

**MOVING
FORWARD** 

KION GROUP AG

Q3 2016 Update Call

Gordon Riske (CEO), Dr Thomas Toepfer (CFO) – Wiesbaden, 27 October 2016

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

Gordon Riske

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Thomas Toepfer

Gordon Riske

Q3 2016 Financial Highlights

After solid Q3, KION on track for strong full year

- » **Order intake** value rises by 6.1% to €4,050m in Q1-Q3 (Q3: €1,327m, +5.8% y-o-y); order book remains strong at €1,041m
- » **Revenue** grows by 5.2% to €3,848m in Q1-Q3 (Q3: €1,283m, +3.8% y-o-y)
- » **Adjusted EBIT** of €366m results in margin of 9.5% in Q1-Q3 significantly above previous-year level of 9.1% (Q3: €127m, 9.9% margin)
- » **Net income** increases by 14.3% to €164m in Q1-Q3 driven by better operating performance (Q3: €67m, +36.1% y-o-y)
- » **Free cash flow** at €65m in Q1-Q3 due to strong operating performance (Q3: €76m)
- » **Guidance FY 2016** fully confirmed, excluding pending Dematic acquisition

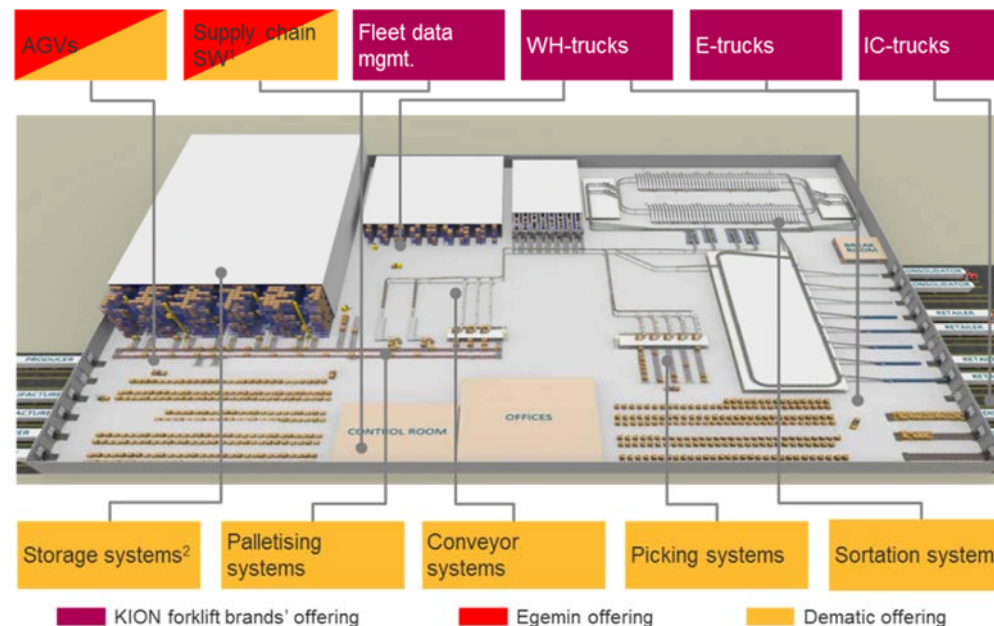
Q3 2016 Strategic Update

On track for closing and integration of Dematic acquisition

Transaction highlights

- Acquisition creates unique player in Intralogistics 4.0
- Attractive market growth in supply chain automation
- Dematic as global No. 3 and leading in US and Europe

Seamless supply chain automation



Integration preparations ongoing

- Integration work started after signing
- Day-1 readiness in place
- Formal integration and synergy planning on track

Closing on track and expected for early Nov 2016

- Formal requirements being completed
- Anti-trust and CFIUS approvals just received

Clear long-term financing

- €3.0bn bridge financing put in place at signing
- Successful capital increase for €459m in July 2016
- Long-term financing to maintain solid cross-over credit

