KION GROUP

QUARTERLY STATEMENT

2017

Key figures

KION Group overview

in € million	Q1 2017	Q1 2016	Change
Order intake	1,881.7	1,296.7	45.1%
Revenue	1,811.4	1,220.6	48.4%
Order book [1]	2,306.4	2,244.7	2.8%
Financial performance			
EBITDA	253.3	190.0	33.3%
Adjusted EBITDA [2]	263.0	191.7	37.2%
Adjusted EBITDA margin [2]	14.5%	15.7%	–
EBIT	96.6	89.0	8.5%
Adjusted EBIT [2]	152.9	98.6	55.1%
Adjusted EBIT margin [2]	8.4%	8.1%	–
Net income for the period	42.0	33.0	27.2%
Financial position [1]			
Total assets	11,553.2	11,359.2	1.7%
Equity	2,560.0	2,535.1	1.0%
Net financial debt	2,857.1	2,903.4	–1.6%
ROCE [3]	–	6.8%	–
Cash flow			
Free cash flow [4]	64.5	–20.4	>100%
Capital expenditure [5]	42.7	27.8	53.9%
Employees [6]	**30,680**	**30,544**	**0.4%**

1 Figure as at 31/03/2017 compared with 31/12/2016
2 Adjusted for PPA items and non-recurring items
3 ROCE is defined as the proportion of EBIT adjusted to capital employed; ROCE is only calculated at the end of the year
4 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
5 Capital expenditure including capitalised development costs, excluding leased and rental assets
6 Number of employees (full-time equivalents) as at 31/03/2017 compared with 31/12/2016

All amounts in this quarterly statement 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 quarterly statement is available in German and English at www.kiongroup.com under Investor Relations / Financial Reports. Only the content of the German version is authoritative.

Quarterly statement

HIGHLIGHTS OF Q1 2017

- Sustained growth, both organic and as a result of the Dematic acquisition
- Considerable rise in the value of order intake to €1.882 billion in the first quarter of 2017 (up by 45.1 per cent)
- Strong growth in revenue to €1.811 billion (up by 48.4 per cent)
- Adjusted EBIT margin improves from 8.1 per cent to 8.4 per cent
- Strong free cash flow of €64.5 million
- Promissory note of €1 billion successfully issued
- KION Group obtains investment-grade rating for the first time
- Construction of a new plant for Dematic conveyor systems in the Czech Republic

FUNDAMENTALS OF THE QUARTERLY STATEMENT

The accounting policies used in this quarterly statement are fundamentally the same as those used for the year ended 31 December 2016. The reporting currency is the euro. The segment information is based on the new internal management structure of the KION Group presented in the 2016 annual report, which is broken down into the Industrial Trucks & Services, Supply Chain Solutions and Corporate Services segments. The figures reported for the prior-year period (Q1 2016) relating to the Group and the Supply Chain Solutions segment exclude Dematic, which was acquired on 1 November 2016.

SUMMARY OF BUSINESS PERFORMANCE

Sales markets

In the Industrial Trucks & Services segment, the global market for industrial trucks grew rapidly in the first quarter of 2017, with the number of new trucks ordered rising by 19.4 per cent year on year. The total number of trucks ordered across all regions and product types was 350.5 thousand (Q1 2016: 293.5 thousand).

Global industrial truck market (order intake)* TABLE 01

in thousand units	Q1 2017	Q1 2016	Change
Western Europe	108.8	98.4	10.6%
Eastern Europe	19.4	13.7	42.0%
Middle East and Africa	9.5	8.5	11.5%
North America	63.2	59.2	6.6%
Central and South America	7.6	6.5	16.6%
Asia-Pacific	142.0	107.2	32.5%
World	**350.5**	**293.5**	**19.4%**

* Country allocation according to new regional governance
Source: WITS/FEM

The EMEA region (western Europe, eastern Europe, Middle East and Africa) generated double-digit growth of 14.2 per cent. In western Europe (growth of 10.6 per cent), orders in France and Spain rose at an exceptionally strong rate. Germany's growth was slightly slower than that of the western European market as a whole, while a hesitation to invest in the United Kingdom was reflected in a decline in orders. In eastern Europe (growth of 42.0 per cent), higher demand in Russia had a particularly beneficial effect. North America, Central America and South America (Americas region) saw orders grow by 7.6 per cent overall, with the United States making the biggest contribution in absolute terms. The Brazilian market made a noticeable recovery, having contracted hugely in recent years. Thanks to China's strong upward trend, Asia-Pacific as a whole (APAC region) reported the highest growth at 32.5 per cent. Sales of electric forklift trucks were up by 15.1 per cent. There was also a significant increase of 18.2 per cent in warehouse truck sales. Sales of IC trucks rose by 22.8 per cent in the first quarter. > TABLE 01

In the warehouse systems business of the Supply Chain Solutions segment, the rapid expansion of e-commerce and the increasingly widespread use of Industry 4.0 technologies drove demand for automation solutions. For this reason, the KION Group continues to expect average annual market growth of around 10 per cent.

Business performance in the Group

The KION Group pressed ahead with integrating Dematic in the first quarter of 2017. As part of this process, the Stříbro site in the Czech Republic will be expanded this year to include a new plant for Dematic's automated conveyor systems. The contract with the building contractor was signed in March 2017. The KION Group is planning an overall investment of around €7 million in this factory, with production due to get under way in 2018. The new factory will manufacture multi-shuttles and modular conveyor systems – modules for automated material handling, storage and retrieval systems – for the European market.

