KION GROUP

Q2

MOVING FORWARD

IN NOVA TION

INTERIM REPORT 2016

Key figures

KION Group overview

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
Order intake	1,427.1	1,317.3	8.3%	2,723.8	2,565.2	6.2%
Revenue	1,343.8	1,256.0	7.0%	2,564.5	2,420.8	5.9%
Order book[1]				1,009.4	864.0	16.8%
Financial performance						
EBITDA	222.8	196.9	13.2%	412.7	374.5	10.2%
Adjusted EBITDA[2]	238.2	206.6	15.3%	430.0	388.0	10.8%
Adjusted EBITDA margin[2]	17.7%	16.4%	–	16.8%	16.0%	–
EBIT	116.8	99.4	17.5%	205.8	181.5	13.4%
Adjusted EBIT[2]	140.8	116.4	20.9%	239.4	209.8	14.1%
Adjusted EBIT margin[2]	10.5%	9.3%	–	9.3%	8.7%	–
Net income for the period	64.0	52.5	21.9%	97.1	94.3	2.9%
Financial position[1]						
Total assets				6,729.1	6,440.2	4.5%
Equity				1,690.5	1,848.7	–8.6%
Net financial debt				721.2	573.5	25.8%
ROCE[3]				–	11.9%	–
Cash flow						
Free cash flow[4]	9.9	28.8	–65.5%	–10.5	9.2	<–100%
Capital expenditure[5]	36.6	32.4	12.8%	64.3	59.8	7.5%
Employees[6]				**23,804**	**23,506**	**1.3%**

1 Figure as at 30/06/2016 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 30/06/2016 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.

Q2 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 second quarter of 2016

KION Group remains firmly on a path of profitable growth

- Total value of order intake improves by more than 8 per cent
- Order book grows by almost 17 per cent
- Revenue for the quarter rises by 7 per cent year on year
- Adjusted EBIT goes up by roughly 21 per cent
- Adjusted EBIT margin reaches 10.5 per cent, the highest level ever for a second quarter
- Net income rises by almost 22 per cent

KION Group prepares for the future by acquiring Dematic

- Acquisition of Dematic creates a world-leading provider of cutting-edge material handling solutions
- KION Group will offer a complete portfolio of material-handling solutions in future
- Dematic generated revenue of €1.6 billion and adjusted EBIT of around €150 million in the 2015 calendar year
- KION Group will be able to use the acquisition to strengthen its foothold in the Americas while continuing to drive business in Europe and Asia
- Transaction expected to be completed in the fourth quarter of 2016

Contents

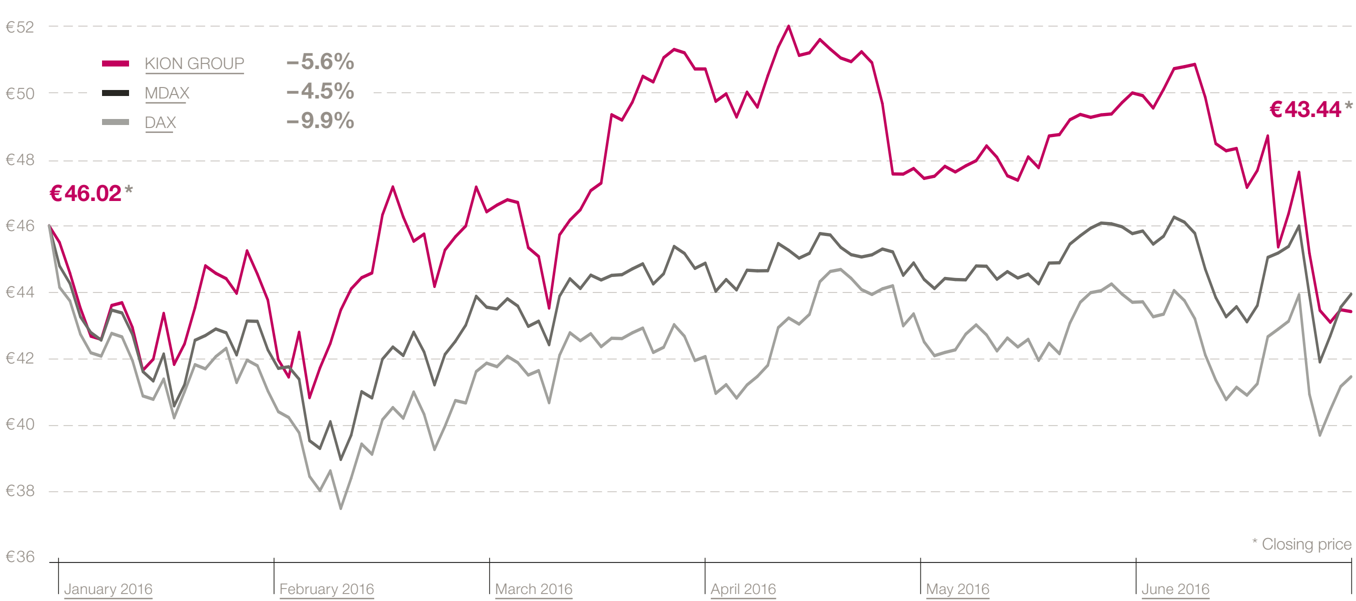
KION shares

Price falls during the downturn

Following a good start to the second quarter, April saw the German stock market make up for most of the price falls of the first three months of the year. Amid a great deal of volatility, a downward trend then emerged, ending in plummeting share prices following the United Kingdom's vote to leave the European Union. The DAX closed at 9,680 points on 30 June 2016, which was 9.9 per cent lower than at the end of 2015. The MDAX declined by 4.5 per cent over the six-month period.

KION shares initially defended their position above the €50 mark that they had reached in the first quarter and, on 14 April 2016, achieved their highest price of the year so far of €52.04. After the technical ex-dividend markdown in May, the shares passed the €50 mark again in June but then ceded all of the previous gains following the announcement of the Dematic acquisition and the downturn on the stock markets in the wake of the referendum in the UK. Falling by 5.6 per cent in the first half of 2016 to €43.44 (end of 2015: €46.02), KION shares outperformed the DAX, but not the MDAX. At the end of June, market capitalisation stood at €4.3 billion, of which €2.6 billion was attributable to shares in free float. > DIAGRAM 01

Share price performance from 30 December 2015 to 30 June 2016 DIAGRAM 01



* Closing price

Annual General Meeting

The Annual General Meeting on 12 May 2016, at which 85.8 per cent of the share capital was represented, voted in favour of the Supervisory Board and Executive Board's proposals by a large majority, including a dividend distribution of €0.77 per share. This represents an increase of 40.0 per cent on the previous year's dividend and a rise in the dividend payout rate from 30.7 per cent to 35.0 per cent. The Annual General Meeting also renewed the authorisation to purchase treasury shares for five years. This will enable more shares to be repurchased, for example for the successful KION employee equity programme.

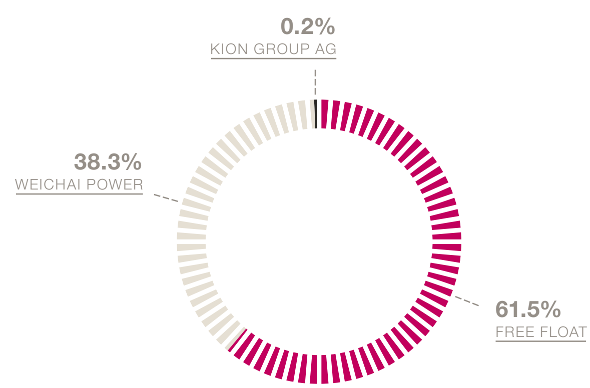
Stable shareholder structure

The shareholder structure remained stable in the reporting period. Holding a 38.3 per cent stake in the KION Group, Weichai Power Co. Ltd. continues to be the largest single shareholder. Weichai Power has undertaken not to acquire more than 49.9 per cent of KION shares before 28 June 2018 (so-called standstill agreement). KION GROUP AG continued to hold 0.2 per cent of the shares. The free float thus still accounted for 61.5 per cent. > DIAGRAM 02

Comprehensive coverage

Seventeen brokerage houses currently publish regular reports on the KION Group. As at 30 June 2016, nine analysts recommended KION shares as a buy and eight rated them as neutral. The median target price specified for the shares was €53.00 as at the reporting date. > TABLE 01

Shareholder structure as at 30 June 2016 DIAGRAM 02



Credit rating adjustments

Two rating agencies publish credit ratings on the KION Group. After the announcement of the Dematic acquisition in June, Standard & Poor's rated the KION Group as BB+ with a negative outlook (previously: positive outlook). In June 2016, Moody's adjusted its rating from Ba1 with a stable outlook to Ba1 with negative credit watch.

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 EuroMid, MSCI Germany Small Cap
Stock exchange symbol	KGX
ISIN	DE000KGX8881
WKN	KGX888
Bloomberg / Reuters	KGX:GR / KGX.DE
Closing price as at 30/06/2016	€43.44
Performance since beginning of 2016	–5.62%
Market capitalisation as at 30/06/2016	€4,295.7 million
Free float	61.5%
Earnings per share*	€0.97

* For the reporting period 01/01/ – 30/06/2016

Interim group management report

FUNDAMENTALS OF THE KION GROUP

Management and control

The Annual General Meeting elected Dr Christina Reuter to the Supervisory Board on 12 May 2016. Dr Reuter is chief engineer and head of department at the Laboratory for Machine Tools and Production Engineering at RWTH Aachen University which is part of a cluster of excellence under the German government's project Industrie 4.0. She replaces Wolfgang Faden, who stepped down from the Supervisory Board. There were no changes on the Executive Board during the first half of the year.

Strategy of the KION Group

The KION Group Strategy 2020, described in the 2015 group management 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 the 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.

A comprehensive portfolio of solutions for Intralogistics 4.0 is at the core of the Strategy 2020. The KION Group believes that connected machinery, products, processes and logistics are essential to creating intelligent supply chains and value chains.