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Market Development

Q3 uplift with strong demand across regions

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

North America			
Q4/15	Q1/16	Q2/16	Q3/16
-1.8%	-0.9%	-1.0%	11.8%

Western Europe			
Q4/15	Q1/16	Q2/16	Q3/16
13.0%	12.5%	11.3%	14.0%

Eastern Europe			
Q4/15	Q1/16	Q2/16	Q3/16
9.9%	8.4%	28.6%	20.9%

South/Central America			
Q4/15	Q1/16	Q2/16	Q3/16
-20.8%	-18.4%	-5.1%	-1.8%

China			
Q4/15	Q1/16	Q2/16	Q3/16
-14.5%	6.8%	-1.2%	22.4%

World			
Q4/15	Q1/16	Q2/16	Q3/16
-0.7%	3.7%	1.8%	13.2%

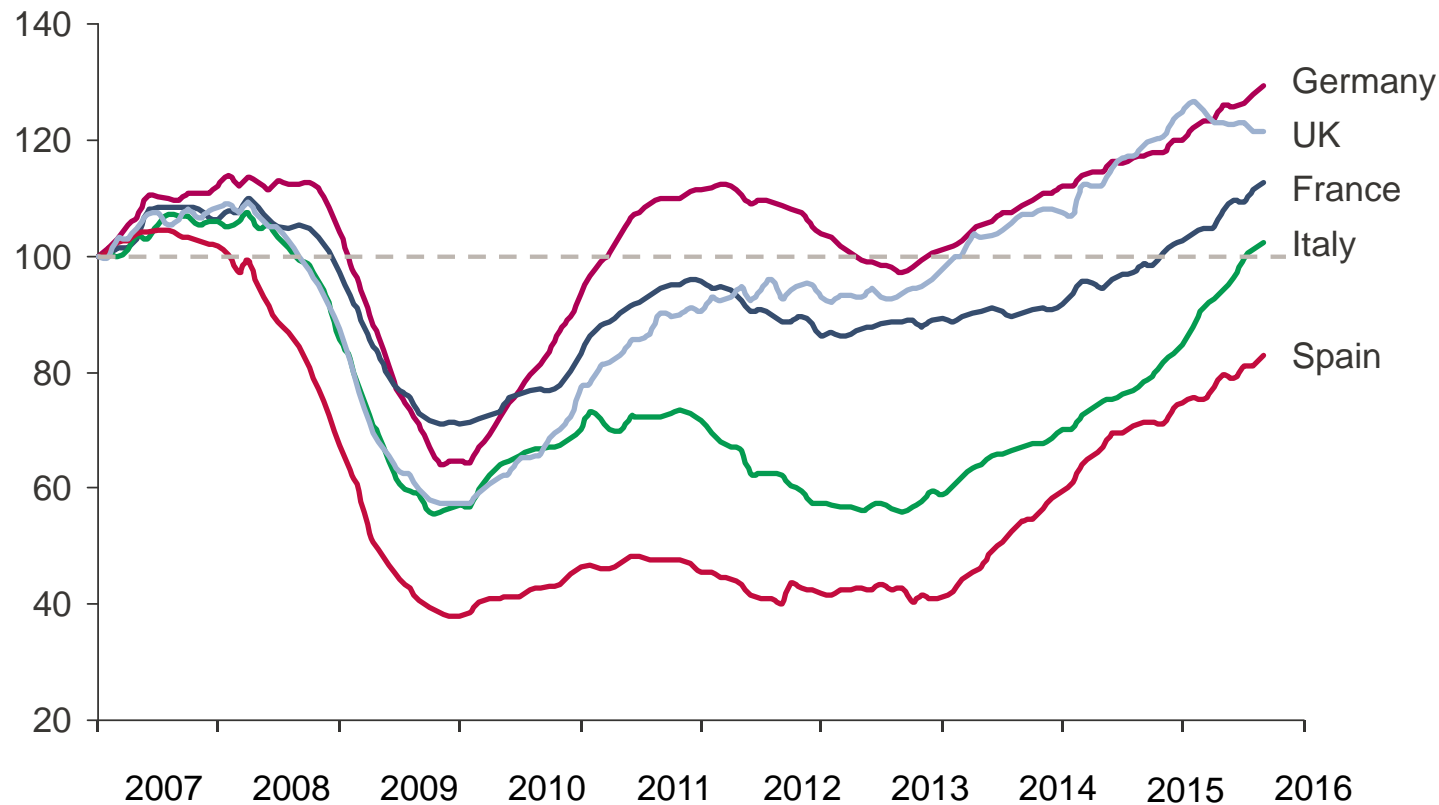
Source: WITS/FEM

Market Development

Continued strong momentum in Western Europe

Markets pre- and post-crisis as at 30 Sep 2016

Indexed LTM order units (LTM Jan 2007=100)