The integration of Egemin Automation and Retrotech Inc. into the Dematic Group is to be completed by the end of 2017. Combined with Dematic's activities, Egemin Automation will become the world's largest supplier of automated guided vehicles (AGVs). It is headquartered in the city of Holland in Michigan, US. Retrotech will contribute to the aftermarket business, operating under the Dematic Retrotech brand as part of the customer service organisation of Dematic North America. Its headquarters will remain in Rochester in New York State, US.

KION GROUP AG issued a promissory note with a total volume of €1,010.0 million in the first quarter of 2017 in order to refinance the bridge loan obtained by the KION Group from its core group of banks for the acquisition of Dematic. The bridge loan originally had an agreed volume of €3,000.0 million, of which €2,543.2 million was drawn down. The note is divided into several tranches with maturity periods of five, seven and ten years and have fixed or floating-rate coupons. This step has also significantly extended the maturity profile.

In January, the KION Group received an investment-grade rating for the first time. Fitch Ratings gave the Group a long-term issuer rating of BBB– with a stable outlook, reflecting its improved financial profile, high level of profitability and stable free cash flow. In April, the rating agency Standard & Poor's raised its credit rating for the KION Group from BB+ with a negative outlook to BB+ with a stable outlook.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Business situation and financial performance of the KION Group

Level of orders

Order intake increased to €1,881.7 million, which was significantly higher than in the prior-year period due to organic growth and acquisitions (Q1 2016: €1,296.7 million). The Industrial Trucks & Services segment contributed €1,414.6 million to total order intake, a year-on-year rise of 12.5 per cent (Q1 2016: €1,257.3 million). The Supply Chain Solutions segment, which comprises Dematic (since November 2016) including Egemin Automation and Dematic Retrotech (since March 2016), contributed €461.3 million (Q1 2016: €35.1 million) to the order volume. At €2,306.4 million, the order book was above the high level seen at the end of last year (31 December 2016: €2,244.7 million).

Revenue

The KION Group's consolidated revenue advanced to €1,811.4 million (Q1 2016: €1,220.6 million). This was due to both organic growth and the acquisitions. The share of consolidated revenue attributable to the service business was 39.7 per cent (Q1 2016: 46.2 per cent). Revenue with third parties in the Industrial Trucks & Services segment was up by 10.5 per cent year on year to €1,322.9 million (Q1 2016: €1,196.9 million). The Supply Chain Solutions segment generated revenue of €482.2 million (Q1 2016: €19.8 million excluding Dematic), representing 26.6 per cent of consolidated revenue. > TABLE 02

Revenue with third parties by product category TABLE 02

in € million	Q1 2017	Q1 2016	Change
Industrial Trucks & Services	**1,322.9**	**1,196.9**	**10.5%**
New business	724.4	638.8	13.4%
Service business	598.5	558.1	7.2%
– Aftersales	349.8	330.0	6.0%
– Rental business	146.1	131.6	11.1%
– Used trucks	70.1	70.1	0.1%
– Other	32.5	26.5	22.6%
Supply Chain Solutions	**482.2**	**19.8**	**> 100%**
Business Solutions	362.2	13.4	> 100%
Service business	120.0	6.4	> 100%
Corporate Services	**6.2**	**4.0**	**56.2%**
Total revenue	**1,811.4**	**1,220.6**	**48.4%**

Revenue with third parties by customer location

TABLE 03

in € million	Q1 2017	Q1 2016	Change
Western Europe	1,105.0	906.0	22.0%
Eastern Europe	116.8	96.8	20.7%
Middle East and Africa	47.1	21.2	> 100%
North America	283.7	27.3	> 100%
Central and South America	40.4	35.1	15.1%
Asia-Pacific	218.4	134.2	62.8%
Total revenue	**1,811.4**	**1,220.6**	**48.4%**

Revenue by customer location

The revenue growth in the Industrial Trucks & Services segment was the result of an increase in unit sales across all regions. Within the EMEA region, the KION Group generated significant growth in Germany, the United Kingdom, Italy and Spain as well as in the eastern European markets. In the APAC region, the Group particularly benefited from strong demand in China.

The significant rise in revenue in North America was mainly attributable to the first-time inclusion of the contribution from Dematic in the Supply Chain Solutions segment in the first three months of 2017. For the KION Group as a whole, 20.2 per cent of revenue in the reporting period (Q1 2016: 23.5 per cent) was accounted for by fast-growing markets. Overall, 81.3 per cent of revenue (Q1 2016: 75.1 per cent) was generated outside Germany. > TABLE 03

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) reached €96.6 million, which was 8.5 per cent above the same period of the previous year (Q1 2016: €89.0 million). This includes the negative purchase price allocation effects of €46.6 million (Q1 2016: €6.7 million), which, in the quarter under review, were largely attributable to the acquisition of the Dematic Group. EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) was significantly higher than in the prior-year period at €152.9 million (Q1 2016: €98.6 million). The adjusted EBIT margin rose to 8.4 per cent (Q1 2016: 8.1 per cent). > TABLE 04

Earnings before interest, tax, depreciation and amortisation (EBITDA) reached €253.3 million, compared with €190.0 million in the prior-year period. Adjusted EBITDA rose to €263.0 million (Q1 2016: €191.7 million). This equates to an adjusted EBITDA margin of 14.5 per cent (Q1 2016: 15.7 per cent). > TABLE 05

EBIT TABLE 04

in € million	Q1 2017	Q1 2016	Change
EBIT	**96.6**	**89.0**	**8.5%**
+ Non-recurring items	9.7	2.9	> 100%
+ PPA items	46.6	6.7	> 100%
Adjusted EBIT	**152.9**	**98.6**	**55.1%**

EBITDA TABLE 05

in € million	Q1 2017	Q1 2016	Change
EBITDA	**253.3**	**190.0**	**33.3%**
+ Non-recurring items	9.7	1.8	> 100%
+ PPA items	0.0	0.0	– 100.0%
Adjusted EBITDA	**263.0**	**191.7**	**37.2%**

Key influencing factors for earnings

The cost of sales advanced to €1,354.6 million (Q1 2016: €872.5 million). This year-on-year rise was mainly attributable to the Supply Chain Solutions segment and the acquisition of Dematic. Higher material prices also impacted on the cost of sales. As a result, the gross margin was down year on year at 25.2 per cent. However, there was a disproportionately small increase in selling expenses, development costs and administrative expenses.

