KION GROUP

Q1

MOVING FORWARD

IN
NOVA
TION

INTERIM REPORT
2016

Key figures

KION Group overview

in € million	Q1 2016	Q1 2015	Change
Order intake	1,296.7	1,247.9	3.9%
Revenue	1,220.6	1,164.8	4.8%
Order book[1]	921.5	864.0	6.6%
Financial performance			
EBITDA	190.0	177.6	7.0%
Adjusted EBITDA[2]	191.7	181.4	5.7%
Adjusted EBITDA margin[2]	15.7%	15.6%	–
EBIT	89.0	82.1	8.4%
Adjusted EBIT[2]	98.6	93.4	5.6%
Adjusted EBIT margin[2]	8.1%	8.0%	–
Net income for the period	33.0	41.9	–21.0%
Financial position[1]			
Total assets	6,596.6	6,440.2	2.4%
Equity	1,807.8	1,848.7	–2.2%
Net financial debt	646.8	573.5	12.8%
ROCE[3]	–	11.9%	–
Cash flow			
Free cash flow[4]	–20.4	–19.6	–4.1%
Capital expenditure[5]	27.8	27.4	1.3%
Employees[6]	**23,761**	**23,506**	**1.1%**

1 Figure as at 31/03/2016 compared with 31/12/2015
2 Adjusted for KION acquisition items and non-recurring items
3 ROCE is defined as the proportion of EBIT adjusted to capital employed; ROCE is only calculated at the end of the year
4 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
5 Capital expenditure including capitalised development costs, excluding leased and rental assets
6 Number of employees (full-time equivalents) as at 31/03/2016 compared with 31/12/2015

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 minor rounding differences. 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.

Q1 Interim report
2016

MOVING FORWARD

IN NOVA — — TION

The KION Group sells forklift trucks, warehouse technology and associated services from its seven brand companies around the world. It is the European market leader, number two in the world and the leading international supplier 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. Voltas is one of the two market leaders in India. Egemin Automation is a leading international specialist in logistics automation.

Building on these strong foundations, the KION Group and its approximately 23,500 employees generated revenue of €5.1 billion in 2015, never losing sight of what is most important: our customers, innovation and quality. We gave concrete illustrations of how this works in practice in the innovation section of our 2015 annual report. In addition, we have provided in-depth features on our website, where further articles will be added over the course of 2016.

We keep the world moving.

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Highlights of the first quarter of 2016

KION continues its prior-year growth path

- Total value of order intake improves by around 4 per cent
- Order book grows by approximately 7 per cent
- Revenue for the quarter rises by roughly 5 per cent year on year
- Adjusted EBIT goes up by nearly 6 per cent
- Profitability improves compared with first quarter of 2015
- KION shares outperform the benchmark indices with a substantial price gain

New milestones in the implementation of Strategy 2020

- Most modern KION plant officially opened in the Czech Republic
- KION Group and Egemin Automation complete acquisition of US systems integrator Retrotech
- Group's financing structure renewed with improved terms
- Improved rating for the KION Group from Moody's

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KION shares

Strong outperformance

The stock markets had a volatile start to 2016. Cautious growth forecasts and an oil price that continued to decrease until mid-February triggered a sharp price correction, but prices then began to go up again. However, the DAX was unable to make up all of its initial losses and closed at 9,966 points, down by 7.2 per cent compared with the end of 2015. Despite a more positive trajectory, the MDAX also finished the quarter 1.8 per cent below its level at the end of last year.

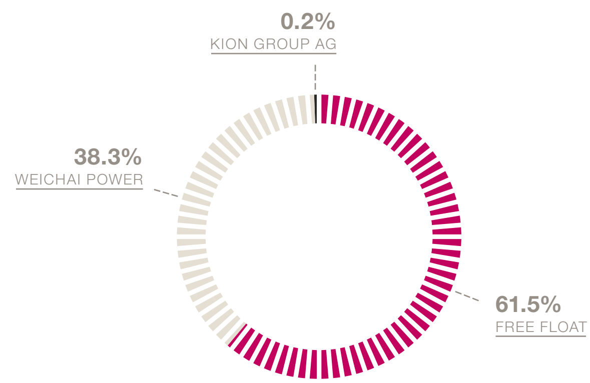
KION shares delivered an encouraging performance in the first quarter of 2016, rising by 11.3 per cent to €51.24 (end of 2015: €46.02) and thus beating their benchmark indices. Having largely mirrored the MDAX in the first few weeks of trading and reaching their lowest price of €40.84 on 8 February, the shares then made disproportionately strong gains on the back of a positive market trend. This was due in part to the announcement of the annual results for 2015 along with the guidance ranges for 2016. The share price reached its highest point of the year so far of €51.34 on 30 March. At the end of March, market capitalisation stood at €5.1 billion, of which €3.1 billion was attributable to shares in free float. > DIAGRAM 01

Share price performance from 30 December 2015 to 31 March 2016 DIAGRAM 01

Stable shareholder structure

The shareholder structure remained stable in the reporting period. Weichai Power Co. Ltd. continues to be the biggest single shareholder, holding a 38.3 per cent stake in the KION Group. Weichai Power has undertaken not to acquire more than 49.9 per cent of KION shares before 28 June 2018 (as part of a standstill agreement). As had been the case at the end of 2015, KION GROUP AG held a total of 0.2 per cent of the shares at the end of the quarter. The free float thus still accounted for 61.5 per cent. > DIAGRAM 02

Shareholder structure as at 31 March 2016 DIAGRAM 02



Comprehensive coverage

Sixteen brokerage houses currently publish regular reports on the KION Group. As at 31 March 2015, ten analysts recommended KION shares as a buy and six rated them as neutral. The median target price specified for the shares was €50.00. > TABLE 01

Financing structure successfully renewed

The fixed-rate (6.75 per cent) tranche of the bond issued in February 2013, which had a volume of €450.0 million, was repaid in full ahead of schedule on 15 February 2016. The amounts drawn under the revolving credit facility dating from the time of the IPO and the bond were repaid using funds from a new syndicated loan totalling €1.5 billion, which has been taken out on terms with investment-grade-style features. The new funding significantly reduces interest expenses and provides KION Group with considerable flexibility for continuing with its strategy of profitable growth.

Two rating agencies publish credit ratings on the KION Group. The rating awarded by Standard & Poor's for the KION Group has remained at BB+ with a stable outlook since April 2015. In April 2016, Moody's raised its rating from Ba2 with a positive outlook to Ba1 with a stable outlook.

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 membership	MDAX, STOXX Europe 600, FTSE Euro Mid, MSCI Germany Small Cap
Stock exchange symbol	KGX
ISIN	DE000KGX8881
WKN	KGX888
Bloomberg / Reuters	KGX:GR / KGX.DE
Closing price as at 31/03/2016	€51.24
Performance since beginning of 2016	11.3%
Market capitalisation as at 31/03/2016	€5,067.6 million
Free float	61.5%
Earnings per share*	€0.33

* For the reporting period 01/01/ – 31/03/2016

Interim group management report

FUNDAMENTALS OF THE KION GROUP

Management and control

There were no changes to the Company's Executive Board or Supervisory Board in the quarter under review.

Strategy of the KION Group

The KION Group Strategy 2020, described in the 2015 annual report, is aimed at leveraging cross-regional and cross-brand synergies even more effectively and closing the gap on the global market leader by 2020. To achieve this, the KION Group is relying on its successful multi-brand approach, underpinned by a comprehensive modular and platform strategy. It is strengthening its presence in key markets and resolutely stepping up its activities in the fields of automation and service.

Furthermore, in order to entrench its position as most profitable supplier in the market, the KION Group aims to improve its EBIT margin so it is permanently in the double-digit range – a target that remains unchanged in communications since the IPO. Further details on the Strategy 2020 can be found in the 2015 group management report.

The establishment of the new CTO organisation was begun in late 2015. Following on from this, the KION Group's new organisational structure is being put into place over the course of 2016. The Linde Material Handling EMEA and STILL EMEA operating units concentrate on Europe, the Middle East and Africa, while KION APAC and KION Americas hold cross-brand responsibility for the Asia-Pacific region and the Americas respectively. This new structure is helping to strengthen collaboration across all brands and regions and to make this collaboration even more efficient.

REPORT ON THE ECONOMIC POSITION

Macroeconomic and sector-specific conditions

MACROECONOMIC CONDITIONS

According to current estimates, global economic growth will remain at a low level throughout 2016. The International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) recently revised the growth forecasts that they had issued in the autumn visibly downwards.

Financial markets are a particular source of risk. The first quarter was characterised by growing uncertainty and strong price volatility. Emerging markets continue to be particularly at risk, with many adversely affected by low prices for oil, gas and other commodities in the global markets and by companies' and households' rising debt levels. In January and February, China experienced a significant slowdown in the growth of its industrial output and a sharp drop in exports.

The outlook for industrialised countries has also clouded over. Despite an uptrend in the job market, the latest growth figures for the United States were down again. The eurozone, which received a boost from the falling oil price and a weak euro in 2015, is likely to fall just short of the level of growth seen last year because oil prices are rising again and the single currency made moderate gains in the first quarter. Although Germany continues to benefit from increasing consumer spending, leading indicators point to a slowdown in the growth of industrial output, which has a strong export focus.

SECTORAL CONDITIONS

Sales markets

The global market for industrial trucks grew in the first three months of 2016. The number of trucks sold advanced by 3.7 per cent. While there was a substantial rise in the number of trucks sold in Europe, the market in North and South America contracted and Asia experienced a slight increase.

All of the large western European markets – France, Germany, Italy, Spain and the United Kingdom – registered healthy increases. Growth in eastern Europe was also encouraging, with the marked downward trend in Russia coming to an end as the market there stabilised. In North America, overall orders were down slightly. The number of trucks sold in Brazil again fell sharply. The Chinese market returned to growth for the first time following decreases in the four previous quarters. This surge in demand was mainly driven by the tightening of emissions regulations.

