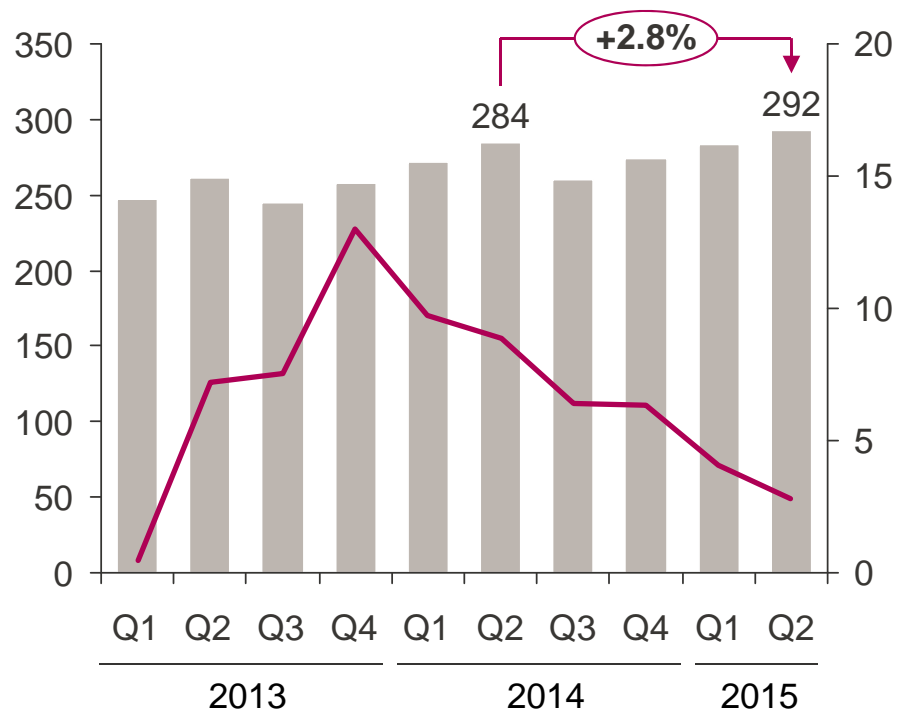
Gordon Riske

# Market Development

## Global market continues growth at slower pace

### Global market order intake

Order intake (in '000 units)      Growth y-o-y (in %)



■ Order intake (in '000 units)    — Growth y-o-y (in %)

- Sustained order growth of 2.8% in Q2
- High order volume of 292,000 units
- Global development reflects weak activity in big emerging markets
- E- and WH-trucks drive global growth, IC-truck decline hampers growth momentum