The change in the cost of sales and in other functional costs is shown in > TABLE 06.

(Condensed) income statement TABLE 06

in € million	Q1 2017	Q1 2016	Change
Revenue	1,811.4	1,220.6	48.4%
Cost of sales	–1,354.6	–872.5	–55.3%
Gross profit	**456.8**	**348.2**	**31.2%**
Selling expenses and administrative expenses	–331.1	–243.3	–36.1%
Research and development costs	–34.4	–24.7	–38.8%
Other	5.2	8.8	–41.5%
Earnings before interest and taxes (EBIT)	**96.6**	**89.0**	**8.5%**
Net financial expenses	–35.8	–40.4	11.4%
Earnings before taxes	**60.7**	**48.5**	**25.1%**
Income taxes	–18.7	–15.5	–20.7%
Net income for the period	**42.0**	**33.0**	**27.2%**

Net financial income / expenses

The net financial expenses representing the balance of financial income and financial expenses came to €35.8 million in the first three months of this year (Q1 2016: €40.4 million). In the first quarter of last year, net financial expenses had included one-off financial expenses of €25.7 million incurred in connection with optimisation of the financing structure.

Income taxes

Income tax expenses amounted to €18.7 million (Q1 2016: €15.5 million). The tax rate was 30.8 per cent (Q1 2016: 31.9 per cent).

Net income for the period

Net income amounted to €42.0 million, up by 27.2 per cent on the figure of €33.0 million in the first quarter of 2016. Earnings per share attributable to the shareholders of KION GROUP AG came to €0.39 (Q1 2016: €0.33) based on 108.6 million (Q1 2016: 98.7 million) no-par-value shares.

Business situation and financial performance of the segments

Industrial Trucks & Services segment

Business performance and order intake

The operating units in the Industrial Trucks & Services segment increased orders for new trucks by 14.4 per cent to 49.9 thousand units in the first quarter, with the KION Group generating double-digit growth in all product groups. There was also strong growth at regional level. Of this total, 62.1 per cent was accounted for by the Linde brand including Fenwick, 29.9 per cent by the STILL brand including OM STILL and the remaining 8.0 per cent by the brands Baoli and Voltas.

The total value of order intake rose by 12.5 per cent to €1,414.6 million (Q1 2016: €1,257.3 million). > TABLE 07

Key figures – Industrial Trucks & Services – TABLE 07

in € million	Q1 2017	Q1 2016	Change
Order intake	1,414.6	1,257.3	12.5%
Total revenue	1,323.2	1,197.0	10.5%
EBITDA	227.6	199.4	14.1%
Adjusted EBITDA	228.1	200.6	13.7%
EBIT	128.4	103.4	24.1%
Adjusted EBIT	129.1	111.8	15.4%
Adjusted EBITDA margin	17.2%	16.8%	–
Adjusted EBIT margin	9.8%	9.3%	–

Revenue

The segment's total revenue amounted to €1,323.2 million, an increase of 10.5 per cent compared with the first three months of last year (Q1 2016: €1,197.0 million). The new truck business generated especially strong growth of 13.4 per cent. While revenue from electric forklift trucks and warehouse trucks was significantly higher year on year, there was a slight decline in revenue from diesel trucks overall. Within the service business, the aftersales and rental businesses made substantial gains. The proportion of external revenue in the Industrial Trucks & Services segment accounted for by service business came to 45.2 per cent overall (Q1 2016: 46.6 per cent).

Earnings

The positive trend in revenue combined with the efficiency measures implemented meant that adjusted EBIT at €129.1 million was higher than in the prior-year period (Q1 2016: €111.8 million). The adjusted EBIT margin for the segment increased to 9.8 per cent (Q1 2016: 9.3 per cent). Even after taking into account non-recurring items and purchase price allocation effects, EBIT was significantly higher year on year at €128.4 million (Q1 2016: €103.4 million).

Adjusted EBITDA stood at €228.1 million (Q1 2016: €200.6 million). This equated to an adjusted EBITDA margin of 17.2 per cent (Q1 2016: 16.8 per cent).

Supply Chain Solutions segment

Business performance and order intake

Order intake in the Supply Chain Solutions segment amounted to €461.3 million in the first quarter of 2017 (Q1 2016: €35.1 million) and includes not only long-term project business but also the service business. > TABLE 08

Key figures – Supply Chain Solutions – TABLE 08

in € million	Q1 2017	Q1 2016	Change
Order intake	461.3	35.1	> 100%
Total revenue	483.0	19.8	> 100%
EBITDA	35.5	–0.6	> 100%
Adjusted EBITDA	41.0	–0.6	> 100%
EBIT	–17.6	–1.4	<–100%
Adjusted EBIT	34.2	–0.8	> 100%
Adjusted EBITDA margin	8.5%	–3.2%	–
Adjusted EBIT margin	7.1%	–4.2%	–

Revenue

The segment reported revenue of €483.0 million (Q1 2016: €19.8 million excluding Dematic). Business solutions activities – the long-term project business – accounted for 75.1 per cent of revenue and the service business for 24.9 per cent. The segment generated around 52.8 per cent of its revenue in North America.

