KION GROUP

ANNUAL REPORT

KION Group
Key figures for 2018

KION Group overview

in € million	2018	2017*	2017	2016	Change 2018/2017*
Order intake	8,656.7	7,979.1	7,979.1	5.833,1	8.5%
Revenue	7,995.7	7,598.1	7,653.6	5.587,2	5.2%
Order book [1,2]	3,300.8	2,614.6	2,614.6	2.396,6	26.2%
Financial performance					
EBITDA	1,540.6	1,457.6	1,185.7	889,5	5.7%
Adjusted EBITDA [3]	1,555.1	1,495.8	1,223.9	931,6	4.0%
Adjusted EBITDA margin [3]	19.4%	19.7%	16.0%	16.7%	–
EBIT	642.8	561.0	549.4	434,8	14.6%
Adjusted EBIT [3]	789.9	777.3	765.6	537,3	1.6%
Adjusted EBIT margin [3]	9.9%	10.2%	10.0%	9.6%	–
Net income	401.6	422.5	426.4	246,1	–4.9%
Financial position [1]					
Total assets	12,968.8	12,337.7	11,228.4	11.297,0	5.1%
Equity	3,305.1	2,992.3	3,148.8	2.495,7	10.5%
Net financial debt	1,869.9	2,095.5	2,095.5	2.903,4	–10.8%
ROCE [4]	9.3%	9.3%	9.9%	6.9%	–
Cash flow					
Free cash flow [5]	519.9	474.3	378.3	–1,850.0	9.6%
Capital expenditure [6]	258.5	218.3	218.3	166.7	18.4%
Employees [7]	**33,128**	**31,608**	**31,608**	**30,544**	**4.8%**

1 Figures as at balance sheet date 31/12/ (adjusted due to the final purchase price allocation Dematic)
2 Order backlog 2016 adjusted to reflect specific customer orders from long-term construction contracts in the segment SCS
3 Adjusted for PPA items and non-recurring items
4 ROCE is defined as the proportion of EBIT adjusted to capital employed
5 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
6 Capital expenditure including capitalised development costs, excluding right-of-use assets
7 Number of employees (full-time equivalents) as at balance sheet date 31/12/
* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

All amounts in this annual report are disclosed in millions of euros (€ million) unless stated otherwise. Due to rounding effects, addition of the individual amounts shown may result in minor rounding differences to the totals. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros (€ thousand).

DIGITAL AND BEYOND

Digitalisation is not simply a buzzword in the KION Group. In fact, it has been a firm part of our DNA for years. Our digital strategy sets a course for the Group's profitable growth in the digital age. We are pressing ahead with our digital transformation, and digital innovation is opening up unimaginable opportunities for our customers.

Contents

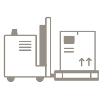
Industry 4.0
The KION Group adds value in production and logistics

INTELLIGENT TRUCKS

- Smart trucks with electronic control units
- Driver assistance systems for greater efficiency

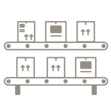
CLOUD-BASED DATA MANAGEMENT

- Fleet data services for centralised control and tracking
- Fleet optimisation provides financial benefits and improved safety



AUTOMATED GUIDED VEHICLES (AGVs)

- Full range of automated trucks
- Enables automation of material handling processes



AUTOMATION SYSTEMS

- Customised and integrated hardware and software solutions
- Robotics solutions for order picking

Company profile

The KION Group is a global leader in industrial trucks, warehouse technology, related services and supply chain solutions. Across more than 100 countries worldwide, the KION Group's logistics solutions optimise the flow of material and information within factories, warehouses and distribution centres. The Group is the largest manufacturer of industrial trucks in Europe, the second-largest producer of forklifts globally and a leading provider of automation technology and software solutions.

The KION Group's world-renowned brands are among the best in the industry. Dematic is a global leader in automated material handling, providing a comprehensive range of intelligent supply chain and automation solutions. The Linde and STILL brands serve the premium industrial truck segment. Baoli focuses on industrial trucks in the economy segment. Among the regional KION brands, Fenwick is the largest supplier of material handling products in France. OM Voltas is a leading provider of industrial trucks in India.

More than 1.4 million industrial trucks and over 6,000 installed systems from the KION Group are deployed by customers in all industries and of all sizes on six continents.

We keep the world moving.

Segments

INDUSTRIAL TRUCKS & SERVICES

The Industrial Trucks & Services segment encompasses forklift trucks, warehouse technology and related services, including complementary financial services. It pursues a multi-brand strategy involving the three international brands Linde, STILL and Baoli plus the regional brands Fenwick and OM Voltas.

Industrial Trucks & Services is made up of four Operating Units: Linde Material Handling EMEA and STILL EMEA, which each concentrate on Europe, the Middle East and Africa, plus KION APAC and KION Americas, which hold cross-brand responsibility for the Asia-Pacific region and for North and South America respectively.

OPERATING UNITS

BRANDS

Linde
FENWICK
STILL
OM VOLTAS
Baoli

PRODUCTS

- Counterbalance trucks with electric drive
- Counterbalance trucks with IC engine
- Warehouse technology: ride-on industrial trucks
- Warehouse technology: hand-operated industrial trucks
- Towing vehicles
- Automated trucks and autonomous trucks

SUPPLY CHAIN SOLUTIONS

The Supply Chain Solutions segment encompasses integrated technology and software solutions that are used to optimise supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and multishuttle warehouse systems to picking and value-added packing. The Supply Chain Solutions segment comprises the Dematic brand.

