KION GROUP

Q3

MOVING FORWARD

IN
NOVA
TION

INTERIM REPORT
2016

Key figures

KION Group overview

in € million	Q3 2016	Q3 2015	Change	Q1–Q3 2016	Q1–Q3 2015	Change
Order intake	1,326.6	1,253.3	5.8%	4,050.4	3,818.5	6.1%
Revenue	1,283.2	1,236.5	3.8%	3,847.7	3,657.2	5.2%
Order book[1]				1,040.7	864.0	20.4%
Financial performance						
EBITDA	217.9	207.1	5.2%	630.6	581.6	8.4%
Adjusted EBITDA[2]	224.1	212.0	5.7%	654.0	599.9	9.0%
Adjusted EBITDA margin[2]	17.5%	17.1%	–	17.0%	16.4%	–
EBIT	112.4	108.8	3.4%	318.2	290.2	9.6%
Adjusted EBIT[2]	126.8	121.2	4.6%	366.1	331.0	10.6%
Adjusted EBIT margin[2]	9.9%	9.8%	–	9.5%	9.1%	–
Net income for the period	67.3	49.5	36.1%	164.4	143.8	14.3%
Financial position[1]						
Total assets				6,917.2	6,440.2	7.4%
Equity				2,154.0	1,848.7	16.5%
Net financial debt				197.5	573.5	–65.6%
ROCE[3]				–	11.9%	–
Cash flow						
Free cash flow[4]	75.7	30.1	>100%	65.2	39.4	65.7%
Capital expenditure[5]	36.6	30.7	19.2%	100.9	90.5	11.5%
Employees[6]				**24,184**	**23,506**	**2.9%**

1 Figure as at 30/09/2016 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 30/09/2016 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.

Q3 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 third quarter of 2016

KION Group reports solid quarterly results

- Total value of order intake goes up by around 6 per cent
- Order book grows by more than 20 per cent
- Revenue for the quarter rises by nearly 4 per cent year on year
- Adjusted EBIT improved by more than 4 per cent
- Adjusted EBIT margin reaches 9.9 per cent
- Net income increases by around 36 per cent
- Outlook for 2016 confirmed

Closing of Dematic acquisition proceeding according to plan

- Successful capital increase in July for the partial financing of the acquisition generates gross proceeds of €459 million
- Preparations for the integration of Dematic into the KION Group got under way as soon as the deal was signed
- Transaction expected to be closed in the fourth quarter of 2016
- Upon closing, the KION Group will have a unique and comprehensive product portfolio

Contents

KION shares

Strong outperformance

The stock markets quickly absorbed the impact of the United Kingdom's decision to leave the European Union. In the third quarter, however, the DAX did not quite make up for all of the losses in the first half of the year and closed at 10,511 points, down by 2.2 per cent compared with the end of 2015. By contrast, the MDAX gained 3.9 per cent over the nine-month period.

KION shares rose sharply in the third quarter, significantly outperforming the benchmark indices. On 22 September 2016, the shares reached their high of the year so far of €58.09 – which was also their highest price since the IPO – and closed at €57.62 on 30 September. This was up by 25.2 per cent compared with the price at the end of 2015 of €46.02. At the end of the third quarter, market capitalisation stood at €6.3 billion, of which €3.7 billion was attributable to shares in free float. > DIAGRAM 01

Successful capital increase

On 18 July 2016, KION GROUP AG issued 9,890,000 new shares, corresponding to 10.0 per cent of the existing share capital, at a price per share of €46.44 to be placed in an accelerated bookbuilding offering. The gross proceeds from the capital increase

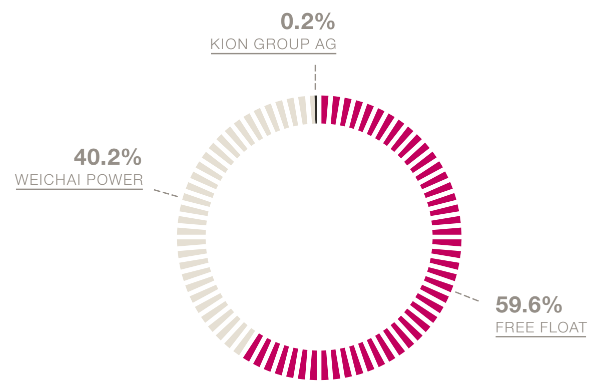
Share price performance from 30 December 2015 to 30 September 2016 DIAGRAM 01

* Closing price

amounted to approximately €459.3 million, which will be used to partly fund the planned acquisition of Dematic. As the anchor shareholder of KION GROUP AG, Weichai Power subscribed to 60.0 per cent of the new shares. This increased the Chinese company's shareholding in the KION Group from 38.3 per cent to 40.2 per cent. Weichai Power has undertaken not to acquire more than 49.9 per cent of KION shares before 28 June 2018 (as part of a standstill agreement).

In September, as it had done in 2015, KION GROUP AG repurchased treasury shares on the basis of the authorisation from the 2016 Annual General Meeting. The 50,000 shares acquired (0.05 per cent of the share capital) are available for use in the KION Group's employee equity programme. As at 30 September 2016, the Company therefore held 210 thousand shares, which equated to an unchanged proportion of 0.2 per cent. The free float decreased slightly, to 59.6 per cent. > DIAGRAM 02

Shareholder structure as at 30 September 2016 DIAGRAM 02



Comprehensive coverage

Nineteen brokerage houses currently publish regular reports on the KION Group. As at 30 September 2016, twelve analysts recommended KION shares as a buy and seven rated them as neutral. The median target price specified for the shares was €58.00 at the end of the quarter. > TABLE 01

Stable credit rating

Two rating agencies publish credit ratings for the KION Group. The rating awarded by Standard & Poor's for the Group is at BB+ with a negative outlook. Moody's rating is Ba1 under review for a downgrade.

Share data

TABLE 01

Issuer	KION GROUP AG
Registered office	Wiesbaden
Share capital	€108,790,000; divided into 108,790,000 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 30/09/2016	€57.62
Performance since beginning of 2016	25.2%
Market capitalisation as at 30/09/2016	€6,268.5 million
Free float	59.6%
Earnings per share*	€1.59

* For the reporting period 01/01/ – 30/09/2016

Interim group management report

FUNDAMENTALS OF THE KION GROUP

Management and control

In July, the Supervisory Board of KION GROUP AG extended the appointment of Chief Executive Officer Gordon Riske by five years to 30 June 2022. His previous contract, which was last renewed in 2013, had been due to run until the end of June 2017.

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 that 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 intelligent supply chains and value chains.

The acquisition of Dematic, a leading specialist for automation and supply chain optimisation, is expected to be closed in the fourth quarter and will make the KION Group one of the world's top suppliers of solutions for 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. The KION Group is thus strengthening its position as a one-stop supplier for intelligent supply chain and automation solutions and can benefit from megatrends, such as digitalisation and the growing e-commerce business. Both companies contribute strong complementary market positions and geographical footprint. There will also be cost synergies and additional potential for revenues from services and systems upgrades.

The KION Group had already stated to build up a strong position as a provider of automated system solutions by acquiring Egemin Automation and Retrotech. After the transaction has been completed, Dematic will form a new KION Group operating unit that will also include Egemin and Retrotech.

REPORT ON THE ECONOMIC POSITION

Macroeconomic and sector-specific conditions

MACROECONOMIC CONDITIONS

According to the latest estimates, global economic growth is persisting at a similar level to 2015. The October World Economic Outlook of the International Monetary Fund (IMF) predicts global growth of 3.1 per cent for 2016 as a whole. The current outlook for most of the large markets has improved or held steady compared with the July forecast. The exception is the United States, whose predicted growth has been revised downwards.

Germany and the rest of the eurozone benefited from a healthy domestic economy in the first three quarters of the year; the IMF's outlook for this year has been raised slightly compared with the July forecast. The biggest risk at present is considered to be the consequences of the United Kingdom's exit from the EU, which remain unclear. According to early estimates, the increased uncertainty in the third quarter resulted in a decrease in the UK's own economic output.

Despite strong consumer spending, growth in the United States is likely to be lower in 2016 than originally assumed. The main reasons for this, according to the IMF, are the weak level of capital expenditure by companies in the energy sector and a noticeable scaling back of inventories.

Growth in China has stabilised recently thanks to the government's economic stimulus package. However, companies' high debt levels are a source of concern. The economies of Brazil and Russia have not contracted quite as much this year as had been anticipated.

SECTORAL CONDITIONS

Sales markets

After a somewhat muted performance in the first six months, the global market for industrial trucks grew strongly in the third quarter. The number of trucks sold globally rose by 13.2 per cent on the back of continued strong demand in Europe and sharp increases in both China and North America. The overall rate of growth in the first nine months of the year was 5.9 per cent.

In western Europe, order numbers were up by around 13 per cent in the first three quarters of 2016, with all of the major markets except the United Kingdom registering significant gains. The increase in the Italian market was particularly strong at over 30 per cent. Order numbers rose significantly, by approximately 19 per cent, in eastern Europe as well, with Russia's recovery also continuing.

Thanks to a strong increase in the third quarter, North America also reported gains. South America's downward trend continued, although it was less pronounced than in the previous quarters.

Demand in China saw a surprisingly sharp rise in the third quarter, mainly due to disproportionately strong growth in basic IC trucks. The tightening of emissions standards had already had a positive impact in the first months of the year.