Earnings

Adjusted EBIT of €34.2 million (Q1 2016: minus €0.8 million excluding Dematic) resulted in an adjusted EBIT margin of 7.1 per cent (Q1 2016: minus 4.2 per cent). After taking into account non-recurring items and purchase price allocation effects, EBIT came to minus €17.6 million (Q1 2016: minus €1.4 million).

Adjusted EBITDA amounted to €41.0 million with an adjusted EBITDA margin of 8.5 per cent.

Corporate Services segment

Business performance

The Corporate Services segment comprises holding companies and other service companies that provide services such as IT and logistics across all segments.

Revenue and earnings

The segment's total revenue, which mainly resulted from internal IT and logistics services, came to €64.1 million (Q1 2016: €53.0 million).

Adjusted EBIT for the segment was well into positive territory at €164.4 million (Q1 2016: minus €12.4 million) thanks to intra-group dividend income of €175.7 million. Accordingly, adjusted EBITDA came to €168.6 million (Q1 2016: minus €8.2 million). > TABLE 09

Net assets

Non-current assets declined slightly, falling to €8,938.9 million (31 December 2016: €9,004.6 million). Intangible assets accounted for €6,152.3 million (31 December 2016: €6,236.7 million). Within that amount, goodwill and the KION Group's brand names totalled €4,551.9 million (31 December 2016: €4,578.1 million).

Rental assets stood at €582.9 million (31 December 2016: €575.3 million). Leased assets for leases with end customers that are classified as operating leases increased to €443.9 million (31 December 2016: €429.7 million). Long-term lease receivables arising from leases with end customers that are classified as finance leases were virtually unchanged on the end of last year at €537.7 million (31 December 2016: €531.3 million).

Key figures – Corporate Services – TABLE 09

in € million	Q1 2017	Q1 2016	Change
Order intake	64.1	53.0	20.9%
Total revenue	64.1	53.0	21.0%
EBITDA	164.8	–8.8	> 100%
Adjusted EBITDA	168.6	–8.2	> 100%
EBIT	160.6	–13.0	> 100%
Adjusted EBIT	164.4	–12.4	> 100%

(Condensed) statement of financial position TABLE 10

in € million	31/03/2017	in %	31/12/2016	in %	Change
Non-current assets	8,938.9	77.4%	9,004.6	79.3%	–0.7%
Current assets	2,614.4	22.6%	2,354.6	20.7%	11.0%
Total assets	**11,553.2**	**–**	**11,359.2**	**–**	**1.7%**
Equity	2,560.0	22.2%	2,535.1	22.3%	1.0%
Non-current liabilities	6,119.1	53.0%	6,151.7	54.2%	–0.5%
Current liabilities	2,874.2	24.9%	2,672.5	23.5%	7.5%
Total equity and liabilities	**11,553.2**	**–**	**11,359.2**	**–**	**1.7%**

Current assets rose to a total of €2,614.4 million (31 December 2016: €2,354.6 million), primarily as a result of higher inventories in the Industrial Trucks & Services segment. The KION Group's net working capital, which, following the integration of Dematic, now comprises inventories and trade receivables less trade payables and advances received as well as unbilled construction contracts (net), was slightly lower at 31 March 2017, falling to €489.4 million (31 December 2016: €495.9 million).

Cash and cash equivalents went up to €336.8 million as at 31 March 2017 (31 December 2016: €279.6 million). > TABLE 10

Financial position

In the first quarter of 2017, the KION Group used the promissory note to partly refinance the bridge loan of €2,543.2 million that it had taken out to finance the Dematic acquisition (acquisition facilities agreement, AFA). Tranche A2 of the AFA of €343.2 million, which was due to mature in February 2018, was repaid in full, while tranche B of the AFA of €1,200.0 million, due to mature in November 2018, has now been reduced to a residual amount of €536.2 million. The third tranche of the bridge loan, which has a volume of €1,000.0 million, is still due to mature in November 2021.

The promissory note, which was issued with a nominal value totalling €1,010.0 million up to 31 March 2017, are divided into several tranches maturing in May 2022, April 2024 and April 2027 and have floating-rate or fixed coupons. In the first quarter of 2017, the KION Group entered into a number of interest-rate derivatives in order to hedge the interest-rate risk resulting from the floating-rate tranches (cash flow hedge). The bridge loan, which originally had an agreed financing volume of €3,000.0 million, had already been reduced as a result of a capital increase in July 2016 that generated gross proceeds of around €459.3 million.

KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the senior facilities agreement (SFA) and the AFA; it is the borrower in respect of all the payment obligations resulting from the promissory note. All covenants were complied with as at the end of the quarter.

Analysis of capital structure

Overall, current and non-current liabilities had risen to €8,993.2 million as at 31 March 2017 (31 December 2016: €8,824.2 million).

The financial liabilities recognised in the statement of financial position under liabilities rose slightly to reach €3,193.9 million (31 December 2016: €3,183.0 million). After deduction of cash and cash equivalents, net financial debt amounted to €2,857.1 million compared with €2,903.4 million at the end of 2016. This equated to 2.8 times the adjusted EBITDA on an annualised basis.