Source: WITS/FEM

# Market Development

## Mature markets stay strong, emerging markets struggle

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

North America		
Q4/14	Q1/15	Q2/15
18.9%	8.7%	14.0%

Western Europe		
Q4/14	Q1/15	Q2/15
8.3%	16.9%	8.6%

Eastern Europe		
Q4/14	Q1/15	Q2/15
-9.8%	-10.4%	-17.3%

South/Central America		
Q4/14	Q1/15	Q2/15
-1.6%	2.7%	-14.9%

China		
Q4/14	Q1/15	Q2/15
3.7%	-12.8%	-7.7%

World		
Q4/14	Q1/15	Q2/15
6.3%	4.1%	2.8%

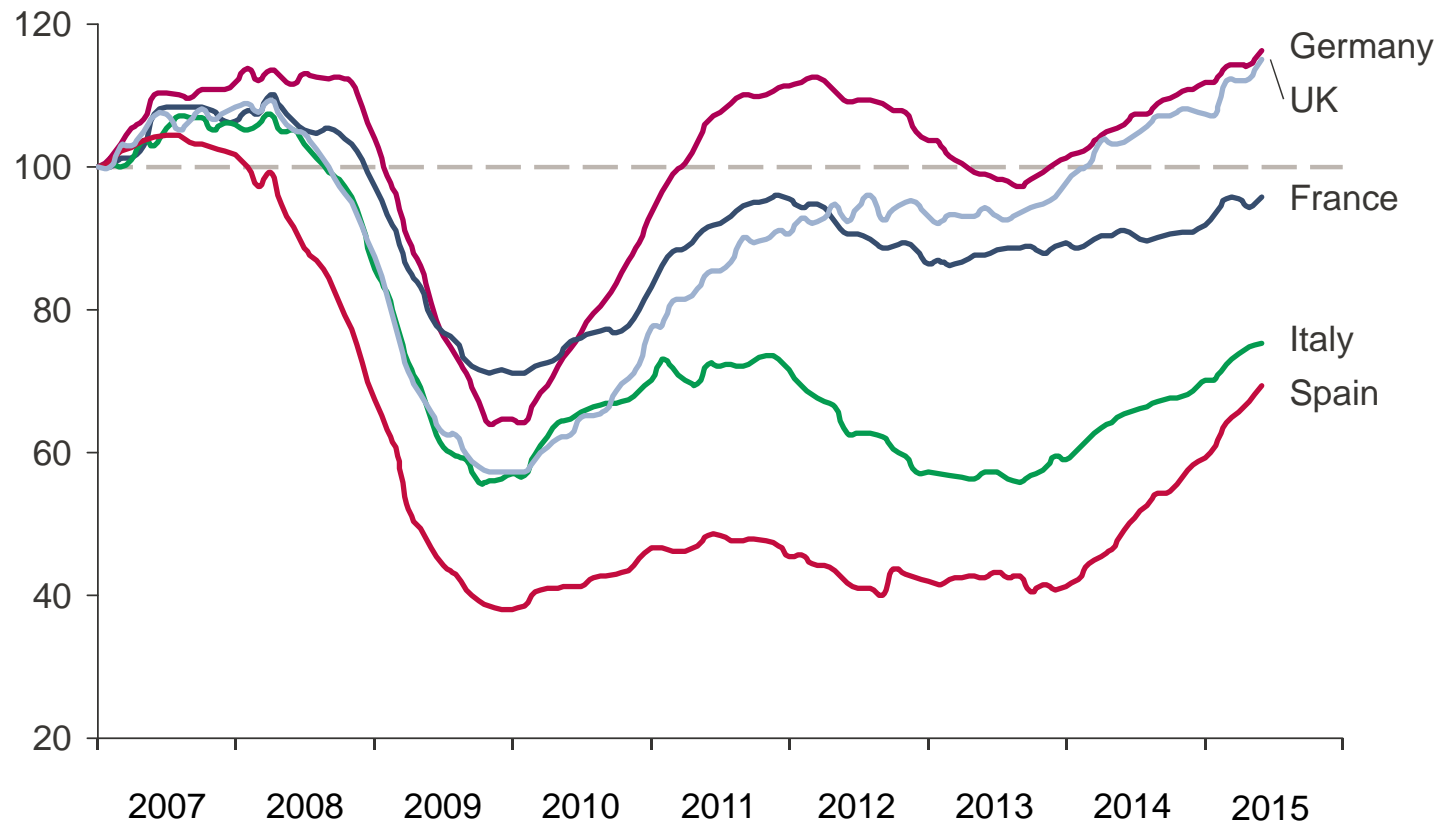
Source: WITS/FEM

# Market Development

## Good development across Western European markets

### Markets pre- and post-crisis (status as at 30 Jun 2015)

Indexed LTM order units (LTM Jan 2007=100)



- Ongoing healthy activity
- Good momentum in Germany, UK and France
- Italy and Spain continue to benefit from pent-up demand

Source: WITS/FEM

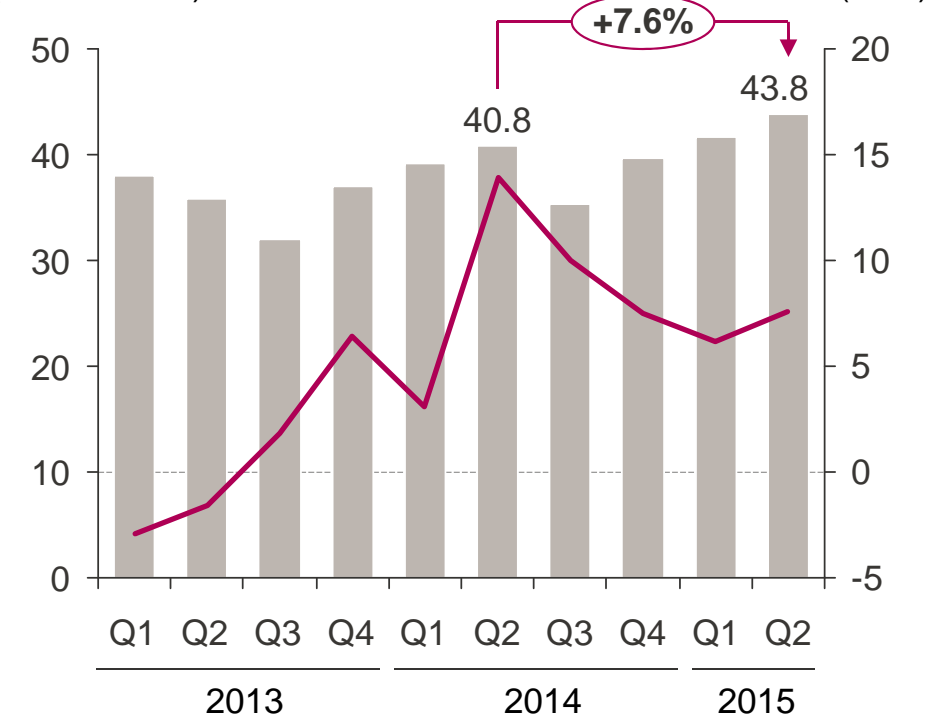


# KION Development

## Strong demand momentum continues

### KION global order intake

Order intake (in '000 units)      Growth y-o-y (in %)



■ Order intake (in '000 units)    — Growth y-o-y (in %)

- KION accelerates ahead of global market in Q2
- Orders are 7.6% above previous year in Q2 vs. market growth of 2.8%
- Second highest quarterly order level of 43,800 units
- Benefitting from continued healthy demand in home markets
- Gains in E- and WH-trucks drive growth

### Regional development

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

	H1 2015		Q2 2015	
	Market	KION	Market	KION
<b>Western Europe</b>	12.7% ↑	10.6% ↑	8.6% ↑	9.9% ↑
<b>Eastern Europe</b>	-14.0% ↓	-8.3% ↓	-17.3% ↓	-6.1% ↓
<b>China</b>	-10.2% ↓	10.0% ↑	-7.7% ↓	11.3% ↑
<b>South/Central America</b>	-6.7% ↓	-24.5% ↓	-14.9% ↓	-17.3% ↓
<b>World</b>	3.4% ↑	6.9% ↑	2.8% ↑	7.6% ↑