OPERATING UNITS

BRANDS

DEMATIC

PRODUCTS

- Conveyors
- Sorters
- Storage and retrieval systems
- Picking equipment
- Palletisers
- Robotics solutions

CORPORATE SERVICES

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

INTERNAL SERVICES

HOLDING COMPANY FUNCTIONS

KION GROUP

DIGITAL AND BEYOND

Digitalisation is a key field of action of our KION 2027 strategy, and we are transforming the Company in order to remain the market leader in a digital world. We are developing digital solutions that improve the efficiency of our customers' intralogistics and digitalising our internal processes to increase our performance. The growing use of digital technologies is also the focus of our research and development activities, through which we are defining and shaping the future of intralogistics – from conventional to digital and beyond.

More information on these topics is available here: kiongroup.com

KION DIGITAL CAMPUS

The innovation lab for the digital revolution. >

Patrick Tomczak and his team are working on the future of intralogistics

INDUSTRIAL INDOOR LOCALISATION

A MAP FOR TRUCKS. >

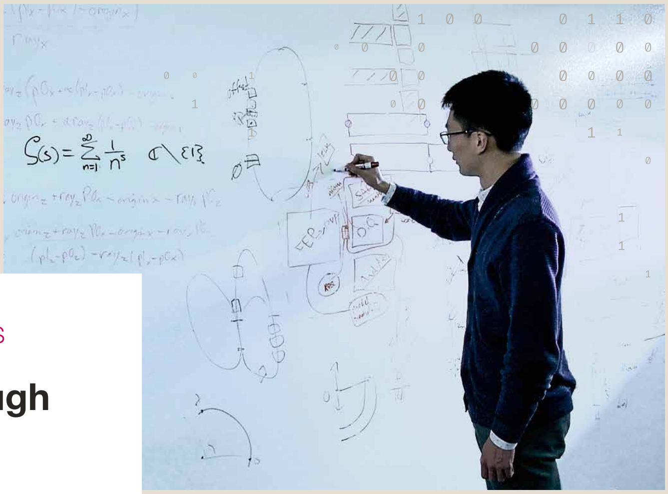
Digital maps that simplify processes and allow trucks to find their routes

ROBOTICS

Software that speeds up processes. >

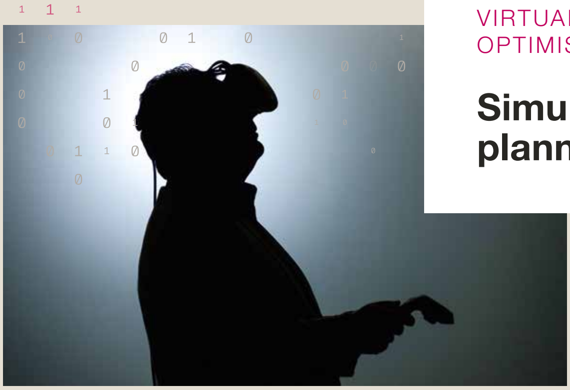
Machine learning that enables sophisticated product recognition and high throughput of goods

Data analysis, cloud architecture and networked machines represent a paradigm shift



INTERNET OF THINGS

Progress through networking. >



VIRTUAL WAREHOUSE OPTIMISATION

Simulations provide planning certainty. >

Proactive warehouse management using innovative software solutions


A

TO OUR SHAREHOLDERS

Letter to Shareholders

Dear shareholders, customers, partners, employees and friends of the KION Group,

We all experience on a daily basis how rapidly the world around us is changing. The rate of progress is accelerating; product and innovation cycles are getting shorter. In the Information Age, connectivity and the sharing of data are the new success factors. The Internet of Things, which links the physical with the virtual, is opening up unimaginable opportunities. One megatrend in particular – digitalisation – has emerged as an important driver that will also have a lasting influence on intralogistics. Digitalisation is transforming our world, and the way in which we live and work. For us, this change is an opportunity to help shape the future of Industry 4.0 on behalf of our customers and to define the key intralogistics technologies of tomorrow. The challenge is great, but it is one that we are fully motivated and fully committed to meeting.

Our mission is to remain the vanguard of our industry

Last year, we demonstrated yet again that we are the vanguard of our industry. Our unique range of products and services enabled us to consolidate our position as the global number two for forklift trucks and warehouse technology and a leading supplier of supply chain solutions. Automation and digitalisation are part of our DNA. Our automated systems serve as a benchmark in the intralogistics sector. But we are not content to rest on our laurels and have created a dedicated Executive Board role for digitalisation in order to maintain and build on our technological leadership. The appointment of Susanna Schneeberger as Chief Digital Officer (CDO) highlights the importance that we are attaching to digitalisation and automation under our KION 2027 strategy. Back in January, we launched the Digital Campus, an innovation laboratory that gives strategists, user experience designers and developers a forum for collaborating on quick-turnaround digital projects.

GORDON RISKE
CEO

Digital solutions have been an important part of our product range for a number of years.

Beyond these recent initiatives, digital solutions have been an important and growing part of our product range for a number of years and are strengthening our position as an industry leader. Linde Safety Pilot and other intelligent assistance systems are enhancing warehouse safety, dynamic mast control is counteracting mast oscillation in reach trucks and autonomous picking trucks such as STILL's iGo neo are easing the workload of operatives. The collection, smoothing and analysis of data are presenting opportunities for intralogistics that we are creating for our customers through the medium of warehouse management software and digital fleet management. Solutions such as Linde connect and STILL neXXt fleet can optimise capacity utilisation and raise productivity. Many other applications, including special servicing apps and predictive maintenance for industrial trucks, are facilitating the work of our customers and their employees.