In the market as a whole, demand for warehouse trucks remained particularly dynamic. There was also a sharp increase in demand for electric forklift trucks, whereas orders for IC trucks continued to decline. > TABLE 02

Procurement markets and conditions in the financial markets

Commodity prices continued to hover at a very low level in the first quarter of 2016. Although prices for steel, which is the most important raw material for the KION Group, and for copper rose slightly in the first three months, their average was still much lower than in the corresponding period of last year. Oil prices also achieved a small uptrend following speculation about a cap on output.

Overall, currency effects had a negative impact on exports in the first three months of 2016. The euro began to rise again against the Chinese renminbi and pound sterling in the first quarter. The Brazilian real remained weak and was unable to recover from the sharp price fall in 2015.

Global industrial truck market (order intake) TABLE 02

in thousand units	Q1 2016	Q1 2015	Change
Western Europe	98.2	87.3	12.5%
Eastern Europe	13.6	12.5	8.4%
North America	56.7	57.2	–0.9%
Central & South America	9.0	11.1	–18.4%
Asia (excl. Japan)	87.5	85.0	3.0%
Rest of world	28.4	30.0	–5.4%
World	**293.5**	**283.1**	**3.7%**

Source: WITS/FEM

Business performance

The KION Group's new plant in Stříbro near Plzeň in the Czech Republic has been designed as a smart factory with digitally connected systems. Production got under way in January 2016. The Stříbro plant is initially building reach trucks for the Linde brand. Employing around 150 people to begin with, the factory has the capacity to manufacture 12,000 trucks per year. The total capital expenditure came to €12 million.

KION Group's renewed financing structure was completed on 15 February 2016. This included repayment ahead of schedule of the final corporate bond and the arrangement of a new credit facility that offers far more favourable terms with investment-grade characteristics.

The KION Group acquired Retrotech Inc., an established systems integrator of automated warehouse and distribution solutions headquartered in Rochester, New York State, with effect from 1 March 2016. This acquisition is enabling the KION Group and Egemin Automation to further strengthen their automated warehouse systems expertise, especially in North America. Demand in this field is increasing rapidly. In 2015, Retrotech Inc. employed over 150 highly specialised workers and generated revenue of roughly €62.0 million. In operational terms, the company is part of Egemin Automation and is included, and reported on, in the Other segment.

Financial position and financial performance

OVERALL ASSESSMENT OF THE ECONOMIC SITUATION

The KION Group has started 2016 with increases in revenue and earnings.

Order intake was higher than in the first quarter of 2015, with the KION Group benefiting from the healthy level of demand in Europe. Moreover, the number of orders received by the Group in Asia improved year on year, which meant that it outperformed the global market. This can be attributed to resolutely pursuing the multi-brand strategy and progressively supplementing the premium product range with platforms for the volume and economy segments. As a result, Baoli has strengthened its position in the global economy segment, generating particularly good growth in North America and eastern Europe.

Despite negative currency effects stemming from the appreciation of the euro, consolidated revenue rose by 4.8 per cent year on year. Of particular note was the sharp increase in revenue from sales of new electric forklift trucks and IC trucks. The proportion of revenue attributable to the service business was up compared with the prior-year period thanks to Egemin Automation.

There was a year-on-year increase in adjusted EBIT and the EBIT margin. By contrast, net income was considerably lower than in the first quarter of last year due to one-off financial expenses in connection with the renewing and optimisation of the Group's funding in the reporting period. However, lower interest expenses will have a positive effect in the quarters to come. Earnings per share stood at €0.33 (Q1 2015: €0.41).

Level of orders

In the first three months of 2016, order intake advanced by 3.9 per cent or €48.8 million to €1,296.7 million. Egemin Automation contributed orders of €35.1 million in the first quarter of 2016. However, there were negative currency effects of €21.6 million.

The number of trucks ordered increased to approximately 43.6 thousand, which was 4.9 per cent higher than in the first quarter of 2015. The strongest growth was in electric forklift trucks, followed by warehouse trucks. The number of IC trucks ordered was down on the same period of last year, which can partly be attributed to the shift in demand towards electric forklift trucks. The total value of the order book amounted to €921.5 million, an increase of 6.6 per cent on the value at the end of last year (31 December 2015: €864.0 million).

Revenue

The new truck business and service business contributed to the increase in revenue, which went up by 4.8 per cent to €1,220.6 million (Q1 2015: €1,164.8 million). Egemin Automation contributed revenue of €19.8 million. There were overall negative currency effects of €21.1 million.

Revenue from new truck business increased to €638.8 million, compared with €622.1 million in the first quarter of 2015. This rise of 2.7 per cent was predominantly accounted for by electric forklift trucks and IC trucks.

Revenue from the service business was up by 7.2 per cent to €581.9 million (Q1 2015: €542.7 million). There was also a substantial year-on-year increase for the used truck business. The rise in the 'other' product category was attributable to Egemin Automation. Overall, the service business contributed 47.7 per cent of the KION Group's total revenue in the first quarter (Q1 2015: 46.6 per cent). > TABLE 03

The rise in revenue was primarily attributable to the western European sales markets. France, Germany and Italy achieved particularly notable year-on-year increases. In eastern Europe, revenue was up slightly compared with the first three months of last year. Business in the Asian region continued to develop solidly, at minus 3.0 per cent, whereas revenue in Brazil continued to fall. The KION Group increased its revenue in the United States, albeit from a low level. Overall, the growth markets accounted for 23.5 per cent of consolidated revenue in the first three months (Q1 2015: 25.3 per cent). The proportion generated outside Germany came to 75.1 per cent (Q1 2015: 74.7 per cent). > TABLE 04

Revenue by product category TABLE 03

in € million	Q1 2016	Q1 2015	Change
New business	638.8	622.1	2.7%
Service business	581.9	542.7	7.2%
– Aftersales	330.0	325.9	1.2%
– Rental business	131.6	127.0	3.6%
– Used trucks	70.1	61.4	14.1%
– Other	50.3	28.4	76.9%
Total revenue	**1,220.6**	**1,164.8**	**4.8%**

Revenue by customer location TABLE 04

in € million	Q1 2016	Q1 2015	Change
Western Europe	906.0	853.2	6.2%
Eastern Europe	96.9	94.4	2.6%
Americas	62.4	59.1	5.6%
Asia	120.6	124.3	–3.0%
Rest of world	34.7	33.8	2.9%
Total revenue	**1,220.6**	**1,164.8**	**4.8%**

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) amounted to €89.0 million, which was more than in the same period of the previous year (Q1 2015: €82.1 million).

Although there was a volume-related improvement in gross profit of 5.6 per cent, selling expenses, administrative expenses and development costs also increased. Adjusted EBIT excluding non-recurring items and KION acquisition items amounted to €98.6 million (Q1 2015: €93.4 million). The adjusted EBIT margin was 8.1 per cent (Q1 2015: 8.0 per cent). > TABLE 05

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved to €190.0 million, compared with €177.6 million in the corresponding quarter of 2015. Adjusted EBITDA rose to €191.7 million (Q1 2015: €181.4 million). This equates to an adjusted EBITDA margin of 15.7 per cent (Q1 2015: 15.6 per cent). > TABLE 06

EBIT TABLE 05

in € million	Q1 2016	Q1 2015	Change
Net income for the period	33.0	41.9	–21.0%
Income taxes	–15.5	–19.6	20.9%
Net financial expenses	–40.4	–20.6	–95.9%
EBIT	**89.0**	**82.1**	**8.4%**
+ Non-recurring items	2.9	4.5	–36.0%
+ KION acquisition items	6.7	6.8	–1.1%
Adjusted EBIT	**98.6**	**93.4**	**5.6%**

EBITDA TABLE 06

in € million	Q1 2016	Q1 2015	Change
EBIT	89.0	82.1	8.4%
Amortisation and depreciation	101.0	95.5	5.7%
EBITDA	**190.0**	**177.6**	**7.0%**
+ Non-recurring items	1.8	3.8	–52.9%
+ KION acquisition items	0.0	0.0	–
Adjusted EBITDA	**191.7**	**181.4**	**5.7%**

Key influencing factors for earnings

The cost of sales increased by 4.5 per cent to €860.2 million (Q1 2015: €823.5 million), slightly below the rate of growth in revenue. Gross profit improved to €360.4 million (Q1 2015: €341.3 million) while the gross margin advanced from 29.3 per cent to 29.5 per cent.

Selling expenses grew by 5.9 per cent to €157.3 million (Q1 2015: €148.5 million) as a result of the stepping up of sales activities. Development costs totalled €37.0 million (Q1 2015: €34.0 million). Administrative expenses came to €86.0 million in the quarter under review, compared with €84.3 million in the prior-year period. The 'other' item of €8.8 million was up by €1.2 million on the prior-year figure (Q1 2015: €7.7 million). This included the share of profit (loss) of equity-accounted investments, which amounted to a profit of €0.2 million; the prior-year figure had been a loss of €1.6 million as it was still affected by the loss contributed by Linde Hydraulics. > TABLE 07

Net financial income/expenses

There was a significant decline in the balance of financial income and financial expenses, leading to net financial expenses of €40.4 million (Q1 2015: net financial expenses of €20.6 million). This was mainly attributable to the renewing of the Group's funding in February 2016. As part of this, early repayment charges of €15.2 million were paid due to the repayment ahead of schedule of the corporate bond. Net financial income and expenses were also adversely affected by an amount of €10.5 million representing a reversal of the deferred borrowing costs for the corporate bond and the previous syndicated loan. This amount did not have an impact on cash flow. The renewing of the funding resulted in total non-recurring financial expenses of €25.7 million in the quarter under review.