### Western Europe

- Market: Normalization, good momentum
- KION: Above market growth in Q2

### Eastern Europe

- Market: Russian downturn impacts region
- KION: Better than weak market; growth in other regional markets

### China

- Market: Down due to decline in IC-trucks
- KION: Market share gains, strong development in WH-trucks

### South/Central America

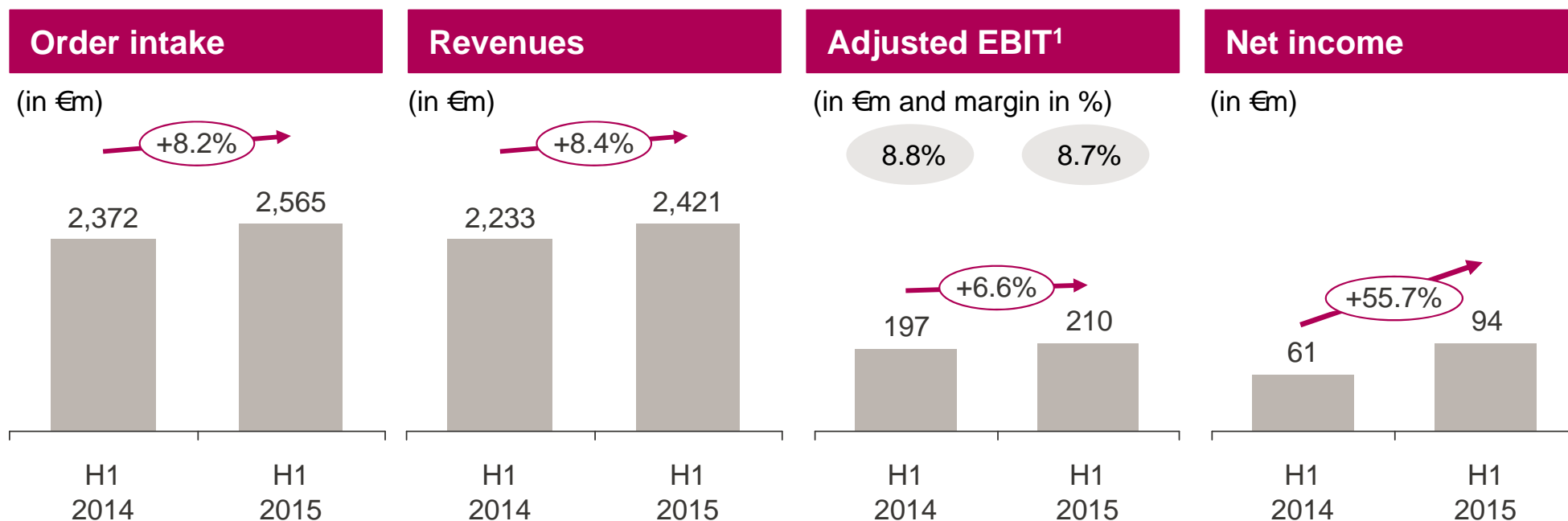
- Market: Broadly weak development
- KION: Decline due to continued market downturn in Brazil

Source: WITS/FEM

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|----------------------------|-----------------------|
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| 4. Outlook                 | Gordon Riske          |

# Key Financials H1 2015

## Continued momentum with margin close to previous year



- Positive FX effect of €78m
- Healthy order backlog at €928m (+21%) compared to year-end