KION Group signs sale and purchase agreement for Dematic

The KION Group will become one of the leading global providers of intelligent intralogistics solutions by acquiring Dematic, a best-in-class automation provider and specialist in supply chain optimisation. The KION Group agreed with funds managed by AEA Investors and Ontario Teachers' Pension Plan as the sellers on this landmark transaction to create a true global provider with close to 30,000 employees, more than €6.7 billion in revenue on the basis of calendar year 2015 and a strong profitability with a combined adjusted EBIT margin of approx. 9.4 per cent for this period. After deductions for certain liabilities, the KION Group expects the purchase price for the shares to amount to approx. € 1.9 billion, based on an enterprise value of Dematic of € 2.9 billion. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to be closed in the course of the fourth quarter of 2016.

Dematic is a leading global supplier of advanced integrated automation technology, software and services to optimize supply chains and to meet the material handling automation needs of its customers. The company's product and systems portfolio ranges from Automated Guided Vehicles (AGVs), palletizers, storage and picking equipment including automated storage and retrieval systems, sorters and conveyors to a leading integrated software platform and automation technologies. Dematic has been growing annually by more than 12 per cent since 2013. It generated approx. € 1.6 billion in revenue and achieved an adjusted EBIT of around €150 million during the calendar year 2015. Dematic employs almost 6,000 skilled logistics professionals - including over 3,000 engineers in software development, R&D, engineering, project management and customer service - to support its customers globally, with engineering centers and manufacturing facilities located around the globe. With more than 100 locations Dematic is present in 22 countries. The company is a leading player in the USA, Europe, and worldwide. Dematic has implemented more than 4,500 integrated systems for small, medium and large companies with business in a broad variety of industries around the globe including the fast-growing e-commerce business.

The purchase of Dematic will establish the KION Group as a global leader in Intralogistics 4.0. Leveraging its sales and service networks, technologies and resources, the enlarged company will be able to seamlessly offer the full material handling product and service offering to customers of all sizes in a broad range of industries across the world. This most comprehensive material handling solutions offering in the market ranges from manually operated industrial trucks to complete fully automated warehouses. The KION Group will thus enhance its position as one-stop supplier for intelligent supply chain and automation solutions and is now perfectly positioned for attractive and profitable growth driven by megatrends like Industry 4.0, digitalization and e-commerce.

Both companies contribute strong complementary market positions and geographical footprint as an opportunity for revenue growth. Dematic will leverage the KION Group's service network and brand reputation in key markets like Europe, China and Brazil, whereas the KION Group will take advantage of Dematic's strong position in the US and European automation markets in particular. This complementarity is also the source of cost synergies from this combination. KION Group's strong sales and service network together with Dematic's sizeable installed base provides the basis for unlocking further revenue potential from services and systems upgrades.

In the past year, the KION Group already started to build up a strong position as provider of automated systems solutions by acquiring Egemin Automation and Retrotech, thereby making further inroads in this attractive and growing market.

REPORT ON THE ECONOMIC POSITION

Macroeconomic and sector-specific conditions

MACROECONOMIC CONDITIONS

According to current estimates, global economic growth this year will remain at a similarly low level to 2015. In June, the World Bank lowered its growth forecast from January by 0.5 percentage points to 2.4 per cent. In particular, the United States and Japan plus emerging markets and developing countries that export commodities – including Brazil and Russia – have been weaker than initially assumed. Moreover, countries that import commodities have not benefited from the low prices to the extent expected.

Faltering growth was accompanied by increasing uncertainty about the effectiveness of expansionary monetary policy in industrialised nations and about the sharp rise in personal debt in many developing countries and emerging markets. By contrast, the situation in China appears to have stabilised following a weak start to the year: industrial output and foreign trade have shown a positive trend again recently.

The recovery in the eurozone continued at a modest pace, driven mainly by strong domestic demand. Germany recorded robust growth fuelled by higher consumer spending and capital investment.

The vote by the British people in favour of leaving the European Union increased economic risk towards the end of the reporting period. However, the consequences of the UK referendum are almost impossible to predict at present. The ifo Institute of Economic Research expects Germany's upturn to continue, although economic growth in 2016 is likely to be 0.1 percentage points lower because of the referendum result.

SECTORAL CONDITIONS

Sales markets

The global market for industrial trucks slightly expanded in the second quarter. Primarily driven by growth in Europe, the number of trucks sold rose by 1.8 per cent globally.

The rate of growth was 2.7 per cent in the first half of the year. Western Europe saw double-digit increases in sales in the first half of the year on the back of a continuing robust uptrend in Germany and France as well as healthy gains in Spain and Italy. The United Kingdom was the only market with a pronounced reluctance to invest in the second quarter. Eastern Europe showed strong growth as well and amongst others benefited from Russia's recovery. In North America, order numbers hovered slightly below the prior-year level, whereas South America saw a sharp decline, mainly due to the ongoing downward trend in Brazil. China registered slight growth in the first half of the year that was primarily attributable to the tightening of emissions regulations and the related increase in orders in the first quarter.

Broken down by product segment, the bulk of the growth was generated by warehouse trucks, followed by electric forklift trucks. Demand for trucks powered by internal combustion engines (IC trucks) continued to fall sharply. > TABLE 02

Global industrial truck market (order intake) TABLE 02

in thousand units	Q2 2016	Q2 2015	Change	Q1–Q2 2016	Q1–Q2 2015	Change
Western Europe	89.4	80.3	11.3%	187.6	167.6	11.9%
Eastern Europe	15.9	12.4	28.6%	29.5	24.9	18.4%
North America	59.8	60.4	–1.0%	116.5	117.6	–0.9%
Central & South America	10.0	10.6	–5.1%	19.1	21.6	–11.9%
Asia (excl. Japan)	92.7	95.0	–2.5%	180.2	180.0	0.1%
Rest of world	29.7	33.7	–11.8%	58.1	63.7	–8.8%
World	**297.5**	**292.4**	**1.8%**	**591.0**	**575.4**	**2.7%**

Source: WITS/FEM

Procurement markets and conditions in the financial markets

Prices for steel, which is the most important raw material for the KION Group, and for copper remained at a very low level in the first half of the year and their average was considerably lower than in the corresponding period of 2015. Oil prices rose steadily but were still lower on average than in the prior-year period.

Overall, currency effects had a negative impact on exports in the first six months of 2016. The euro rose slightly against the Chinese renminbi and pound sterling during the half-year period. However, pound sterling and the euro came under strong pressure at the end of the second quarter due to the outcome of the UK referendum. The Brazilian real persisted at a low level.

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

Back at the start of March, the KION Group had further strengthened its automated warehouse systems expertise in North America by acquiring Retrotech Inc., an established US systems integrator of warehouse and distribution solutions.

In June, KION GROUP AG signed a sale and purchase agreement to acquire all of the shares in the Dematic parent company, DH Services Luxembourg Holding S.à r.l., Luxembourg. The Dematic Group is a leading global supplier of advanced integrated automation technology and the associated software and services for optimising supply chains. The KION Group will thus enhance its position as a one-stop supplier of intelligent supply chain solutions for Industry 4.0. With more than 100 locations, Dematic is present in 22 countries. Closing of the transaction is subject to the customary closing conditions and regulatory approvals, and is likely to take place during the fourth quarter of 2016. The provisional purchase price for the shares is the equivalent of around €1.9 billion. The transaction will initially be funded by a €3.0 billion bridge loan that has been firmly committed.

Financial position and financial performance

OVERALL ASSESSMENT OF THE ECONOMIC SITUATION

In the first half of this year, the KION Group achieved significant growth in revenue and earnings. The total value of order intake also increased year on year in the second quarter. The KION Group benefited from the continued good order situation in Europe. Elsewhere, it expanded its market share in Asian and American markets despite the prevailing challenges. Overall, the KION Group's orders grew faster than those of the world market as a whole. This was also supported by the progressive expansion of the premium range to include product platforms for the volume and economy segments.

Consolidated revenue advanced by 5.9 per cent year on year. New truck business and the service business contributed to this increase. In the second quarter, organic revenue growth continued to accelerate. The newly acquired Egemin Automation (including Retrotech) also played a part in this rise in revenue. Negative currency effects depressed revenue, however.

There were sharp year-on-year increases in adjusted EBIT and the EBIT margin. Profitability improved again in the second quarter, easily outstripping the first three months of the year with an adjusted EBIT margin of 10.5 per cent (Q1 2016: 8.1 per cent). Net income was slightly higher than in the first half of last year despite the one-off financial expenses incurred in the first quarter in connection with the restructuring and optimisation of the Group's funding. Earnings per share stood at €0.97 (H1 2015: €0.94).

Level of orders

Order intake rose by 6.2 per cent or €158.6 million to €2,723.8 million in the first six months of 2016. Egemin Automation (including Retrotech Inc., which was acquired in the first quarter of 2016) had not been included in the results for the first half of 2015 but contributed orders of €79.5 million in the period under review. Negative currency effects reduced order intake by €57.0 million.

The number of trucks ordered increased to approximately 89.2 thousand, which was 4.4 per cent higher than in the first six months of 2015. The strongest growth was in electric forklift trucks, followed by warehouse trucks. Orders for IC trucks fell year on year, although less pronounced than in the market as a whole. The total value of the order book amounted to €1,009.4 million, an increase of 16.8 per cent on the value at the end of last year (31 December 2015: €864.0 million). This growth mainly stemmed from Europe and Asia.

Revenue

Thanks to continuous growth in the new trucks, aftersales, used trucks and rental businesses, the KION Group increased its revenue by 5.9 per cent to €2,564.5 million (H1 2015: €2,420.8 million). Egemin Automation (including Retrotech) contributed an additional €47.3 million to revenue, but this was more than offset by negative currency effects of €53.4 million at Group level.

Revenue from new truck business went up by 4.1 per cent to €1,370.7 million, compared with €1,317.0 million in the first half of 2015. Electric forklift trucks registered a sharp year-on-year increase. There was slight growth for IC trucks, while revenue from warehouse trucks was around the same level as in the prior-year period.