- Persisting upward trend in Germany and France
- UK market declines in Q3
- Italy and Spain continue to recover

Source: WITS/FEM

Regional development

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

	Q1-Q3 2016		Q3 2016	
	Market	KION	Market	KION
Western Europe	+12.6% ↑	+7.4% ↑	+14.0% ↑	+12.2% ↑
Eastern Europe	+19.3% ↑	+11.8% ↑	+20.9% ↑	+16.5% ↑
China	+8.5% ↑	+6.9% ↑	+22.4% ↑	+15.7% ↑
South/Central America	-8.6% ↓	-14.6% ↓	-1.8% ↓	-25.2% ↓
World	878.9 +5.9% ↑	129.9 +6.1% ↑	287.9 +13.2% ↑	40.7 +10.3% ↑

Source: WITS/FEM

Western Europe

- **Market:** Strong momentum, volume growth driven by smaller WH-trucks
- **KION:** Profitable growth at market levels

Eastern Europe

- **Market:** Very strong quarter across markets, continued recovery in Russia
- **KION:** Continued good momentum

China

- **Market:** Strong rebound driven by growth in economy IC-trucks
- **KION:** Good momentum across products

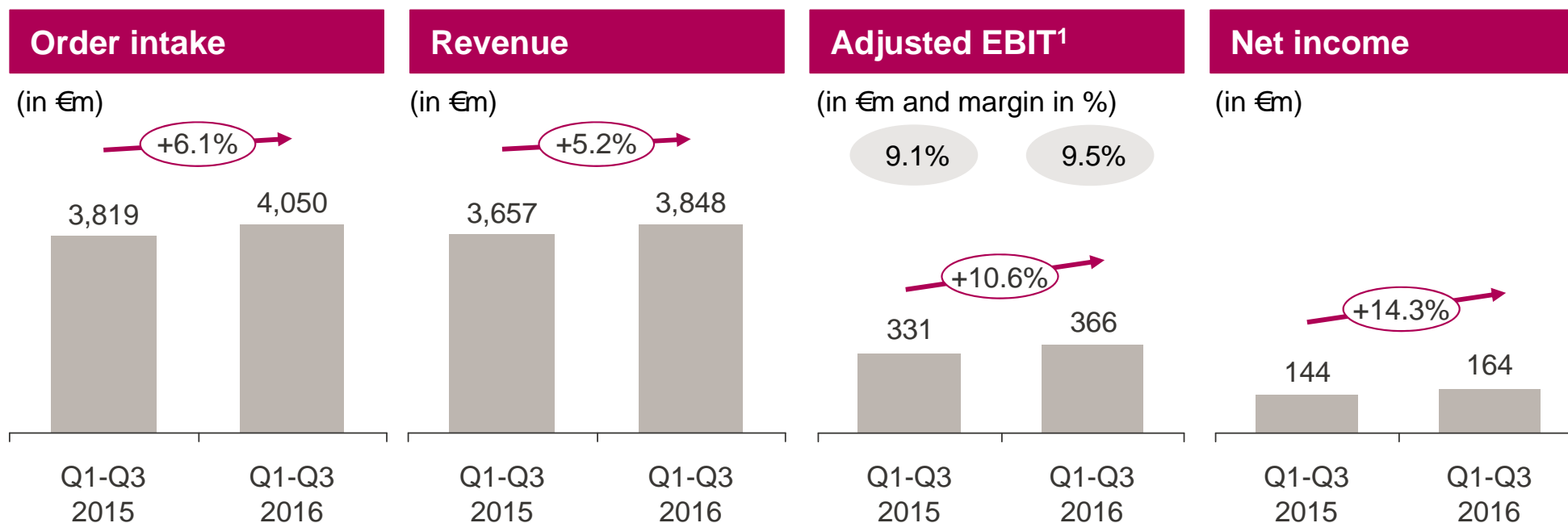
South/Central America

- **Market:** Easing decline
- **KION:** Below market due to higher comps

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Q1-Q3 2016 Key Financials

Continued growth and margin improvement



- Contribution from acquisitions² of €107m
- Negative FX-effect of -€83m
- Strong order book at €1,041m (+20.4% vs Dec 2015)