- Positive FX effect of €73m
- Book-to-bill ratio at 1.06x

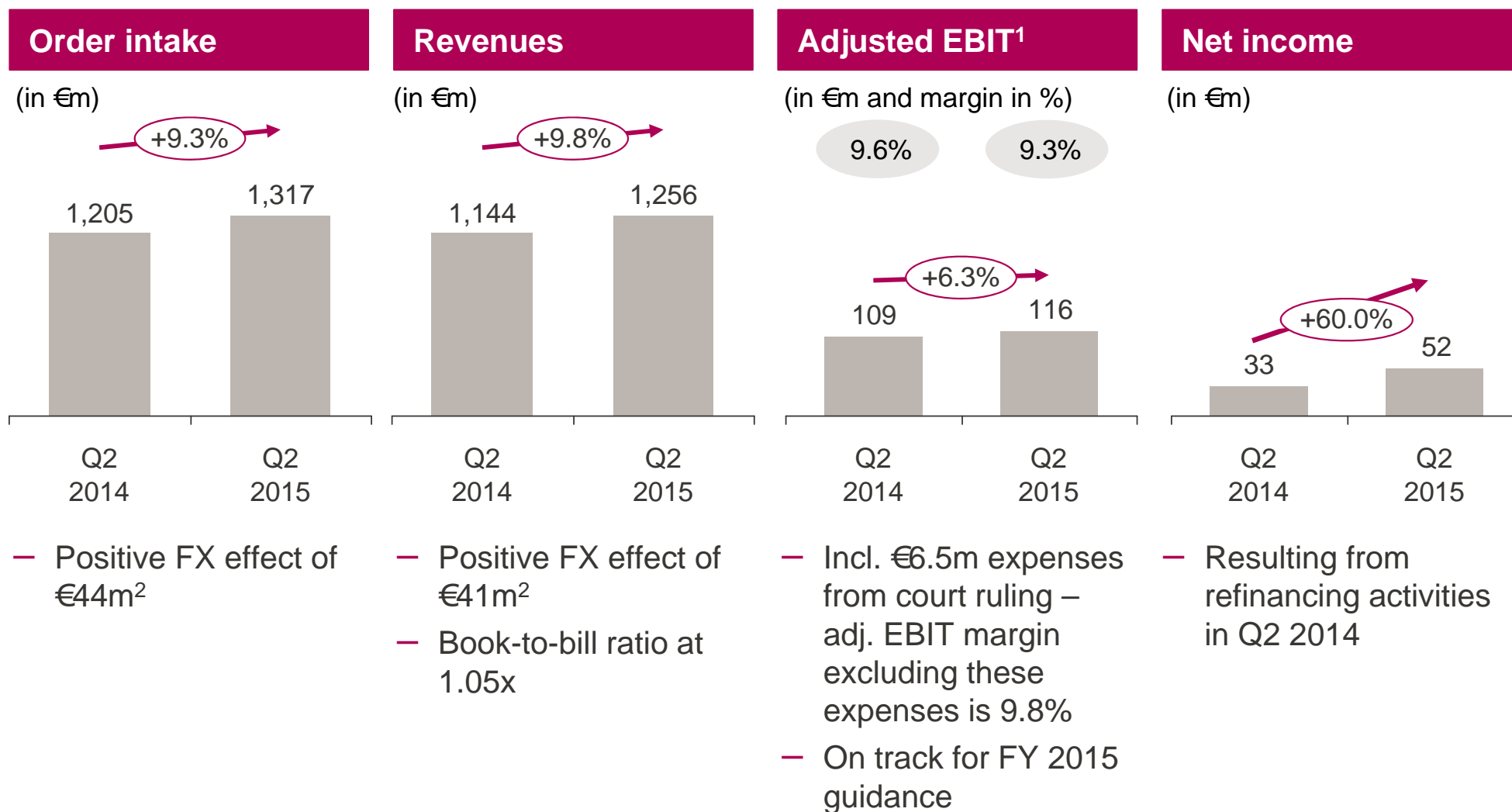
- Incl. €6.5m expenses from court ruling relating to former dealer – adj. EBIT margin excl. these expenses is 8.9%
- On track for FY 2015 guidance

- Increase mainly driven by improved financing structure

1. Adjusted for one-off items and purchase price allocation

# Key Financials Q2 2015

## Operational margin improvement offset by adverse court ruling



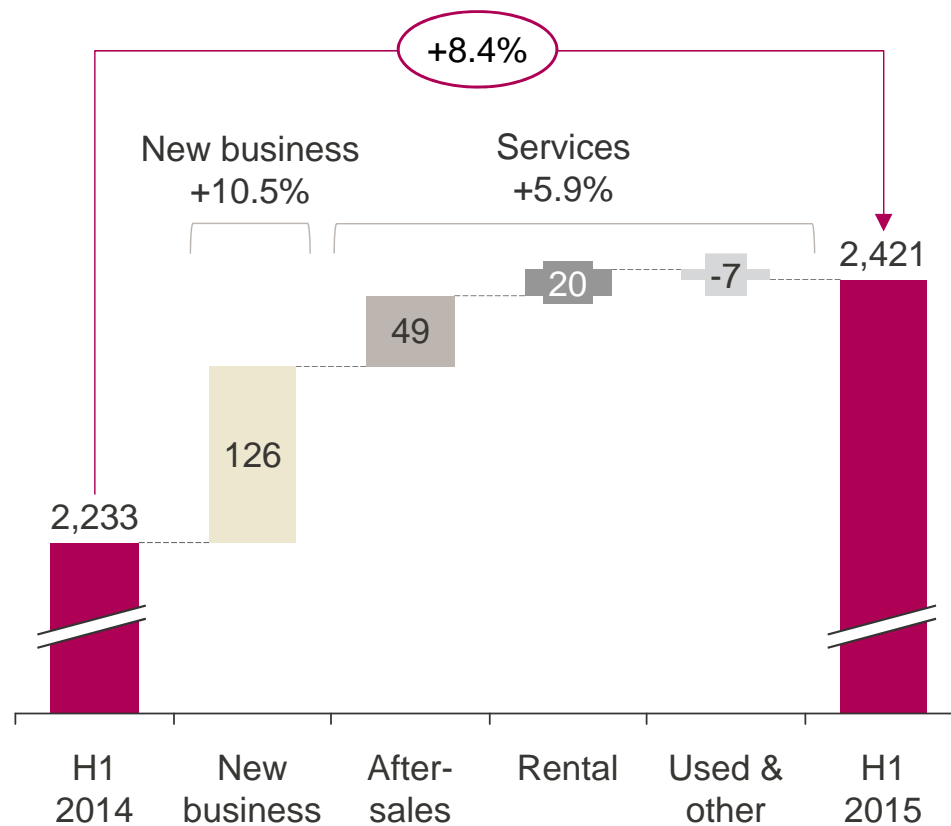
1. Adjusted for one-off items and purchase price allocation  
 2. Quarterly FX effects calculated as delta between FX effects as at H1 2015 and Q1 2015