Contributions from all areas of the service business resulted in an 8.2 per cent increase in revenue to €1,193.8 million (H1 2015: €1,103.7 million). The biggest percentage gain was generated by the used truck business. There was also an increase as a result of the acquisition of Egemin Automation (including Retrotech), which is reported in the 'other' product category. Overall, the service business contributed 46.6 per cent of the KION Group's total revenue in the first six months (H1 2015: 45.6 per cent). > TABLE 03

The rise in revenue was predominantly the result of growth in western and eastern Europe. The slight increase in the Americas was largely accounted for by North America, while Brazil saw a further decline. Asia was also unable to match the level of revenue generated in the first half of 2015, registering a decrease of 9.3 per cent. Overall, the growth markets accounted for 22.6 per cent of consolidated revenue in the first six months (H1 2015: 25.1 per cent). The proportion generated outside Germany came to 74.7 per cent (H1 2015: 75.4 per cent). > TABLE 04

Revenue by product category

TABLE 03

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
New business	731.9	695.0	5.3%	1,370.7	1,317.0	4.1%
Service business	612.0	561.0	9.1%	1,193.8	1,103.7	8.2%
- Aftersales	337.8	331.8	1.8%	667.7	657.7	1.5%
- Rental business	136.5	129.5	5.5%	268.1	256.5	4.5%
- Used trucks	74.5	66.6	12.0%	144.6	128.0	13.0%
- Other	63.1	33.2	90.3%	113.3	61.6	84.1%
Total revenue	**1,343.8**	**1,256.0**	**7.0%**	**2,564.5**	**2,420.8**	**5.9%**

Revenue by customer location

TABLE 04

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
Western Europe	1,012.6	910.2	11.2%	1,918.6	1,763.4	8.8%
Eastern Europe	109.4	100.7	8.7%	206.3	195.2	5.7%
Americas	71.9	71.4	0.7%	134.3	130.5	3.0%
Asia	113.6	133.9	– 15.1%	234.2	258.1	– 9.3%
Rest of world	36.3	39.8	– 8.8%	71.1	73.6	– 3.4%
Total revenue	**1,343.8**	**1,256.0**	**7.0%**	**2,564.5**	**2,420.8**	**5.9%**

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) increased by 13.4 per cent year on year to reach €205.8 million (H1 2015: €181.5 million).

Although there was a volume-related improvement in gross profit of 7.4 per cent, selling expenses, administrative expenses and development costs also increased. Adjusted EBIT excluding non-recurring items and KION acquisition items amounted to €239.4 million (H1 2015: €209.8 million). The adjusted EBIT margin was 9.3 per cent, a year-on-year improvement of 0.6 percentage points (H1 2015: 8.7 per cent). > TABLE 05

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved to €412.7 million, compared with €374.5 million in the corresponding period of 2015. Adjusted EBITDA rose to €430.0 million (H1 2015: €388.0 million). This equates to an adjusted EBITDA margin of 16.8 per cent (H1 2015: 16.0 per cent). > TABLE 06

EBIT TABLE 05

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
Net income for the period	64.0	52.5	21.9%	97.1	94.3	2.9%
Income taxes	–30.0	–24.3	–23.3%	–45.5	–43.9	–3.6%
Net financial expenses	–22.8	–22.6	–1.0%	–63.3	–43.3	–46.2%
EBIT	**116.8**	**99.4**	**17.5%**	**205.8**	**181.5**	**13.4%**
+ Non-recurring items	17.1	10.2	68.6%	20.0	14.6	36.6%
+ KION acquisition items	6.9	6.9	0.0%	13.6	13.7	–0.5%
Adjusted EBIT	**140.8**	**116.4**	**20.9%**	**239.4**	**209.8**	**14.1%**
Adjusted EBIT margin	10.5%	9.3%	–	9.3%	8.7%	–

EBITDA TABLE 06

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
EBIT	116.8	99.4	17.5%	205.8	181.5	13.4%
Amortisation and depreciation	106.0	97.5	8.7%	207.0	193.0	7.2%
EBITDA	**222.8**	**196.9**	**13.2%**	**412.7**	**374.5**	**10.2%**
+ Non-recurring items	15.4	9.6	60.2%	17.2	13.4	28.3%
+ KION acquisition items	–0.0	0.1	<–100%	0.0	0.1	–100.0%
Adjusted EBITDA	**238.2**	**206.6**	**15.3%**	**430.0**	**388.0**	**10.8%**
Adjusted EBITDA margin	17.7%	16.4%	–	16.8%	16.0%	–

Key influencing factors for earnings

The cost of sales increased by 5.3 per cent to €1,804.1 million (H1 2015: €1,712.7 million), which was below the rate of growth in revenue. Gross profit improved to €760.4 million (H1 2015: €708.1 million). The gross margin therefore advanced from 29.3 per cent to 29.6 per cent.

Selling expenses grew by 8.2 per cent to €318.8 million in the first half of this year (H1 2015: €294.7 million) as a result of the stepping up of sales activities – including the consolidation of Egemin Automation. Development costs totalled €72.0 million (H1 2015: €70.7 million). At €192.2 million, administrative expenses were higher than in the corresponding prior-year period (H1 2015: €178.1 million) because of consultancy expenses incurred ahead of the planned Dematic acquisition. The 'other' item came to €28.4 million (H1 2015: €16.9 million). This included the share of profit (loss) of equity-accounted investments, which amounted to a profit of €9.6 million (H1 2015: profit of €6.4 million). > TABLE 07

(Condensed) income statement TABLE 07

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
Revenue	1,343.8	1,256.0	7.0%	2,564.5	2,420.8	5.9%
Cost of sales	–943.9	–889.2	–6.2%	–1,804.1	–1,712.7	–5.3%
Gross profit	**399.9**	**366.8**	**9.0%**	**760.4**	**708.1**	**7.4%**
Selling expenses	–161.5	–146.2	–10,5 %	–318.8	–294.7	–8.2%
Research and development costs	–34.9	–36.7	4,7 %	–72.0	–70.7	–1.8%
Administrative expenses	–106.2	–93.7	–13,3 %	–192.2	–178.1	–7.9%
Other	19.5	9.2	> 100%	28.4	16.9	68.1%
Earnings before interest and taxes (EBIT)	**116.8**	**99.4**	**17.5%**	**205.8**	**181.5**	**13.4%**
Net financial expenses	–22.8	–22.6	–1.0%	–63.3	–43.3	–46.2%
Earnings before taxes	**94.0**	**76.8**	**22.4%**	**142.5**	**138.2**	**3.1%**
Income taxes	–30.0	–24.3	–23.3%	–45.5	–43.9	–3.6%
Net income for the period	**64.0**	**52.5**	**21.9%**	**97.1**	**94.3**	**2.9%**

Net financial income/expenses

There was a significant decline in the balance of financial income and financial expenses, leading to net financial expenses of €63.3 million (H1 2015: net financial expenses of €43.3 million) mainly due to one-off expenses of €25.7 million incurred in February 2016 in connection with the restructuring and optimisation of the Group's funding.

Income taxes

Income tax expenses amounted to €45.5 million (H1 2015: €43.9 million). Current income taxes came to €31.3 million (H1 2015: €67.6 million). The tax rate was 31.9 per cent, which was up slightly year on year (H1 2015: 31.7 per cent).

Net income for the period

The KION Group's net income after taxes was €97.1 million (H1 2015: €94.3 million). Diluted and basic earnings per share for the reporting period came to €0.97 (H1 2015: €0.94).

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 €1,782.1 million in the half-year period, which was slightly above the high level reported a year earlier (H1 2015: €1,760.9 million).

Segment revenue improved by 3.4 per cent to €1,706.6 million (H1 2015: €1,650.3 million). The main factor in this increase was higher unit sales of new trucks in western Europe. In the service business, the increase in revenue from short-term rentals was particularly strong.

The positive effect from revenue combined with the achieved margin improvements resulted in adjusted EBIT of €209.5 million, which was significantly higher than in the prior-year period (H1 2015: €172.1 million). Consequently, the adjusted EBIT margin increased to 12.3 per cent (H1 2015: 10.4 per cent). > TABLE 08

Key figures – LMH – TABLE 08

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
Order intake	938.7	917.0	2.4%	1,782.1	1,760.9	1.2%
Revenue	891.7	862.9	3.3%	1,706.6	1,650.3	3.4%
EBITDA	163.4	131.6	24.1%	290.5	246.2	18.0%
Adjusted EBITDA	163.8	133.1	23.1%	290.6	248.9	16.8%
EBIT	115.9	87.1	33.1%	197.8	157.7	25.4%
Adjusted EBIT	122.1	94.3	29.4%	209.5	172.1	21.7%
Adjusted EBITDA margin	18.4%	15.4%	–	17.0%	15.1%	–
Adjusted EBIT margin	13.7%	10.9%	–	12.3%	10.4%	–

STILL segment

At €1,038.1 million, order intake in the STILL segment was 4.6 per cent up on the prior-year level despite negative currency effects (H1 2015: €992.6 million). The main growth markets were western and eastern Europe. Order numbers in Brazil persisted at a low level and were down on what had already been a weak prior-year period.

Revenue came to €990.9 million, which was ahead of the same period of last year (H1 2015: €945.6 million) and was attributable to both the new truck business and the service business. In the second quarter, STILL's revenue rose by 6.6 per cent in spite of ongoing negative currency effects.

The segment's adjusted EBIT advanced to €63.6 million, which was significantly higher than it had been a year earlier (H1 2015: €55.9 million). The adjusted EBIT margin rose to 6.4 per cent (H1 2015: 5.9 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 €196.3 million (H1 2015: €184.5 million). Total revenue including the short-term rental business, which is managed by the LMH and STILL brand segments, amounted to €368.5 million (H1 2015: €329.4 million). At €2.6 million, earnings before tax was at the level of the prior-year period (H1 2015: €2.7 million). The return on equity (ROE) was 12.8 per cent (H1 2015: 13.2 per cent).