Long-term borrowing net of borrowing costs was virtually unchanged on the end of last year at €2,890.0 million (31 December 2016: €2,889.1 million). This includes the promissory note issued with a volume of €1,010.0 million in the first quarter of 2017. As at 31 March 2017, the residual amount owed under the bridge loan (AFA) was €1,536.2 million, while €350.0 million of the senior facilities agreement was drawn down on a long-term basis. The unused, unrestricted SFA loan facility stood at €892.3 million as at 31 March 2017. > TABLE 11

Net financial debt TABLE 11

in € million	31/03/2017	31/12/2016	Change
Liabilities to banks (gross)	2,189.1	3,188.6	–31.3%
Promissory note – gross	1,010.0	–	–
Other financial liabilities to non-banks	7.3	7.2	1.3%
./. Capitalised borrowing costs	–12.5	–12.9	3.1%
Financial liabilities	**3,193.9**	**3,183.0**	**0.3%**
./. Cash and cash equivalents	–336.8	–279.6	–20.5%
Net financial debt	**2,857.1**	**2,903.4**	**–1.6%**

The retirement benefit obligation under defined benefit pension plans had fallen only slightly to a total of €987.3 million end of March 2017 (31 December 2016: €991.0 million) because the discount rates had barely changed.

Lease liabilities arising from sale and leaseback transactions to fund the long-term leasing business with end customers amounted to €1,014.1 million (31 December 2016: €1,007.2 million). Of this total, €722.7 million related to non-current and €291.4 million to current lease liabilities.

The liabilities from the short-term rental fleet and from procurement leases are reported under other financial liabilities. As at 31 March 2017, other financial liabilities included liabilities of €434.3 million (31 December 2016: €440.0 million) arising from sale-and-leaseback transactions used to finance the short-term rental fleet. The other financial liabilities also included liabilities from residual value guarantees amounting to €16.6 million (31 December 2016: €16.7 million).

At €2,560.0 million, consolidated equity was close to the equivalent figure at the end of last year (31 December 2016: €2,535.1 million). Net income was partly offset by a very slight other comprehensive loss. The equity ratio was 22.2 per cent as at 31 March 2017 (31 December 2016: 22.3 per cent). > TABLE 10

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 €42.7 million in the first quarter, compared with €27.8 million in the first three months of 2016. Once again, the main areas of spending in the Industrial Trucks & Services segment, which came to €28.8 million, were capitalised development costs in the LMH EMEA and STILL EMEA operating units and the expansion and modernisation of production and technology sites. Capital expenditure in the Supply Chain Solutions segment related to capitalised development costs and, above all, software and licences.

Analysis of liquidity

Cash and cash equivalents increased from €279.6 million at the end of 2016 to €336.8 million as at 31 March 2017. Taking into account the credit facility that was still freely available, the unrestricted cash and cash equivalents available to the KION Group at the end of the quarter amounted to €1,226.2 million (31 December 2016: €1,200.8 million).

The KION Group's net cash provided by operating activities totalled €106.1 million, which was above the comparable prior-year figure of €32.8 million. Overall, both EBIT and the change in net working capital, which at €11.1 million was relatively stable compared with the end of 2016 (31 March 2016: minus €92.4 million), contributed to the net cash provided.

The net cash used for investing activities totalled €41.6 million in the first quarter (Q1 2016: €53.2 million). Cash payments for development (R&D) and for property, plant and equipment amounted to €42.7 million (Q1 2016: €27.8 million) and now also include capital expenditure by the Dematic Group.

Free cash flow – the sum of cash flow from operating activities and investing activities – amounted to €64.5 million (Q1 2016: minus €20.4 million).

Cash flow from financing activities amounted to minus €6.5 million (Q1 2016: plus €15.2 million). The financial debt of €1,297.6 million taken up was largely attributable to the issuance of the promissory note in an amount of €1,010.0 million. This amount was more than offset by repayments totalling €1,285.3 million, mainly of the bridge loan (AFA).

Overall, there was a year-on-year reduction in interest payments in the first quarter as a result of the optimised financing structure (including the financing for the Dematic acquisition). The net cash used for current interest payments totalled €16.0 million (Q1 2016: €19.9 million excluding the early redemption charge paid). > TABLE 12

(Condensed) statement of cash flows TABLE 12

in € million	Q1 2017	Q1 2016	Change
EBIT	96.6	89.0	8.5%
Cash flow from operating activities	106.1	32.8	>100%
Cash flow from investing activities	–41.6	–53.2	21.8%
Free cash flow	**64.5**	**–20.4**	**>100%**
Cash flow from financing activities	–6.5	15.2	<–100%
Effect of foreign exchange rate changes on cash	–0.8	–1.2	38.6%
Change in cash and cash equivalents	**57.2**	**–6.4**	**>100%**

Long-term leasing business

The sales activities of the KION Group are supported by financial services in connection with direct long-term leasing business. In this business, trucks leased directly to the end customer are refinanced by the KION Group. The portfolio of the long-term leasing business, which supports the KION Group's sales activities, continued to be focused predominantly in western Europe as at 31 March 2017.

The long-term leasing business had a positive impact on the KION Group's financial performance (> TABLE 13) in the first quarter of 2017 and also influenced its financial position (> TABLE 14). This information is taken from the internal reporting system and is determined using the assumption of a minimum rate of return on the capital employed. Net financial debt relating to the long-term leasing business increased to €115.6 million (31 December 2016: €106.3 million), reflecting the expansion of these activities. > TABLE 15

Profitability of long-term leasing business

TABLE 13

in € million	Q1 2017	Q1 2016	Change
Revenues	104.9	97.7	7.4%
Adjusted EBITDA	28.7	23.4	22.3%
Adjusted EBIT	1.4	1.6	–13.7%
Earnings before taxes (EBT)	1.2	1.0	17.2%