# Revenues

## Strong growth contribution from new business

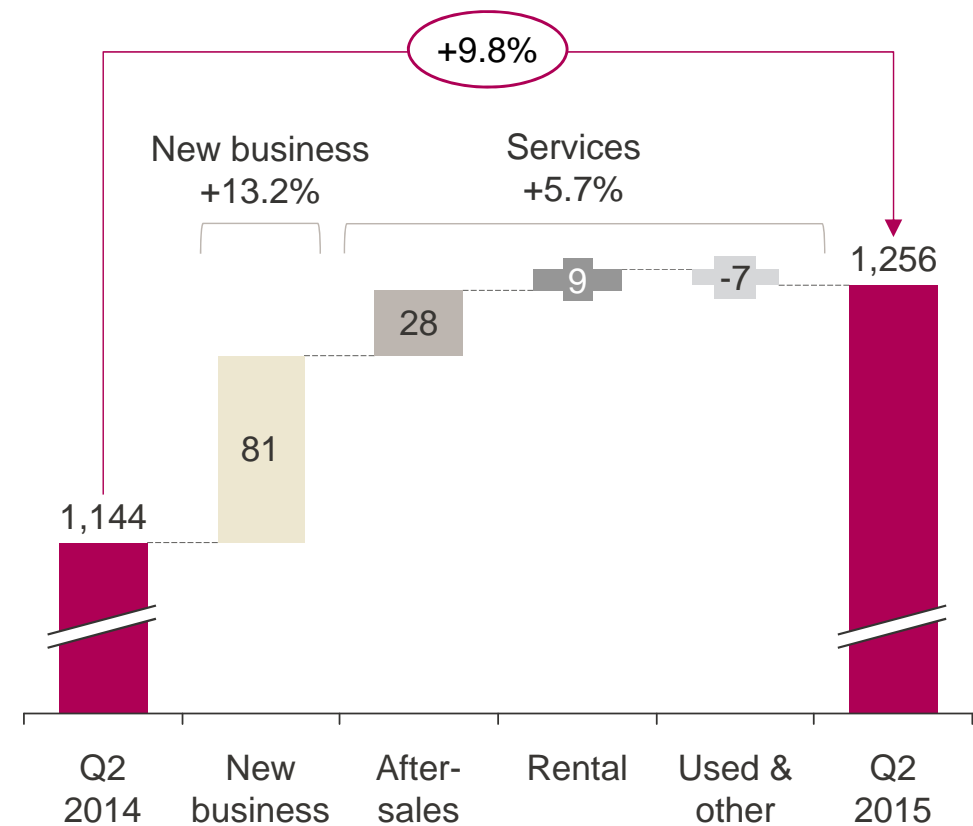
### H1: Revenue bridge by product categories

(in €m and growth y-o-y in %)



### Q2: Revenue bridge by product categories

(in €m and growth y-o-y in %)

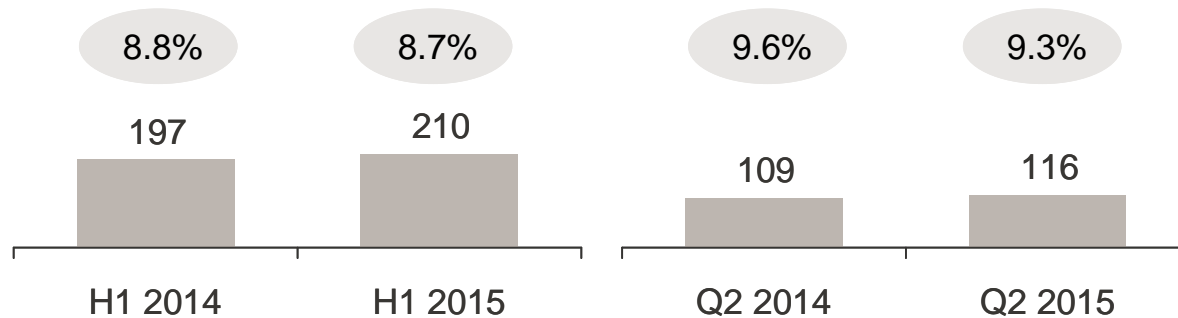


# Adjusted EBIT and EBITDA

## Margins reflect implementation costs for Strategy 2020

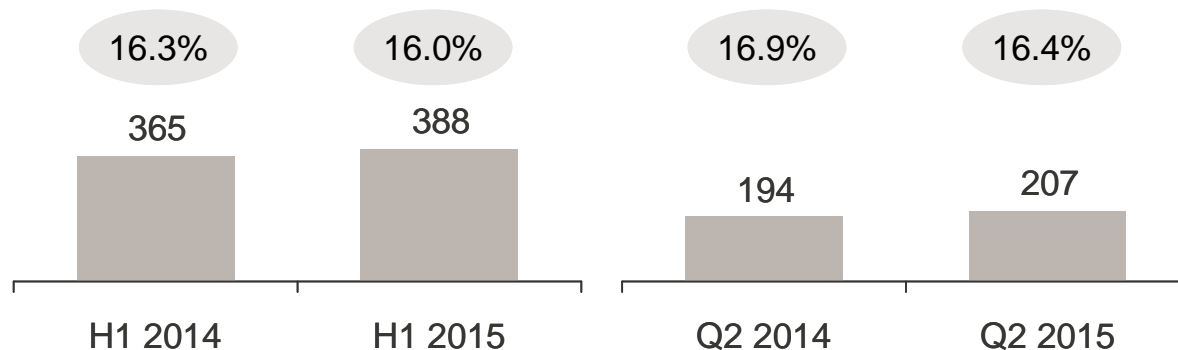
### Adjusted EBIT<sup>1</sup>

(in €m and margin in %)