Broken down by product segment, the bulk of the growth was generated by warehouse trucks, followed by electric forklift trucks. Demand for IC trucks picked up in the third quarter, primarily because of the development in China, but was still down slightly compared with the first nine months of 2015. > TABLE 02

Global industrial truck market (order intake) TABLE 02

in thousand units	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
Western Europe	79.7	69.9	14.0%	267.3	237.5	12.6%
Eastern Europe	17.2	14.2	20.9%	46.7	39.1	19.3%
North America	60.9	54.5	11.8%	177.4	172.1	3.1%
Central & South America	10.5	10.7	– 1.8%	29.6	32.3	– 8.6%
Asia (excl. Japan)	90.7	77.9	16.4%	270.9	257.9	5.0%
Rest of world	28.9	27.2	6.2%	87.1	91.0	– 4.3%
World	**287.9**	**254.4**	**13.2%**	**878.9**	**829.9**	**5.9%**

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 low level in the first nine months and their average was lower than in the corresponding period of last year. The oil price continued to rise again in the third quarter, but the average for the year also remained well below the prior-year level.

Overall, currency effects had a negative impact on the KION Group's business situation in the first nine months of 2016. Following the announcement of the results of the UK referendum, the euro further appreciated against the pound sterling. The euro also made gains against the Brazilian real and Chinese renminbi in the period under review.

Business performance

On 18 July 2016, the KION Group successfully completed the capital increase resolved upon that same day. The existing authorised capital was used in full and the Company's share capital was increased by 10.0 per cent against cash contributions; shareholders' subsription rights were excluded. All of the 9,890,000 new shares were placed at a price of €46.44 each, which was set in an accelerated bookbuilding offering for institutional investors. The anchor shareholder Weichai Power acquired 5,934,000, or 60.0 per cent, of the new shares, increasing its stake in the Company to 40.2 per cent. The remaining shares were offered to institutional investors as part of the accelerated bookbuilding offering.

The gross issue proceeds of approximately €459.3 million are to be used to partly fund the acquisition of automation specialist Dematic. Completion of the acquisition is subject to the usual conditions 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. In addition, debt instruments will be redeemed. The transaction will initially be funded by a bridge loan that has been firmly committed.

On 8 July 2016, Linde Material Handling opened a new distribution centre for spare parts in Brno, Czech Republic. Linde Material Handling is thereby also expanding its service presence in central and eastern European countries that are experiencing high growth.

STILL acquired its Norwegian dealer Roara AS on 1 September 2016, thereby strengthening its market position in Scandinavia. All of the company's activities here will operate under the name STILL Norge in future.

Financial position and financial performance

OVERALL ASSESSMENT OF THE ECONOMIC SITUATION

In the third quarter, the KION Group continued its successful development seen in the first six months of the year. It therefore has the foundations in place for another successful year.

The total value of order intake again increased year on year in the third quarter, with the KION Group benefiting from the continuing good demand in Europe. Worldwide, the number of units sold in the nine-month period increased at a slightly faster rate than for the market as a whole.

The main driver of the rise in consolidated revenue was the growth in both new truck business and the service business, which was again at a high level despite continuing negative currency effects in the third quarter. The contributions from Egemin Automation (including Retrotech) also played a part in the rise in revenue.

There was a year-on-year increase in adjusted EBIT and the EBIT margin. Net income went up significantly, partly owing to improved net financial expenses following the restructuring and optimisation of the Group's funding.

Level of orders

Order intake rose by 6.1 per cent, or €231.9 million, to €4,050.4 million in the first nine months of 2016. This was primarily due to strong demand in Europe. Egemin Automation – including Retrotech Inc., which was acquired in the first quarter of 2016 – contributed €117.1 million to the volume of orders. In the corresponding period of 2015, Egemin had only been included for two months, i.e. from August 2015. The increase in order intake was held back by negative currency effects, which reduced the amount by €82.9 million.

The number of trucks ordered advanced to approximately 129.9 thousand, which was 6.1 per cent higher than in the first nine months of 2015. The strongest growth was in electric forklift trucks, followed by warehouse trucks. Orders for IC trucks fell moderately year on year in line with the general market trend. However, the KION Group's orders for IC trucks in the third quarter were higher than in the same period of 2015.

The total value of the order book amounted to €1,040.7 million, a considerable increase of 20.4 per cent on the value at the end of last year (31 December 2015: €864.0 million).

Revenue

Revenue for the KION Group during the nine-month period amounted to €3,847.7 million, an increase of 5.2 per cent compared with the prior-year figure of €3,657.2 million. This included the revenue contributed by Egemin Automation (including Retrotech) of €74.2 million (Q1 – Q3 2015: €12.2 million for two months). Negative currency effects reduced revenue by €79.3 million.

Revenue from new truck business went up by 3.8 per cent to €2,046.6 million, compared with €1,971.2 million in the first nine months of 2015. Electric forklift trucks registered a sharp year-on-year increase. There was a slight rise in revenue from warehouse trucks, with substantially higher rates of increase in the third quarter than in the first six months of the year.

Revenue from the service business was up by 6.8 per cent to €1,801.0 million (Q1 – Q3 2015: €1,686.0 million), with all areas of service contributing to this increase. The biggest percentage gain was generated by the used truck business. Overall, the proportion of the KION Group's total revenue generated by the service business advanced from 46.1 per cent in the prior-year period to 46.8 per cent in the period under review. This was mainly due to the inclusion of Egemin Automation, which is shown in the 'other' product category in the service business. > TABLE 03

Revenue by product category TABLE 03

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
New business	676.0	654.2	3.3%	2,046.6	1,971.2	3.8%
Service business	607.2	582.3	4.3%	1,801.0	1,686.0	6.8%
- Aftersales	333.3	334.3	–0.3%	1,001.0	992.0	0.9%
- Rental business	142.7	132.7	7.5%	410.9	389.2	5.6%
- Used trucks	67.4	65.7	2.5%	212.0	193.7	9.5%
- Other	63.8	49.5	28.9%	177.2	111.1	59.5%
Total revenue	**1,283.2**	**1,236.5**	**3.8%**	**3,847.7**	**3,657.2**	**5.2%**

The increase in revenue was predominantly attributable to western Europe, particularly France, Italy and Germany. The KION Group's revenue in eastern Europe also grew substantially. By contrast, revenue in Asia was down year on year. Overall, the growth markets accounted for 23.7 per cent of consolidated revenue, compared with 24.9 per cent in the prior-year period. The KION Group generated 75.1 per cent of its revenue outside Germany (Q1–Q3 2015: 74.7 per cent). > TABLE 04

Revenue by customer location TABLE 04

in € million	Q3 2016	Q3 2015	Change	Q1–Q3 2016	Q1–Q3 2015	Change
Western Europe	942.2	913.6	3.1%	2,860.8	2,677.0	6.9%
Eastern Europe	113.3	101.6	11.6%	319.7	296.7	7.7%
Americas	69.3	58.3	18.8%	203.6	188.8	7.9%
Asia	126.5	127.2	–0.6%	360.6	385.3	–6.4%
Rest of world	31.9	35.9	–11.0%	103.0	109.4	–5.9%
Total revenue	**1,283.2**	**1,236.5**	**3.8%**	**3,847.7**	**3,657.2**	**5.2%**

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) went up by 9.6 per cent year on year to reach €318.2 million (Q1 – Q3 2015: €290.2 million).

Although there was a growth-related rise in gross profit of 6.9 per cent, selling and administrative expenses also increased. Adjusted EBIT excluding non-recurring items and KION acquisition items amounted to €366.1 million (Q1 – Q3 2015: €331.0 million). The adjusted EBIT margin improved to 9.5 per cent (Q1 – Q3 2015: 9.1 per cent). > TABLE 05

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to €630.6 million, compared with €581.6 million in the corresponding period of 2015. Adjusted EBITDA rose to €654.0 million (Q1 – Q3 2015: €599.9 million). This equates to an adjusted EBITDA margin of 17.0 per cent (Q1 – Q3 2015: 16.4 per cent). > TABLE 06

EBIT — TABLE 05

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
Net income for the period	67.3	49.5	36.1%	164.4	143.8	14.3%
Income taxes	–28.7	–34.3	16.3%	–74.2	–78.2	5.1%
Net financial expenses	–16.4	–24.9	34.4%	–79.6	–68.2	–16.7%
EBIT	**112.4**	**108.8**	**3.4%**	**318.2**	**290.2**	**9.6%**
+ Non-recurring items	7.7	5.9	31.5%	27.7	20.5	35.1%
+ KION acquisition items	6.6	6.6	0.1%	20.2	20.3	–0.3%
Adjusted EBIT	**126.8**	**121.2**	**4.6%**	**366.1**	**331.0**	**10.6%**
Adjusted EBIT margin	9.9%	9.8%	–	9.5%	9.1%	–

EBITDA — TABLE 06

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
EBIT	112.4	108.8	3.4%	318.2	290.2	9.6%
Amortisation and depreciation	105.4	98.3	7.3%	312.4	291.3	7.2%
EBITDA	**217.9**	**207.1**	**5.2%**	**630.6**	**581.6**	**8.4%**
+ Non-recurring items	6.2	4.9	24.9%	23.4	18.4	27.4%
+ KION acquisition items	0.0	–0.0	100.0%	0.0	0.0	–100.0%
Adjusted EBITDA	**224.1**	**212.0**	**5.7%**	**654.0**	**599.9**	**9.0%**
Adjusted EBITDA margin	17.5%	17.1%	–	17.0%	16.4%	–

Key influencing factors for earnings

The cost of sales grew at a slower rate than revenue, rising by 4.5 per cent to €2,695.8 million (Q1–Q3 2015: €2,580.2 million). Gross profit improved to €1,151.9 million (Q1–Q3 2015: €1,077.1 million), while the KION Group's gross margin advanced to 29.9 per cent (Q1–Q3 2015: 29.4 per cent).