Financial position of long-term leasing business

TABLE 14

in € million	31/03/2017	31/12/2016	Change
Liabilities to banks	115.6	106.3	8.7%
Liabilities from financial services	16.0	8.3	92.8%
Lease liabilities	1,014.1	1,007.2	0.7%
Calculatory equity	40.2	39.4	2.1%
Total	**1,185.9**	**1,161.2**	**2.1%**
Leased assets	443.9	429.7	3.3%
Lease receivables	742.0	731.5	1.4%
Total	**1,185.9**	**1,161.2**	**2.1%**

Refinancing of long-term leasing business

TABLE 15

in € million	31/03/2017 KION Group	31/03/2017 thereof non-current leasing business	31/12/2016 KION Group	31/12/2016 thereof non-current leasing business
Liabilities to banks	2,189.1	115.6	3,188.6	106.3
Promissory note – gross	1,010.0	–	–	–
Other financial liabilities to non-banks	7.3	–	7.2	–
./. Capitalised borrowing costs	–12.5	–	–12.9	–
Financial liabilities	**3,193.9**	**115.6**	**3,183.0**	**106.3**
./. Cash and cash equivalents	–336.8	–	–279.6	–
Net financial liabilities	**2,857.1**	**115.6**	**2,903.4**	**106.3**
Lease liabilities	1,014.1	1,014.1	1,007.2	1,007.2
Liabilities from financial services	16.0	16.0	8.3	8.3
Interest-bearing net liabilities	**3,887.3**	**1,145.7**	**3,918.9**	**1,121.8**
Liabilities from short-term rental financing	450.9	–	456.7	–
Liabilities from procurement leases	21.5	–	21.0	–
Liabilities from finance leases	**472.4**	**–**	**477.7**	**–**
Net operating debt	**4,359.7**	**1,145.7**	**4,396.6**	**1,121.8**

OUTLOOK

Given its good business and earnings performance in the first quarter of 2017, which was in line with expectations, the KION Group confirms the forecast for 2017 as a whole that was published in the 2016 combined management report.

In 2017, the KION Group aims to build on its successful performance in 2016 and, based on the forecasts for market growth, achieve further increases in order intake, revenue and adjusted EBIT.

The order intake of the KION Group is expected to be between €7,800 million and €8,250 million. The target figure for consolidated revenue is in the range of €7,500 million to €7,950 million. The target range for adjusted EBIT is €740 million to €800 million. The adjusted EBIT margin is predicted to increase above the margin of 9.6 per cent that was generated in 2016. Free cash flow is expected to be in a range between €370 million and €430 million. The target figure for ROCE is in the range of 9.5 per cent to 10.5 per cent.

Order intake in the Industrial Trucks & Services segment is expected to be between €5,450 million and €5,600 million. The target figure for revenue is in the range of €5,300 million to €5,450 million. The target range for adjusted EBIT is €605 million to €630 million. The adjusted EBIT margin is predicted to increase slightly above the margin of 11.3 per cent achieved in 2016.

Order intake in the Supply Chain Solutions segment is expected to be between €2,350 million and €2,650 million. The target figure for revenue is in the range of €2,200 million to €2,500 million. The target range for adjusted EBIT is €195 million to €230 million. The adjusted EBIT margin is predicted to increase significantly above the margin of 1.6 per cent that was generated in 2016.

The outlook is based on the assumption that material prices will hold steady and the current exchange rate environment will remain as it is.

Actual business performance may deviate from our forecasts due, among other factors, to the opportunities and risks described in the 2016 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.

Consolidated income statement

Consolidated income statement TABLE 16

in € million	Q1 2017	Q1 2016
Revenue	1,811.4	1,220.6
Cost of sales	–1,354.6	–872.5
Gross profit	**456.8**	**348.2**
Selling expenses	–208.6	–157.3
Research and development costs	–34.4	–24.7
Administrative expenses	–122.5	–86.0
Other income	17.3	17.1
Other expenses	–11.6	–8.5
Loss (Profit) from equity-accounted investments	–0.5	0.2
Earnings before interest and taxes	**96.6**	**89.0**
Financial income	20.4	18.9
Financial expenses	–56.2	–59.3
Net financial expenses	**–35.8**	**–40.4**
Earnings before taxes	**60.7**	**48.5**
Income taxes	**–18.7**	**–15.5**
Current taxes	–48.1	–15.3
Deferred taxes	29.4	–0.2
Net income for the period	**42.0**	**33.0**
Attributable to shareholders of KION GROUP AG	42.1	32.3
Attributable to non-controlling interests	–0.1	0.8
Earnings per share according to IAS 33 (in €)		
Basic earnings per share	0.39	0.33
Diluted earnings per share	0.39	0.33

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

TABLE 17

in € million	Q1 2017	Q1 2016
Net income for the period	**42.0**	**33.0**
Items that will not be reclassified subsequently to profit or loss	**11.0**	**–57.0**
Gains / losses on defined benefit obligation	10.6	–57.0
thereof changes in unrealised gains and losses	15.1	–80.3
thereof tax effect	–4.5	23.3
Changes in unrealised gains and losses from equity-accounted investments	0.4	–0.0
Items that may be reclassified subsequently to profit or loss	**–28.4**	**–17.2**
Impact of exchange differences	–27.9	–26.4
thereof changes in unrealised gains and losses	–27.9	–26.4
Gains / losses on hedge reserves	–0.5	8.6
thereof changes in unrealised gains and losses	–1.6	11.7
thereof realised gains (–) and losses (+)	2.1	–0.5
thereof tax effect	–1.0	–2.6
Gains / losses from equity-accounted investments	0.0	0.6
thereof changes in unrealised gains and losses	0.0	0.6
Other comprehensive loss	**–17.3**	**–74.2**
Total comprehensive income (loss)	**24.7**	**–41.1**
Attributable to shareholders of KION GROUP AG	24.9	–41.9
Attributable to non-controlling interests	–0.2	0.7