Many of our solutions facilitate the work of our customers and their employees.

Market leader in mobile automation

Automation is also a top priority for us. In the area of automated order pickers and storage and retrieval systems, we are the global market leader. We can meet our customers' growing demand for speed and precision in logistics. Our automated guided vehicles (AGVs) deliver huge benefits wherever applications require continuous throughput or recurring processes can be automated. Guided by a laser scanner, for example, they are able to move on their own and transport, store and retrieve goods.

We have established ourselves as a leading supplier of automated systems thanks to Dematic's broad-ranging portfolio. Every Dematic system uses the Dematic iQ software platform, which consolidates all key data related to warehouse operations and delivers significant efficiency gains. It allows us to greatly improve our customers' warehouse processes – whether the workflows are manual, semi-automated or fully automated. Our robotic picking system is a software-controlled robot arm that is equipped with sensors and visual processing capabilities and has the ability to grip objects. Because the system is more efficient at completing repetitive tasks, it can accelerate warehouse processes.

The next steps in our innovation drive

As proud as we are of these achievements, we are not content to let them be our only successes as we continue on our path towards the future of intralogistics. With every innovation, we create important new benefits that give our customers a competitive edge. This is what drives us.

Our developers and IT specialists are working on many other high-potential projects. One of these is our virtual facility software, an online tool that will enable customers to simulate their plans for warehouse expansion. It will make planning much easier and dramatically reduce the number of problems that occur when the new facilities are brought on stream. The KION cloud is the latest and perhaps most comprehensive project in our innovation drive. It is a virtual service centre that gives customers wanting to record and analyse their intralogistics data unlimited capacity and flexibility. We can use this data to develop solutions tailored to their specific challenges in fields ranging from the Internet of Things to artificial intelligence. The KION cloud is the common link between all our activities, which are not only supporting the transformation of intralogistics, but actively shaping it.

We are taking digitalisation and automation to their logical conclusion. Many of our customers are waiting for the fully automated warehouse, which will no longer need to be lit. It requires humans to only be available to monitor the systems. In many of the world's metropolitan regions, warehouse operatives are becoming as scarce a resource as space to locate the warehouses. Thus our customers are sure to be pleased that our automated solutions are helping them inch closer towards the goal of a 'lights-out' warehouse.

Intralogistics has become the key competitive factor in today´s web economy.

The forklift truck business and related services, including financial services, continue to play a key role alongside the development of future technologies. Our Operating Units again launched a variety of important product innovations last year. STILL brought the award-winning RX20 electric forklift truck to the market and reached a milestone in the use of trucks powered by fuel cells. Linde Material Handling rounded out its lithium-ion product range and is now offering customers a choice between lead-acid and lithium-ion batteries in nearly all its warehouse trucks. This has taken us beyond intralogistics to become a leading innovator in drive systems.

With important capital expenditure we are laying the foundations for success in the years ahead.

Upward trend despite unexpected challenges

In 2018, our market-leading products and solutions enabled us to build on the upward trend of recent years. Order intake rose by 8.5 per cent year-on-year to reach a record €8.7 billion, which gives us a healthy basis for 2019 and beyond. We also achieved our outlook for all other key performance indicators, despite the major challenges that faced us during the year related to currency effects, the higher cost of materials, increased personnel expenses and inefficiencies in production caused by bottlenecks at individual suppliers. Revenue increased by 5.2 per cent to almost €8 billion. At €643 million, EBIT was 14.6 per cent higher than the figure for the previous year, while net income amounted to €402 million.

E-commerce, retail, wholesale and production supply chains, and a global economy based on the division of labour – our products and solutions help all of them to function smoothly. Our connected forklift trucks, our automated warehouse systems and, not least, our software are making the logistics chains that form the backbone of the world's economy increasingly efficient. Intralogistics has become the key competitive factor in today's web economy. Our industry's exceptional growth rates are a reflection of this.

The intralogistics market has consistently been expanding at a faster rate than the global economy in recent decades. And the prospects for further growth in the coming years look attractive as well. Worldwide demand for industrial trucks is projected to increase by around four per cent a year and demand for supply chain solutions is expected to see a high single digit percentage increase over the medium term. We will be looking to benefit from these growth markets by offering many new products, services and software solutions as well as a sales and service network that is unparalleled in our industry.

Key investments in the future

In the year ahead, in order to fully exploit this growth potential, we will be continuing to invest in innovative products and solutions and in expanding our capacities. To help achieve the latter, we are building an additional plant in Poland that is scheduled to come on stream in 2020.

In our long-term planning for production and plant structure, we specified which sites will be manufacturing which products going forward. The main plants of Linde Material Handling in Aschaffenburg and STILL in Hamburg will focus on higher-margin, premium products. At these locations too, we will continue investing in expanding capacities and in new production technologies. This capital expenditure is important and essential and with it we are laying the foundations for success and growth in the years ahead.

On behalf of my colleagues on the Executive Board, I would like to personally thank our employees for the excellent results we achieved in 2018. It was a real team effort. Your unfailing dedication to our customers, your creativity and your commitment to our shared values make us the successful company that we are today. The KION Group is entering 2019 in very good shape. The order books are well filled and, in the coming year alone, we will bring around 50 new products and solutions to market. In 2019, as a leading innovator in our industry, we will be looking to again capitalise on the huge opportunities presented to us by digitalisation, automation and the other factors driving the growth of logistics.