Income taxes

Income tax expenses amounted to €15.5 million (Q1 2015: €19.6 million). Current income taxes came to €15.3 million (Q1 2015: €22.6 million). The tax rate was unchanged year on year at 31.9 per cent.

(Condensed) income statement TABLE 07

in € million	Q1 2016	Q1 2015	Change
Revenue	1,220.6	1,164.8	4.8%
Cost of sales	–860.2	–823.5	–4.5%
Gross profit	**360.4**	**341.3**	**5.6%**
Selling expenses	–157.3	–148.5	–5.9%
Research and development costs	–37.0	–34.0	–8.8%
Administrative expenses	–86.0	–84.3	–1.9%
Other	8.8	7.7	15.0%
Earnings before interest and taxes (EBIT)	**89.0**	**82.1**	**8.4%**
Net financial expenses	–40.4	–20.6	–95.9%
Earnings before taxes	**48.5**	**61.4**	**–21.0%**
Income taxes	–15.5	–19.6	20.9%
Net income for the period	**33.0**	**41.9**	**–21.0%**

Net income

The KION Group's net income after taxes was €33.0 million (Q1 2015: €41.9 million). Diluted and basic earnings per share for the reporting period came to €0.33 (Q1 2015: €0.41).

BUSINESS SITUATION AND FINANCIAL PERFORMANCE OF THE SEGMENTS

Linde Material Handling segment

Despite negative currency effects, order intake in the Linde Material Handling (LMH) segment amounted to €843.5 million in the quarter under review, which was on a par with the high level reported a year earlier (Q1 2015: €843.8 million).

Segment revenue improved by 3.5 per cent to €814.9 million (Q1 2015: €787.3 million). The main factor in this increase was higher unit sales of counterbalance trucks. Revenue from the service and rental businesses also went up.

At €87.4 million, adjusted EBIT was substantially higher than in the prior-year quarter (Q1 2015: €77.8 million). This was due, above all, to revenue growth in France and Germany and to moderate margin improvements. Consequently, the adjusted EBIT margin increased to 10.7 per cent (Q1 2015: 9.9 per cent). > TABLE 08

Key figures – LMH – TABLE 08

in € million	Q1 2016	Q1 2015	Change
Order intake	843.5	843.8	–0.0%
Revenue	814.9	787.3	3.5%
EBITDA	127.1	114.5	11.0%
Adjusted EBITDA	126.9	115.8	9.6%
EBIT	81.9	70.6	16.0%
Adjusted EBIT	87.4	77.8	12.3%
Adjusted EBITDA margin	15.6%	14.7%	–
Adjusted EBIT margin	10.7%	9.9%	–

STILL segment

At €507.1 million, order intake in the STILL segment was 1.5 per cent up on the prior-year level despite negative currency effects (Q1 2015: €499.6 million). An increase in orders in eastern Europe, France, Germany and Italy were partly offset by decreases elsewhere, particularly in Brazil.

Revenue came to €475.0 million, significantly ahead of the same period of last year (Q1 2015 €461.5 million). The main factor in the increase in revenue was the strong growth in the service and used truck businesses.

The segment's adjusted EBIT advanced to €28.0 million, which was €3.8 million more than it had been a year earlier (Q1 2015: €24.2 million). The adjusted EBIT margin rose to 5.9 per cent (Q1 2015: 5.2 per cent). > TABLE 09

Financial Services segment

The Financial Services (FS) segment is the central financing partner for end-customer leasing and short-term rental fleet financing for the LMH and STILL brand segments. It continued to benefit from steadily growing internal and external demand for financing solutions. Revenue in the long-term leasing business with external end customers advanced to €92.9 million (Q1 2015: €85.0 million). Total revenue including the short-term rental business, which is managed by the LMH and STILL brand segments, was up by 10.3 per cent to €162.5 million (Q1 2015: €147.3 million). At €1.3 million, earnings before tax was at the level of the prior-year period (Q1 2015: €1.3 million). The return on equity (ROE) was 12.8 per cent (Q1 2015: 13.3 per cent).

Key figures – STILL – TABLE 09

in € million	Q1 2016	Q1 2015	Change
Order intake	507.1	499.6	1.5%
Revenue	475.0	461.5	2.9%
EBITDA	55.1	52.0	5.9%
Adjusted EBITDA	56.5	52.0	8.7%
EBIT	25.0	22.6	10.4%
Adjusted EBIT	28.0	24.2	15.6%
Adjusted EBITDA margin	11.9%	11.3%	–
Adjusted EBIT margin	5.9%	5.2%	–

At €1,628.5 million, the FS segment's assets had increased slightly compared with the end of last year (31 December 2015: €1,603.4 million) and were up significantly year on year due to the increase in the volume of orders (31 March 2015: €1,412.2 million). As at 31 March 2016, the FS segment had intra-group lease receivables of €552.7 million from the LMH and STILL brand segments relating to the intra-group financing of the short-term rental fleet (31 December 2015: €549.2 million; 31 March 2015: €489.3 million). The funding of intra-group long-term leases (finance leases) with LMH and STILL resulted in lease liabilities of €395.3 million (31 December 2015: €400.6 million; 31 March 2015: €350.4 million). Net financial debt amounted to €198.5 million at the end of the first quarter (31 December 2015: €185.6 million; 31 March 2015: €169.7 million). > TABLE 10

Key figures – Financial Services – TABLE 10

in € million	Q1 2016	Q1 2015	Change
Revenue	162.5	147.3	10.3%
Adjusted EBITDA	23.7	21.7	9.0%
Adjusted EBIT	–1.1	–0.1	<–100%
Earnings before taxes (EBT)	1.3	1.3	–2.8%
Total segment assets	1,628.5	1,412.2	15.3%
Leased assets	329.5	277.5	18.8%
Lease receivables	1,186.4	1,032.5	14.9%
thereof lease receivables from long-term leases to third parties	633.7	543.3	16.6%
thereof lease receivables from LMH and STILL from funding of the short-term rental business	552.7	489.3	13.0%
Lease liabilities[1]	1,267.2	1,081.1	17.2%
thereof liabilities from funding of the long-term leases with third parties	871.9	730.7	19.3%
thereof liabilities from funding of the short-term rental business of LMH and STILL	395.3	350.4	12.8%
Net financial debt	198.5	169.7	17.0%
Equity	42.8	41.9	2.0%
Return on equity[2]	12.8%	13.3%	–

1 Includes liabilities from financing of the short-term rental fleet reported as other financial liabilities
2 Earnings before taxes divided by average equity employed excluding net income (loss) for the current period

Other segment

Group head office functions that do not come under any other segment are reported in the Other segment, as are the intralogistics activities of Egemin Automation. Retrotech Inc., which was acquired in the first quarter of 2016, is included under and reported together with Egemin Automation. Revenue generated outside the KION Group totalled €23.8 million (Q1 2015: €4.2 million), of which €19.8 million was attributable to Egemin Automation. The segment reported a negative amount for adjusted EBIT of minus €13.0 million (Q1 2015: minus €6.8 million). > TABLE 11

FINANCIAL POSITION

The principles and objectives applicable to financial management as at 31 March 2016 were the same as those described in the 2015 group management report.

In the first quarter of 2016, the KION Group renewed its funding with much better terms and thus successfully ended the funding structure that had dated back to the time before the IPO. On 15 February 2016, based on the resolution adopted by the Executive Board of KION GROUP AG on 25 January 2016 to overhaul the funding structure of the KION Group, the Company used funds from the new

Key figures – Other – TABLE 11

in € million	Q1 2016	Q1 2015	Change
Order intake	88.2	54.3	62.4%
Revenue	72.8	54.3	34.2%
EBITDA	–9.2	–14.2	35.0%
Adjusted EBITDA	–8.6	–2.6	<–100%
EBIT	–14.2	–18.4	23.0%
Adjusted EBIT	–13.0	–6.8	–90.5%

syndicated loan (senior facilities agreement) to repay the existing syndicated loan dated 23 December 2006 that took the form of a revolving credit facility of €1,243.0 million and the KION Group corporate bond of €450.0 million that was issued in 2013 and was due to mature in 2020. The new senior facilities agreement, which was concluded with a syndicate of international banks in October 2015, comprises a revolving credit facility of €1,150.0 million maturing in February 2021 and a fixed-term tranche of €350.0 million maturing in February 2019. The conditions of the agreement reflect the KION Group's current investment-grade standing. Repayment of the bond and syndicated loan resulted in non-recurring financial expenses of €25.7 million.

KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the new senior facilities agreement. Unlike the previous syndicated loan and the repaid corporate bond, the new syndicated loan agreement is not collateralised. Following repayment of the syndicated loan from 23 December 2006, all collateral furnished under the previous loan agreement has now been released.

Among other stipulations, the contractual terms of the senior facilities agreement require compliance with certain covenants. They also contain a financial covenant that requires adherence to a maximum level of gearing (the ratio of financial liabilities to EBITDA). Non-compliance with the covenants may, for example, give lenders the right to terminate the new syndicated loan agreement. All covenants were complied with as at the reporting date.

Analysis of capital structure

The total financial debt recognised came to €743.4 million as at 31 March 2016, which was higher than the figure at the end of 2015 of €676.5 million. After deduction of cash and cash equivalents of €96.6 million, net financial debt amounted to €646.8 million, compared with €573.5 million at the end of last year. Net debt as at 31 March 2016 was 0.8 times adjusted EBITDA for the past twelve months. It had therefore held fairly steady relative to earnings. > TABLE 12

Net financial debt TABLE 12

in € million	31/03/2016	31/12/2015	Change
Corporate bond (2013/2020) – fixed rate (gross)	–	450.0	–100%
Liabilities to banks (gross)	737.0	225.9	>100%
Liabilities to non-banks (gross)	7.2	6.2	15.9%
./. Capitalised borrowing costs	–0.8	–5.5	85.9%
Financial debt	**743.4**	**676.5**	**9.9%**
./. Cash and cash equivalents	–96.6	–103.1	6.2%
Net financial debt	**646.8**	**573.5**	**12.8%**

Pension provisions had increased from €798.0 million at 31 December 2015 to €879.1 million as at 31 March 2016 due to a lower level of interest rates. The lease liabilities resulting from sale-and-leaseback transactions used to fund long-term leases with end customers rose to €874.4 million (31 December 2015: €855.6 million) on the back of the expansion of financial services activities. Of this total, €629.0 million related to non-current lease liabilities and €245.3 million to current lease liabilities. Other financial liabilities also included liabilities of €397.7 million from sale-and-leaseback transactions used to finance the short-term rental fleet (31 December 2015: €403.2 million).