Selling expenses grew by 7.2 per cent to €475.1 million in the first nine months of this year (Q1–Q3 2015: €443.2 million) as a result of the increase in sales activities – partly in connection with the consolidation of Egemin Automation. Development costs in the same period decreased slightly year on year to €105.0 million (Q1–Q3 2015: €106.1 million). At €290.7 million, administrative expenses were higher than in the corresponding prior-year period (Q1–Q3 2015: €261.0 million), partly because of consultancy expenses incurred in connection with the Dematic acquisition. The 'other' item came to €37.1 million (Q1–Q3 2015: €23.4 million). This included the share of profit (loss) of equity-accounted investments, which amounted to a profit of €9.9 million (Q1–Q3 2015: profit of €7.8 million). > TABLE 07

(Condensed) income statement TABLE 07

in € million	Q3 2016	Q3 2015	Change	Q1–Q3 2016	Q1–Q3 2015	Change
Revenue	1,283.2	1,236.5	3.8%	3,847.7	3,657.2	5.2%
Cost of sales	–891.7	–867.5	–2.8%	–2,695.8	–2,580.2	–4.5%
Gross profit	**391.5**	**369.0**	**6.1%**	**1,151.9**	**1,077.1**	**6.9%**
Selling expenses	–156.3	–148.5	–5.3%	–475.1	–443.2	–7.2%
Research and development costs	–33.0	–35.4	6.8%	–105.0	–106.1	1.1%
Administrative expenses	–98.5	–82.9	–18.8%	–290.7	–261.0	–11.4%
Other	8.7	6.6	32.5%	37.1	23.4	58.1%
Earnings before interest and taxes (EBIT)	**112.4**	**108.8**	**3.4%**	**318.2**	**290.2**	**9.6%**
Net financial expenses	–16.4	–24.9	34.4%	–79.6	–68.2	–16.7%
Earnings before taxes	**96.1**	**83.8**	**14.6%**	**238.6**	**222.0**	**7.5%**
Income taxes	–28.7	–34.3	16.3%	–74.2	–78.2	5.1%
Net income for the period	**67.3**	**49.5**	**36.1%**	**164.4**	**143.8**	**14.3%**

Net financial income/expenses

There was a decline in the balance of financial income and financial expenses, leading to net financial expenses of €79.6 million (Q1 – Q3 2015: net financial expenses of €68.2 million). Non-recurring financial expenses of €25.7 million arose in February 2016 as a result of the new financing structure, but these have already been largely offset by the optimised financing.

Income taxes

Income tax expenses amounted to €74.2 million (Q1 – Q3 2015: €78.2 million). Current income taxes came to €52.1 million (Q1 – Q3 2015: €105.4 million). The tax rate was 31.1 per cent (Q1 – Q3 2015: 35.2 per cent).

Net income for the period

The KION Group's net income after taxes was €164.4 million (Q1 – Q3 2015: €143.8 million). Diluted and basic earnings per share for the reporting period came to €1.59 (Q1 – Q3 2015: €1.44).

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 €2,645.7 million in the nine-month period, which was above the high level reported a year earlier (Q1 – Q3 2015: €2,579.3 million).

Segment revenue improved by 3.0 per cent to €2,537.7 million (Q1 – Q3 2015: €2,463.0 million). The main factor in this increase was higher unit sales of new trucks in Germany, France and Italy, which easily offset the decreases in the United Kingdom, Asia and elsewhere. In the service business, there were significant gains in all categories.

The positive effect from revenue combined with the margin improvements in new truck business resulted in adjusted EBIT of €311.5 million, which was significantly higher than in the prior-year period (Q1 – Q3 2015: €267.8 million). Consequently, the adjusted EBIT margin increased to 12.3 per cent (Q1 – Q3 2015: 10.9 per cent).

> TABLE 08

Key figures – LMH – TABLE 08

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
Order intake	863.6	818.4	5.5%	2,645.7	2,579.3	2.6%
Revenue	831.1	812.8	2.3%	2,537.7	2,463.0	3.0%
EBITDA	142.8	133.0	7.3%	433.2	379.2	14.3%
Adjusted EBITDA	143.3	134.5	6.5%	434.0	383.4	13.2%
EBIT	95.9	88.5	8.3%	293.7	246.2	19.3%
Adjusted EBIT	102.1	95.7	6.7%	311.5	267.8	16.3%
Adjusted EBITDA margin	17.2%	16.6%	–	17.1%	15.6%	–
Adjusted EBIT margin	12.3%	11.8%	–	12.3%	10.9%	–

STILL segment

At €1,550.2 million, order intake in the STILL segment was 4.9 per cent up on the prior-year period (Q1 – Q3 2015: €1,478.3 million). This growth was primarily driven by the markets in Italy, Germany and France, as well as eastern Europe. Order numbers in Brazil were down on what had already been a weak prior-year period. Exchange-rate effects had a negative impact on order intake overall.

Revenue amounted to €1,497.6 million, exceeding the prior-year figure of €1,416.5 million by 5.7 per cent. The new truck business and all categories of the service business contributed to this increase, with the rental and used truck businesses generating particularly strong growth.

The segment's adjusted EBIT advanced to €106.5 million, which was significantly higher than it had been a year earlier (Q1 – Q3 2015: €92.1 million). The adjusted EBIT margin rose to 7.1 per cent (Q1 – Q3 2015: 6.5 per cent). > TABLE 09

Key figures – STILL – TABLE 09

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
Order intake	512.2	485.7	5.4%	1,550.2	1,478.3	4.9%
Revenue	506.7	470.9	7.6%	1,497.6	1,416.5	5.7%
EBITDA	72.6	63.0	15.2%	192.7	174.5	10.5%
Adjusted EBITDA	71.8	64.5	11.4%	193.5	176.7	9.5%
EBIT	42.1	33.1	27.0%	101.0	85.3	18.5%
Adjusted EBIT	42.9	36.3	18.4%	106.5	92.1	15.6%
Adjusted EBITDA margin	14.2%	13.7%	–	12.9%	12.5%	–
Adjusted EBIT margin	8.5%	7.7%	–	7.1%	6.5%	–

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. In the year to date, it has benefited from steadily growing internal and external demand for financing solutions. Revenue in the long-term leasing business with external end customers advanced to €313.5 million (Q1 – Q3 2015: €292.8 million). Total revenue including the short-term rental business, which is managed by the LMH and STILL brand segments, amounted to €543.9 million (Q1 – Q3 2015: €522.3 million). At €3.9 million, earnings before tax was at the level of the prior-year period (Q1 – Q3 2015: €4.0 million). The return on equity (ROE) was 12.8 per cent (Q1 – Q3 2015: 13.2 per cent).

There was further growth in the assets of the FS segment, which reached €1,725.4 million at the end of the third quarter (31 December 2015: €1,603.4 million). They were also significantly higher than they had been a year earlier (30 September 2015: €1,510.4 million).

As at 30 September 2016, the FS segment had intra-group lease receivables of €573.6 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 September 2015: €520.4 million). The funding of intra-group long-term leases (finance leases) with LMH and STILL resulted in lease liabilities of €415.3 million (31 December 2015: €400.6 million; 30 September 2015: €375.0 million). Net financial debt amounted to €206.9 million at the end of September (31 December 2015: €185.6 million; 30 September 2015: €167.1 million). > TABLE 10

Key figures – Financial Services – TABLE 10

in € million	Q3 2016	Q3 2015	Change	Q1–Q3 2016	Q1–Q3 2015	Change
Revenue	175.4	192.9	–9.1%	543.9	522.3	4.1%
Adjusted EBITDA	25.2	22.4	12.8%	72.7	66.2	9.8%
Adjusted EBIT	–1.5	–0.6	<–100%	–3.5	–0.8	<–100%
Earnings before taxes (EBT)	1.3	1.3	–0.8%	3.9	4.0	–2.1%
Total segment assets	1,725.4	1,510.4	14.2%	1,725.4	1,510.4	14.2%
Leased assets	363.6	292.4	24.4%	363.6	292.4	24.4%
Lease receivables	1,250.8	1,101.7	13.5%	1,250.8	1,101.7	13.5%
thereof lease receivables from long-term leases to third parties	677.2	581.3	16.5%	677.2	581.3	16.5%
thereof lease receivables from LMH and STILL from funding of the short-term rental business	573.6	520.4	10.2%	573.6	520.4	10.2%
Lease liabilities[1]	1,350.8	1,173.1	15.1%	1,350.8	1,173.1	15.1%
thereof liabilities from funding of the long-term leases with third parties	935.4	798.2	17.2%	935.4	798.2	17.2%
thereof liabilities from funding of the short-term rental business of LMH and STILL	415.3	375.0	10.8%	415.3	375.0	10.8%
Net financial debt	206.9	167.1	23.8%	206.9	167.1	23.8%
Equity	44.6	44.0	1.4%	44.6	44.0	1.4%
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 €88.1 million in the first nine months of the year (Q1 – Q3 2015: €25.8 million), of which €74.2 million was attributable to Egemin Automation (Q1 – Q3 2015: €12.2 million). The segment reported adjusted EBIT of €39.6 million (Q1 – Q3 2015: €34.9 million). > TABLE 11

Key figures – Other – TABLE 11

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
Order intake	107.7	65.1	65.4%	296.8	173.5	71.0%
Revenue	96.8	67.7	43.0%	253.8	176.1	44.1%
EBITDA	31.8	25.0	27.0%	31.7	26.7	18.5%
Adjusted EBITDA	38.1	26.9	41.7%	53.6	47.7	12.3%
EBIT	26.0	20.3	28.0%	15.0	13.5	10.9%
Adjusted EBIT	33.3	22.5	47.7%	39.6	34.9	13.6%

FINANCIAL POSITION

The principles and objectives applicable to financial management as at 30 September 2016 were the same as those described in the 2015 group management report. The KION Group pursues a conservative financial policy of maintaining a strong cross-over credit profile with reliable access to debt capital markets.