### Adjusted EBITDA<sup>1</sup>

(in €m and margin in %)



- Gross margin increase driven by new business growth, supported by product mix and lower commodity prices
- Increase in fixed costs driven by wage inflation, FX effects and costs for implementation of Strategy 2020
- Adjusted EBIT and EBITDA include €6.5m expenses from court ruling relating to former dealer

1. Adjusted for one-off items and purchase price allocation

## Adjusted EBIT to Net Income

### Net income growth driven by improved financing

(in €m)	H1 2015	H1 2014	Change	Q2 2015	Q2 2014	Change
<b>Adjusted EBIT<sup>1</sup></b>	<b>210</b>	<b>197</b>	<b>6.6%</b>	<b>116</b>	<b>109</b>	<b>6.3%</b>
Non-recurring items	-15	-9	-54.2%	-10	-5	<-100%
KION acquisition items	-14	-19	27.5%	-7	-13	47.2%
<b>Reported EBIT</b>	<b>181</b>	<b>169</b>	<b>7.7%</b>	<b>99</b>	<b>92</b>	<b>8.6%</b>
Net financial expenses	-43	-81	46.3%	-23	-50	55.0%
<b>EBT</b>	<b>138</b>	<b>88</b>	<b>57.1%</b>	<b>77</b>	<b>41</b>	<b>86.1%</b>
Taxes	-44	-27	-60.2%	-24	-8	<-100%
<b>Net income</b>	<b>94</b>	<b>61</b>	<b>55.7%</b>	<b>52</b>	<b>33</b>	<b>60.0%</b>
Reported EPS	€0.94	€0.60		€0.52	€0.33	

- Financial result benefits from sustainable interest reduction after refinancing in April 2014
- Effective tax rate of 31.7% in H1 2015

1. Adjusted for one-off items and purchase price allocation



# Free Cash Flow Statement

## Growth supported by higher TWC and rental capex

(in €m)	H1 2015	H1 2014	Change
EBITDA (excl. FS segment)	331	310	6.7%
Change of TWC	-166	-96	-72.5%
Taxes paid	-28	-25	-12.9%
Pension payments	-12	-10	-17.2%
Other	41	-27	>100%
Leasing cash flow	6	0	>100%
<b>CF from operating activities</b>	<b>171</b>	<b>151</b>	<b>13.1%</b>
Operating capex	-60	-58	-3.1%
Rental capex (net)	-101	-84	-20.9%
Acquisitions	-3	0	<-100%
Other	2	10	-83.9%
<b>CF from investing activities</b>	<b>-162</b>	<b>-131</b>	<b>-23.2%</b>
<b>Free cash flow</b>	<b>9</b>	<b>20</b>	<b>-53.4%</b>

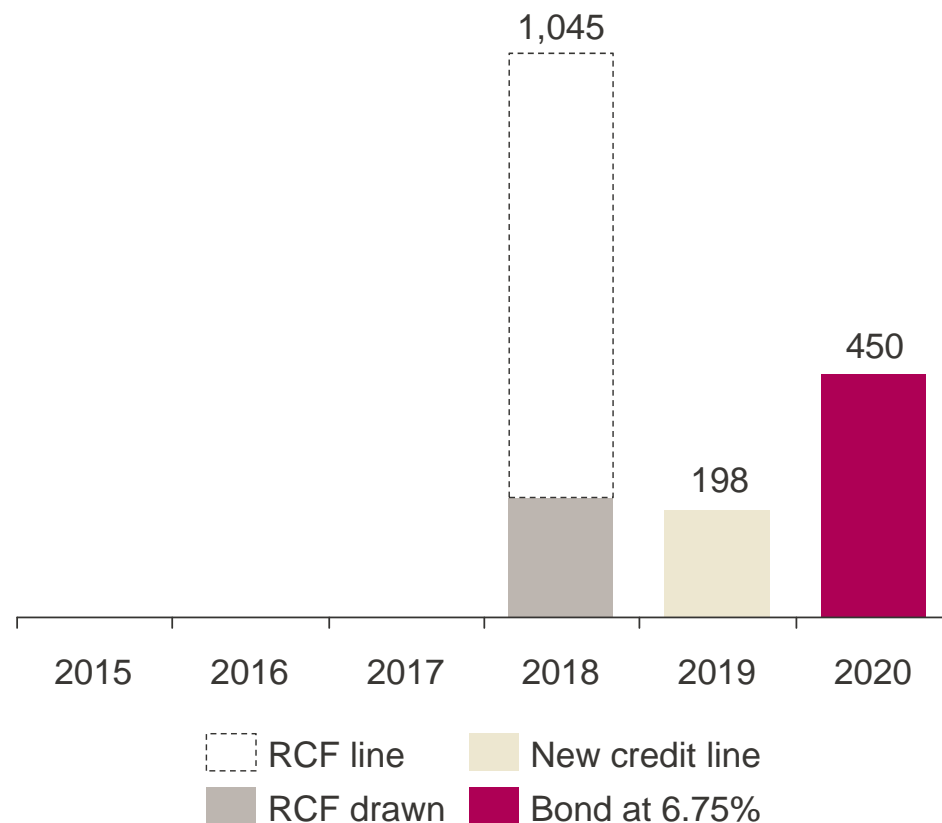
- EBITDA excludes FS segment with €44m EBITDA in H1, included in leasing CF
- Increased trade working capital (TWC) and rental capex related to business growth
- Other operating cash flow driven by prior year restructuring payments, cash in transit and liability from court ruling relating to former dealer