Taking account of the net income for the reporting period and the other comprehensive loss resulting from the change in the interest rate on pensions and other factors, equity was lower than at the end of 2015, falling from €1,848.7 million to €1,807.8 million. The equity ratio was 27.4 per cent (31 December 2015: 28.7 per cent). > TABLE 13

(Condensed) statement of financial position – Equity and liabilities TABLE 13

in € million	31/03/2016	in %	31/12/2015	in %	Change
Equity	**1,807.8**	**27.4%**	**1,848.7**	**28.7%**	**–2.2%**
Non-current liabilities	**2,756.6**	**41.8%**	**2,860.0**	**44.4%**	**–3.6%**
thereof:					
Retirement benefit obligation	879.1	13.3%	798.0	12.4%	10.2%
Financial liabilities	375.9	5.7%	557.2	8.7%	–32.5%
Deferred tax liabilities	295.4	4.5%	302.7	4.7%	–2.4%
Lease liabilities	629.0	9.5%	617.7	9.6%	1.8%
Current liabilities	**2,032.3**	**30.8%**	**1,731.5**	**26.9%**	**17.4%**
thereof:					
Financial liabilities	367.5	5.6%	119.3	1.9%	> 100%
Trade payables	595.9	9.0%	574.6	8.9%	3.7%
Lease liabilities	245.3	3.7%	237.9	3.7%	3.1%
Total equity and liabilities	**6,596.6**	**–**	**6,440.2**	**–**	**2.4%**

Analysis of capital expenditure

The KION Group's total capital expenditure on property, plant and equipment and on intangible assets (excluding leased and rental assets) came to €27.8 million, compared with €27.4 million in the first quarter of 2015. The main areas of spending were capitalised development costs in the LMH and STILL brand segments and the expansion and modernisation of production and technology sites.

Analysis of liquidity

The KION Group's net cash provided by operating activities totalled €78.9 million, which was significantly higher than the comparable prior-year figure of €57.1 million. Current trade receivables and trade payables had changed only marginally compared with 31 December 2015 and also made a substantial contribution to the increase in cash flow from operating activities.

The net cash used for investing activities rose to €99.3 million as a result of acquisitions (Q1 2015: €76.7 million). Cash payments for capital expenditure on property, plant and equipment and on intangible assets and the rental business totalled €73.8 million in the first quarter of 2016, representing a year-on-year increase (Q1 2015: €66.2 million). Net cash of €27.3 million was used for acquisitions, €23.2 million of which related to the acquisition of Retrotech Inc.

Free cash flow – the sum of cash flow from operating activities and investing activities – came to minus €20.4 million in the first quarter and was thus close to the prior-year level (Q1 2015: minus €19.6 million) despite the acquisition of Retrotech Inc.

Cash flow from financing activities amounted to €15.2 million in the reporting period, compared with minus €0.3 million in the prior-year period. Owing to the repayment ahead of schedule of the corporate bond and the restructuring of funding in February 2016, the financial debt taken up totalled €783.3 million, whereas repayments came to €735.3 million. Net cash of €19.9 million was used for regular interest payments (Q1 2015: €20.2 million). Furthermore, early repayment charges of €15.2 million were paid due to the repayment ahead of schedule of the bond. These charges are included in the interest payments. > TABLE 14

(Condensed) statement of cash flows TABLE 14

in € million	Q1 2016	Q1 2015	Change
EBIT	89.0	82.1	8.4%
Cash flow from operating activities	78.9	57.1	38.2%
Cash flow from investing activities	–99.3	–76.7	–29.5%
Free cash flow	**–20.4**	**–19.6**	**–4.1%**
Cash flow from financing activities	15.2	–0.3	>100%
Effect of foreign exchange rate changes on cash	–1.2	4.3	<–100%
Change in cash and cash equivalents	**–6.4**	**–15.6**	**58.7%**

NET ASSETS

Non-current assets had increased to €4,835.3 million as at 31 March 2016 (31 December 2015: €4,810.3 million). Intangible assets accounted for €2,486.1 million (31 December 2015: €2,452.5 million). Goodwill and the KION Group's brand names represented €2,183.2 million of that amount (31 December 2015: €2,152.2 million). This increase compared with 31 December 2015 was mainly attributable to the acquisition of Retrotech Inc.

At €544.5 million, rental assets in the brand segments' short-term rental fleet were on a par with the figure reported at the end of last year (31 December 2015: €544.0 million). Due to the overall growth in business, leased assets for leases with end customers that are classified as operating leases increased to €352.8 million (31 December 2015: €334.4 million). Long-term lease receivables arising from leases with end customers that are classified as finance leases advanced to €472.4 million (31 December 2015: €472.0 million).

Current assets rose to €1,761.2 million (31 December 2015: €1,629.9 million). This was partly due to the seasonal rise in inventories. At €186.4 million, short-term lease receivables from end customers were slightly higher than at the end of last year (31 December 2015: €181.7 million).

Cash and cash equivalents totalled €96.6 million at the end of the quarter (31 December 2015: €103.1 million). Taking into account the unused credit facility, the cash and cash equivalents available to the KION Group at 31 March 2016 amounted to €930.9 million. > TABLE 15

(Condensed) statement of financial position – Assets TABLE 15

in € million	31/03/2016	in %	31/12/2015	in %	Change
Non-current assets	**4,835.3**	**73.3%**	**4,810.3**	**74.7%**	**0.5%**
thereof:					
Goodwill	1,579.6	23.9%	1,548.1	24.0%	2.0%
Brand names	603.6	9.1%	604.1	9.4%	−0.1%
Deferred tax assets	357.8	5.4%	349.0	5.4%	2.5%
Rental assets	544.5	8.3%	544.0	8.4%	0.1%
Leased assets	352.8	5.3%	334.4	5.2%	5.5%
Lease receivables	472.4	7.2%	472.0	7.3%	0.1%
Current assets	**1,761.2**	**26.7%**	**1,629.9**	**25.3%**	**8.1%**
thereof:					
Inventories	637.7	9.7%	553.5	8.6%	15.2%
Trade receivables	692.6	10.5%	670.5	10.4%	3.3%
Lease receivables	186.4	2.8%	181.7	2.8%	2.6%
Other current financial assets	67.2	1.0%	58.4	0.9%	14.9%
Cash and cash equivalents	96.6	1.5%	103.1	1.6%	−6.2%
Total assets	**6,596.6**	**–**	**6,440.2**	**–**	**2.4%**

Employees (full-time equivalents) TABLE 16

	31/03/2016	31/12/2015	Change
Western Europe	16,558	16,515	0.3%
Eastern Europe	2,029	1,921	5.6%
Americas	827	693	19.3%
Asia	3,768	3,812	–1.2%
Rest of world	579	565	2.5%
Total	**23,761**	**23,506**	**1.1%**

Non-financial performance indicators

EMPLOYEES

At the end of the quarter, the KION Group employed 23,761 full-time equivalents (31 December 2015: 23,506). The increase in the number of employees is largely due to first-time consolidations in the first quarter as well as growth in eastern Europe.

Personnel expenses rose by 10.4 per cent year on year to €362.4 million (Q1 2015: €328.1 million). This increase resulted mainly from the larger headcount and changes to collective bargaining. In addition, the acquisition of Egemin Automation and the opening of the new plant in Stříbro, Czech Republic also added to the increase. > TABLE 16

RESEARCH AND DEVELOPMENT

Total spending on research and development came to €32.8 million in the first quarter of 2016 (Q1 2015: €30.7 million), which equates to 2.7 per cent of revenue. The number of full-time jobs in R&D stood at 1,053 as at 31 March 2016 (31 December 2015: 1,056).

The key R&D projects relating to the reduction of emissions and fuel consumption, the modular and platform strategy, drive technology, automation and networking, and workplace safety and ergonomics continued in the first three months of 2016.

With its proprietary iGo neo CX 20 development, STILL has now for the first time gone into series production of robotics for intralogistics. The order picker, which was launched in March 2016, won the best product award in the 'order-picking, conveying, lifting and warehouse technology' category at the LogiMAT trade fair. Linde Material Handling has also expanded its robotics range, with two new models in the Linde-MATIC series making their debut at LogiMAT. The KION Group is aiming for all of the major product series to include an automated version in the medium term.

LMH also added new IC trucks in the 5–8 tonne load capacity range to its EVO series. The new trucks consume up to 20 per cent less fuel than their predecessors. Moreover, they produce fewer emissions than ever before thanks to more extensive exhaust aftertreatment.

Research and development (R&D) TABLE 17

in € million	Q1 2016	Q1 2015	Change
Research and development costs (P&L)	37.0	34.0	8.8%
Amortisation expense (R&D)	–12.3	–13.0	5.2%
Capitalised development costs	8.1	9.6	–15.7%
Total R&D spending	**32.8**	**30.7**	**7.0%**
R&D spending as percentage of revenue	2.7%	2.6%	–

The KION Group also forged ahead with the development of lithium-ion drive systems. STILL plans to showcase further warehouse technology models, tow tractors and its first counterbalance truck with lithium-ion batteries at CeMAT 2016 in May. In addition, LMH will present an electric forklift truck incorporating lithium-ion battery technology at its own trade fair, World of Material Handling, alongside the warehouse technology models. > TABLE 17

CUSTOMERS

The KION brand companies regularly exhibit at the leading trade fairs for their sector so that they can strengthen their relationships with customers and partners. Contact with customers at trade fairs also makes it possible to gauge interest in the product innovations on show among new and existing customers. In March 2016, the KION brands STILL, LMH and Egemin took part in LogiMAT in Stuttgart, one of the largest logistics fairs in Europe.