Key figures – STILL – TABLE 09

in € million	Q2 2016	Q2 2015	Change	Q1–Q2 2016	Q1–Q2 2015	Change
Order intake	531.0	493.0	7.7%	1,038.1	992.6	4.6%
Revenue	515.9	484.1	6.6%	990.9	945.6	4.8%
EBITDA	65.0	59.5	9.4%	120.2	111.5	7.8%
Adjusted EBITDA	65.1	60.1	8.3%	121.6	112.1	8.5%
EBIT	33.9	29.5	15.1%	58.9	52.1	13.0%
Adjusted EBIT	35.6	31.7	12.4%	63.6	55.9	13.8%
Adjusted EBITDA margin	12.6%	12.4%	–	12.3%	11.9%	–
Adjusted EBIT margin	6.9%	6.5%	–	6.4%	5.9%	–

At €1,689.3 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 substantially year on year due to the increase in the volume of orders (30 June 2015: €1,466.3 million).

As at 30 June 2016, the FS segment had intra-group lease receivables of €581.3 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; 30 June 2015: €516.0 million). The funding of intra-group long-term leases (finance leases) with LMH and STILL resulted in lease liabilities of €411.4 million (31 December 2015: €400.6 million; 30 June 2015: €377.5 million). Net financial debt amounted to €213.9 million at the end of June (31 December 2015: €185.6 million; 30 June 2015: €174.1 million). > TABLE 10

Key figures – Financial Services – TABLE 10

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
Revenue	206.0	182.1	13.2%	368.5	329.4	11.9%
Adjusted EBITDA	23.8	22.1	7.7%	47.5	43.8	8.3%
Adjusted EBIT	–0.8	–0.1	<–100%	–2.0	–0.2	<–100%
Earnings before taxes (EBT)	1.3	1.3	–2.7%	2.6	2.7	–2.7%
Total segment assets	1,689.3	1,466.3	15.2%	1,689.3	1,466.3	15.2%
Leased assets	345.3	288.5	19.7%	345.3	288.5	19.7%
Lease receivables	1,231.3	1,078.0	14.2%	1,231.3	1,078.0	14.2%
thereof lease receivables from long-term leases to third parties	650.0	562.0	15.7%	650.0	562.0	15.7%
thereof lease receivables from LMH and STILL from funding of the short-term rental business	581.3	516.0	12.7%	581.3	516.0	12.7%
Lease liabilities[1]	1,313.4	1,138.6	15.4%	1,313.4	1,138.6	15.4%
thereof liabilities from funding of the long-term leases with third parties	902.0	761.1	18.5%	902.0	761.1	18.5%
thereof liabilities from funding of the short-term rental business of LMH and STILL	411.4	377.5	9.0%	411.4	377.5	9.0%
Net financial debt	213.9	174.1	22.8%	213.9	174.1	22.8%
Equity	43.8	43.5	0.5%	43.8	43.5	0.5%
Return on equity[2]				12.8%	13.2%	–

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 has been consolidated since 1 March 2016, is included under and reported together with Egemin Automation. Revenue generated outside the KION Group totalled €56.2 million (H1 2015: €8.9 million), of which €47.3 million was attributable to Egemin Automation, which secured attractive new orders in the field of warehouse automation and distribution systems. The segment reported adjusted EBIT of €6.3 million (H1 2015: €12.4 million). > TABLE 11

FINANCIAL POSITION

The principles and objectives applicable to financial management as at 30 June 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. 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). As part of this restructuring and optimisation, the syndicated loan dating from 2006 and the corporate bond (€450.0 million) were repaid.

Key figures – Other – TABLE 11

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
Order intake	101.0	54.2	86.5%	189.2	108.4	74.4%
Revenue	84.1	54.2	55.3%	157.0	108.4	44.7%
EBITDA	9.1	15.9	–42.6%	–0.1	1.7	<–100%
Adjusted EBITDA	24.1	23.5	2.8%	15.5	20.9	–25.6%
EBIT	3.2	11.6	–72.6%	–11.0	–6.8	–62.3%
Adjusted EBIT	19.3	19.2	0.8%	6.3	12.4	–48.7%

KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the new senior facilities agreement and for compliance with the related covenants. All covenants were complied with as at 30 June 2016.

A firm agreement has been reached with a group of banks for a bridge loan of €3.0 billion as funding for the planned acquisition of Dematic. This bridge loan is to be refinanced partly by long-term capital-market and bank debt and partly by equity.

Analysis of capital structure

The total financial debt recognised as at 30 June 2016 came to €805.6 million, which was higher than the figure at the end of 2015 of €676.5 million. After deduction of cash and cash equivalents of €84.3 million, net financial debt amounted to €721.2 million, compared with €573.5 million at the end of last year. Net debt as at 30 June 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	30/06/2016	31/12/2015	Change
Corporate bond (2013/2020) – fixed rate (gross)	–	450.0	–100.0%
Liabilities to banks (gross)	800.4	225.9	>100%
Liabilities to non-banks (gross)	5.9	6.2	–4.9%
./. Capitalised borrowing costs	–0.7	–5.5	87.2%
Financial debt	**805.6**	**676.5**	**19.1%**
./. Cash and cash equivalents	–84.3	–103.1	18.2%
Net financial debt	**721.2**	**573.5**	**25.8%**

Pension provisions had increased from €798.0 million at 31 December 2015 to €993.8 million as at 30 June 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 €904.3 million (31 December 2015: €855.6 million) on the back of the expansion of financial services activities. Of this total, €650.4 million related to non-current lease liabilities and €253.9 million to current lease liabilities. Other financial liabilities also included liabilities of €418.9 million from sale and leaseback transactions used to finance the short-term rental fleet (31 December 2015: €403.2 million).

Equity was lower overall than at the end of 2015, falling by €158.2 million to €1,690.5 million as at 30 June 2016 (31 December 2015: €1,848.7 million). This decrease was largely attributable to a significantly lower interest rate level for pensions. Further negative effects recognised in other comprehensive income and the dividend payment were largely offset by the level of net income. The equity ratio reduced to 25.1 per cent (31 December 2015: 28.7 per cent). > TABLE 13

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 €64.3 million, compared with €59.8 million in the first half of 2015. The main areas of spending in the second quarter were again capitalised development costs in the LMH and STILL brand segments and the expansion and modernisation of production and technology sites.

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

in € million	30/06/2016	in %	31/12/2015	in %	Change
Equity	**1,690.5**	**25.1%**	**1,848.7**	**28.7%**	**–8.6%**
Non-current liabilities	**2,922.4**	**43.4%**	**2,860.0**	**44.4%**	**2.2%**
thereof:					
Retirement benefit obligation	993.8	14.8%	798.0	12.4%	24.5%
Financial liabilities	381.0	5.7%	557.2	8.7%	–31.6%
Deferred tax liabilities	297.5	4.4%	302.7	4.7%	–1.7%
Lease liabilities	650.4	9.7%	617.7	9.6%	5.3%
Current liabilities	**2,116.2**	**31.4%**	**1,731.5**	**26.9%**	**22.2%**
thereof:					
Financial liabilities	424.6	6.3%	119.3	1.9%	> 100%
Trade payables	635.6	9.4%	574.6	8.9%	10.6%
Lease liabilities	253.9	3.8%	237.9	3.7%	6.7%
Total equity and liabilities	**6,729.1**		**6,440.2**		**4.5%**

Analysis of liquidity

The KION Group's net cash provided by operating activities totalled €191.5 million, which was higher than the comparable prior-year figure of €171.2 million. Even though the volume of business went up, the KION Group further optimised its working capital, which, along with the rise in EBIT, significantly boosted the cash position. However, as a result of the higher tax prepayments of €56.2 million (H1 2015: €28.1 million), the net cash provided by operating activities improved by just €20.3 million year on year.

The net cash used for investing activities rose to €202.0 million as a result of acquisitions (H1 2015: €161.9 million). Cash payments for capital expenditure on property, plant and equipment and on intangible assets and the rental business totalled €179.2 million in the first six months of 2016, representing a year-on-year increase (H1 2015: €160.9 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 – was down year on year at minus €10.5 million (H1 2015: €9.2 million).

Cash flow from financing activities amounted to minus €7.1 million in the reporting period (H1 2015: minus €49.6 million). The distribution of a dividend of €0.77 per share resulted in an outflow of funds of €76.0 million (H1 2015: €54.3 million). 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 €1,020.4 million, whereas repayments came to €917.2 million. Net cash of €40.4 million was used for regular interest payments (H1 2015: €26.0 million). The year-on-year rise in interest payments was attributable to the early repayment charge of €15.2 million resulting from the early repayment of the bond. > TABLE 14

(Condensed) statement of cash flows

TABLE 14

in € million	Q2 2016	Q2 2015	Change	Q1 – Q2 2016	Q1 – Q2 2015	Change
EBIT	116.8	99.4	17.5%	205.8	181.5	13.4%
Cash flow from operating activities	112.7	114.1	–1.3%	191.5	171.2	11.9%
Cash flow from investing activities	–102.7	–85.3	–20.4%	–202.0	–161.9	–24.7%
Free cash flow	**9.9**	**28.8**	**–65.5%**	**–10.5**	**9.2**	**<–100%**
Cash flow from financing activities	–22.4	–49.3	54.7%	–7.1	–49.6	85.6%
Effect of foreign exchange rate changes on cash	0.1	–1.0	>100%	–1.1	3.3	<–100%
Change in cash and cash equivalents	**–12.3**	**–21.4**	**42.5%**	**–18.7**	**–37.0**	**49.3%**

(Condensed) statement of financial position – assets

TABLE 15

in € million	30/06/2016	in %	31/12/2015	in %	Change
Non-current assets	**4,905.9**	**72.9%**	**4,810.3**	**74.7%**	**2.0%**
thereof:					
Goodwill	1,576.9	23.4%	1,548.1	24.0%	1.9%
Brand names	604.8	9.0%	604.1	9.4%	0.1%
Deferred tax assets	378.8	5.6%	349.0	5.4%	8.5%
Rental assets	570.5	8.5%	544.0	8.4%	4.9%
Leased assets	377.6	5.6%	334.4	5.2%	12.9%
Lease receivables	487.3	7.2%	472.0	7.3%	3.3%
Current assets	**1,823.2**	**27.1%**	**1,629.9**	**25.3%**	**11.9%**
thereof:					
Inventories	660.0	9.8%	553.5	8.6%	19.2%
Trade receivables	721.2	10.7%	670.5	10.4%	7.6%
Lease receivables	187.8	2.8%	181.7	2.8%	3.4%
Other current financial assets	72.9	1.1%	58.4	0.9%	24.7%
Cash and cash equivalents	84.3	1.3%	103.1	1.6%	–18.2%
Total assets	**6,729.1**		**6,440.2**		**4.5%**

NET ASSETS

Non-current assets had increased to €4,905.9 million as at 30 June 2016 (31 December 2015: €4,810.3 million). Intangible assets accounted for €2,484.6 million (31 December 2015: €2,452.5 million). Goodwill and the KION Group's brand names represented €2,181.7 million of that amount (31 December 2015: €2,152.2 million). This small increase compared with 31 December 2015 was mainly attributable to the acquisition of Retrotech Inc.