- Contribution from acquisitions² of €62m
- Negative FX-effect of -€79m
- Book-to-bill ratio at 1.05x

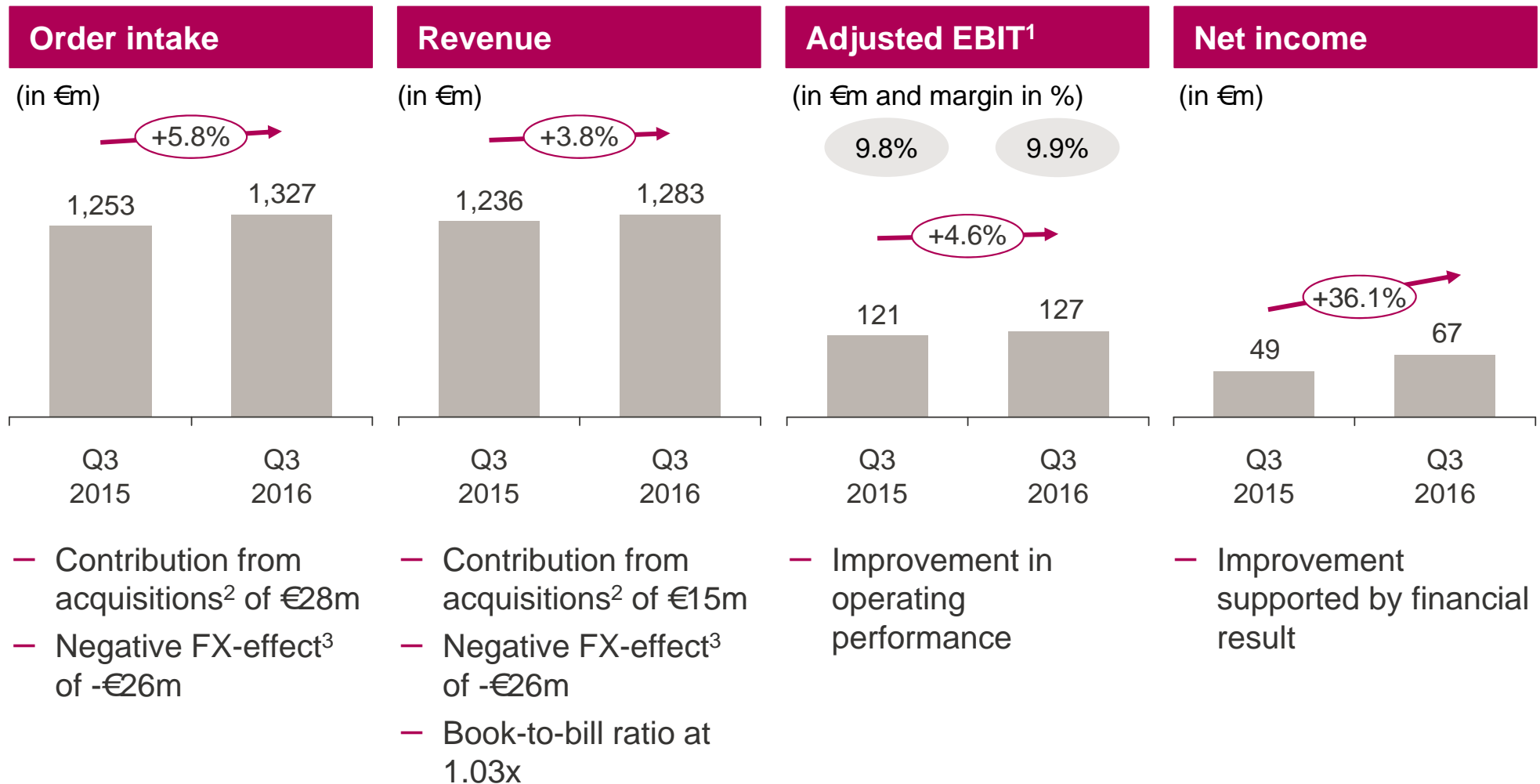
- Margin above previous-year level
- Margin increase in line with guidance for FY 2016