OUTLOOK, RISK REPORT AND OPPORTUNITY 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 2015 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 good business and earnings performance in the first quarter of 2016, the KION Group is confirming the outlook for 2016 as a whole that was published in the 2015 group management report.

In 2016, the Group aims to build on its successful performance in 2015 and, based on the forecasts for market growth, achieve further increases in order intake, revenue and adjusted EBIT. Order intake is expected to be between €5,350 million and €5,500 million. The target figure for consolidated revenue is in the range of €5,200 million to €5,350 million. The KION Group predicts higher volumes of revenue and orders, particularly in western Europe.

The targeted range for adjusted EBIT is €510 million to €535 million. The adjusted EBIT margin is predicted to increase above the margin of 9.5 per cent that was generated in 2015. This improvement will stem from significant positive effects, such as a further increase in the efficiency of the production network. Free cash flow is expected to be in a range between €280 million and €320 million after taking account of the acquisition of Retrotech Inc. ROCE is expected to go up slightly. The forecast is based on the assumption that material prices will hold steady and the current exchange rate environment will remain as it is.

Opportunity and risk report

The KION Group's overall risk and opportunity situation has not changed significantly compared with the description in the 2015 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 interim financial statements

Consolidated income statement

TABLE 18

in € million	Q1 2016	Q1 2015
Revenue	1,220.6	1,164.8
Cost of sales	–860.2	–823.5
Gross profit	**360.4**	**341.3**
Selling expenses	–157.3	–148.5
Research and development costs	–37.0	–34.0
Administrative expenses	–86.0	–84.3
Other income	17.1	23.2
Other expenses	–8.5	–14.0
Profit (loss) from equity-accounted investments	0.2	–1.6
Earnings before interest and taxes	**89.0**	**82.1**
Financial income	18.9	12.4
Financial expenses	–59.3	–33.1
Net financial expenses	**–40.4**	**–20.6**
Earnings before taxes	**48.5**	**61.4**
Income taxes	**–15.5**	**–19.6**
Current taxes	–15.3	–22.6
Deferred taxes	–0.2	3.0
Net income for the period	**33.0**	**41.9**
Attributable to shareholders of KION GROUP AG	32.3	40.9
Attributable to non-controlling interests	0.8	1.0
Earnings per share according to IAS 33 (in €)		
Basic earnings per share	0.33	0.41
Diluted earnings per share	0.33	0.41

Consolidated statement of comprehensive income

TABLE 19

in € million	Q1 2016	Q1 2015
Net income for the period	**33.0**	**41.9**
Items that will not be reclassified subsequently to profit or loss	**–57.0**	**–111.5**
Gains/losses on defined benefit obligation	–57.0	–111.5
thereof changes in unrealised gains and losses	–80.3	–157.1
thereof tax effect	23.3	45.6
Changes in unrealised gains and losses from equity-accounted investments	–0.0	0.0
Items that may be reclassified subsequently to profit or loss	**–17.2**	**53.3**
Impact of exchange differences	–26.4	62.7
thereof changes in unrealised gains and losses	–26.4	62.7
Gains/losses on hedge reserves	8.6	–9.4
thereof changes in unrealised gains and losses	11.7	–16.7
thereof realised gains (–) and losses (+)	–0.5	4.6
thereof tax effect	–2.6	2.7
Gains/losses from equity-accounted investments	0.6	0.0
thereof changes in unrealised gains and losses	0.6	0.0
Other comprehensive loss	**–74.2**	**–58.2**
Total comprehensive loss	**–41.1**	**–16.3**
Attributable to shareholders of KION GROUP AG	–41.9	–17.4
Attributable to non-controlling interests	0.7	1.0

Consolidated statement of financial position – Assets

TABLE 20

in € million	31/03/2016	31/12/2015
Goodwill	1,579.6	1,548.1
Other intangible assets	906.4	904.4
Leased assets	352.8	334.4
Rental assets	544.5	544.0
Other property, plant and equipment	504.0	508.8
Equity-accounted investments	74.1	73.6
Lease receivables	472.4	472.0
Other financial assets	25.5	45.9
Other assets	18.2	30.2
Deferred taxes	357.8	349.0
Non-current assets	**4,835.3**	**4,810.3**
Inventories	637.7	553.5
Trade receivables	692.6	670.5
Lease receivables	186.4	181.7
Income tax receivables	11.5	7.9
Other financial assets	67.2	58.4
Other assets	69.3	54.8
Cash and cash equivalents	96.6	103.1
Current assets	**1,761.2**	**1,629.9**
Total assets	**6,596.6**	**6,440.2**

Consolidated statement of financial position – Equity and liabilities

TABLE 21

in € million	31/03/2016	31/12/2015
Subscribed capital	98.7	98.7
Capital reserves	1,996.8	1,996.6
Retained earnings	43.5	11.3
Accumulated other comprehensive loss	–339.7	–265.5
Non-controlling interests	8.4	7.7
Equity	**1,807.8**	**1,848.7**
Retirement benefit obligation	879.1	798.0
Non-current financial liabilities	375.9	557.2
Lease liabilities	629.0	617.7
Other non-current provisions	77.3	83.4
Other financial liabilities	313.9	315.6
Other liabilities	186.0	185.4
Deferred taxes	295.4	302.7
Non-current liabilities	**2,756.6**	**2,860.0**
Current financial liabilities	367.5	119.3
Trade payables	595.9	574.6
Lease liabilities	245.3	237.9
Income tax liabilities	80.9	79.8
Other current provisions	126.6	111.5
Other financial liabilities	181.8	194.4
Other liabilities	434.2	414.0
Current liabilities	**2,032.3**	**1,731.5**
Total equity and liabilities	**6,596.6**	**6,440.2**

Consolidated statement of cash flows

TABLE 22

in € million	Q1 2016	Q1 2015
Earnings before interest and taxes	**89.0**	**82.1**
Amortisation, depreciation and impairment charges of non-current assets	101.0	95.5
Other non-cash income (–) and expenses (+)	8.9	10.3
Gains (–)/losses (+) on disposal of non-current assets	0.9	0.0
Changes in leased assets (excluding depreciation) and lease receivables/liabilities	–32.9	–17.2
Change in inventories	–86.4	–75.9
Change in trade receivables/payables	1.8	–26.5
Cash payments for defined benefit obligations	–5.3	–5.1
Change in other provisions	9.1	–5.5
Change in other operating assets/liabilities	10.4	17.7
Taxes paid	–17.5	–18.2
Cash flow from operating activities	**78.9**	**57.1**
Cash payments for purchase of non-current assets	–27.8	–27.4
Cash receipts from disposal of non-current assets	1.1	2.8
Change in rental assets (excluding depreciation)	–46.0	–38.8
Dividends received	0.2	0.3
Acquisition of subsidiaries (net of cash acquired) and other equity investments	–27.3	–2.7
Cash receipts / cash payments for sundry assets	0.5	–10.9
Cash flow from investing activities	**–99.3**	**–76.7**

Consolidated statement of cash flows (continued)

TABLE 22

in € million	Q1 2016	Q1 2015
Cash receipts / cash payments for changes in ownership interests in subsidiaries without change of control	0.0	–0.1
Financing costs paid	–2.5	–1.8
Proceeds from borrowings	783.3	214.8
Repayment of borrowings	–735.3	–206.9
Interest received	1.5	1.0
Interest paid	–35.1	–20.2
Cash receipts from other financing activities	3.2	12.9
Cash flow from financing activities	**15.2**	**–0.3**
Effect of foreign exchange rate changes on cash and cash equivalents	–1.2	4.3
Change in cash and cash equivalents	**–6.4**	**–15.6**
Cash and cash equivalents at the beginning of the period	103.1	98.9
Cash and cash equivalents at the end of the period	96.6	83.4

Consolidated statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings
Balance as at 1/1/2015	**98.7**	**1,996.2**	**–148.2**
Net income for the period			40.9
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**40.9**
Changes from employee share option programme		0.1	
Changes from application of the equity-method			0.7
Other changes			–0.1
Balance as at 31/03/2015	**98.7**	**1,996.3**	**–106.8**
Balance as at 1/1/2016	**98.7**	**1,996.6**	**11.3**
Net income for the period			32.3
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**32.3**
Changes from employee share option programme		0.2	
Balance as at 31/03/2016	**98.7**	**1,996.8**	**43.5**

TABLE 23

Accumulated other comprehensive income (loss)						
Cumulative exchange differences	Gains/losses on defined benefit obligations	Gains/losses on hedge reserves	Gains/losses from equity-accounted investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
−31.7	**−264.6**	**−4.2**	**−4.3**	**1,641.8**	**5.3**	**1,647.1**
				40.9	1.0	41.9
62.6	−111.5	−9.4		−58.2	0.0	−58.2
62.6	**−111.5**	**−9.4**	**0.0**	**−17.4**	**1.0**	**−16.3**
				0.1	0.0	0.1
				0.7	0.0	0.7
				−0.1	0.0	−0.1
30.9	**−376.1**	**−13.6**	**−4.3**	**1,625.1**	**6.4**	**1,631.5**
−11.4	**−251.9**	**−0.2**	**−2.0**	**1,841.0**	**7.7**	**1,848.7**
				32.3	0.8	33.0
−26.3	−57.0	8.6	0.5	−74.1	−0.0	−74.2
−26.3	**−57.0**	**8.6**	**0.5**	**−41.9**	**0.7**	**−41.1**
				0.2	0.0	0.2
−37.7	**−308.9**	**8.4**	**−1.5**	**1,799.4**	**8.4**	**1,807.8**

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 entered in the commercial register at the Wiesbaden local court under reference HRB 27060.