# Financing Structure

## Stable financing structure since refinancing in April 2014

### Maturity profile as at 30 Jun 2015

(in €m)



### Positive ratings action in April 2015

- Standard & Poor's: BB+ with stable outlook
- Moody's: Ba2 with positive outlook

### Last pre-IPO bond callable in February 2016

- Remaining bond of €450m at 6.75%
- Bond refinancing allows replacement of still existing LBO bank loan documentation

### Continuing benefits from refinancing in 2014

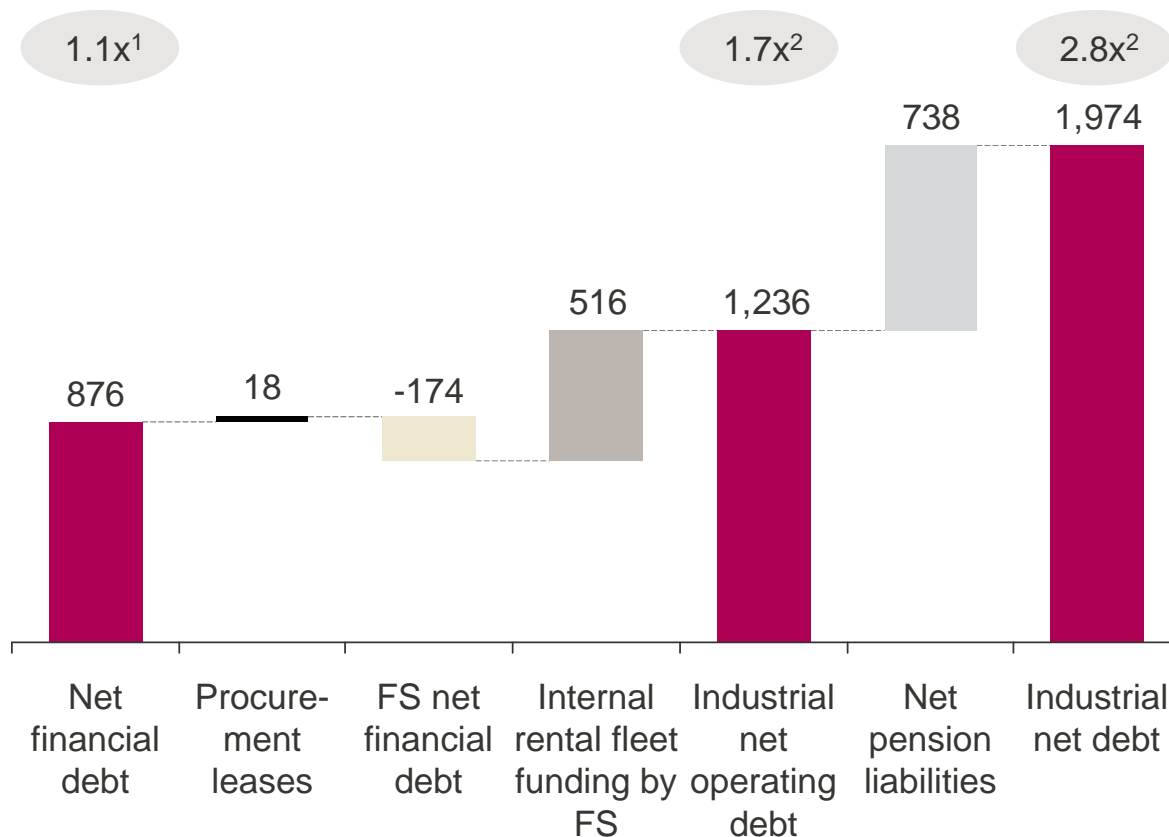
- Over €20m annual savings from refinancing in April 2014 with call of €525m of bonds

# Net Debt

## Slight seasonal increase of net debt

### Net debt as at 30 Jun 2015

(in €m and leverage as multiple of LTM adjusted EBITDA)



### Net debt development

- Group net financial debt increases slightly by €30m from March 2015
- Net financial and industrial net operating leverage remain at March 2015 level
- Decrease in pension liabilities due to higher discount rates

### End customer financing

- Total assets for end customer leasing of €890m increase by €31m compared to March 2015 from stronger FS activity
- Correspondingly, funding via SALB of €766m increases by €31m compared to March 2015