Rental assets in the brand segments' short-term rental fleet rose to €570.5 million (31 December 2015: €544.0 million). Leased assets for leases with end customers that are classified as operating leases increased to €377.6 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 €487.3 million (31 December 2015: €472.0 million).

Current assets rose to €1,823.2 million (31 December 2015: €1,629.9 million) owing to higher inventories and receivables. At €187.8 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 €84.3 million at the end of the half-year period (31 December 2015: €103.1 million). Taking into account the unused credit facility, the cash and cash equivalents available to the KION Group at 30 June 2016 amounted to €858.0 million. > TABLE 15

Non-financial performance indicators

EMPLOYEES

As at 30 June 2016, the KION Group employed 23,804 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 6.2 per cent to €729.2 million in the first half of the year (H1 2015: €686.4 million), mainly as a result of the increase in the number of employees and changes to collective bargaining agreements. Other factors were the acquisition of Egemin Automation (including Retrotech Inc.) and the opening of the new plant in Stříbro, Czech Republic. > TABLE 16

RESEARCH AND DEVELOPMENT

Total spending on research and development came to €67.5 million in the first half of 2016 (H1 2015: €64.1 million), which equates to 2.6 per cent of revenue. The number of full-time jobs in R&D stood at 1,036 as at 30 June 2016 (31 December 2015: 1,056).

To support the Strategy 2020, the new CTO organisation was successfully put in place in the first half of 2016. It covers product strategy, research and development, innovation, procurement, quality assurance and production systems. The key R&D projects relating to the reduction of emissions and fuel consumption, the modular and

Employees (full-time equivalents) TABLE 16

	30/06/2016	31/12/2015	Change
Western Europe	16,556	16,515	0.2%
Eastern Europe	2,064	1,921	7.4%
Americas	873	693	26.0%
Asia	3,727	3,812	–2.2%
Rest of world	584	565	3.4%
Total	**23,804**	**23,506**	**1.3%**

platform strategy, drive technology, automation and connectivity, and workplace safety and ergonomics continued. Numerous new developments were unveiled at trade fairs and customer events during the first half of the year. A particular focus was on automation solutions, which should be available for core product series in the medium term and, in combination with digital fleet management, will play a crucial role in increasing efficiency. The portfolio consists of picking solutions such as the iGo neo CX 20 robotics system from STILL as well as driverless, robot-controlled industrial trucks that Linde Material Handling is developing for its Linde-MATIC model series. In addition, STILL presented the LiftRunner tugger train system, an automated forklift-free solution for transporting materials within internal operations.

To expand the functionality of the 'connect:' fleet management solution and broaden its scope of application, LMH has developed a new localisation technology that pinpoints the location of trucks and transport containers to within centimetres in real time. Another new feature is the pre-op check app for 'connect:', which can be used to check all of a truck's key parameters at the start of a shift. The truck cannot be activated until the driver has used the app to conduct this check. The 'connect: desk' software consolidates this information with other data and evaluates it. In the service business, Linde Material Handling is testing a mobile service manager app that sends requests, together with the truck's QR code and a photo of the defective function, directly to the LMH service organisation. STILL has developed neXXt fleet, a new platform for intelligent and efficient fleet management that makes logistics processes simpler, faster, more cost-effective and transparent.

The KION Group continued to forge ahead with the development of lithium-ion drive systems in the reporting period. LMH showcased its first counterbalance trucks with lithium-ion batteries, which had previously only been fitted in pallet trucks, order pickers and tow tractors. Linde also presented warehouse trucks and counterbalance trucks fitted with hydrogen fuel cells. Alongside its existing fuel-cell-powered trucks, STILL also presented new lithium-ion trucks, including order pickers, tow tractors, low-lift and double-stacker pallet trucks and counterbalance trucks. STILL also converted a customer's entire fleet to lithium-ion technology. LMH and STILL both further expanded their customer-specific products for optimising fleet deployment as a way of supporting logistics processes even more efficiently. The focus of development work at Baoli was the upgrading of its diesel engines to meet the new China 3 emissions standard. Baoli is also working on new electric counterbalance trucks. At Voltas, a total of six product series are currently being updated or are due for launch in 2016. > 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 the first half of the year, the KION brands STILL, LMH and Egemin took part in the LogiMAT trade fair in Stuttgart. STILL and Egemin also featured at CeMAT in Hannover, where STILL registered more than 30,000 visitors to the stand.

The new version of LMH's customer event, World of Material Handling, which is held at its own premises, attracted 7,000 customers, dealers and business partners, setting a new visitor record.

Research and development (R&D) TABLE 17

in € million	Q2 2016	Q2 2015	Change	Q1–Q2 2016	Q1–Q2 2015	Change
Research and development costs (P&L)	34.9	36.7	–4.7%	72.0	70.7	1.8%
Amortisation expense (R&D)	–12.3	–13.2	6.3%	–24.6	–26.1	5.7%
Capitalised development costs	12.1	9.9	22.1%	20.2	19.5	3.5%
Total R&D spending	**34.7**	**33.4**	**3.8%**	**67.5**	**64.1**	**5.4%**
R&D spending as percentage of revenue	2.6%	2.7%	–	2.6%	2.6%	–

STILL also presented its new products at the customer day that it held at the start of the new year at its new branch in Nuremberg/Fürth.

In April, Landshut University of Applied Sciences opened its Puls technology centre for production and logistics systems in Dingolfing. The technology centre serves as an interface between lean management theory and practice. It also offers training courses for companies. STILL played a big part in bringing this project to fruition and is providing support in the form of two STILL tugger trains. The centre has been built to resemble a fully-fledged medium-sized business. It investigates the latest research on intelligent material handling and lean management in production operations.

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 half of 2016, the KION Group is confirming the outlook for 2016 as a whole that was published in the 2015 group management report. The effects of the planned acquisition of Dematic have not yet been taken into account because the transaction has not yet been closed.

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	Q2 2016	Q2 2015	Q1 – Q2 2016	Q1 – Q2 2015
Revenue	1,343.8	1,256.0	2,564.5	2,420.8
Cost of sales	–943.9	–889.2	–1,804.1	–1,712.7
Gross profit	**399.9**	**366.8**	**760.4**	**708.1**
Selling expenses	–161.5	–146.2	–318.8	–294.7
Research and development costs	–34.9	–36.7	–72.0	–70.7
Administrative expenses	–106.2	–93.7	–192.2	–178.1
Other income	17.6	19.3	34.7	42.6
Other expenses	–7.5	–18.2	–16.0	–32.1
Profit from equity-accounted investments	9.4	8.0	9.6	6.4
Earnings before interest and taxes	**116.8**	**99.4**	**205.8**	**181.5**
Financial income	14.6	13.2	33.5	25.6
Financial expenses	–37.4	–35.8	–96.8	–68.8
Net financial expenses	**–22.8**	**–22.6**	**–63.3**	**–43.3**
Earnings before taxes	**94.0**	**76.8**	**142.5**	**138.2**
Income taxes	**–30.0**	**–24.3**	**–45.5**	**–43.9**
Current taxes	–16.0	–45.0	–31.3	–67.6
Deferred taxes	–14.0	20.7	–14.2	23.7
Net income for the period	**64.0**	**52.5**	**97.1**	**94.3**
Attributable to shareholders of KION GROUP AG	63.2	51.7	95.5	92.5
Attributable to non-controlling interests	0.8	0.8	1.6	1.8
Earnings per share according to IAS 33 (in €)				
Basic earnings per share	0.64	0.52	0.97	0.94
Diluted earnings per share	0.64	0.52	0.97	0.94

Consolidated statement of comprehensive income

TABLE 19

in € million	Q2 2016	Q2 2015	Q1 – Q2 2016	Q1 – Q2 2015
Net income for the period	**64.0**	**52.5**	**97.1**	**94.3**
Items that will not be reclassified subsequently to profit or loss	**–87.5**	**134.5**	**–144.5**	**23.0**
Gains / losses on defined benefit obligation	–87.5	134.9	–144.5	23.4
thereof changes in unrealised gains and losses	–122.4	192.2	–202.7	35.1
thereof tax effect	35.0	–57.3	58.3	–11.6
Changes in unrealised gains and losses from equity-accounted investments	–0.0	–0.4	–0.0	–0.4
Items that may be reclassified subsequently to profit or loss	**–16.6**	**–11.0**	**–33.8**	**42.3**
Impact of exchange differences	–8.1	–15.0	–34.4	47.7
thereof changes in unrealised gains and losses	–8.1	–15.0	–34.4	47.7
Gains / losses on hedge reserves	–8.7	3.4	–0.1	–6.0
thereof changes in unrealised gains and losses	–4.9	–2.9	6.8	–19.5
thereof realised gains (–) and losses (+)	–3.4	7.5	–3.9	12.1
thereof tax effect	–0.4	–1.3	–3.0	1.4
Gains / losses from equity-accounted investments	0.1	0.6	0.7	0.6
thereof changes in unrealised gains and losses	0.1	0.6	0.7	0.6
Other comprehensive loss (income)	**–104.1**	**123.5**	**–178.3**	**65.3**
Total comprehensive loss (income)	**–40.1**	**176.0**	**–81.2**	**159.6**
Attributable to shareholders of KION GROUP AG	–40.9	175.3	–82.8	158.0
Attributable to non-controlling interests	0.8	0.6	1.6	1.7