To partly fund the acquisition of Dematic, the KION Group increased its share capital by 10.0 per cent against cash contributions. Including the share premium, the gross issue proceeds came to €459.3 million. The costs relating to the capital increase of €2.7 million were recognised in equity after subtraction of a tax benefit of €0.8 million. An agreement was reached for a firmly committed bridge loan of originally €3.0 billion as funding for the acquisition of Dematic. The agreed funding volume was reduced by the amount of the proceeds from the issue of shares and now stands at just over €2.5 billion.

In the first quarter of 2016, the KION Group had successfully ended the financing dating back to the time before the IPO and updated its financing structure with much better terms. The current 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). 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 September 2016.

Analysis of capital structure

The total financial debt recognised came to €427.7 million as at 30 September 2016, which was considerably below the figure at the end of 2015 of €676.5 million. The proceeds from the capital increase have temporarily been used to repay current financial liabilities under the revolving credit facility until they can be put towards the funding of the Dematic acquisition in the fourth quarter. The bridge loan had still not been drawn down as at 30 September 2016.

After deduction of cash and cash equivalents of €230.2 million, net financial debt amounted to just €197.5 million, compared with €573.5 million at the end of last year. Net financial leverage as at 30 September 2016 had therefore fallen to 0.2 times adjusted EBITDA for the past twelve months. > TABLE 12

Net financial debt

TABLE 12

in € million	30/09/2016	31/12/2015	Change
Corporate bond (2013/2020) – fixed rate (gross)	–	450.0	–100.0%
Liabilities to banks (gross)	422.5	225.9	87.0%
Liabilities to non-banks (gross)	6.4	6.2	2.6%
./. Capitalised borrowing costs	–1.1	–5.5	79.4%
Financial debt	**427.7**	**676.5**	**–36.8%**
./. Cash and cash equivalents	–230.2	–103.1	<–100%
Net financial debt	**197.5**	**573.5**	**–65.6%**

Pension provisions increased from €798.0 million as at 31 December 2015 to €1,053.2 million as at 30 September 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 €945.6 million (31 December 2015: €855.6 million) on the back of the expansion of financial services activities. Of this total, €680.6 million related to non-current lease liabilities and €265.0 million to current lease liabilities. Other financial liabilities also included liabilities of €419.8 million from sale and leaseback transactions used to finance the short-term rental fleet (31 December 2015: €403.2 million).

Equity was higher than at the end of 2015, advancing by €305.3 million to €2,154.0 million as at 30 September 2016 (31 December 2015: €1,848.7 million). This rise was predominantly attributable to the capital increase implemented in July 2016 (€457.4 million). However, the continuing low level of interest rates resulted in a €175.1 million reduction in equity in connection with pensions. Overall, items recognised directly in equity and the dividend payment decreased equity by a total of €316.6 million, which was partially offset by the good level of net income of €164.4 million. The equity ratio was 31.1 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 €100.9 million, compared with €90.5 million in the first three quarters of 2015. Once again, the main areas of spending were capitalised development costs in the LMH and STILL brand segments and the expansion and modernisation of production and technology sites.

Analysis of liquidity

The KION Group's net cash provided by operating activities totalled €332.5 million, which was below the comparable prior-year figure of €341.9 million. Despite the increased volume of business, working capital did not rise as much as it had in the prior-year period. The higher level of EBIT also had a positive impact in this regard. However, higher tax payments of €77.1 million (Q1–Q3 2015: €45.1 million) reduced the level of cash flow from operating activities.

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

in € million	30/09/2016	in %	31/12/2015	in %	Change
Equity	**2,154.0**	**31.1%**	**1,848.7**	**28.7%**	**16.5%**
Non-current liabilities	**3,006.8**	**43.5%**	**2,860.0**	**44.4%**	**5.1%**
thereof:					
Retirement benefit obligation	1,053.2	15.2%	798.0	12.4%	32.0%
Financial liabilities	379.3	5.5%	557.2	8.7%	–31.9%
Deferred tax liabilities	292.0	4.2%	302.7	4.7%	–3.5%
Lease liabilities	680.6	9.8%	617.7	9.6%	10.2%
Current liabilities	**1,756.5**	**25.4%**	**1,731.5**	**26.9%**	**1.4%**
thereof:					
Financial liabilities	48.4	0.7%	119.3	1.9%	–59.4%
Trade payables	615.4	8.9%	574.6	8.9%	7.1%
Lease liabilities	265.0	3.8%	237.9	3.7%	11.4%
Total equity and liabilities	**6,917.2**		**6,440.2**		**7.4%**

The net cash used for investing activities amounted to €267.3 million in the first nine months (Q1–Q3 2015: €302.6 million). In addition to the cash payments of €100.9 million for property, plant and equipment and for intangible assets, there were net cash payments of €148.3 million in relation to the expansion of the rental business (Q1–Q3 2015: €145.9 million). Total net cash of €27.4 million was used for acquisitions, of which €23.2 million related to the acquisition of Retrotech Inc. Cash payments for acquisitions in the prior-year period of €71.3 million had largely resulted from the acquisition of Egemin Automation.

Free cash flow – the sum of cash flow from operating activities and investing activities – was up year on year at €65.2 million (Q1–Q3 2015: €39.4 million).

Cash flow from financing activities was in positive territory at €63.9 million (Q1–Q3 2015: minus €36.7 million). As a result of the refinancing in February 2016, financial debt totalling €1,125.4 million was taken up in the reporting period. This was more than offset by repayments of €1,398.5 million as financial liabilities were temporarily repaid at the time of the capital increase in July 2016. The distribution of a dividend of €0.77 per share resulted in an outflow of funds of €76.0 million (Q1–Q3 2015: €54.3 million). Net cash used for regular interest payments fell to €44.8 million in the reporting period (Q1–Q3 2015: €48.1 million). This amount included interest payments for the early repayment charge (€15.2 million) on the early repayment of the bond (€450.0 million, 6.75 per cent), which were made in connection with the reorganisation of the funding structure in February 2016. > TABLE 14

(Condensed) statement of cash flows

TABLE 14

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
EBIT	112.4	108.8	3.4%	318.2	290.2	9.6%
Cash flow from operating activities	141.0	170.7	–17.4%	332.5	341.9	–2.8%
Cash flow from investing activities	–65.3	–140.6	53.6%	–267.3	–302.6	11.7%
Free cash flow	**75.7**	**30.1**	**>100%**	**65.2**	**39.4**	**65.7%**
Cash flow from financing activities	71.0	12.9	>100%	63.9	–36.7	>100%
Effect of foreign exchange rate changes on cash	–0.8	–2.8	70.9%	–2.0	0.5	<–100%
Change in cash and cash equivalents	**145.9**	**40.2**	**>100%**	**127.1**	**3.2**	**>100%**

NET ASSETS

Non-current assets had increased to €4,938.0 million as at 30 September 2016 (31 December 2015: €4,810.3 million). Intangible assets accounted for €2,480.1 million (31 December 2015: €2,452.5 million). Goodwill and the KION Group's brand names represented €2,183.0 million of that amount (31 December 2015: €2,152.2 million). This increase compared with 31 December 2015 was mainly attributable to the acquisition of Retrotech Inc.

Rental assets in the brand segments' short-term rental fleet rose to €561.7 million (31 December 2015: €544.0 million). Leased assets for leases with end customers that are classified as operating leases increased to €394.5 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 €509.5 million (31 December 2015: €472.0 million).

Current assets rose to €1,979.2 million (31 December 2015: €1,629.9 million) owing to higher inventories and receivables. At €194.5 million, short-term lease receivables from end customers were also higher than at the end of last year (31 December 2015: €181.7 million).