Consolidated statement of financial position

Consolidated statement of financial position – assets TABLE 18

in € million	31/03/2017	31/12/2016
Goodwill	3,584.5	3,605.8
Other intangible assets	2,567.8	2,630.9
Leased assets	443.9	429.7
Rental assets	582.9	575.3
Other property, plant and equipment	672.5	679.1
Equity-accounted investments	72.6	72.7
Lease receivables	537.7	531.3
Other financial assets	46.0	47.5
Other assets	15.3	12.3
Deferred taxes	415.8	420.2
Non-current assets	**8,938.9**	**9,004.6**
Inventories	814.2	672.4
Trade receivables	1,024.3	998.9
Lease receivables	204.4	200.3
Income tax receivables	28.8	35.2
Other financial assets	87.6	82.0
Other assets	118.3	86.2
Cash and cash equivalents	336.8	279.6
Current assets	**2,614.4**	**2,354.6**
Total assets	**11,553.2**	**11,359.2**

Consolidated statement of financial position – equity and liabilities

TABLE 19

in € million	31/03/2017	31/12/2016
Subscribed capital	108.6	108.6
Capital reserves	2,444.6	2,444.4
Retained earnings	225.5	183.4
Accumulated other comprehensive loss	–224.2	–207.0
Non-controlling interests	5.5	5.7
Equity	**2,560.0**	**2,535.1**
Retirement benefit obligation	987.3	991.0
Non-current financial liabilities	2,890.0	2,889.1
Lease liabilities	722.7	722.0
Other non-current provisions	95.7	92.3
Other financial liabilities	345.3	349.3
Other liabilities	207.3	202.8
Deferred taxes	870.8	905.3
Non-current liabilities	**6,119.1**	**6,151.7**
Current financial liabilities	303.9	293.9
Trade payables	956.0	802.2
Lease liabilities	291.4	285.2
Income tax liabilities	77.0	63.0
Other current provisions	157.0	163.4
Other financial liabilities	228.5	222.6
Other liabilities	860.4	842.1
Current liabilities	**2,874.2**	**2,672.5**
Total equity and liabilities	**11,553.2**	**11,359.2**

Consolidated statement of cash flows

Consolidated statement of cash flows TABLE 20

in € million	Q1 2017	Q1 2016
Earnings before interest and taxes	**96.6**	**89.0**
Amortisation, depreciation and impairment charges of non-current assets	156.7	101.0
Other non-cash income (–) and expenses (+)	9.0	8.9
Gains (–)/losses (+) on disposal of non-current assets	0.0	0.9
Changes in leased assets (excluding depreciation) and lease receivables/liabilities	–44.8	–32.9
Change in rental assets (excluding depreciation)	–58.9	–43.8
Change in Net Working Capital*	11.1	–92.4
Cash payments for defined benefit obligations	–5.4	–5.3
Change in other provisions	–2.6	9.1
Change in other operating assets/liabilities	–29.3	15.9
Taxes paid	–26.3	–17.5
Cash flow from operating activities	**106.1**	**32.8**
Cash payments for purchase of non-current assets	–42.7	–27.8
Cash receipts from disposal of non-current assets	2.0	1.1
Dividends received	1.6	0.2
Acquisition of subsidiaries (net of cash acquired) and other equity investments	0.0	–27.3
Cash receipts/payments for sundry assets	–2.5	0.5
Cash flow from investing activities	**–41.6**	**–53.2**

Consolidated statement of cash flows (continued)

TABLE 20

in € million	Q1 2017	Q1 2016
Cash receipts/payments for changes in ownership interests in subsidiaries without change of control	0.2	0.0
Financing costs paid	–1.8	–2.5
Proceeds from borrowings	1,297.6	783.3
Repayment of borrowings	–1,285.3	–735.3
Interest received	2.3	1.5
Interest paid	–16.0	–35.1
Cash receipts/payments from other financing activities	–3.5	3.2
Cash flow from financing activities	**–6.5**	**15.2**
Effect of foreign exchange rate changes on cash and cash equivalents	–0.8	–1.2
Change in cash and cash equivalents	**57.2**	**–6.4**
Cash and cash equivalents at the beginning of the period	279.6	103.1
Cash and cash equivalents at the end of the period	336.8	96.6

* Net Working Capital comprises inventories, trade receivables and unbilled construction contracts (net) less trade payables and advances received

Segment report

The Executive Board, as the chief operating decision-maker (CODM), manages the KION Group on the basis of the following segments: Industrial Trucks & Services, Supply Chain Solutions and Corporate Services. Segment reporting therefore takes into account the organisational and strategic focus of the KION Group.

The KPIs used to manage the 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 effects from purchase price allocations and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT').

Segment report Q1 2017 TABLE 21

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	1,322.9	482.2	6.2	–	1,811.4
Intersegment revenue	0.3	0.7	57.9	–58.9	–
Total revenue	1,323.2	483.0	64.1	–58.9	1,811.4
Earnings before taxes	**118.0**	**–27.9**	**147.3**	**–176.7**	**60.7**
Financial income	11.2	4.3	11.9	–7.0	20.4
Financial expenses	–21.5	–14.6	–25.1	5.0	–56.2
= Net financial expenses / income	–10.4	–10.3	–13.2	–2.0	–35.8
EBIT	**128.4**	**–17.6**	**160.6**	**–174.7**	**96.6**
+ Non-recurring items	0.5	5.4	3.8	–	9.7
+ PPA items	0.2	46.4	0.0	–	46.6
= Adjusted EBIT	**129.1**	**34.2**	**164.4**	**–174.7**	**152.9**
Segment assets	8,747.8	4,711.6	1,422.3	–3,328.5	11,553.2
Segment liabilities	4,582.0	2,128.7	5,630.9	–3,348.4	8,993.2
Carrying amount of equity-accounted investments	72.6	0.0	0.0	–	72.6
Loss from equity-accounted investments	–0.5	0.0	0.0	–	–0.5
Capital expenditure[1]	28.8	11.0	2.9	–	42.7
Amortisation and depreciation[2]	27.2	53.2	4.2	–	84.6
Order intake	1,414.6	461.3	64.1	–58.3	1,881.7
Number of employees[3]	23,142	6,869	669	–	30,680