Consolidated statement of financial position – assets

TABLE 20

in € million	30/06/2016	31/12/2015
Goodwill	1,576.9	1,548.1
Other intangible assets	907.6	904.4
Leased assets	377.6	334.4
Rental assets	570.5	544.0
Other property, plant and equipment	504.8	508.8
Equity-accounted investments	77.1	73.6
Lease receivables	487.3	472.0
Other financial assets	25.3	45.9
Other assets	0.0	30.2
Deferred taxes	378.8	349.0
Non-current assets	**4,905.9**	**4,810.3**
Inventories	660.0	553.5
Trade receivables	721.2	670.5
Lease receivables	187.8	181.7
Income tax receivables	16.5	7.9
Other financial assets	72.9	58.4
Other assets	80.5	54.8
Cash and cash equivalents	84.3	103.1
Current assets	**1,823.2**	**1,629.9**
Total assets	**6,729.1**	**6,440.2**

Consolidated statement of financial position – equity and liabilities TABLE 21

in € million	30/06/2016	31/12/2015
Subscribed capital	98.7	98.7
Capital reserves	1,996.9	1,996.6
Retained earnings	30.7	11.3
Accumulated other comprehensive loss	–443.8	–265.5
Non-controlling interests	8.0	7.7
Equity	**1,690.5**	**1,848.7**
Retirement benefit obligation	993.8	798.0
Non-current financial liabilities	381.0	557.2
Lease liabilities	650.4	617.7
Other non-current provisions	77.6	83.4
Other financial liabilities	325.7	315.6
Other liabilities	196.4	185.4
Deferred taxes	297.5	302.7
Non-current liabilities	**2,922.4**	**2,860.0**
Current financial liabilities	424.6	119.3
Trade payables	635.6	574.6
Lease liabilities	253.9	237.9
Income tax liabilities	62.9	79.8
Other current provisions	124.5	111.5
Other financial liabilities	202.8	194.4
Other liabilities	412.1	414.0
Current liabilities	**2,116.2**	**1,731.5**
Total equity and liabilities	**6,729.1**	**6,440.2**

Consolidated statement of cash flows

TABLE 22

in € million	Q1 – Q2 2016	Q1 – Q2 2015
Earnings before interest and taxes	**205.8**	**181.5**
Amortisation, depreciation and impairment charges of non-current assets	207.0	193.0
Other non-cash income (–) and expenses (+)	21.5	9.7
Gains (–) / losses (+) on disposal of non-current assets	0.4	–0.6
Changes in leased assets (excluding depreciation) and lease receivables / liabilities	–58.5	–37.9
Change in inventories	–107.4	–80.6
Change in trade receivables / payables	–2.1	–85.2
Cash payments for defined benefit obligations	–11.5	–12.2
Change in other provisions	8.2	–0.5
Change in other operating assets / liabilities	–15.7	32.1
Taxes paid	–56.2	–28.1
Cash flow from operating activities	**191.5**	**171.2**
Cash payments for purchase of non-current assets	–64.3	–59.8
Cash receipts from disposal of non-current assets	1.4	9.7
Change in rental assets (excluding depreciation)	–114.9	–101.1
Dividends received	6.5	6.4
Acquisition of subsidiaries (net of cash acquired) and other equity investments	–27.3	–2.7
Cash payments for sundry assets	–3.3	–14.5
Cash flow from investing activities	**–202.0**	**–161.9**

Consolidated statement of cash flows (continued) TABLE 22

in € million	Q1 – Q2 2016	Q1 – Q2 2015
Dividend of KION GROUP AG	–76.0	–54.3
Dividends paid to non-controlling interests	–1.3	0.0
Cash payments for changes in ownership interests in subsidiaries without change of control	0.0	–0.1
Financing costs paid	–6.3	–2.7
Proceeds from borrowings	1,020.4	509.9
Repayment of borrowings	–917.2	–485.3
Interest received	4.6	3.3
Interest paid	–40.4	–26.0
Cash receipts from other financing activities	9.0	5.7
Cash flow from financing activities	**–7.1**	**–49.6**
Effect of foreign exchange rate changes on cash and cash equivalents	–1.1	3.3
Change in cash and cash equivalents	**–18.7**	**–37.0**
Cash and cash equivalents at the beginning of the period	103.1	98.9
Cash and cash equivalents at the end of the period	84.3	61.9

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			92.5
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**92.5**
Dividend of KION GROUP AG			–54.3
Changes from employee share option programme		0.1	
Changes from application of the equity-method			0.7
Other changes			–0.1
Balance as at 30/06/2015	**98.7**	**1,996.3**	**–109.4**
Balance as at 1/1/2016	**98.7**	**1,996.6**	**11.3**
Net income for the period			95.5
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**95.5**
Dividend of KION GROUP AG			–76.0
Dividends paid to non-controlling interests			
Changes from employee share option programme		0.3	
Balance as at 30/06/2016	**98.7**	**1,996.9**	**30.7**

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**
					92.5	1.8	94.3
	47.9	23.4	–6.0	0,2	65.5	–0.2	65.3
	47.9	**23.4**	**–6.0**	**0.2**	**158.0**	**1.7**	**159.6**
					–54.3	0.0	–54.3
					0.1	0.0	0.1
					0.7	0.0	0.7
					–0.1	0.0	–0.1
	16.1	**–241.2**	**–10.2**	**–4.2**	**1,746.2**	**7.0**	**1,753.2**
	–11.4	**–251.9**	**–0.2**	**–2.0**	**1,841.0**	**7.7**	**1,848.7**
					95.5	1.6	97.1
	–34.4	–144.5	–0.1	0.7	–178.3	–0.0	–178.3
	–34.4	**–144.5**	**–0.1**	**0.7**	**–82.8**	**1.6**	**–81.2**
					–76.0	0.0	–76.0
					0.0	–1.3	–1.3
					0.3	0.0	0.3
	–45.8	**–396.3**	**–0.3**	**–1.4**	**1,682.5**	**8.0**	**1,690.5**

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 26 July 2016.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the six months ended 30 June 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 six months ended 30 June 2016, the KION Group has not applied – besides the standards and interpretations reported on as at 31 December 2015 – the following standards and amendments to standards, which have been issued by the IASB but are not yet required to be applied in 2016:

- Amendments to IFRS 2 'Share-based Payment': amendments relating to the classification and measurement of share-based payment transactions
- Clarifications to IFRS 15 'Revenue from Contracts with Customers': amendments relating to the identification of performance obligations, classification as principal or agent, revenue from licenses and transition relief.

These standards 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' (including the clarifications to IFRS 15), 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 30 June 2016.

In addition, nine joint ventures and associates were consolidated and accounted for using the equity method as at 30 June 2016, which was the same number as at 31 December 2015.

52 (31 December 2015: 55) subsidiaries with minimal business volumes or no business operations and other equity investments were not included in the consolidation.

Sale and purchase agreement signed

On 21 June 2016, KION GROUP AG reached agreement with the sellers to acquire 100.0 per cent of the capital and voting shares in DH Services Luxembourg Holding S.à r.l., Luxembourg. Closing of the transaction is subject to the customary closing conditions and regulatory approvals, and is likely to take place during the fourth quarter of 2016.

DH Services Luxembourg Holding S.à r.l. is the parent company of the Dematic Group. Dematic is a leading global supplier of advanced integrated automation technology, software and services for optimising supply chains. Its product portfolio ranges automated guided vehicles, palletisers, storage and picking equipment including automated storage and retrieval systems, sorters and conveyors, a leading integrated software platform and automation technologies. Dematic has engineering centres and manufacturing facilities located around the world. With more than 100 locations Dematic is present in 22 countries. Following the acquisition of Retrotech Inc. in February 2016 and 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 provisional purchase price for the net assets acquired is the equivalent of around €1.9 billion. Dematic, which employs almost 6,000 skilled professionals, generated revenue of roughly €1.6 billion and adjusted EBIT of around €150.0 million in the 2015 calendar year.

An agreement has been reached with a group of banks for a bridge loan of €3.0 billion as funding for the acquisition of Dematic. This bridge loan is to be refinanced partly by long-term capital-market and bank debt and partly by equity.

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 100.0 per cent stake in Retrotech Inc., which is headquartered in Rochester, New York State, was €25.0 million.

The incidental acquisition costs incurred by this business combination amounted to €0.7 million. They 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	24.3
Other intangible assets	15.4
Trade receivables	8.8
Cash and cash equivalents	1.7
Other assets	3.0
Total assets	**53.2**
Financial liabilities	9.6
Trade payables	7.5
Other current liabilities	5.0
Other liabilities	6.2
Total liabilities	**28.3**
Total net assets	**25.0**
Cash payment	25.0
Consideration transferred	**25.0**

As part of this transaction, receivables in a gross amount of €8.8 million were acquired, of which €5.3 million constituted gross amounts due from customers for contract work that have not yet been invoiced. At the acquisition date, it was assumed that the amount of irrecoverable trade receivables was insignificant. Consolidated revenue rose by €8.8 million as a result of the acquisition. The net income reported for the first half of 2016 contains a loss totalling €2.5 million attributable to the entity acquired. 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 six months of this year.