The cash and cash equivalents available to the KION Group as at 30 September 2016 amounted to €230.2 million (31 December 2015: €103.1 million). The main influencing factor here was the inflow of cash from the capital increase. > TABLE 15

Non-financial performance indicators

EMPLOYEES

As at 30 September 2016, the KION Group employed 24,184 full-time equivalents (31 December 2015: 23,506). The increase in the number of employees is largely due to first-time consolidations and to growth in headcount in Europe. Personnel expenses rose by 6.8 per cent to €1,081.2 million in the first nine months of the year (Q1 – Q3 2015: €1,012.5 million), mainly as a result of the rise in the number of employees (again partly due to consolidation effects) and changes to collective bargaining agreements. > TABLE 16

(Condensed) statement of financial position – assets

TABLE 15

in € million	30/09/2016	in %	31/12/2015	in %	Change
Non-current assets	**4,938.0**	**71.4%**	**4,810.3**	**74.7%**	**2.7%**
thereof:					
Goodwill	1,578.6	22.8%	1,548.1	24.0%	2.0%
Brand names	604.5	8.7%	604.1	9.4%	0.1%
Deferred tax assets	383.9	5.6%	349.0	5.4%	10.0%
Rental assets	561.7	8.1%	544.0	8.4%	3.3%
Leased assets	394.5	5.7%	334.4	5.2%	18.0%
Lease receivables	509.5	7.4%	472.0	7.3%	7.9%
Current assets	**1,979.2**	**28.6%**	**1,629.9**	**25.3%**	**21.4%**
thereof:					
Inventories	663.7	9.6%	553.5	8.6%	19.9%
Trade receivables	734.7	10.6%	670.5	10.4%	9.6%
Lease receivables	194.5	2.8%	181.7	2.8%	7.0%
Other current financial assets	70.6	1.0%	58.4	0.9%	20.7%
Cash and cash equivalents	230.2	3.3%	103.1	1.6%	>100%
Total assets	**6,917.2**		**6,440.2**		**7.4%**

Employees (full-time equivalents)

TABLE 16

	30/09/2016	31/12/2015	Change
Western Europe	16,898	16,515	2.3%
Eastern Europe	2,092	1,921	8.9%
Americas	837	693	20.8%
Asia	3,770	3,812	–1.1%
Rest of world	587	565	3.9%
Total	**24,184**	**23,506**	**2.9%**

RESEARCH AND DEVELOPMENT

Total spending on research and development came to €100.9 million in the first nine months of 2016 (Q1 – Q3 2015: €95.1 million), which remains unchanged at 2.6 per cent of revenue. The number of full-time jobs in R&D stood at 1,032 as at 30 September 2016 (31 December 2015: 1,056).

The key R&D projects relating to the reduction of emissions and fuel consumption, the modular and platform strategy, drive technology, automation and connectivity, and workplace safety and ergonomics continued.

An example in the area of safety is the Linde Safety Pilot assistance system, which Linde Material Handling has also been offering for IC truck models since July 2016. The system helps truck drivers to avoid operating and driving errors, thereby minimising the risk of accidents.

The new Linde E20R-E35R E truck optimised visibility and safety thanks to an innovative design that eliminates the A-pillar and an optional roof made from reinforced glass to protect the driver.

LMH has added a new function to the 'connect': fleet management system aimed at improving the efficiency of work processes. With the pre-op check app, a mobile device, such as a smartphone or tablet, can be used to carry out the check that is required by the rules of the DGUV (German Social Accident Insurance organisation) each time before a truck is used.

STILL has revised its RX 70 diesel/LPG forklift, introducing numerous improvements and reducing maintenance and operating costs. At the same time, the truck's performance has been increased, the ergonomics improved and the handling optimised.

Egemin has launched the E'tow® Easy Loop, a new standardised in-floor chain conveyor system that can be delivered and installed particularly quickly thanks to its predefined components. This virtually maintenance-free material handling solution is aimed primarily at logistics service providers. > TABLE 17

CUSTOMERS

The KION brand companies regularly exhibit at the industry's leading trade fairs and hold inhouse events for customers. This year, LMH, STILL and Egemin took part in the LogiMAT trade fair in Stuttgart, while STILL and Egemin were also represented at CeMAT in Hanover. Moreover, LMH held its World of Material Handling customer event and STILL hosted a customer day.

The KION brand companies regularly attract attention by winning awards. In July 2016, for example, STILL received the Red Dot Award: Product Design 2016 for the EXV-SF pallet stacker. The Red Dot Award: Product Design is a mark of quality awarded only to products whose design is considered outstanding.

Research and development (R&D) TABLE 17

in € million	Q3 2016	Q3 2015	Change	Q1 – Q3 2016	Q1 – Q3 2015	Change
Research and development costs (P&L)	33.0	35.4	–6.8%	105.0	106.1	–1.1%
Amortisation expense (R&D)	–12.5	–13.6	7.7%	–37.1	–39.7	6.4%
Capitalised development costs	12.9	9.1	41.1%	33.1	28.7	15.5%
Total R&D spending	**33.4**	**31.0**	**7.8%**	**100.9**	**95.1**	**6.1%**
R&D spending as percentage of revenue	2.6%	2.5%	–	2.6%	2.6%	–

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 nine months 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	Q3 2016	Q3 2015	Q1 – Q3 2016	Q1 – Q3 2015
Revenue	1,283.2	1,236.5	3,847.7	3,657.2
Cost of sales	–891.7	–867.5	–2,695.8	–2,580.2
Gross profit	**391.5**	**369.0**	**1,151.9**	**1,077.1**
Selling expenses	–156.3	–148.5	–475.1	–443.2
Research and development costs	–33.0	–35.4	–105.0	–106.1
Administrative expenses	–98.5	–82.9	–290.7	–261.0
Other income	19.6	25.5	54.3	68.0
Other expenses	–11.1	–20.3	–27.1	–52.4
Profit from equity-accounted investments	0.3	1.4	9.9	7.8
Earnings before interest and taxes	**112.4**	**108.8**	**318.2**	**290.2**
Financial income	9.7	11.2	43.2	36.8
Financial expenses	–26.0	–36.1	–122.8	–105.0
Net financial expenses	**–16.4**	**–24.9**	**–79.6**	**–68.2**
Earnings before taxes	**96.1**	**83.8**	**238.6**	**222.0**
Income taxes	**–28.7**	**–34.3**	**–74.2**	**–78.2**
Current taxes	–20.9	–37.7	–52.1	–105.4
Deferred taxes	–7.9	3.4	–22.1	27.2
Net income for the period	**67.3**	**49.5**	**164.4**	**143.8**
Attributable to shareholders of KION GROUP AG	66.3	50.0	161.8	142.5
Attributable to non-controlling interests	1.0	–0.5	2.6	1.3
Earnings per share according to IAS 33 (in €)				
Basic earnings per share	0.63	0.51	1.59	1.44
Diluted earnings per share	0.63	0.51	1.59	1.44

Consolidated statement of comprehensive income

TABLE 19

in € million	Q3 2016	Q3 2015	Q1 – Q3 2016	Q1 – Q3 2015
Net income for the period	**67.3**	**49.5**	**164.4**	**143.8**
Items that will not be reclassified subsequently to profit or loss	**– 30.1**	**– 9.5**	**– 174.6**	**13.5**
Gains / losses on defined benefit obligation	– 30.6	– 9.5	– 175.1	13.9
thereof changes in unrealised gains and losses	– 45.7	– 14.2	– 248.4	20.9
thereof tax effect	15.1	4.7	73.3	– 7.0
Changes in unrealised gains and losses from equity-accounted investments	0.6	0.0	0.5	– 0.4
Items that may be reclassified subsequently to profit or loss	**– 30.9**	**– 23.0**	**– 64.7**	**19.3**
Impact of exchange differences	– 12.6	– 30.1	– 47.0	17.6
thereof changes in unrealised gains and losses	– 12.6	– 30.1	– 47.0	17.6
Gains / losses on hedge reserves	– 17.8	7.1	– 17.9	1.1
thereof changes in unrealised gains and losses	– 12.6	2.6	– 5.8	– 16.9
thereof realised gains (–) and losses (+)	– 5.3	6.0	– 9.2	18.1
thereof tax effect	0.1	– 1.5	– 2.9	– 0.1
Gains / losses from equity-accounted investments	– 0.6	0.0	0.1	0.6
thereof changes in unrealised gains and losses	– 0.6	0.0	0.1	0.6
Other comprehensive loss (income)	**– 61.0**	**– 32.5**	**– 239.3**	**32.8**
Total comprehensive loss (income)	**6.3**	**17.0**	**– 74.9**	**176.6**
Attributable to shareholders of KION GROUP AG	5.6	17.8	– 77.2	175.8
Attributable to non-controlling interests	0.7	– 0.8	2.3	0.8

Consolidated statement of financial position – assets TABLE 20

in € million	30/09/2016	31/12/2015
Goodwill	1,578.6	1,548.1
Other intangible assets	901.5	904.4
Leased assets	394.5	334.4
Rental assets	561.7	544.0
Other property, plant and equipment	504.8	508.8
Equity-accounted investments	77.3	73.6
Lease receivables	509.5	472.0
Other financial assets	24.5	45.9
Other assets	1.7	30.2
Deferred taxes	383.9	349.0
Non-current assets	**4,938.0**	**4,810.3**
Inventories	663.7	553.5
Trade receivables	734.7	670.5
Lease receivables	194.5	181.7
Income tax receivables	10.3	7.9
Other financial assets	70.6	58.4
Other assets	75.3	54.8
Cash and cash equivalents	230.2	103.1
Current assets	**1,979.2**	**1,629.9**
Total assets	**6,917.2**	**6,440.2**