With best wishes,

Gordon Riske
Chief Executive Officer
KION GROUP AG

Executive Board of KION GROUP AG

GORDON RISKE

- Chief Executive Officer (CEO)
- born in 1957 in Detroit (USA)

DR EIKE BÖHM

- Chief Technology Officer (CTO)
- born in 1962 in Pforzheim (Germany)

ANKE GROTH

- Chief Financial Officer (CFO) and Labour Relations Director
- born in 1970 in Gelsenkirchen (Germany)

CHING PONG QUEK

- Chief Asia Pacific Officer
- born in 1967 in Batu Pahat/Johor (Malaysia)

SUSANNA SCHNEEBERGER

- Chief Digital Officer (CDO)
- born in 1973 in Uppsala (Sweden)


Susanna Schneeberger
Gordon Riske
Dr Eike Böhm
Ching Pong Quek
Anke Groth

Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

The developments of 2018 fully vindicated the basic assumptions and projected trends that underpin the KION 2027 strategy. In all key regions of our global business, demand for industrial trucks is expanding at around twice the rate of gross national product. The growth in demand is even stronger for the kind of integrated, connected and increasingly automated intralogistics systems that are being employed in the factories and warehouses of industry, retail and wholesale.

The KION Group, as a leading global supplier of supply chain solutions and the world's second-largest manufacturer of industrial trucks, is playing an active role in shaping this trend. 2018 was another highly successful year for the Company.

As part of their general dialogue on strategy during the reporting period, the Executive Board and Supervisory Board endorsed the agreed KION 2027 strategy and discussed its ongoing implementation. Following the acquisition of Dematic, the Company is systematically building on the capabilities and solutions that will allow it to bring digitalisation, connectivity and automation to bear in intralogistics.

Strengthening of the Executive Board: focus on digitalisation, automation and innovation

The creation of the role of Chief Digital Officer (CDO) has combined responsibility for digitalisation and mobile automation at the Executive Board level. Susanna Schneeberger, KION Group's first CDO, brings years of international leadership experience in intralogistics with particular expertise in digitalisation, connectivity and automation.

We extended Dr Eike Böhm's contract as Chief Technology Officer by three years. We are thus ensuring continuity in the ongoing advancement of the Company's core technologies, in product development and in the production system. Reaping synergies, continually improving efficiency and effectiveness in production and presenting truck solutions that meet fast-changing customer requirements in the various markets will remain the focus in the coming years. Our objective is clear: for KION to continue to be a leading supplier, offering an extensive portfolio of industrial trucks that meet the very wide-ranging needs of customers around the world.

DR JOHN FELDMANN
Chairman

In Anke Groth, we have recruited an excellent and experienced Chief Financial Officer. She is sharpening the tools that KION uses for analysis and for managing the Company with a view to increasing shareholder value. As Labour Relations Director, she influences the corporate culture and the development of our employees in an increasingly digital working world.

Ching Pong Quek is responsible for developing our strategy in the Asian markets, which are exceptionally important to our industry and so also to KION. We will be using a series of initiatives to build on our position in China in particular but also in the region's other fast-growing economies.

Under the experienced and proven leadership of our Chief Executive Officer, Gordon Riske, the Executive Board team of KION GROUP AG is now in an excellent position to meet its current and future challenges. Strategy and changes to the composition of the Executive Board to bring it in line with future needs were key themes in our work on the Supervisory Board last year. In a spirit of collaboration for the benefit of the Company as well as its customers, employees and owners, the Executive Board team will be focused on working with courage and integrity to ensure the long-term success of the KION Group. It has at its disposal a broad range of expertise and experience in engineering, truck manufacturing and intralogistics, in digitalisation, connectivity and automation, and also in corporate management and the establishment of strong corporate cultures.

As would be expected, implementation of the KION 2027 strategy in the reporting year and the tasks and challenges facing the operational business were the subject of discussion at every meeting of the Supervisory Board and its committees. Servicing and aftersales will continue to play a key role in delivering consistent profitable growth for the Company alongside the development and delivery of intralogistics solutions and the manufacture of trucks and equipment.

Targets achieved despite difficult conditions

The KION Group proved to be a reliable performer yet again in 2018. Every aspect of the outlook for the reporting year was borne out by the actual results. Achieving this was not always easy in 2018. Like many other companies, the KION Group is reliant on suppliers of key components. And it became clear that these suppliers were not always able to cope with the increasing volumes that were required. Delivery delays, rising inventories, costs and an impact on revenue were the result. Thanks to the hard work of all employees, however, the Company was able to largely contain the effects.

The growing number of global trade disputes and their often severe after-effects left their mark on the Company's operating profit, as did exchange rate fluctuations that were partly caused by the trade disputes. But because of the hard work of all employees, the clear strategy and the systematic implementation of its measures, the targets formulated in the outlook were achieved and the faith that our partners put in us was repaid.

The Supervisory Board had, as in previous years, agreed very ambitious targets with the members of the Executive Board which are aligned to the upper end of the ranges in the outlook. These targets were exceeded with regard to order intake. However, they were not fully achieved when it comes to revenue, earnings and cash flow. This will affect the Executive Board's variable remuneration.