The condensed consolidated interim financial statements and the interim group management report were prepared by the Executive Board of KION GROUP AG on 25 April 2016.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the three months ended 31 March 2016 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 2016 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 2015.

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 minor rounding differences. 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 with effect from 1 January 2016:

- Amendments to IFRS 11 'Joint Arrangements': clarification relating to the acquisition of interests in joint operations
- Amendments to IAS 1 'Presentation of Financial Statements': amendments in connection with the initiative to improve disclosure requirements
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': clarification relating to revenue-based depreciation and amortisation
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture': amendments relating to the financial reporting for bearer plants
- Amendments to IAS 19 'Employee Benefits': defined benefit plans: employee contributions
- Amendments to IAS 27 'Separate Financial Statements': amendments relating to the application of the equity method for subsidiaries, joint ventures and associates in separate financial statements
- Annual Improvements to IFRSs (2010–2012)
- Annual Improvements to IFRSs (2012–2014).

The first-time adoption of these amendments to standards 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 2016, the KION Group has not applied the standards and interpretations that it reported on as at 31 December 2015 that have been issued by the IASB but are not yet required to be adopted in 2016. These standards and interpretations are expected to be applied by the entities included in the KION Group only from the date on which they must be adopted for the first time. The effects on the financial performance and financial position of the KION Group resulting from the first-time adoption of IFRS 9 'Financial Instruments', IFRS 16 'Leases' and IFRS 15 'Revenue from Contracts with Customers', particularly with regard to contracts with multiple components and contracts for indirect end customer finance, are still being analysed. The effects of the first-time adoption of the other standards and interpretations on the presentation of the financial position and financial performance of the KION Group are expected to be insignificant.

Basis of consolidation

A total of 23 German (31 December 2015: 22) and 83 foreign (31 December 2015: 80) subsidiaries were fully consolidated in addition to KION GROUP AG as at 31 March 2016.

In addition, nine joint ventures and associates were consolidated and accounted for using the equity method as at 31 March 2016, which was the same number as at 31 December 2015.

53 (31 December 2015: 55) subsidiaries with minimal business volumes or no business operations and other equity investments were not included in the consolidation.

Acquisitions

RETROTECH INC.

On 8 February 2016, the KION Group reached agreement on the acquisition of Retrotech Inc., a US systems integrator of automated warehouse and distribution solutions. The transaction was closed on 1 March 2016. The purchase price for the 100 per cent stake in Retrotech Inc., which is headquartered in Rochester, New York State, was €25.0 million. Following the acquisition of Egemin Automation in 2015, this latest acquisition represents a further expansion of the KION Group's expertise in system solutions for intralogistics and automation, fields that are seeing increasingly strong demand and will play a crucial role in connection with Industry 4.0.

The incidental acquisition costs incurred by this business combination amounted to €0.5 million and have been recognised as an expense for the current period and reported as administrative expenses in the consolidated income statement. The impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the provisional figures available at the acquisition date is shown in > TABLE 24.

Impact of the acquisition of Retrotech Inc. on the financial position of the KION Group TABLE 24

in € million	Fair value at the acquisition date
Goodwill	26.3
Other intangible assets	10.0
Trade receivables	9.8
Cash and cash equivalents	1.7
Other assets	2.8
Total assets	**50.8**
Financial liabilities	9.6
Trade payables	7.5
Other current liabilities	4.5
Other liabilities	4.2
Total liabilities	**25.8**
Total net assets	**25.0**
Cash payment	25.0
Consideration transferred	**25.0**

The receivables acquired as part of this transaction, which constitute trade receivables including gross amounts due from customers for contract work that have not yet been invoiced to the value of €6.0 million, totalled €9.8 million. At the acquisition date, it was assumed that the amount of irrecoverable trade receivables was insignificant. The acquisition has not had any material impact on the KION Group's revenue or net income (loss) in the reporting period. If this business combination had been completed by 1 January 2016, this would have had no material impact on either the revenue or the net income (loss) reported by the KION Group for the first three months of this year.

The purchase price allocation for the acquisition described above was only provisional as at 31 March 2016 because some details, particularly in the areas of long-term construction contracts and deferred taxes, had not yet been fully evaluated. Moreover, the identification and measurement of intangible assets had not been completed by the time these consolidated interim financial statements were prepared. Goodwill constitutes the strategic and geographical synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is currently not tax deductible.

The line item 'Acquisition of subsidiaries (net of cash acquired) and other equity investments' in the consolidated statement of cash flows contains a net cash outflow of €23.2 million for the acquisition of Retrotech Inc.

OTHER ACQUISITIONS

In October 2015, 100.0 per cent of the shares in the dealer Moden Diesel S.p.A. (formerly MODEN DIESEL S.R.L.), Modena, Italy, were acquired. At the end of October 2015, 100.0 per cent of the shares in LR Intralogistik GmbH, Wörth an der Isar, Germany, a specialist in intralogistics concepts that eschew forklift trucks in favour of tugger trains, were also acquired. These two subsidiaries were included in the KION Group's basis of consolidation for the first time in January 2016 because they had become more financially important.

The impact of these acquisitions on the consolidated financial statements of KION GROUP AG based on the provisional figures available at their acquisition dates is shown in > TABLE 25.

Impact of other acquisitions on the financial position of the KION Group TABLE 25

in € million	Fair value at the acquisition date
Goodwill	9.1
Other intangible assets	4.2
Trade receivables	4.3
Cash and cash equivalents	2.5
Other assets	8.3
Total assets	**28.3**
Financial liabilities	1.2
Trade payables	3.9
Other liabilities	3.6
Total liabilities	**8.7**
Total net assets	**19.6**
Cash payment	13.6
Contingent consideration	6.0
Consideration transferred	**19.6**

The purchase price allocations for the acquisitions described above were only provisional as at 31 March 2016 because some details, particularly in the area of leasing, had not yet been fully evaluated. Goodwill constitutes the strategic, technological and geographical synergies that the KION Group expects to derive from these business combinations. None of the goodwill arising from the other acquisitions is currently tax deductible.

The contingent considerations contractually oblige the KION Group to make additional payments to the previous shareholders that are mainly dependent on the usability of certain intangible assets. The line item 'Acquisition of subsidiaries (net of cash acquired) and other equity investments' in the consolidated statement of cash flows contains a cash outflow totalling €4.1 million that relates to these contingent considerations.

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 2015. 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 recognising and measuring defined benefit pension obligations and other provisions;
- in recognising and measuring other provisions;
- in recognising and measuring current and deferred taxes,
- in recognising and measuring assets acquired and liabilities assumed in connection with business combinations.

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 income/expenses

Financial expenses rose by €26.3 million year on year. This increase was attributable to one-off expenses in connection with the repayment of the syndicated loan dated 23 December 2006 that took the form of a revolving credit facility of €1,243.0 million and the €450.0 million corporate bond, which had been issued in 2013 and was due to mature in 2020. An amount of €5.4 million representing the deferred borrowing costs relating to the corporate bond at the time of early repayment and a cash payment of €15.2 million representing early repayment charges were recognised as financial expenses. In addition, an amount of €5.1 million representing the deferred borrowing costs relating to the previous syndicated loan at the time of early repayment was included in financial expenses.

Income taxes

In the consolidated interim financial statements, income taxes for the current 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 2016: 98,739,950 no-par-value shares; Q1 2015: 98,736,438 no-par-value shares). In the first quarter of 2016, the KION Group generated net income accruing to the shareholders of KION GROUP AG of €32.3 million (Q1 2015: €40.9 million). Information about determining the net income (loss) accruing to the KION GROUP AG shareholders can be found in the consolidated income statement. Basic earnings per share for the reporting period came to €0.33 (Q1 2015: €0.41). The 160,050 no-par-value treasury shares repurchased by KION GROUP AG were not included in this figure as at 31 March 2016 (31 December 2015: 160,050).

Diluted earnings per share are calculated by adding the potential dilutive no-par-value shares that employees can obtain for free under the employee share option programme to the weighted average number of shares outstanding during the reporting period. The calculation of diluted earnings per share was based on a weighted average for the first quarter of 2016 of 98,767,116 no-par-value shares issued (Q1 2015: 98,747,367 no-par-value shares). Diluted earnings per share for the reporting period came to €0.33 (Q1 2015: €0.41). In the first quarter of 2015, there had been 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 goodwill in the first three months of 2016 resulted from three acquisitions from which – according to the preliminary purchase price allocations – goodwill totalling €35.4 million arose, and from currency effects. The goodwill of €26.3 million arising from the acquisition of Retrotech Inc. has been allocated to the Other segment.

The total carrying amount for technology and development assets as at 31 March 2016 was €189.1 million (31 December 2015: €194.1 million). Development costs of €8.1 million were capitalised in the first quarter of 2016 (Q1 2015: €9.6 million). Total research and development costs of €37.0 million were expensed in the first quarter of 2016 (Q1 2015: €34.0 million). Of this amount, €12.3 million (Q1 2015: €13.0 million) related to amortisation.

Inventories

The rise in inventories compared with 31 December 2015 was largely attributable to the increase in work in progress (up by 13.0 per cent) and finished goods (up by 18.8 per cent). In the first quarter of 2016, impairment losses of €3.5 million were recognised on inventories (Q1 2015: €2.7 million). Reversals of impairment losses had to be recognised in the amount of €0.5 million (Q1 2015: €0.9 million) in the first quarter of 2016 because the reasons for the impairment no longer existed.