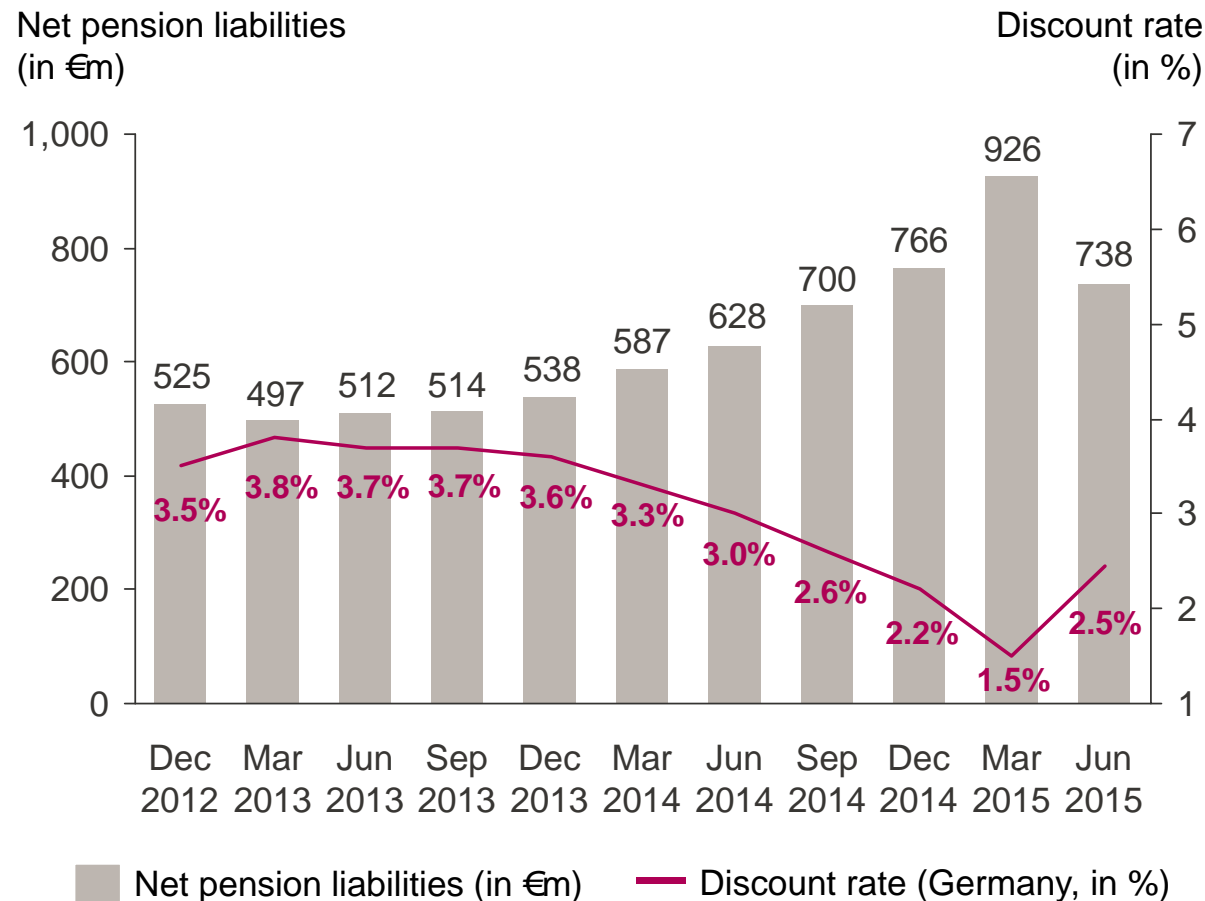
1. Based on LTM adjusted EBITDA of €804m

2. Based on €716m of LTM adjusted industrial EBITDA (excluding €88m of LTM EBITDA for FS)

# Pension Liabilities

## Decrease in net pension liabilities driven by discount rate

### Net pension liabilities as at 30 Jun 2015



### Net pension liabilities mostly driven by German plans

- Large UK plans are fully funded, with offsetting pension assets
- Smaller plans in other countries

### German pay-as-you-go long-term pension plan liability

- Accrued on balance sheet
- Duration of German plan even above group-level weighted average

### Stable current cash outflows

- Cash payments amount to €12m in H1 2015

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4. **Outlook**

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Thomas Toepfer

**Gordon Riske**

### Market

#### Further moderate increase in the worldwide market volume in 2015

- Stabilisation in Western Europe with sustained replacement and catch-up investment
- Healthy market conditions in North America
- Growth in the emerging markets of Asia
- Risks related to significant slowdown in Russia's growth; potential negative impact on neighbouring countries in Eastern Europe and for the Eurozone
- Average annual growth rate (in units) of about 4% for the global market over next few years
- No significant changes in the proportion of total revenue generated by each product segment

### KION

#### Growth underpinned by service in Western Europe and emerging markets

- Slightly higher order intake and consolidated revenue than in 2014
- Slight year-on-year rise in adjusted EBIT reflecting costs for implementation of Strategy 2020 leading to a sustained improvement in the EBIT margin in subsequent years
- Adjusted EBIT margin at 2014 record level
- Further increase of net income expected
- Free cash flow to be slightly below the very high level in previous year due to increased capex and higher anticipated tax payments
- Further reduction of net debt using free cash flow

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

# Financial Calendar

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Date	Event
5 November 2015	Interim report for the period ended 30 September 2015 (Q3 2015)
17 March 2016	Financial statements press conference Publication of 2015 annual report (FY 2015)
4 May 2016	Interim report for the period ended 31 March 2016 (Q1 2016)
12 May 2016	Annual General Meeting

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*Subject to change without notice*

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