In addition, neither we nor the shareholders of KION GROUP AG were satisfied with the share's performance. Against the backdrop of trade disputes and concerns in the markets about a slowdown in global economic growth, our share price fell significantly – in line with the general trend. This and the question of what would constitute an appropriate response were the subject of intense discussion by the Supervisory Board. In the second and third quarter, the effects of the delivery delays raised concerns and doubts in the capital markets; there was speculation about profit warnings. However, the Company's results were in line with its outlook and thus proved the robustness of its forecasting, its strategy and its efficiency.

Collaboration between the Supervisory Board and Executive Board

Last year, the Supervisory Board continued to fulfil the tasks and responsibilities imposed on it by the law, the Company's articles of association and the German Corporate Governance Code with dedication and diligence.

As in previous years, the Supervisory Board discussed numerous other issues and transactions requiring consent, made necessary decisions, regularly advised the Executive Board on all significant matters relating to managing the Company and monitored the Executive Board's running of the Company's business. The Supervisory Board was always fully involved in major decisions affecting the Company from an early stage. The Executive Board always notified the Supervisory Board of every significant aspect of the decisions to be made promptly and in detail, providing both written and oral reports. Between meetings of the Supervisory Board and between those of its committees, the chairman of the Supervisory Board, who is also chairman of its Executive Committee, remained in close contact at all times with the Executive Board, particularly the Chief Executive Officer and the Chief Financial Officer. There was also regular contact between the chairman of the Audit Committee and both the Chief Financial Officer and those responsible for internal audit and compliance in the Company. The Supervisory Board satisfied itself at all times that the Company was being managed lawfully and diligently by the Executive Board. Giving the specified period of notice, the Executive Board presented to the Supervisory Board transactions that, according to the law, the Company's articles of association or the rules of procedure for the Executive Board of KION GROUP AG, require the Supervisory Board's consent so that it could adopt resolutions. The Supervisory Board examined closely the resolutions proposed by the Executive Board and deliberated on them before adopting them.

Sustainability report

The Supervisory Board discussed in detail the report on non-financial key performance indicators for the financial year 2017 (sustainability report), which was produced for the first time after having been piloted for the financial year 2016. In the opinion of the Supervisory Board, business management focused on sustainability provides the Company with a 'licence to operate', i.e. a basis for society's acceptance of the Company and its business model. The report documents the Company's existing sustainability management processes and those that are being implemented. Taking its cue from the initial voluntary sustainability report presented in 2017, the Supervisory Board discussed the topic with the Executive Board and the relevant managers in the Company. The Supervisory Board engaged the auditors to review the content of the non-financial Group report for 2018 pursuant to section 315b of the German Commercial Code (HGB). It will take account of the auditors' assessment in its own review of the non-financial Group report and in the resolution to be adopted. The sustainability report, including the non-financial Group report, will be published on the Company's website by 30 April 2019.

Corporate governance

Data protection and data security are integral elements of our business processes. Greater digitalisation requires personal integrity, particularly when working with IT systems. At the end of May 2018, the largely harmonised new regulations pertaining to data protection at European Union level came into force. The Supervisory Board discussed at great length the consequences of this and the Company's preparations to implement the new requirements and received reports on the matter from the Executive Board.

In the second half of the year, another review was carried out of the efficiency of the Supervisory Board's work. External consultants were engaged, as they were for the previous efficiency review, in 2015. The findings of the review were presented and discussed at the December meeting of the Supervisory Board. As was the case in 2015, the reviewers gave a very good assessment of the work of the Company's Supervisory Board. The members of the Supervisory Board saw it as a particular positive that suggestions for improvements to the Supervisory Board's processes resulting from the previous efficiency review had been taken up and implemented.

No amendments were made to the German Corporate Governance Code in 2018. At its meeting on 12 December 2018, the Supervisory Board held its final discussion on the KION Group's compliance with the unchanged recommendations and suggestions of the German Corporate Governance Code and issued an unchanged comply-or-explain statement pursuant to section 161 of the German Stock Corporation Act (AktG). This has been made permanently available to the public on the KION GROUP AG website. KION GROUP AG complies with all but one of the recommendations in the German Corporate Governance Code (version dated 7 February 2017) and intends to continue to do so in future. As in previous years, the only recommendation of the Code with which KION GROUP AG does not comply is the recommendation in section 3.8 (3) of the Code for an excess in the D&O insurance policies for members of the Supervisory Board. KION GROUP AG's articles of association do not provide for this type of excess. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany. The Supervisory Board acknowledged the new version of the Code announced in October 2018. The chairman of the Supervisory Board actively participated in the consultation process for the new version of the Code. The Supervisory Board generally welcomes the attempts made to focus and streamline the Code's content. However, certain recommendations that were still under discussion at the time this report was completed, are viewed critically. Once the new version of the Code comes into force, the Company will complete its review of the recommendations contained with the Code and how they compare with the processes in place at the Company. The annual comply-or-explain statement for 2019 is scheduled to be discussed at the December meeting, after which the findings of this review will be published.

The Supervisory Board has decided to review the remuneration system and level of remuneration for the members of the Executive Board of KION GROUP AG in 2019, once ARUG (the German law implementing the European Shareholders' Rights Directive) has come into force and the updated German Corporate Governance Code, which we believe should make reference to ARUG, has taken effect. The Supervisory Board has already entered into consultancy agreements concerning this matter with an independent and specialized board compensation advisory firm.