Trade receivables

The rise in trade receivables compared with 31 December 2015 was largely due to the increase of €18.3 million in receivables due from third parties and the increase of €8.4 million in gross amounts due from customers for contract work. By contrast, receivables due from non-consolidated subsidiaries, equity-accounted investments and other equity investments decreased by €3.3 million. Valuation allowances of €39.8 million (31 December 2015: €38.5 million) were recognised for trade receivables.

Equity

As at 31 March 2016, the Company's share capital amounted to €98.9 million, which was unchanged on 31 December 2015, and was fully paid up. It was divided into 98.9 million no-par-value shares.

The total number of shares outstanding as at 31 March 2016 was 98,739,950 no-par-value shares (31 December 2015: 98,739,950 no-par-value shares). At the reporting date, KION GROUP AG held 160,050 treasury shares, as it had at 31 December 2015.

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 in the period under review.

The retirement benefit obligation was higher than it had been at the end of 2015 owing, above all, to actuarial losses resulting 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 26.

Discount rate TABLE 26

	31/03/2016	31/12/2015
Germany	2.00%	2.35%
UK	3.40%	3.75%
Other (weighted average)	1.22%	1.61%

The change in estimates in relation to defined benefit pension entitlements resulted in a decrease of €57.0 million in equity as at 31 March 2016 (after deferred taxes). The net obligation after offsetting the retirement benefit obligation against the pension plan assets recognised under 'Other non-current assets' therefore increased to €860.9 million (31 December 2015: €767.8 million).

In connection with the valuation of the pension plans for the employees of the KION Group's UK companies as at 1 January 2015, the Company and the trustees of the pension funds agreed on certain assumptions relevant to the valuation in March 2016, according to which the deficit for the two pension plans amounted to €11.1 million as at 1 January 2015. On this basis, the KION Group agreed with the trustees that it would pay approximately the equivalent of €4.4 million in 2016 and €4.4 million in 2017 in order to reduce the deficit. However, these payments are subject to the condition that the annual review of the pension plans' funding position continues to reveal a deficit. If a payment would result in the pension plans being overfunded, the KION Group would be exempt from its payment obligation in that year.

In addition, collateral in rem in the form of charges on the real estate of Group companies in the UK and flexible collateral in respect of the rental fleets of UK dealers within a maximum overall limit of approximately €22.7 million were extended for the benefit of the pension funds. The term of this collateral is limited to five years (1 July 2021), and the overall limit will not be reduced by payments made by the KION Group.

Financial liabilities

KION GROUP AG signed a new syndicated loan agreement (senior facilities agreement) totalling €1,500.0 million with a syndicate of international banks on 28 October 2015. The senior facilities agreement enables the KION Group to obtain finance on far more favourable terms than has been possible in the past. On 25 January 2016, the Executive Board of KION GROUP AG decided to overhaul the funding structure of the KION Group by repaying the syndicated loan dated 23 December 2006 that took the form of a revolving credit facility of €1,243.0 million and the KION Group corporate bond of €450.0 million that was issued in 2013 and was due to mature in 2020. The associated repayment was made on 15 February 2016 using funds drawn down under the new senior facilities agreement.

The new senior facilities agreement comprises a revolving credit facility of €1,150.0 million maturing in February 2021 and a fixed-term tranche of €350.0 million maturing in February 2019 that has been fully drawn down. Both the revolving credit facility and the fixed-term tranche have a variable interest rate. As at 31 March 2016, an amount of €315.4 million had been drawn down from the revolving credit facility, which includes other loan liabilities and contingent liabilities. The drawdowns from the revolving credit facility were classified as short term.

Arrangement of the revolving credit facility of €1,150.0 million resulted in directly attributable transaction costs of €3.9 million. The transaction costs are recognised as prepaid expenses under current financial assets and expensed over the term of the credit facility. Arrangement of the fixed-term tranche of €350.0 million resulted in directly attributable transaction costs of €0.8 million. The transaction costs were deducted from the fair value of this tranche in the first period in which they were recognised and will be amortised as an expense in subsequent periods.

KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the new senior facilities agreement. Unlike the previous syndicated loan and the repaid corporate bond, the new syndicated loan agreement is not collateralised. Following repayment of the syndicated loan from 23 December 2006, all collateral furnished under the previous loan agreement has now been released.

Among other stipulations, the contractual terms of the senior facilities agreement require compliance with certain covenants. They also contain a financial covenant that requires adherence to a maximum level of gearing (the ratio of financial liabilities to EBITDA). Non-compliance with the covenants may, for example, give lenders the right to terminate the new syndicated loan agreement. All the covenants, including the financial covenant, were complied with as at the reporting date.

OTHER DISCLOSURES

Information on financial instruments

The carrying amounts and fair values of financial assets and liabilities in accordance with IFRS 7 are shown in > TABLE 27.

Whereas lease liabilities arising from sale-and-leaseback transactions stood at €874.4 million (31 December 2015: €855.6 million), lease receivables arising from sale-and-leaseback transactions amounted to €597.8 million (31 December 2015: €592.0 million) and leased assets under sale-and-leaseback transactions totalled €302.2 million (31 December 2015: €285.9 million).

The finance lease obligations reported in other financial liabilities comprise liabilities arising from the financing of industrial trucks for short-term rental of €397.7 million (31 December 2015: €403.2 million). They are mainly 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. Within other liabilities, the KION Group has also recognised finance lease obligations amounting to €20.0 million (31 December 2015: €18.1 million) arising from procurement leases, which are classified as finance leases due to their terms and conditions.

The non-consolidated subsidiaries and other equity investments that are shown as at 31 March 2016 in > TABLE 27 are carried at 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. At the end of 2015, non-consolidated subsidiaries and other equity investments had also included the shares, measured at fair value, in Moden Diesel S.p.A. (formerly MODEN DIESEL S.R.L.) and LR Intralogistik GmbH, which were fully consolidated on 1 January 2016.

Carrying amounts and fair values broken down by class TABLE 27

in € million	31/03/2016 Carrying amount	31/03/2016 Fair value	31/12/2015 Carrying amount	31/12/2015 Fair value
Financial assets				
Non-consolidated subsidiaries and other investments	22.4	22.4	42.4	42.4
Loans receivable	2.3	2.3	2.7	2.7
Financial receivables	18.0	18.0	15.4	15.4
Non-current securities	0.8	0.8	0.8	0.8
Lease receivables[1]	658.8	665.5	653.7	658.4
Trade receivables	692.6	692.6	670.5	670.5
thereof gross amount due from customers for contract work[2]	10.0	10.0	1.5	1.5
Other financial receivables	49.2	49.2	43.0	43.0
thereof non-derivative receivables	36.2	36.2	37.7	37.7
thereof derivative financial instruments	13.0	13.0	5.3	5.3
Cash and cash equivalents	96.6	96.6	103.1	103.1
Financial liabilities				
Liabilities to banks	736.2	736.3	225.9	225.9
Corporate bond	–	–	444.5	469.5
Other financial liabilities to non-banks	7.2	7.2	6.2	6.2
Lease liabilities[1]	874.4	881.7	855.6	860.0
Trade payables	595.9	595.9	574.6	574.6
Other financial liabilities	495.7	499.4	510.1	512.2
thereof non-derivative liabilities	48.0	48.0	58.6	58.6
thereof liabilities from finance leases[1]	435.4	439.0	439.0	441.2
thereof derivative financial instruments	12.3	12.3	12.4	12.4

1 as defined by IAS 17
2 as defined by IAS 11

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 28–29

Financial instruments measured at fair value TABLE 28

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	31/03/2016
Financial assets				**13.8**
thereof non-current securities	0.8			0.8
thereof derivative instruments		13.0		13.0
Financial liabilities				**12.3**
thereof derivative instruments		11.8	0.6	12.3

Financial instruments measured at fair value TABLE 29

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	31/12/2015
Financial assets				**25.7**
thereof investments in non-consolidated subsidiaries and other investments			19.6	19.6
thereof non-current securities	0.8			0.8
thereof derivative instruments		5.3		5.3
Financial liabilities				**12.4**
thereof derivative instruments		11.9	0.6	12.4

Level 1 comprises long-term securities for which the fair value is calculated using prices quoted in an active market.

All currency forwards are classified as Level 2. The fair value of the currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures.

The financial liabilities allocated to Level 3 relate to a call option of Weichai Power on 10.0 per cent of the shares in Linde Hydraulics. The unobservable inputs that were significant to fair value measurement as at the reporting date were unchanged compared with the end of 2015.

At 31 March 2016, 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 30

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 2016.

Change in financial assets / liabilities classified as level 3 TABLE 30

in € million	Q1 2016	Q1 2015
Value as at 1/1/	**–0.6**	**31.7**
Gains recognised in net financial income / expenses	0.0	0.4
Value as at 31/03/	**–0.6**	**32.1**
Gains for the period relating to financial assets / liabilities classified as Level 3	0.0	0.4
Change in unrealised gains / losses for the period relating to financial assets / liabilities held as at 31/03/	0.0	0.4

Variable remuneration

KEEP EMPLOYEE SHARE OPTION PROGRAMME

As at 31 March 2016, KION Group employees held options on a total of 52,941 no-par-value shares (31 December 2015: 53,220). The total number of bonus shares granted therefore declined by 279 forfeited bonus shares in the first three months of 2016. A pro-rata expense of €0.1 million for three months was recognised for bonus shares under functional costs in the first quarter of 2016 (Q1 2015: €0.1 million).

KION PERFORMANCE SHARE PLAN (PSP) FOR MANAGERS

In March 2016, the 2016 tranche of the long-term, variable remuneration component (the KION Long-Term Incentive Plan) with a defined period (three years) was introduced retrospectively from 1 January 2016 for the managers in the KION Group. At the beginning of the performance period on 1 January 2016, the managers were allocated a total of 0.1 million virtual shares for this tranche with a specific fair value. The allocation was based on a particular percentage of each manager's individual gross annual remuneration at the time of grant.