- Increase mainly driven by operating performance

1. Adjusted for KION acquisition items and non-recurring items 2. Includes Egemin and Retrotech

Q3 2016 Key Financials

Continued momentum mainly driven by organic growth



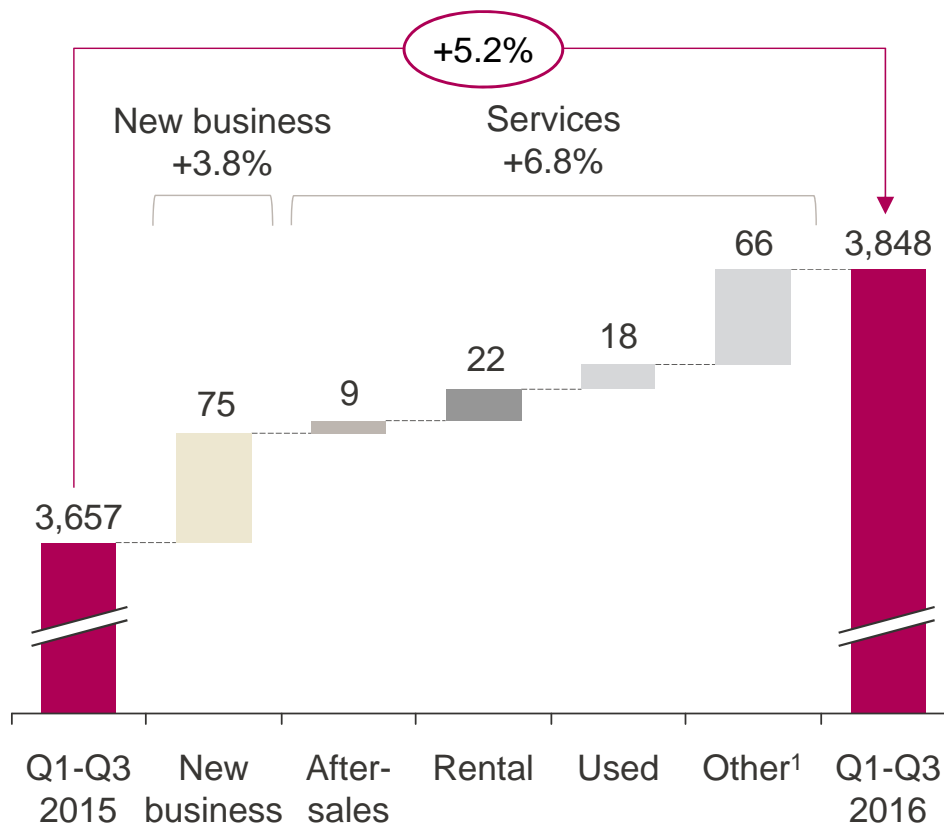
1. Adjusted for KION acquisition items and non-recurring items 2. Includes Egemin and Retrotech 3. Calculated as delta between FX-effects as at Q1-Q3 2016 and H1 2016

Revenue

Continued growth in new business and services

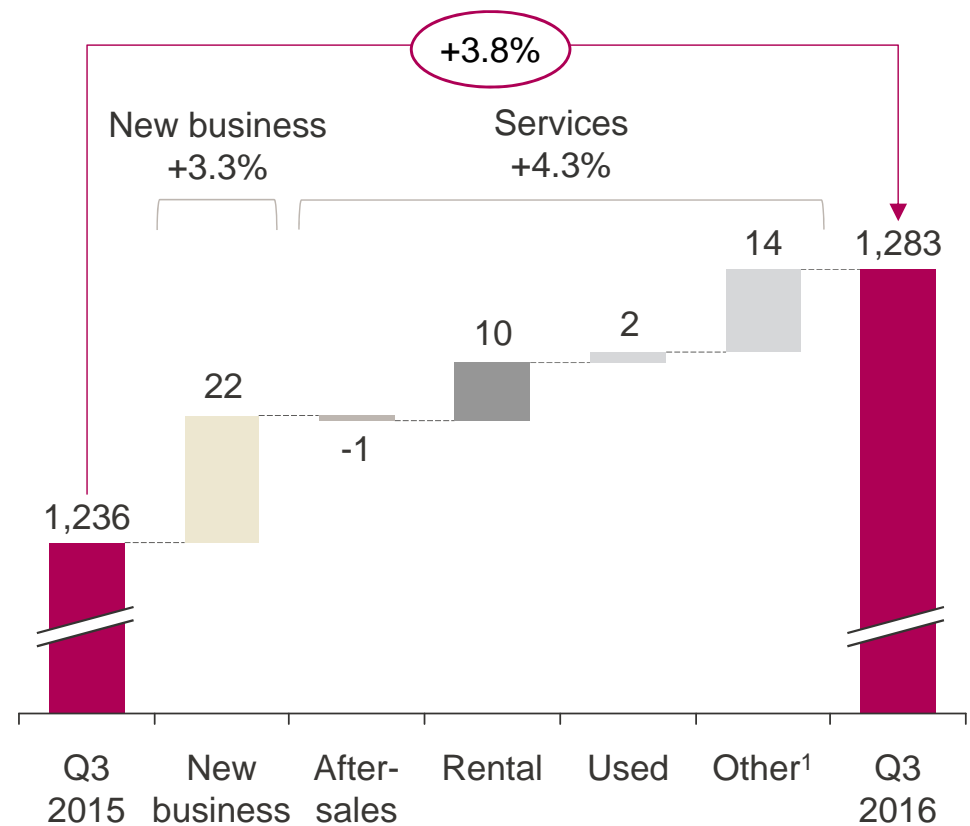
Q1-Q3: Revenue bridge by product categories