In accordance with section 3.10 of the German Corporate Governance Code, the Executive Board and the Supervisory Board provide a detailed report on corporate governance at KION GROUP AG in the corporate governance report. This is combined with the declaration on corporate governance pursuant to section 289f and 315d HGB and can be found on pages 36 to 45 of this annual report and on the KION GROUP AG website at kiongroup.com/GovernanceReport.

Work of the committees

KION GROUP AG's Supervisory Board had four standing committees last year: the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee and the Nomination Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. The chairman of the Supervisory Board is also chairman of all committees except the Audit Committee. The chairmen of the committees each report regularly to the full Supervisory Board on their committee's deliberations. In addition, the minutes of the committee meetings are distributed to the other members of the Supervisory Board for information purposes once the committee members have approved them.

In 2018, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 16 meetings. These consisted of six meetings of the full Supervisory Board, four of the Executive Committee, five of the Audit Committee and one of the Nomination Committee. The Mediation Committee did not meet in the reporting period. There were also several conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information. In 2018, all members of the Supervisory Board attended all Supervisory Board meetings and the meetings of the respective committees of which they were members apart from in the following cases:

There were four (of the six) Supervisory Board meetings at each of which one member sent apologies and two committee meetings at each of which one member sent apologies. Two Supervisory Board meetings took place in the period from 1 January to 9 May 2018 when Denis Heljic was a member of the Supervisory Board. Denis Heljic attended only one of these two meetings.

Engagement of the auditors; audit of the separate and consolidated financial statements

The Company's independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte), Munich, Frankfurt am Main branch office, audited the separate financial statements, the consolidated financial statements and the combined management report for KION GROUP AG and the Group for the year ended 31 December 2018 following their engagement by the Annual General Meeting on 9 May 2018. The corresponding proposal to the Annual General Meeting had been prepared in meetings held between the chairman of the Audit Committee and the auditors. The proposal was discussed at the Audit Committee's meeting on 21 February 2018 and committee members were given the opportunity to speak to the auditors in person.

The key audit matters were discussed and set out accordingly at the Audit Committee's meeting on 25 July 2018. The auditors were appointed by the chairman of the Supervisory Board on 24 October 2018.

The auditors submitted their report and the documents relating to the 2018 financial statements to the members of the Audit Committee on 12 February 2019 and to the members of the Supervisory Board on 20 February 2019. The report was discussed in depth at the Audit Committee meeting on 20 February 2019 and at the full Supervisory Board meeting on 27 February 2019, both of which were attended by the auditors. At both of those meetings, the auditors reported in detail on the main findings of the audit and discussed these with the members of the Audit Committee and the full Supervisory Board respectively.

The auditors issued an unqualified opinion for the separate financial statements for the year ended 31 December 2018, the consolidated financial statements and the group management report, which was combined with the Company's management report, for the year ended 31 December 2018 on 20 February 2019. Having itself scrutinised the Company's separate financial statements, consolidated financial statements and combined management report for the year ended 31 December 2018, the Audit Committee then made a recommendation to the full Supervisory Board, which the chairman of the Audit Committee explained in more detail in his report to the meeting of the full Supervisory Board. On this basis and taking the auditors' opinion into consideration, the Supervisory Board held a further discussion of its own and then approved the results of the Audit Committee's review at its meeting on 27 February 2019.

Based on the final outcome of its own review, the Supervisory Board did not raise any objections. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended 31 December 2018 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on 27 February 2019, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €1.20 per no-par-value share. In doing so, the Supervisory Board took account of the Company's financial situation and performance, its medium-term financial and capital-expenditure planning and the interests of the shareholders. The Supervisory Board believes the proposed dividend is appropriate.

Relationships with affiliated entities (dependency)

The Supervisory Board also examined the report concerning relationships with affiliated entities (dependency report), which the Executive Board signed off on 20 February 2019. The auditors reviewed this report and issued an auditors' report. Based on their audit, which they completed without identifying any deficiencies on 20 February 2019, the auditors issued the following opinion:

Based on our audit and assessment in accordance with professional standards, we confirm that

- 1. the facts in the report are stated accurately,
- 2. the consideration given by the entity for the transactions specified in the report was not unreasonably high,
- 3. there are no circumstances in respect of the measures specified in the report that would justify an opinion materially different from the opinion of the Executive Board.

The dependency report and the auditors' report about it were submitted to all the members of the Supervisory Board in good time. Both reports were discussed in detail in the presence of the auditors at the Supervisory Board meeting on 27 February 2019 after the auditors had presented their report in person. The Supervisory Board agreed with the findings of the audit. Based on the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's declaration at the end of the report concerning relationships with affiliated entities.

Personnel changes on the Supervisory Board

There were several changes on the Supervisory Board in 2018:

By an order issued by the competent local court on 9 October 2018, Dr Michael Macht was appointed to the Company's Supervisory Board as a shareholder representative. He succeeded Tan Xuguang, who had stepped down on 30 September. In Dr Michael Macht, the Supervisory Board has found a proven production specialist who has a long track record in management in the automotive industry. The experience and skills that he possesses round off those that are already represented on the Supervisory Board. His appointment is fully aligned with the objectives for the composition of the Supervisory Board and the Supervisory Board's profile of skills and expertise adopted in 2017, with its 17 fields of competence. The Supervisory Board would like to thank Mr Tan, who provided invaluable input for the strategic positioning of the Company and the development of its operations, particularly in the key markets in Asia.

Denis Heljic, who stepped down from the Supervisory Board after taking a new role in the Company, was succeeded as an employee representative on the Supervisory Board by Martin Fahrendorf with effect from 10 May 2018. The Supervisory Board would like to thank Mr Heljic for the great dedication with which he always carried out his work as an employee representative in the interests of the Company.