Consolidated statement of financial position – equity and liabilities

TABLE 21

in € million	30/09/2016	31/12/2015
Subscribed capital	108.6	98.7
Capital reserves	2,441.9	1,996.6
Retained earnings	99.6	11.3
Accumulated other comprehensive loss	–504.5	–265.5
Non-controlling interests	8.5	7.7
Equity	**2,154.0**	**1,848.7**
Retirement benefit obligation	1,053.2	798.0
Non-current financial liabilities	379.3	557.2
Lease liabilities	680.6	617.7
Other non-current provisions	79.2	83.4
Other financial liabilities	327.8	315.6
Other liabilities	194.7	185.4
Deferred taxes	292.0	302.7
Non-current liabilities	**3,006.8**	**2,860.0**
Current financial liabilities	48.4	119.3
Trade payables	615.4	574.6
Lease liabilities	265.0	237.9
Income tax liabilities	56.8	79.8
Other current provisions	129.9	111.5
Other financial liabilities	208.8	194.4
Other liabilities	432.2	414.0
Current liabilities	**1,756.5**	**1,731.5**
Total equity and liabilities	**6,917.2**	**6,440.2**

Consolidated statement of cash flows

TABLE 22

in € million	Q1–Q3 2016	Q1–Q3 2015
Earnings before interest and taxes	**318.2**	**290.2**
Amortisation, depreciation and impairment charges of non-current assets	312.4	291.3
Other non-cash income (–) and expenses (+)	29.3	16.6
Gains (–)/losses (+) on disposal of non-current assets	2.5	–0.5
Changes in leased assets (excluding depreciation) and lease receivables/liabilities	–106.6	–73.7
Change in inventories	–113.0	–114.6
Change in trade receivables/payables	–36.1	–66.2
Cash payments for defined benefit obligations	–15.0	–17.8
Change in other provisions	14.5	5.0
Change in other operating assets/liabilities	3.3	56.7
Taxes paid	–77.1	–45.1
Cash flow from operating activities	**332.5**	**341.9**
Cash payments for purchase of non-current assets	–100.9	–90.5
Cash receipts from disposal of non-current assets	3.0	11.0
Change in rental assets (excluding depreciation)	–148.3	–145.9
Dividends received	8.0	9.1
Acquisition of subsidiaries (net of cash acquired) and other equity investments	–27.4	–71.3
Cash payments for sundry assets	–1.7	–15.0
Cash flow from investing activities	**–267.3**	**–302.6**

Consolidated statement of cash flows (continued)

TABLE 22

in € million	Q1 – Q3 2016	Q1 – Q3 2015
Capital contribution from shareholders for the carried out capital increase (net)	456.7	0.0
Acquisition of treasury shares	–2.8	–1.0
Dividend of KION GROUP AG	–76.0	–54.3
Dividends paid to non-controlling interests	–1.5	–1.3
Cash payments for changes in ownership interests in subsidiaries without change of control	0.0	–0.1
Financing costs paid	–8.6	–4.1
Proceeds from borrowings	1,125.4	752.3
Repayment of borrowings	–1,398.5	–686.8
Interest received	5.0	3.9
Interest paid	–44.8	–48.1
Cash receipts from other financing activities	9.0	2.9
Cash flow from financing activities	**63.9**	**–36.7**
Effect of foreign exchange rate changes on cash and cash equivalents	–2.0	0.5
Change in cash and cash equivalents	**127.1**	**3.2**
Cash and cash equivalents at the beginning of the period	103.1	98.9
Cash and cash equivalents at the end of the period	230.2	102.1

Consolidated statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings
Balance as at 01/01/2015	**98.7**	**1,996.2**	**–148.2**
Net income for the period			142.5
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**142.5**
Dividend of KION GROUP AG			–54.3
Dividends paid to non-controlling interests			
Changes from employee share option programme		0.2	
Acquisition of treasury shares	–0.1	–2.6	
Changes from application of the equity method			0.7
Other changes			–0.1
Balance as at 30/09/2015	**98.7**	**1,993.7**	**–59.4**
Balance as at 01/01/2016	**98.7**	**1,996.6**	**11.3**
Net income for the period			161.8
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**161.8**
Capital increase	9.9	449.4	
Transaction costs		–1.8	
Dividend of KION GROUP AG			–76.0
Dividends paid to non-controlling interests			
Changes from employee share option programme		0.5	
Acquisition of treasury shares	–0.1	–2.7	
Other changes			2.6
Balance as at 30/09/2016	**108.6**	**2,441.9**	**99.6**

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**
					142.5	1.3	143.8
	18.1	13.9	1.1	0.2	33.2	−0.5	32.8
	18.1	**13.9**	**1.1**	**0.2**	**175.8**	**0.8**	**176.6**
					−54.3	0.0	−54.3
					0.0	−1.3	−1.3
					0.2	0.0	0.2
					−2.7	0.0	−2.7
					0.7	0.0	0.7
					−0.1	0.0	−0.1
	−13.6	**−250.7**	**−3.2**	**−4.2**	**1,761.3**	**4.9**	**1,766.2**
	−11.4	**−251.9**	**−0.2**	**−2.0**	**1,841.0**	**7.7**	**1,848.7**
					161.8	2.6	164.4
	−46.7	−175.1	−17.9	0.7	−239.0	−0.3	−239.3
	−46.7	**−175.1**	**−17.9**	**0.7**	**−77.2**	**2.3**	**−74.9**
					459.3	0.0	459.3
					−1.8	0.0	−1.8
					−76.0	0.0	−76.0
					0.0	−1.5	−1.5
					0.5	0.0	0.5
					−2.8	0.0	−2.8
					2.6	0.0	2.6
	−58.1	**−427.0**	**−18.1**	**−1.4**	**2,145.5**	**8.5**	**2,154.0**

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 October 2016.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the nine months ended 30 September 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 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures': clarification relating to application of the exception to the consolidation obligation for investment entities
- 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 nine months ended 30 September 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
- Amendments to IFRS 4 'Insurance Contracts': exempting provisions relating to the adoption of IFRS 9 'Financial Instruments' before the effective date of the new version of IFRS 4
- 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 multiple-element arrangements 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 22 German (31 December 2015: 22) and 85 foreign (31 December 2015: 80) subsidiaries were fully consolidated in addition to KION GROUP AG as at 30 September 2016.

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

50 (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, the KION Group reached agreement with funds managed by AEA Investors and the Ontario Teachers' Pension Plan to acquire 100 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 usual conditions 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. The acquisition of Dematic, a leading specialist for automation and optimisation of supply chains, is expected to be closed in the fourth quarter and will make the KION Group one of the world's top suppliers of solutions for Intralogistics 4.0. The enlarged Company's sales and service network, technology and resources will enable it to offer customers of all sizes and in all industries worldwide a complete range of material handling products and services. The KION Group is thus strengthening its position as a full-service provider of intelligent supply chain and automation solutions and can benefit from megatrends, such as digitalisation and the growing e-commerce business. Dematic has engineering centres and manufacturing facilities located around the world and operates more than 100 sites in 22 countries.

The provisional purchase price for the net assets acquired is the equivalent of around €1.9 billion. In addition, debt instruments will be redeemed. 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 originally €3.0 billion as financing 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. For this reason, KION GROUP AG completed a capital increase in July 2016 that generated gross proceeds of €459.3 million (please see the disclosures on equity in these notes to the condensed consolidated interim financial statements). The agreed funding volume was reduced by the amount of the proceeds from the issue of shares and now stands at just over €2.5 billion.

Acquisitions

RETROTECH INC.

On 8 February 2016, the KION Group reached agreement on the acquisition of Retrotech Inc., a US systems integrator of automated warehouse and distribution solutions. The transaction was closed on 1 March 2016. The purchase price for the 100 per cent stake in Retrotech Inc., which is headquartered in Rochester, New York State, was €25.0 million.

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 figures available at the acquisition date is shown in > TABLE 24.

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 €13.3 million as a result of the acquisition. The net income reported for the first nine months of 2016 contains a loss totalling €2.1 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 reported by the KION Group for the first nine months of this year.

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**

In the second quarter of 2016, the change in measurement within the measurement period mainly concerned a change of the measurement of other intangible assets. 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 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.

With effect from 1 September 2016, 100.0 per cent of the shares in the dealer Roara AS, Heimdal, Norway, were acquired. The purchase consideration for these shares is €0.7 million.

The impact of these acquisitions on the consolidated financial statements of KION GROUP AG based on the 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	12.0
Other intangible assets	4.6
Leased/Rental assets	13.6
Trade receivables	5.8
Cash and cash equivalents	2.6
Other assets	9.4
Total assets	**48.0**
Financial liabilities	2.7
Trade payables	8.4
Other liabilities	16.6
Total liabilities	**27.7**
Total net assets	**20.3**
Cash payment	13.9
Contingent consideration	6.4
Consideration transferred	**20.3**

In the second and third quarters of 2016, there were changes in the measurement within the measurement period in respect of the Italian dealer Moden Diesel S.p.A., which mainly concerned a change of the measurement of rental/leased assets. Analysis of the acquired leases resulted in additional capitalisation of rental / leased assets in an amount of €5.5 million and an increase in other liabilities of €5.7 million. 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.