(in €m and growth y-o-y in %)



Q3: Revenue bridge by product categories

(in €m and growth y-o-y in %)



1. Includes Egemin and Retrotech

Adjusted EBITDA to Net Income

Net income driven by operating performance

(in €m)	Q1-Q3 2016	Q1-Q3 2015	Change	Q3 2016	Q3 2015	Change
Adjusted EBITDA	654	600	9.0%	224	212	5.7%
D&A	288	269	7.0%	97	91	7.2%
Adjusted EBIT¹	366	331	10.6%	127	121	4.6%
Non-recurring items	-28	-20	-35.1%	-8	-6	-31.5%
KION acquisition items	-20	-20	0.3%	-7	-7	-0.1%
Reported EBIT	318	290	9.6%	112	109	3.4%
Net financial expenses	-80	-68	-16.7%	-16	-25	34.4%
EBT	239	222	7.5%	96	84	14.6%
Taxes	-74	-78	5.1%	-29	-34	16.3%
Net income	164	144	14.3%	67	49	36.1%
Reported EPS	€1.59	€1.44		€0.63	€0.51	
Adjusted EBITDA ¹ margin	17.0%	16.4%		17.5%	17.1%	
Adjusted EBIT ¹ margin	9.5%	9.1%		9.9%	9.8%	

- EBITDA increase driven by operating performance
- Non-recurring items result from expenses relating to the acquisition of Dematic
- Net financial expenses in Q1-Q3 driven by €26m expenses relating to refinancing in February 2016 with visible reduction in Q3

1. Adjusted for KION acquisition items and non-recurring items

Free Cash Flow Statement

Free cash flow impacted by acquisitions

(in €m)	Q1-Q3 2016	Q1-Q3 2015	Change
EBITDA (excl. FS segment) ¹	558	515	8.3%
Change of TWC	-149	-181	17.5%
Taxes paid	-77	-45	-70.8%
Pension payments	-15	-18	15.6%
Other	50	78	-36.1%
Leasing cash flow	-34	-7	<-100%
CF from operating activities	332	342	-2.8%
Operating capex	-101	-91	-11.5%
Rental capex (net)	-148	-146	-1.7%
Acquisitions	-27	-71	61.6%
Other	9	5	84.4%
CF from investing activities	-267	-303	11.7%
Free cash flow	65	39	65.7%

- Cash flow supported by good trade working capital (TWC) performance
- Difference in taxes driven by higher tax prepayments
- Leasing cash flow and rental capex driven by business growth
- Acquisitions mainly reflect purchase of Retrotech Inc. (-€23m) in 2016, prior year impacted by Egemin acquisition