The purchase price allocation for the acquisition described above was only provisional as at 30 June 2016 because some details, particularly in the area of long-term construction contracts, had not yet been fully evaluated. In the second quarter of 2016, the main item was a change in the measurement of other intangible assets within the measurement period. In addition to the increase in other intangible assets, this adjustment also caused a countervailing increase in the deferred tax liabilities recognised thereon, which caused the goodwill recognised as at 30 June 2016 to reduce by a total of €2.0 million.

Goodwill constitutes the strategic and geographical synergies that the KION Group expects to derive from this business combination plus the highly trained workforce. 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
Leased/Rental assets	10.9
Trade receivables	4.3
Cash and cash equivalents	2.5
Other assets	3.4
Total assets	**34.4**
Financial liabilities	1.2
Trade payables	3.9
Other liabilities	9.7
Total liabilities	**14.8**
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 30 June 2016 because some details in the area of intangible assets and leasing had not yet been fully evaluated. In the second quarter of 2016, the main item was a change in the recognition of the rental / leased assets within the measurement period. Analysis of the acquired leases resulted in additional rental/leased assets in an amount of €6.1 million and an increase in other liabilities of the same amount. 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 in connection with the acquisition of LR Intralogistik GmbH 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 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 €27.9 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 (H1 2016: 98,739,950 no-par-value shares; H1 2015: 98,736,438 no-par-value shares; Q2 2016: 98,739,950 no-par-value shares; Q2 2015: 98,736,438 no-par-value shares). In the first half of 2016, the KION Group generated net income accruing to the shareholders of KION GROUP AG of €95.5 million (H1 2015: €92.5 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 €0.97 (H1 2015: €0.94). The 160,050 no-par-value treasury shares repurchased by KION GROUP AG were not included in this figure as at 30 June 2016 (30 June 2015: 163,562).

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 half of 2016 of 98,770,779 no-par-value shares issued (H1 2015: 98,750,371 no-par-value shares; Q2 2016: 98,771,614 no-par-value shares; Q2 2015: 98,751,492 no-par-value shares). Diluted earnings per share for the reporting period came to €0.97 (H1 2015: €0.94).

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

The change in goodwill in the first half of 2016 resulted from three acquisitions from which – according to the preliminary purchase price allocations – goodwill totalling €33.4 million arose, and from currency effects.

The total carrying amount for technology and development assets as at 30 June 2016 was €188.7 million (31 December 2015: €194.1 million). Development costs of €12.1 million were capitalised in the second quarter of 2016 (Q2 2015: €9.9 million); the corresponding figure for the first half of 2016 was €20.2 million (H1 2015: €19.5 million). Total research and development costs of €34.9 million were expensed in the second quarter of 2016 (Q2 2015: €36.7 million), while €72.0 million was expensed in the first half of 2016 (H1 2015: €70.7 million). Of these respective amounts, €12.3 million related to amortisation in the second quarter of 2016 (Q2 2015: €13.2 million) and €24.6 million to amortisation in the first half of 2016 (H1 2015: €26.1 million).

Inventories

The rise in inventories compared with 31 December 2015 was largely attributable to the increase in work in progress (up by 24.1 per cent) and finished goods (up by 22.1 per cent). Impairment losses of €5.5 million were recognised on inventories in the second quarter of 2016 (Q2 2015: €1.3 million) and of €9.0 million in the first six months of 2016 (H1 2015: €4.0 million). Reversals of impairment losses had to be recognised in the amount of €0.7 million in the second quarter of 2016 (Q2 2015: €0.8 million) and in the amount of €1.2 million in the first half of 2016 (H1 2015: €1.7 million) because the reasons for impairment no longer existed.

Trade receivables

The rise in trade receivables compared with 31 December 2015 was largely due to the increase of €42.6 million in receivables due from third parties and the increase of €10.5 million in gross amounts due from customers for contract work. Receivables due from non-consolidated subsidiaries, equity-accounted investments and other equity investments rose by €1.3 million. Valuation allowances of €42.2 million (31 December 2015: €38.5 million) were recognised for trade receivables.

Equity

As at 30 June 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 30 June 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.

The distribution of a dividend of €0.77 per share (H1 2015: €0.55 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €76.0 million (H1 2015: €54.3 million).

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 in connection with the generally volatile situation in the capital markets and the UK referendum. The present value of the defined benefit obligation was calculated on the basis of the discount rates shown in > TABLE 26.

Discount rate TABLE 26

	30/06/2016	31/12/2015
Germany	1.55%	2.35%
UK	2.75%	3.75%
Other (weighted average)	0.94%	1.61%

The change in estimates in relation to defined benefit pension entitlements resulted in a decrease of €144.5 million in equity as at 30 June 2016 (after deferred taxes). The net defined benefit obligation increased to €993.8 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 €21.6 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 30 June 2016, an amount of €374.3 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 €904.3 million (31 December 2015: €855.6 million), lease receivables arising from sale and leaseback transactions amounted to €606.4 million (31 December 2015: €592.0 million) and leased assets under sale and leaseback transactions totalled €325.0 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 €418.9 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 financial liabilities, the KION Group has also recognised finance lease obligations amounting to €19.4 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 30 June 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	30/06/2016 Carrying amount	30/06/2016 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	2.1	2.1	2.7	2.7
Financial receivables	21.3	21.3	15.4	15.4
Non-current securities	0.8	0.8	0.8	0.8
Lease receivables[1]	675.2	678.3	653.7	658.4
Trade receivables	721.2	721.2	670.5	670.5
thereof gross amount due from customers for contract work[2]	12.1	12.1	1.5	1.5
Other financial receivables	51.6	51.6	43.0	43.0
thereof non-derivative receivables	37.5	37.5	37.7	37.7
thereof derivative financial instruments	14.0	14.0	5.3	5.3
Cash and cash equivalents	84.3	84.3	103.1	103.1
Financial liabilities				
Liabilities to banks	799.7	799.7	225.9	225.9
Corporate bond	–	–	444.5	469.5
Other financial liabilities to non-banks	5.9	5.9	6.2	6.2
Lease liabilities[1]	904.3	908.7	855.6	860.0
Trade payables	635.6	635.6	574.6	574.6
Other financial liabilities	528.5	530.7	510.1	512.2
thereof non-derivative liabilities	44.2	44.2	58.6	58.6
thereof liabilities from finance leases[1]	456.2	458.4	439.0	441.2
thereof derivative financial instruments	28.1	28.1	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

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.

Financial instruments measured at fair value TABLE 28

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	30/06/2016
Financial assets				**14.8**
thereof non-current securities	0.8			0.8
thereof derivative instruments		14.0		14.0
Financial liabilities				**28.1**
thereof derivative instruments		27.6	0.5	28.1

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

For the first time, the currency forwards at Level 2 included deal contingent currency forwards that are used to hedge currency risk arising on the acquisition of the Dematic Group. The notional amount of these currency forwards totalled US$ 2.5 billion. Currency forwards with a total notional amount of US$ 2.1 billion serve to hedge the purchase price obligation for the shares and are accounted for as hedges. The fair value of the currency forwards designated as cash flow hedging instruments was minus €9.8 million as at 30 June 2016 and was recognised in other comprehensive income (loss).

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 almost unchanged compared with the end of 2015.

At 30 June 2016, the changes in fair value and the impact on the income statement for the first six 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 six months of 2016.

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

in € million	Q1 – Q2 2016	Q1 – Q2 2015
Value as at 1/1/	**–0.6**	**31.7**
Gains recognised in net financial income / expenses	0.1	2.4
Value as at 30/06/	**–0.5**	**34.1**
Gains for the period relating to financial assets / liabilities classified as Level 3	0.1	2.4
Change in unrealised gains for the period relating to financial assets / liabilities held as at 30/06/	0.1	2.4

Variable remuneration

KEEP EMPLOYEE SHARE OPTION PROGRAMME

As at 30 June 2016, KION Group employees held options on a total of 52,532 no-par-value shares (31 December 2015: 53,220). The total number of bonus shares granted therefore declined by 688 forfeited bonus shares in the first half of 2016. A pro-rata expense of €0.3 million for six months was recognised for bonus shares under functional costs in the first half of 2016 (H1 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 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 30 June 2016 was €14.2 million (31 December 2015: €8.5 million). Of this amount, €8.3 million related to the 2014 tranche (31 December 2015: 5.7 million), €4.9 million to the 2015 tranche (31 December 2015: €2.7 million) and €1.0 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.

In April 2016, the first payment from the 2013 tranche was made on the basis of the achievement of the long-term targets that were defined in 2013 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration relating to the current tranches as at 30 June 2016 was €12.2 million (31 December 2015: €7.5 million). Of this amount, €7.4 million related to the 2014 tranche (31 December 2015: 5.3 million), €3.9 million to the 2015 tranche (31 December 2015: €2.2 million) and €0.8 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 30 June 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 second quarter of 2016 and 2015 and for the first half of 2016 and 2015. > TABLES 31–34

Segment report for Q2 2016

TABLE 31

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	793.1	415.0	103.4	32.4	–	1,343.8
Intersegment revenue	98.6	101.0	102.7	51.7	–353.9	–
Total revenue	891.7	515.9	206.0	84.1	–353.9	1,343.8
Earnings before taxes	**111.6**	**25.1**	**1.3**	**–8.9**	**–35.1**	**94.0**
Financial income	2.5	3.2	16.8	3.3	–11.2	14.6
Financial expenses	–6.9	–12.0	–14.6	–15.4	11.5	–37.4
= Net financial expenses / income	–4.4	–8.8	2.1	–12.1	0.3	–22.8
EBIT	**115.9**	**33.9**	**–0.8**	**3.2**	**–35.4**	**116.8**
+ Non-recurring items	0.9	0.1	0.0	16.2	–	17.1
+ KION acquisition items	5.2	1.6	0.0	0.0	–	6.9
= Adjusted EBIT	**122.1**	**35.6**	**–0.8**	**19.3**	**–35.4**	**140.8**
Profit from equity-accounted investments	4.8	1.6	3.0	0.0	–	9.4
Capital expenditure[1]	20.6	10.5	0.0	5.5	–	36.6
Amortisation and depreciation[2]	22.5	11.1	0.0	5.9	–	39.6
Order intake	938.7	531.0	207.0	101.0	–350.5	1,427.1