The purchase price allocation for the acquisition of Roara AS was only provisional as at 30 September 2016 because some details, particularly in the area of intangible assets and leasing, had not yet been fully evaluated. The contingent considerations in connection with the acquisition of Roara AS (€0.5 million) contractually oblige the KION Group to make additional payments to the previous shareholders that are mainly dependent on the achievement of defined EBIT targets for the years 2017 to 2019.

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 €17.8 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. There was a countervailing effect from the savings on interest payments resulting from the optimised funding structure.

Income taxes

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

Earnings per share

Basic earnings per share are calculated by dividing the net income (loss) accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (Q1 – Q3 2016: 101,444,877 no-par-value shares; Q1 – Q3 2015: 98,733,926 no-par-value shares; Q3 2016: 104,753,429 no-par-value shares; Q3 2015: 98,728,983 no-par-value shares). In the first three quarters of 2016, the KION Group generated net income accruing to the shareholders of KION GROUP AG of €161.8 million (Q1 – Q3 2015: €142.5 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 €1.59 (Q1 – Q3 2015: €1.44). The 210,050 no-par-value treasury shares repurchased by KION GROUP AG were not included in this figure as at 30 September 2016 (30 September 2015: 233,562).

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 three quarters of 2016 of 101,478,992 no-par-value shares issued (Q1 – Q3 2015: 98,749,594 no-par-value shares; Q3 2016: 104,788,501 no-par-value shares; Q3 2015: 98,745,013 no-par-value shares). Diluted earnings per share for the reporting period came to €1.59 (Q1 – Q3 2015: €1.44).

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

The change in goodwill in the first nine months of 2016 resulted from a number of acquisitions, from which goodwill totalling €36.3 million arose, and from currency effects.

The total carrying amount for technology and development assets as at 30 September 2016 was €188.7 million (31 December 2015: €194.1 million). Development costs of €12.9 million were capitalised in the third quarter of 2016 (Q3 2015: €9.1 million); the corresponding figure for the first three quarters of 2016 was €33.1 million (Q1 – Q3 2015: €28.7 million). Total research and development costs of €33.0 million were expensed in the third quarter of 2016 (Q3 2015: €35.4 million), while €105.0 million was expensed in the first nine months of 2016 (Q1 – Q3 2015: €106.1 million). Of these respective amounts, €12.5 million related to amortisation in the third quarter of 2016 (Q3 2015: €13.6 million) and €37.1 million to amortisation in the first nine months of 2016 (Q1 – Q3 2015: €39.7 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 23.7 per cent). Impairment losses of €4.2 million were recognised on inventories in the third quarter of 2016 (Q3 2015: €2.8 million) and of €13.2 million in the first nine months of 2016 (Q1 – Q3 2015: €6.8 million). No reversals of impairment losses had to be recognised in the third quarter of 2016 (Q3 2015: €0.9 million). In the first nine months of 2016, reversals of impairment losses had to be recognised in the amount of €1.1 million (Q1 – Q3 2015: €2.7 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 €65.3 million in receivables due from third parties and the increase of €11.2 million in gross amounts due from customers for contract work. Receivables due from non-consolidated subsidiaries, equity-accounted investments and other equity investments fell by €5.9 million. Valuation allowances of €44.9 million (31 December 2015: €38.5 million) were recognised for trade receivables.

Equity

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. This capital increase is to be used to partly fund the acquisition of Dematic. The Company's share capital was increased by 10.0 per cent against cash contributions; shareholders' subscription 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. An amount of €449.4 million was paid into the capital reserves. The capital increase was entered in the commercial register on 20 July 2016.

Directly attributable transaction costs of €2.7 million were incurred in connection with the capital increase. The transaction costs were – after subtraction of a tax benefit of €0.8 million – deducted directly from the capital reserves.

The total number of shares outstanding as at 30 September 2016 was 108,579,950 no-par-value shares (31 December 2015: 98,739,950 no-par-value shares). Between 12 September 2016 and 27 September 2016, a further 50,000 treasury shares were repurchased via the stock exchange at an average price of €55.54 in order to provide the shares for employees' own investments and the free shares under the planned KEEP 2016. The total cost was €2.8 million. At the reporting date, KION GROUP AG held 210,050 treasury shares (31 December 2015: 160,050 treasury shares).

The distribution of a dividend of €0.77 per share (Q1 – Q3 2015: €0.55 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €76.0 million (Q1 – Q3 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

	30/09/2016	31/12/2015
Germany	1.35%	2.35%
UK	2.25%	3.75%
Other (weighted average)	0.84%	1.61%

The change in estimates in relation to defined benefit pension entitlements resulted in a decrease of €175.1 million in equity as at 30 September 2016 (after deferred taxes). The net defined benefit obligation increased to €1,051.5 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 €4.3 million in 2016 and €3.8 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 €20.8 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. The proceeds from the capital increase implemented in July 2016 have temporarily been used to repay current financial liabilities under the revolving credit facility until they can be put towards the funding of the Dematic acquisition in the fourth quarter. Consequently, an amount of only €13.6 million was drawn down from the revolving credit facility as at 30 September 2016 and relates to contingent liabilities.

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 leverage (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 €945.6 million (31 December 2015: €855.6 million), lease receivables arising from sale and leaseback transactions amounted to €633.0 million (31 December 2015: €592.0 million) and leased assets under sale and leaseback transactions totalled €339.1 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 €419.8 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 €18.9 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 September 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	30/09/2016 Carrying amount	30/09/2016 Fair value	31/12/2015 Carrying amount	31/12/2015 Fair value
Financial assets				
Non-consolidated subsidiaries and other investments	22.1	22.1	42.4	42.4
Loans receivable	1.9	1.9	2.7	2.7
Financial receivables	20.2	20.2	15.4	15.4
Non-current securities	0.4	0.4	0.8	0.8
Lease receivables[1]	704.0	709.2	653.7	658.4
Trade receivables	734.7	734.7	670.5	670.5
thereof gross amount due from customers for contract work[2]	12.8	12.8	1.5	1.5
Other financial receivables	50.4	50.4	43.0	43.0
thereof non-derivative receivables	40.2	40.2	37.7	37.7
thereof derivative financial instruments	10.2	10.2	5.3	5.3
Cash and cash equivalents	230.2	230.2	103.1	103.1
Financial liabilities				
Liabilities to banks	421.3	421.3	225.9	225.9
Corporate bond	–	–	444.5	469.5
Other financial liabilities to non-banks	6.4	6.4	6.2	6.2
Lease liabilities[1]	945.6	950.9	855.6	860.0
Trade payables	615.4	615.4	574.6	574.6
Other financial liabilities	536.6	539.1	510.1	512.2
thereof non-derivative liabilities	35.4	35.4	58.6	58.6
thereof liabilities from finance leases[1]	455.6	458.1	439.0	441.2
thereof derivative financial instruments	45.6	45.6	12.4	12.4

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

FAIR VALUE MEASUREMENT AND ASSIGNMENT TO CLASSIFICATION LEVELS

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 13 for financial instruments measured at fair value. > TABLES 28 – 29

Financial instruments measured at fair value TABLE 28

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	30/09/2016
Financial assets				**10.6**
thereof non-current securities	0.4			0.4
thereof derivative instruments		10.2		10.2
Financial liabilities				**45.6**
thereof derivative instruments		45.1	0.5	45.6

Financial instruments measured at fair value TABLE 29

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

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

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

The currency forwards at Level 2 include deal contingent currency forward contracts taken out in June 2016 that are used to hedge currency risk arising on the planned acquisition of the Dematic Group. The notional amount of these currency forwards totals 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 €26.9 million as at 30 September 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 unchanged compared with the end of 2015.

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

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

in € million	Q1–Q3 2016	Q1–Q3 2015
Value as at 01/01/	**–0.6**	**31.7**
Gains recognised in net financial income/expenses	0.1	2.3
Disposals	0.0	–34.7
Value as at 30/09/	**–0.5**	**–0.7**
Gains for the period relating to financial assets/liabilities classified as Level 3	0.1	2.3
Change in unrealised gains/losses for the period relating to financial assets/liabilities held as at 30/09/	0.1	–0.1

Variable remuneration

KEEP EMPLOYEE SHARE OPTION PROGRAMME

As at 30 September 2016, KION Group employees held options on a total of 52,275 no-par-value shares (31 December 2015: 53,220). The total number of bonus shares granted therefore declined by 945 forfeited bonus shares in the first nine months of 2016. A pro-rata expense of €0.5 million for nine months was recognised for bonus shares under functional costs in the first three quarters of 2016 (Q1 – Q3 2015: €0.2 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 September 2016 was €18.0 million (31 December 2015: €8.5 million). Of this amount, €9.8 million related to the 2014 tranche (31 December 2015: 5.7 million), €6.2 million to the 2015 tranche (31 December 2015: €2.7 million) and €1.9 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 September 2016 was €15.0 million (31 December 2015: €7.5 million). Of this amount, €8.5 million related to the 2014 tranche (31 December 2015: €5.3 million), €5.1 million to the 2015 tranche (31 December 2015: €2.2 million) and €1.4 million to the 2016 tranche.