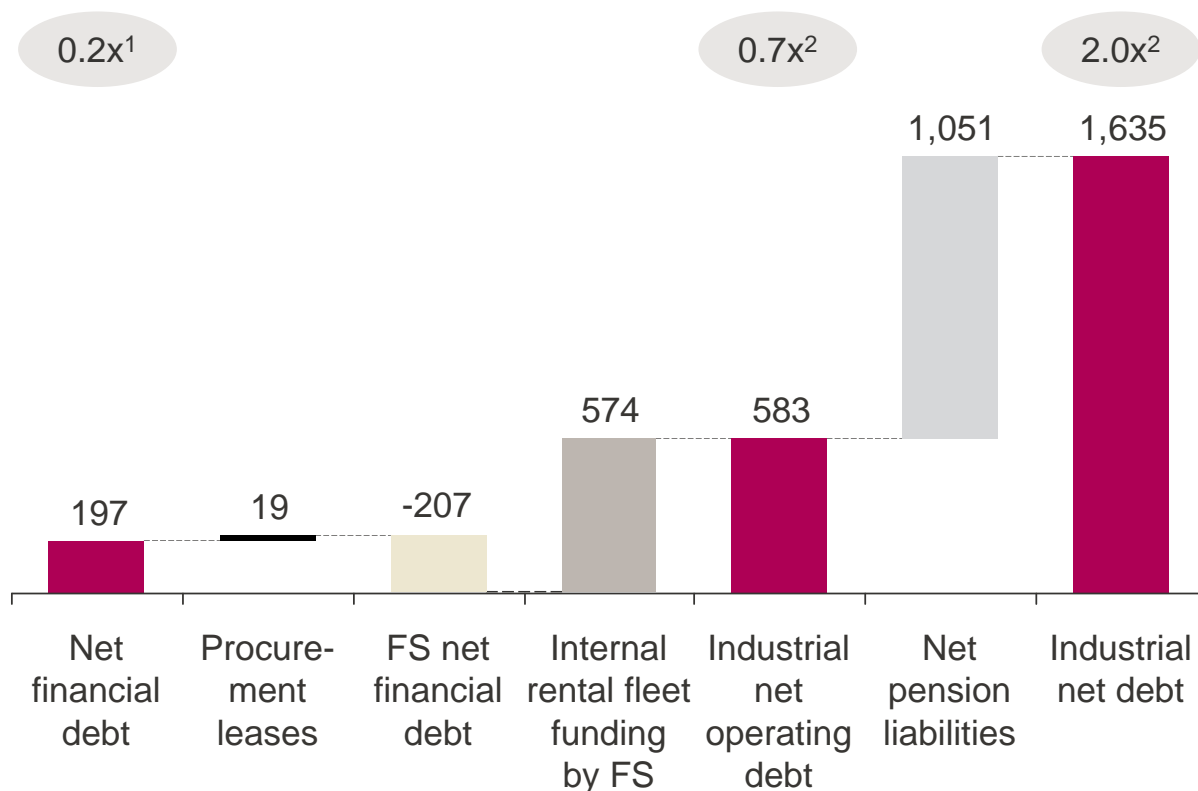
1. EBITDA excludes FS segment with €73m EBITDA in Q1-Q3 2016; FS EBITDA is included in leasing cash flow

Net Debt

Leverage reflects successful capital increase

Net debt as at 30 Sep 2016

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



1. Based on LTM adjusted EBITDA of €904m

2. Based on €809m of LTM adjusted industrial EBITDA (excluding €95m of LTM EBITDA for FS)

Net debt development

- Group net financial debt decreased by €524m compared to Jun 2016 following successful capital increase with gross proceeds of €459m in Jul 2016
- Net pension liabilities increased by €58m compared to Jun 2016, driven by lower interest rates

End customer financing

- Total assets for end customer leasing of €1,098m increased by €46m compared to Jun 2016 from stronger FS activities
- Correspondingly, funding via SALB of €946m increased by €41m compared to Jun 2016

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FY 2016 Outlook

KION outlook fully confirmed

(in €m)	Actuals FY 2015	Guidance FY 2016
Order intake	5,216	5,350 – 5,500
Revenue	5,098	5,200 – 5,350
Adj. EBIT	483	510 – 535
FCF	333	280 – 320
ROCE	11.9%	Slightly above previous year
Adj. EBIT margin	9.5%	Increase compared to previous year

 Key performance indicators FY 2016

Not considering any effects from the Dematic acquisition (closing expected in Q4 2016)

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

Date	Event
27 October 2016	Interim report for the period ended 30 September 2016 (Q3 2016) and analyst call
2 March 2017	Financial statements press conference and analyst call Publication of 2016 annual report (FY 2016)
27 April 2017	Interim report for the period ended 31 March 2017 (Q1 2017) and analyst call
11 May 2017	Annual General Meeting

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