The following changes will be taking place in 2019:

On 5 February 2019, I informed the Company that, following consultation with representatives of the main shareholder, Weichai Power, I will be stepping down as chairman of the Supervisory Board and as a member of the Supervisory Board at the end of the upcoming Annual General Meeting. The Nomination Committee proposed that Dr Michael Macht and Mr Tan Xuguang be elected as new shareholder representatives. Dr Michael Macht was appointed by the court to the Supervisory Board as a shareholder representative for the period until the next Annual General Meeting. The Supervisory Board plans to elect Dr Michael Macht as chairman of the Supervisory Board in the constitutive meeting of the Supervisory Board that follows the Annual General Meeting.

I would like to thank you, our shareholders, for placing your trust in me since 2013 and electing me as a member of the Supervisory Board of KION GROUP AG. I would also like to thank the members of the Supervisory Board for our constructive working relationship, which has focused on building a successful and sustainable company. And my special thanks go to the Executive Board members and the Company's employees. Under the strategically shrewd and far-sighted leadership of the Chief Executive Officer Gordon Riske, who has been steering KION since 2007 with his clear view of what is necessary and possible, KION has evolved into a global leader within intralogistics. Today, KION GROUP AG is extremely well positioned within the global market with expertise, efficiency and a successful business model, and has a solid basis on which to not only meet the future challenges of the markets but also proactively shape them. This will of course require the Company to review its position in the market on an ongoing basis and to continually refine its business models, expertise and processes. Going forward, the task of the Supervisory Board will be to support this process, ensuring that it has the necessary capabilities to do so. I am confident that the Company can continue to justify the faith placed in it by its shareholders, and I wish the Supervisory Board, Executive Board and employees every success in shaping a lasting and successful future based on the Company's core values: integrity, collaboration, courage and excellence.

The details of this report were discussed thoroughly at the Supervisory Board meeting on 27 February 2019 when it was adopted.

My colleagues on the Supervisory Board and I would like to thank the members of the Executive Board and the employees of KION GROUP AG and its Group companies in Germany and abroad for their commitment and outstanding achievements in 2018.

Dr John Feldmann
Chairman

KION shares

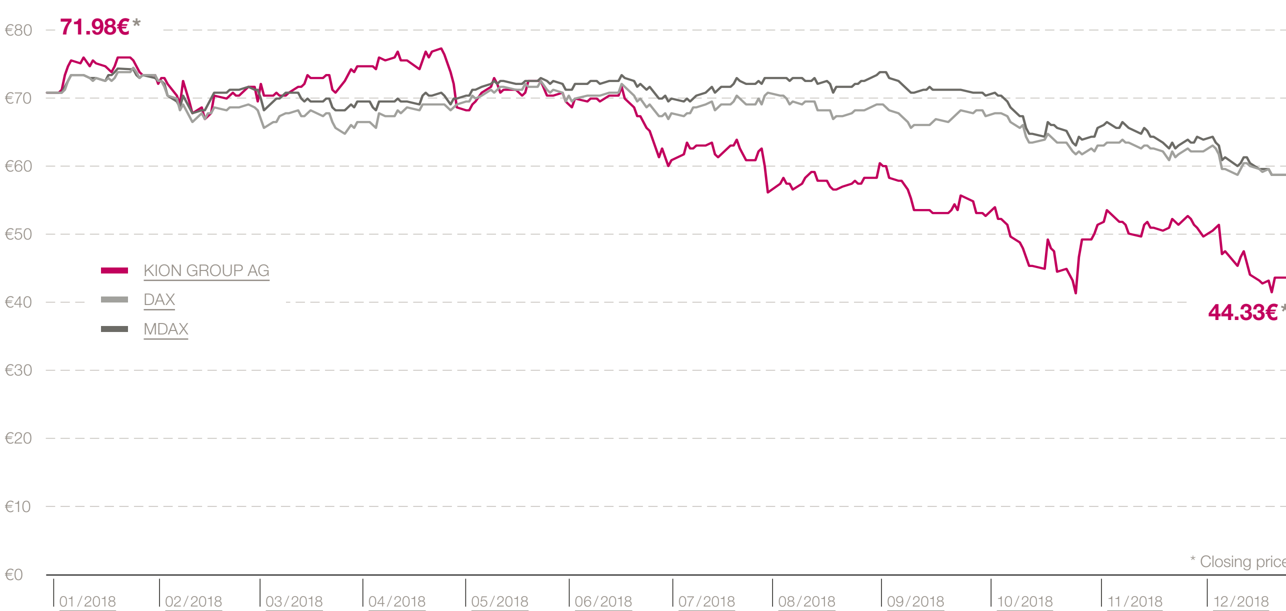
Growing uncertainty impacts on equity markets

The trends in the global equity markets were primarily negative in 2018. After the markets were volatile in the first few months of the year, growing economic uncertainty took its toll on the stock exchanges mainly in the second half of the year, which resulted in a significant correction in global growth forecasts. Geopolitical tensions also had an impact. The ongoing trade dispute between the US and China and the prospect of the US government imposing further protectionist measures must also be mentioned in this context, as must the potential consequences of a hard Brexit, which became much more likely as the year progressed. Investor caution also rose on the back of growing concerns about the stability of the euro in the context of Italy's expansionary fiscal policy. Further downward pressure resulted from the anticipated inversion of the yield curve in the bond markets, triggered by the US central bank's interest-rate hikes. Over the year as a whole, the DAX fell by 18.3 per cent and the MDAX was down by 17.6 per cent.