Segment report

The Executive Board divides the KION Group into financial services activities, the activities grouped in the Other segment and the Linde Material Handling (LMH) and STILL brands for management purposes. Segment reporting follows the same breakdown, taking into account the relevant organisational structures 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 September 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 third quarter of 2016 and 2015 and for the first nine months of 2016 and 2015. > TABLES 31 – 34

Segment report for Q3 2016 TABLE 31

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	734.9	399.2	117.2	31.9	–	1,283.2
Intersegment revenue	96.2	107.4	58.1	64.9	–326.7	–
Total revenue	831.1	506.7	175.4	96.8	–326.7	1,283.2
Earnings before taxes	**91.9**	**33.3**	**1.3**	**18.8**	**–49.2**	**96.1**
Financial income	2.7	–1.5	17.4	2.5	–11.3	9.7
Financial expenses	–6.6	–7.2	–14.5	–9.7	12.0	–26.0
= Net financial expenses / income	–3.9	–8.8	2.9	–7.2	0.7	–16.4
EBIT	**95.9**	**42.1**	**–1.5**	**26.0**	**–49.9**	**112.4**
+ Non-recurring items	1.1	–0.7	0.0	7.3	–	7.7
+ KION acquisition items	5.1	1.5	0.0	0.0	–	6.6
= Adjusted EBIT	**102.1**	**42.9**	**–1.5**	**33.3**	**–49.9**	**126.8**
Profit from equity-accounted investments	0.3	0.0	0.0	0.0	–	0.3
Capital expenditure[1]	21.1	12.0	0.0	3.5	–	36.6
Amortisation and depreciation[2]	22.5	11.2	0.0	5.8	–	39.5
Order intake	863.6	512.2	174.5	107.7	–331.3	1,326.6

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 Q3 2015

TABLE 32

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	724.5	386.8	108.3	16.9	–	1,236.5
Intersegment revenue	88.3	84.1	84.6	50.8	–307.8	–
Total revenue	812.8	470.9	192.9	67.7	–307.8	1,236.5
Earnings before taxes	**85.0**	**23.1**	**1.3**	**7.0**	**–32.6**	**83.8**
Financial income	3.2	0.2	16.1	4.1	–12.4	11.2
Financial expenses	–6.7	–10.3	–14.2	–17.4	12.4	–36.1
= Net financial expenses / income	–3.5	–10.1	1.9	–13.3	–0.0	–24.9
EBIT	**88.5**	**33.1**	**–0.6**	**20.3**	**–32.6**	**108.8**
+ Non-recurring items	2.1	1.6	0.0	2.2	–	5.9
+ KION acquisition items	5.1	1.5	0.0	0.0	–	6.6
= Adjusted EBIT	**95.7**	**36.3**	**–0.6**	**22.5**	**–32.6**	**121.2**
Profit from equity-accounted investments	1.4	0.0	0.0	0.0	–	1.4
Capital expenditure[1]	16.4	10.0	0.0	4.3	–	30.7
Amortisation and depreciation[2]	23.2	11.6	0.0	4.7	–	39.5
Order intake	818.4	485.7	190.8	65.1	–306.7	1,253.3

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 – Q3 2016 TABLE 33

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	2,259.2	1,186.9	313.5	88.1	–	3,847.7
Intersegment revenue	278.5	310.7	230.4	165.6	–985.3	–
Total revenue	2,537.7	1,497.6	543.9	253.8	–985.3	3,847.7
Earnings before taxes	**281.5**	**75.6**	**3.9**	**–35.7**	**–86.7**	**238.6**
Financial income	8.0	4.8	50.7	13.7	–33.9	43.2
Financial expenses	–20.1	–30.2	–43.3	–64.4	35.2	–122.8
= Net financial expenses / income	–12.2	–25.4	7.4	–50.7	1.3	–79.6
EBIT	**293.7**	**101.0**	**–3.5**	**15.0**	**–88.0**	**318.2**
+ Non-recurring items	2.3	0.8	0.0	24.6	–	27.7
+ KION acquisition items	15.5	4.7	0.0	0.0	–	20.2
= Adjusted EBIT	**311.5**	**106.5**	**–3.5**	**39.6**	**–88.0**	**366.1**
Segment assets	5,259.9	2,430.8	1,725.4	850.1	–3,349.0	6,917.2
Segment liabilities	1,903.3	1,588.4	1,680.8	2,955.8	–3,365.0	4,763.2
Carrying amount of equity-accounted investments	51.4	4.2	21.7	0.0	–	77.3
Profit from equity-accounted investments	5.2	1.6	3.0	0.0	–	9.9
Capital expenditure[1]	55.8	33.8	0.0	11.4	–	100.9
Amortisation and depreciation[2]	67.5	33.3	0.0	16.7	–	117.4
Order intake	2,645.7	1,550.2	544.0	296.8	–986.4	4,050.4
Number of employees[3]	14,740	8,208	64	1,172	–	24,184

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 30/09/2016; allocation according to the contractual relationships

Segment report Q1 – Q3 2015

TABLE 34

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	2,199.8	1,138.9	292.8	25.8	–	3,657.2
Intersegment revenue	263.3	277.6	229.5	150.4	–920.7	–
Total revenue	2,463.0	1,416.5	522.3	176.1	–920.7	3,657.2
Earnings before taxes	**235.5**	**58.6**	**4.0**	**–22.8**	**–53.3**	**222.0**
Financial income	9.8	0.8	47.6	15.2	–36.6	36.8
Financial expenses	–20.5	–27.5	–42.7	–51.5	37.3	–105.0
= Net financial expenses / income	–10.7	–26.6	4.8	–36.4	0.7	–68.2
EBIT	**246.2**	**85.3**	**–0.8**	**13.5**	**–54.0**	**290.2**
+ Non-recurring items	6.0	2.2	0.0	21.3	–9.0	20.5
+ KION acquisition items	15.6	4.7	0.0	0.1	–	20.3
= Adjusted EBIT	**267.8**	**92.1**	**–0.8**	**34.9**	**–63.0**	**331.0**
Segment assets	5,162.2	2,216.7	1,510.4	623.7	–2,973.6	6,539.4
Segment liabilities	1,760.0	1,349.5	1,466.4	3,190.5	–2,993.1	4,773.2
Carrying amount of equity-accounted investments	52.0	4.2	19.5	0.0	–	75.8
Profit from equity-accounted investments	3.2	1.8	2.9	0.0	–	7.8
Capital expenditure[1]	45.5	33.1	0.0	11.9	–	90.5
Amortisation and depreciation[2]	69.2	34.6	0.0	13.2	–	117.0
Order intake	2,579.3	1,478.3	525.2	173.5	–937.7	3,818.5
Number of employees[3]	14,560	8,085	58	857	–	23,560

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 30/09/2015; 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 €27.7 million in the first nine months of 2016 (Q1–Q3 2015: €20.5 million).

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

Related party disclosures

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

The related parties that are solely or jointly controlled by the KION Group or over which significant influence can be exercised are included in the list of shareholdings as at 31 December 2015. Another related party is Weichai Power Co. Ltd., Weifang, China, which indirectly holds 40.2 per cent of the shares in KION GROUP AG (31 December 2015: 38.3 per cent) and is thus the largest single shareholder.

The revenue generated by the KION Group in the first nine months of 2016 and in the third 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 €4.0 million had been disbursed up to 30 September 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 nine months of 2016 and the third 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			
	30/09/2016	31/12/2015	Q3 2016	Q3 2015	Q1 – Q3 2016	Q1 – Q3 2015
Non-consolidated subsidiaries	19.2	24.9	5.1	3.4	16.4	8.3
Equity-accounted associates	21.9	19.3	36.9	26.0	121.7	89.3
Equity-accounted joint ventures	1.8	1.3	6.9	11.7	32.5	32.0
Other related parties*	4.0	4.3	3.0	1.2	9.5	7.7
Total	**46.9**	**49.8**	**51.9**	**42.3**	**180.2**	**137.3**

* '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			
	30/09/2016	31/12/2015	Q3 2016	Q3 2015	Q1 – Q3 2016	Q1 – Q3 2015
Non-consolidated subsidiaries	10.5	13.6	4.8	3.9	21.7	8.3
Equity-accounted associates	12.9	8.2	26.5	29.9	88.7	91.1
Equity-accounted joint ventures	55.1	53.7	18.4	25.5	56.8	42.0
Other related parties*	1.3	0.2	4.1	8.2	12.6	9.3
Total	**79.9**	**75.7**	**53.7**	**67.5**	**179.8**	**150.7**

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

Material events after the reporting date

Between the reporting date of these interim financial statements and 26 October 2016, there were no events or developments that led to a material change in the recognition or measurement of the individual assets and liabilities reported as at 30 September 2016 or that it would be necessary to disclose.

Wiesbaden, 26 October 2016

The Executive Board

Gordon Riske

Dr Eike Böhm

Ching Pong Quek

Dr Thomas Toepfer

Quarterly information

Quarterly information TABLE 37

in € million	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Order intake	1,326.6	1,427.1	1,296.7	1,397.1	1,253.3	1,317.3
Revenue	1,283.2	1,343.8	1,220.6	1,440.7	1,236.5	1,256.0
EBIT	112.4	116.8	89.0	132.6	108.8	99.4
Adjusted EBIT	126.8	140.8	98.6	151.8	121.2	116.4
Adjusted EBIT margin	9.9%	10.5%	8.1%	10.5%	9.8%	9.3%
Adjusted EBITDA	224.1	238.2	191.7	250.0	212.0	206.6
Adjusted EBITDA margin	17.5%	17.7%	15.7%	17.4%	17.1%	16.4%

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

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

11 May 2017
Annual General Meeting

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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