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

Segment report for Q2 2015

TABLE 32

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	765.1	386.6	99.5	4.7	–	1,256.0
Intersegment revenue	97.8	97.5	82.6	49.5	–327.3	–
Total revenue	862.9	484.1	182.1	54.2	–327.3	1,256.0
Earnings before taxes	**83.1**	**21.0**	**1.3**	**–0.5**	**–28.1**	**76.8**
Financial income	3.3	0.3	15.8	5.8	–12.1	13.2
Financial expenses	–7.3	–8.9	–14.4	–18.0	12.7	–35.8
= Net financial expenses / income	–4.0	–8.5	1.5	–12.1	0.6	–22.6
EBIT	**87.1**	**29.5**	**–0.1**	**11.6**	**–28.6**	**99.4**
+ Non-recurring items	2.0	0.7	0.0	7.5	–	10.2
+ KION acquisition items	5.3	1.6	0.0	0.1	–	6.9
= Adjusted EBIT	**94.3**	**31.7**	**–0.1**	**19.2**	**–28.6**	**116.4**
Profit from equity-accounted investments	3.3	1.8	2.9	0.0	–	8.0
Capital expenditure[1]	15.1	13.6	0.0	3.8	–	32.4
Amortisation and depreciation[2]	23.1	11.6	0.0	4.3	–	39.0
Order intake	917.0	493.0	182.2	54.2	–329.1	1,317.3

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

Segment report Q1 – Q2 2016

TABLE 33

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	1,524.3	787.7	196.3	56.2	–	2,564.5
Intersegment revenue	182.3	203.3	172.3	100.7	–658.5	–
Total revenue	1,706.6	990.9	368.5	157.0	–658.5	2,564.5
Earnings before taxes	**189.6**	**42.2**	**2.6**	**–54.5**	**–37.5**	**142.5**
Financial income	5.3	6.4	33.3	11.2	–22.6	33.5
Financial expenses	–13.5	–23.0	–28.7	–54.7	23.2	–96.8
= Net financial expenses / income	–8.3	–16.7	4.6	–43.5	0.6	–63.3
EBIT	**197.8**	**58.9**	**–2.0**	**–11.0**	**–38.1**	**205.8**
+ Non-recurring items	1.2	1.5	0.0	17.3	–	20.0
+ KION acquisition items	10.4	3.2	0.0	0.0	–	13.6
= Adjusted EBIT	**209.5**	**63.6**	**–2.0**	**6.3**	**–38.1**	**239.4**
Segment assets	5,252.1	2,394.4	1,689.3	744.7	–3,351.5	6,729.1
Segment liabilities	1,919.0	1,551.6	1,645.5	3,293.6	–3,371.1	5,038.7
Carrying amount of equity-accounted investments	51.2	4.2	21.7	0.0	–	77.1
Profit from equity-accounted investments	5.0	1.6	3.0	0.0	–	9.6
Capital expenditure[1]	34.7	21.8	0.0	7.9	–	64.3
Amortisation and depreciation[2]	44.9	22.1	0.0	10.9	–	77.9
Order intake	1,782.1	1,038.1	369.5	189.2	–655.1	2,723.8
Number of employees[3]	14,590	8,090	64	1,060	–	23,804

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 30/06/2016; allocation according to the contractual relationships

Segment report Q1 – Q2 2015

TABLE 34

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	1,475.2	752.1	184.5	8.9	–	2,420.8
Intersegment revenue	175.0	193.5	144.9	99.5	–612.9	–
Total revenue	1,650.3	945.6	329.4	108.4	–612.9	2,420.8
Earnings before taxes	**150.5**	**35.5**	**2.7**	**–29.9**	**–20.7**	**138.2**
Financial income	6.7	0.6	31.5	11.0	–24.2	25.6
Financial expenses	–13.8	–17.2	–28.6	–34.1	24.9	–68.8
= Net financial expenses / income	–7.2	–16.6	2.9	–23.1	0.7	–43.3
EBIT	**157.7**	**52.1**	**–0.2**	**–6.8**	**–21.4**	**181.5**
+ Non-recurring items	3.9	0.6	0.0	19.1	–9.0	14.6
+ KION acquisition items	10.5	3.1	0.0	0.1	–	13.7
= Adjusted EBIT	**172.1**	**55.9**	**–0.2**	**12.4**	**–30.3**	**209.8**
Segment assets	5,156.3	2,242.0	1,466.3	543.7	–2,969.4	6,438.9
Segment liabilities	1,776.7	1,388.7	1,422.8	3,085.3	–2,987.8	4,685.7
Carrying amount of equity-accounted investments	49.7	4.2	19.5	0.0	–	73.4
Profit from equity-accounted investments	1.7	1.8	2.9	0.0	–	6.4
Capital expenditure[1]	29.1	23.1	0.0	7.6	–	59.8
Amortisation and depreciation[2]	46.1	23.0	0.0	8.5	–	77.6
Order intake	1,760.9	992.6	334.4	108.4	–631.1	2,565.2
Number of employees[3]	14,385	7,990	60	528	–	22,963

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 30/06/2015; allocation according to the contractual relationships

The non-recurring items mainly comprise consultancy costs – primarily relating to the planned Dematic acquisition – and expenses in connection with severance payments. 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 €20.0 million in the first six months of 2016 (H1 2015: €14.6 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 half of 2016 and second quarter of 2016 from selling goods and services to related parties is shown in > TABLE 35 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 30 June 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 half of 2016 and second quarter of 2016 are shown in > TABLE 36 along with the liabilities that were outstanding at the reporting date.

Related party disclosures: receivables and sales

TABLE 35

in € million	Receivables		Sales of goods and services			
	30/06/2016	31/12/2015	Q2 2016	Q2 2015	Q1–Q2 2016	Q1–Q2 2015
Non-consolidated subsidiaries	18.9	24.9	6.3	2.9	11.4	4.9
Equity-accounted associates	29.2	19.3	43.4	30.1	84.7	63.3
Equity-accounted joint ventures	5.4	1.3	15.1	11.1	25.6	20.3
Other related parties*	4.1	4.3	3.3	2.3	6.5	6.5
Total	**57.5**	**49.8**	**68.0**	**46.4**	**128.2**	**94.9**

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

Related party disclosures: liabilities and purchases

TABLE 36

in € million	Liabilities		Purchases of goods and services			
	30/06/2016	31/12/2015	Q2 2016	Q2 2015	Q1–Q2 2016	Q1–Q2 2015
Non-consolidated subsidiaries	12.1	13.6	8.9	2.4	16.9	4.5
Equity-accounted associates	13.8	8.2	31.1	30.0	62.2	61.2
Equity-accounted joint ventures	55.6	53.7	20.4	8.0	38.4	16.5
Other related parties*	1.6	0.2	5.1	0.1	8.6	1.0
Total	**83.1**	**75.7**	**65.6**	**40.5**	**126.1**	**83.2**

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

Material events after the reporting date

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG decided on 18 July 2016 to fully utilise the authorised capital that has existed since the 2014 Annual General Meeting. The Company's share capital was increased by 10.0 per cent in return for cash contributions; shareholders' pre-emption rights were excluded. The share capital rose from €98.9 million to €108.79 million as a result of issuing 9.89 million new no-par-value bearer shares that are dividend-bearing from the 2016 financial year. The new shares were successfully issued at a price of €46.44. The gross proceeds from the capital increase amounted to €459.3 million. This capital increase is to be used to partly fund the acquisition of Dematic. The capital increase was entered in the commercial register on 20 July 2016.

Weichai Power Co., Ltd., Weifang, China, acquired 60.0 per cent of the new shares issued as part of the capital increase at a price per share that was determined in an accelerated bookbuilding process. This increased Weichai Power's shareholding from 38.3 per cent to 40.2 per cent. The remaining new shares were offered to institutional investors as part of this process and are now in free float. The proportion of shares in free float fell from 61.5 per cent to 59.6 per cent. The KION GROUP continues to hold 0.2 per cent of the shares.

Wiesbaden, 26 July 2016

The Executive Board

Gordon Riske

Dr Eike Böhm

Ching Pong Quek

Dr Thomas Toepfer

Review report

To the KION GROUP AG, Wiesbaden

We have reviewed the condensed interim consolidated financial statements of the KION GROUP AG, Wiesbaden, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and selected explanatory notes, together with the interim group management report of the KION GROUP AG, Wiesbaden, for the period from 1 January to 30 June 2016, that are part of the semi annual financial report pursuant to § 37w paragraph 2 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements of the KION GROUP AG, Wiesbaden, have not been prepared, in material respects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, 26 July 2016

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Crampton)	(Gräbner-Vogel)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the financial position and financial performance of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Wiesbaden, 26 July 2016

The Executive Board

Gordon Riske

Dr. Eike Böhm

Ching Pong Quek

Dr. Thomas Toepfer

Quarterly information

Quarterly information TABLE 37

in € million	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Order intake	1,427.1	1,296.7	1,397.1	1,253.3	1,317.3	1,247.9
Revenue	1,343.8	1,220.6	1,440.7	1,236.5	1,256.0	1,164.8
EBIT	116.8	89.0	132.6	108.8	99.4	82.1
Adjusted EBIT	140.8	98.6	151.8	121.2	116.4	93.4
Adjusted EBIT margin	10.5%	8.1%	10.5%	9.8%	9.3%	8.0%
Adjusted EBITDA	238.2	191.7	250.0	212.0	206.6	181.4
Adjusted EBITDA margin	17.7%	15.7%	17.4%	17.1%	16.4%	15.6%

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

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

2 March 2017
Financial statements press conference
Publication of 2016 annual report
Conference call for analysts

27 April 2017
Interim report for the period ended
31 March 2017
Conference call for analysts

Subject to change without notice

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

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