The total carrying amount for liabilities in connection with share-based remuneration as at 31 March 2016 was €11.7 million (31 December 2015: €8.5 million). Of this amount, €7.3 million related to the 2014 tranche (31 December 2015: €5.7 million), €3.9 million to the 2015 tranche (31 December 2015: €2.7 million) and €0.5 million to the 2016 tranche.

KION PERFORMANCE SHARE PLAN (PSP) FOR THE EXECUTIVE BOARD

As part of the KION GROUP AG performance share plan, the Executive Board members are allocated virtual shares over a fixed period (three years). At the beginning of the performance period on 1 January 2016, the Executive Board members were allocated a total of 0.1 million virtual shares for this tranche with a specific fair value. The shares were allocated on the basis of an allocation value in euros specified in each Executive Board member's service contract.

The total carrying amount for liabilities in connection with share-based remuneration as at 31 March 2016 was €20.5 million (31 December 2015: €17.8 million). Of this amount, €10.3 million related to the 2013 tranche (31 December 2015: €10.3 million), €6.6 million to the 2014 tranche (31 December 2015: €5.3 million), €3.1 million to the 2015 tranche (31 December 2015: €2.2 million) and €0.4 million to the 2016 tranche.

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. Retrotech Inc. has been included in the Other segment under Egemin Automation since completion of the acquisition on 1 March 2016.

The 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 2016, ROE – earnings before tax as a percentage of average equity – was 12.8 per cent (31 December 2015: 13.1 per cent).

The tables below show information on the KION Group's operating segments for the first quarters of 2016 and 2015. > TABLES 31 – 32

Segment report for Q1 2016

TABLE 31

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	731.3	372.7	92.9	23.8	–	1,220.6
Intersegment revenue	83.6	102.3	69.6	49.1	–304.6	–
Total revenue	814.9	475.0	162.5	72.8	–304.6	1,220.6
Earnings before taxes	**78.0**	**17.1**	**1.3**	**–45.5**	**–2.3**	**48.5**
Financial income	2.7	3.1	16.5	7.9	–11.4	18.9
Financial expenses	–6.6	–11.0	–14.1	–39.3	11.7	–59.3
= Net financial income / expenses	–3.9	–7.9	2.4	–31.4	0.3	–40.4
EBIT	**81.9**	**25.0**	**–1.1**	**–14.2**	**–2.7**	**89.0**
+ Non-recurring items	0.3	1.4	0.0	1.2	–	2.9
+ KION acquisition items	5.2	1.6	0.0	0.0	–	6.7
= Adjusted EBIT	**87.4**	**28.0**	**–1.1**	**–13.0**	**–2.7**	**98.6**
Segment assets	5,156.7	2,317.0	1,628.5	713.8	–3,219.4	6,596.6
Segment liabilities	1,831.5	1,460.5	1,585.7	3,152.3	–3,241.2	4,788.8
Carrying amount of equity-accounted investments	50.3	4.2	19.5	0.0	–	74.1
Profit from equity-accounted investments	0.2	0.0	0.0	0.0	–	0.2
Capital expenditure[1]	14.1	11.3	0.0	2.4	–	27.8
Amortisation and depreciation[2]	22.4	11.0	0.0	4.9	–	38.4
Order intake	843.5	507.1	162.5	88.2	–304.6	1,296.7
Number of employees[3]	14,620	8,055	61	1,025	–	23,761

1 Capital expenditure including capitalised development costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excluding leased and rental assets
3 Number of employees (full-time equivalents) as at 31/03/2016; allocation according to the contractual relationships

Segment report for Q1 2015 TABLE 32

in € million	LMH	STILL	Financial Services	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	710.1	365.5	85.0	4.2	–	1,164.8
Intersegment revenue	77.3	96.0	62.3	50.1	–285.6	–
Total revenue	787.3	461.5	147.3	54.3	–285.6	1,164.8
Earnings before taxes	**67.4**	**14.6**	**1.3**	**–29.3**	**7.4**	**61.4**
Financial income	3.4	0.3	15.6	5.2	–12.1	12.4
Financial expenses	–6.6	–8.3	–14.2	–16.2	12.2	–33.1
= Net financial income/expenses	–3.2	–8.1	1.5	–11.0	0.2	–20.6
EBIT	**70.6**	**22.6**	**–0.1**	**–18.4**	**7.3**	**82.1**
+ Non-recurring items	1.9	–0.0	0.0	11.6	–9.0	4.5
+ KION acquisition items	5.2	1.6	0.0	0.0	–	6.8
= Adjusted EBIT	**77.8**	**24.2**	**–0.1**	**–6.8**	**–1.7**	**93.4**
Segment assets	5,144.0	2,243.3	1,412.2	418.2	–2,799.1	6,418.6
Segment liabilities	1,862.4	1,459.7	1,370.3	2,911.9	–2,817.3	4,787.1
Carrying amount of equity-accounted investments	92.0	4.3	17.5	0.0	–	113.9
Loss from equity-accounted investments	–1.6	0.0	0.0	0.0	–	–1.6
Capital expenditure[1]	14.0	9.5	0.0	3.9	–	27.4
Amortisation and depreciation[2]	23.0	11.4	0.0	4.2	–	38.6
Order intake	843.8	499.6	152.2	54.3	–301.9	1,247.9
Number of employees[3]	14,301	8,008	61	536	–	22,906

1 Capital expenditure including capitalised development costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excluding leased and rental assets
3 Number of employees (full-time equivalents) as at 31/03/2015; allocation according to the contractual relationships

The non-recurring items mainly comprise expenses in connection with severance payments and consultancy costs. In addition, write-downs and other expenses in relation to hidden reserves/liabilities identified in the process of acquiring equity investments are eliminated. Non-recurring items resulted in an overall net expense of €2.9 million in the first quarter of 2016 (Q1 2015: €4.5 million).

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 and other expenses in relation to the hidden reserves identified as part of the purchase price allocation.

Related party disclosures

In addition to the subsidiaries included in the condensed consolidated interim financial statements, the KION Group has direct or indirect business relationships with a number of non-consolidated subsidiaries, joint ventures and associates in the course of its ordinary business activities. According to IAS 24, related parties include entities that have control or significant influence over KION GROUP AG. An entity is usually assumed to have control (parent) if it holds more than 50 per cent of the shares in another entity. Significant influence generally exists if an entity holds between 20 per cent and 50 per cent of the shares in another entity.

The related parties that are solely or jointly controlled by the KION Group or over which significant influence can be exercised are included in the list of shareholdings as at 31 December 2015. Another related party is Weichai Power Co. Ltd., Weifang, China, which indirectly holds a 38.3 per cent stake in KION GROUP AG and is thus the largest single shareholder.

The revenue generated by the KION Group in the first quarters of 2016 and 2015 from selling goods and services to related parties is shown in > TABLE 33 along with the receivables that were outstanding at the reporting date. The receivables include a loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. The total commitment is €5.3 million, of which €3.0 million had been disbursed up to 31 March 2016. The loan has a variable interest rate. No valuation allowances for receivables from related parties had been recognised as at the reporting date, a situation that was unchanged on 31 December 2015.

The goods and services obtained from related parties in the first quarters of 2016 and 2015 are shown in > TABLE 34 along with the liabilities that were outstanding at the reporting date.

Related party disclosures: receivables and sales

TABLE 33

	Receivables		Sales of goods and services	
in € million	31/03/2016	31/12/2015	Q1 2016	Q1 2015
Non-consolidated subsidiaries	16.2	24.9	5.1	2.0
Equity-accounted associates	23.0	19.3	41.4	33.2
Equity-accounted joint ventures	4.4	1.3	10.5	9.2
Other related parties*	4.7	4.3	3.2	4.2
Total	**48.3**	**49.8**	**60.2**	**48.5**

* 'Other related parties' include, among others, transactions with Weichai and its affiliated companies

Related party disclosures: liabilities and purchases

TABLE 34

	Liabilities		Purchases of goods and services	
in € million	31/03/2016	31/12/2015	Q1 2016	Q1 2015
Non-consolidated subsidiaries	11.4	13.6	8.0	2.1
Equity-accounted associates	12.4	8.2	31.1	31.2
Equity-accounted joint ventures	54.1	53.7	18.0	8.5
Other related parties*	0.5	0.2	3.5	0.9
Total	**78.3**	**75.7**	**60.5**	**42.7**

* 'Other related parties' include, among others, transactions with Weichai and its affiliated companies

Material events after the reporting date

On 4 April 2016, the rating agency Moody's raised the KION Group's credit rating from Ba2 with a positive outlook to Ba1 with a stable outlook.

Wiesbaden, 25 April 2016

The Executive Board

Gordon Riske

Dr Eike Böhm

Ching Pong Quek

Dr Thomas Toepfer

Quarterly information

Quarterly information TABLE 35

in € million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Order intake*	1,296.7	1,397.1	1,253.3	1,317.3	1,247.9	1,283.5
Revenue	1,220.6	1,440.7	1,236.5	1,256.0	1,164.8	1,305.6
EBIT	89.0	132.6	108.8	99.4	82.1	109.4
Adjusted EBIT	98.6	151.8	121.2	116.4	93.4	134.2
Adjusted EBIT margin	8.1%	10.5%	9.8%	9.3%	8.0%	10.3%
Adjusted EBITDA	191.7	250.0	212.0	206.6	181.4	219.6
Adjusted EBITDA margin	15.7%	17.4%	17.1%	16.4%	15.6%	16.8%

* Figure for 2014 restated to reflect the change in the order intake calculation introduced in 2015

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 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 2015 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).

FINANCIAL CALENDAR

12 May 2016
Annual General Meeting

27 July 2016
Interim report for the period ended
30 June 2016
Conference call for analysts

27 October 2016
Interim report for the period ended
30 September 2016
Conference call for analysts

Subject to change without notice

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