1 Capital expenditure including capitalised development costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excluding leased and rental assets
3 Number of employees (full-time equivalents) as at 31/03/2017; allocation according to the contractual relationships

> TABLES 21–22 show information on the KION Group's operating segments for the first quarters of 2017 and 2016.

The non-recurring items in the reporting quarter were primarily incurred in connection with Dematic and relate to the integration and the start-up costs in Monterrey (Mexico). They totalled €9.7 million (Q1 2016: €2.9 million).

The effects from purchase price allocations comprised net write-downs and other expenses in relation to the hidden reserves and charges identified as part of the acquisition processes.

Wiesbaden, 26 April 2017
The Executive Board

Segment report for Q1 2016

TABLE 22

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation/ Reconciliation	Total
Revenue from external customers	1,196.9	19.8	4.0	–	1,220.6
Intersegment revenue	0.1	0.0	49.0	–49.2	–
Total revenue	1,197.0	19.8	53.0	–49.2	1,220.6
Earnings before taxes	**94.4**	**–1.5**	**–44.3**	**–0.0**	**48.5**
Financial income	14.2	0.0	8.0	–3.3	18.9
Financial expenses	–23.3	–0.1	–39.3	3.3	–59.3
= Net financial expenses/income	–9.0	–0.1	–31.3	0.0	–40.4
EBIT	**103.4**	**–1.4**	**–13.0**	**–0.0**	**89.0**
+ Non-recurring items	1.7	0.6	0.6	–	2.9
+ PPA items	6.7	0.0	0.0	–	6.7
= Adjusted EBIT	**111.8**	**–0.8**	**–12.4**	**–0.0**	**98.6**
Segment assets	8,425.2	153.7	595.4	–2,577.8	6,596.6
Segment liabilities	4,188.2	81.8	3,106.1	–2,587.3	4,788.8
Carrying amount of equity-accounted investments	74.1	0.0	0.0	–	74.1
Profit from equity-accounted investments	0.2	0.0	0.0	–	0.2
Capital expenditure[1]	25.4	0.3	2.1	–	27.8
Amortisation and depreciation[2]	33.4	0.8	4.2	–	38.4
Order intake	1,257.3	35.1	53.0	–48.8	1,296.7
Number of employees[3]	22,725	475	561	–	23,761

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

Quarterly information

Quarterly information

TABLE 23

in € million	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Order intake	**1,881.7**	**1,782.7**	**1,326.6**	**1,427.1**	**1,296.7**
thereof Industrial Trucks & Services	1,414.6	1,463.8	1,284.2	1,377.8	1,257.3
thereof Supply Chain Solutions	461.3	313.3	38.1	44.7	35.1
Total revenue	**1,811.4**	**1,739.5**	**1,283.2**	**1,343.8**	**1,220.6**
thereof Industrial Trucks & Services	1,323.2	1,441.9	1,252.0	1,311.7	1,197.0
thereof Supply Chain Solutions	483.0	291.1	27.2	27.8	19.8
EBIT	**96.6**	**116.6**	**112.4**	**116.8**	**89.0**
thereof Industrial Trucks & Services	128.4	164.8	136.7	148.2	103.4
thereof Supply Chain Solutions	–17.6	–25.1	–1.8	–3.3	–1.4
Adjusted EBIT	**152.9**	**171.2**	**126.8**	**140.8**	**98.6**
thereof Industrial Trucks & Services	129.1	175.3	143.7	156.0	111.8
thereof Supply Chain Solutions	34.2	9.3	–0.8	–1.7	–0.8
Adjusted EBIT margin	**8.4%**	**9.8%**	**9.9%**	**10.5%**	**8.1%**
thereof Industrial Trucks & Services	9.8%	12.2%	11.5%	11.9%	9.3%
thereof Supply Chain Solutions	7.1%	3.2%	–2.9%	–6.1%	–4.2%
Adjusted EBITDA	**263.0**	**277.6**	**224.1**	**238.2**	**191.7**
thereof Industrial Trucks & Services	228.1	273.3	236.2	248.7	200.6
thereof Supply Chain Solutions	41.0	13.4	–0.5	–1.4	–0.6
Adjusted EBITDA margin	**14.5%**	**16.0%**	**17.5%**	**17.7%**	**15.7%**
thereof Industrial Trucks & Services	17.2%	19.0%	18.9%	19.0%	16.8%
thereof Supply Chain Solutions	8.5%	4.6%	–1.9%	–5.1%	–3.2%

DISCLAIMER

Forward-looking statements

This quarterly statement 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 quarterly statement 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 2016 group management report and in this quarterly statement. 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 quarterly statement.

Rounding

Certain numbers in this quarterly statement 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 quarterly statement. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

11 May 2017
Annual General Meeting

26 July 2017
Interim report for the period ended 30 June 2017
Conference call for analysts

26 October 2017
Quarterly statement for the period ended 30 September 2017
Conference call for analysts

Subject to change without notice

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We
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