KION shares affected by price losses

KION shares started 2018 with gains and achieved their highest price of the year of €78.88 on 20 April 2018. The volatile environment in the equity markets meant that it was not possible to maintain this upward trend in the subsequent months, and the price of the shares ended the year at €44.33, which was 38.4 per cent lower than their price at the close of 2017. At the end of 2018, market capitalisation stood at €5.2 billion, of which €2.9 billion was attributable to shares in free float. The average daily Xetra trading volume in 2018 was 295.7 thousand shares or €18.7 million, and thus below the prior year level (332.0 thousand shares or €22.0 million). > DIAGRAM 001

Share price performance between 29 December 2017 and 28 December 2018 DIAGRAM 001



Record dividend agreed at the Annual General Meeting

The Annual General Meeting on 9 May 2018, at which around 80 per cent of the share capital was represented, approved the Supervisory Board and Executive Board's proposals with a large majority. This included a 23.8 per cent increase in the dividend to €0.99 per share (2017: €0.80 per share). The total dividend payout was therefore up by more than a third at €116.8 million compared to the previous year (2017: €86.9 million). This equated to around 35 per cent of the net income for 2017 adjusted for the non-cash remeasurement of (net) deferred tax liabilities in connection with the lowering of the corporate income tax rate in the US. > TABLE 001

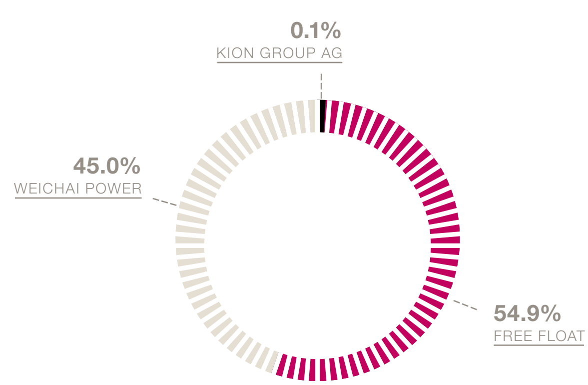
Basic information on KION shares TABLE 001

ISIN	DE000KGX8881
WKN	KGX888
Bloomberg	KGX:GR
Reuters	KGX.DE
Share type	No-par-value shares
Index	MDAX, MSCI World, STOXX Europe 600, FTSE EuroMid

Reliable anchor shareholder, high free float

At the beginning of July 2018, Weichai Power Co., Ltd. announced that it was increasing its shareholding in KION GROUP AG from 43.3 per cent to 45.0 per cent. As at 31 December 2018, the free float accounted for around 54.9 per cent of the shares, while 0.1 per cent were treasury shares. Between 10 and 27 September 2018, KION GROUP AG repurchased a total of 66,000 shares (around 0.06 per cent of the share capital) for use in the KION Employee Equity Programme (KEEP). By 31 December 2018, a total of 38,691 shares had been purchased by staff (31 December 2017: 36,294 shares). The number of shares held in treasury stood at 165,558 as at the reporting date. > DIAGRAM 002

Shareholder structure as at 31 December 2018 DIAGRAM 002



KION shares mainly recommended as a buy

As at 31 December 2018, 21 brokerage houses were following and reporting on the KION Group (31 December 2017: 21). Fifteen analysts recommended KION shares as a buy and six rated them as neutral. The median target price specified for the shares was €64.00 (31 December 2017: €75.00).

Dividend of €1.20 per share planned

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €1.20 per share (2017: €0.99) to the Annual General Meeting on 9 May 2019. Thus the total dividend payout amounts to €141.5 million, up by 21.3 per cent on the prior year. With earnings per share for 2018 of €3.39, this equates to a dividend payout rate of around 35 per cent. The prior year's earnings per share, which is based on net income, was adjusted for the non-cash remeasurement of (net) deferred tax liabilities in connection with the lowering of the corporate income tax rate in the US. > TABLE 002

Stable credit ratings

The KION Group is assigned credit ratings by two of the world's leading independent rating agencies. Since January 2017, the Group has had an investment-grade long-term issuer rating from Fitch Ratings of BBB– with a stable outlook, while Standard & Poor's has classified the Group as BB+ with a positive outlook since September 2017.

Share data

TABLE 002

Closing price at the end of 2017	€71.98
High for 2017	€78.88
Low for 2017	€41.03
Closing price at the end of 2018	€44.33
Market capitalisation at the end of 2018	€5,234.9 million
Performance in 2018	–38.4%
Average daily XETRA-trading volume in 2018 (no. of shares)	295.7 thousand
Average daily XETRA-trading volume in 2018 (€)	€18.7 million
Share capital	€118,090,000
Number of shares	118,090,000
Earnings per share for 2018	€3.39
Dividend per share for 2018*	€1.20
Dividend payout rate*	35%
Total dividend payout*	€141.5 million
Equity ratio as at 31/12/2018	25.5%

* Proposed dividend for the fiscal year 2018

Services for shareholders

Active investor relations work

The objective of investor relations is to ensure, through continuous dialogue, that the capital markets value the Company appropriately. The Executive Board and the KION Group's investor relations team continued their active dialogue with investors and analysts last year. The KION Group participated in many investor conferences in Germany and abroad and held numerous roadshows and one-on-one meetings.

The Annual General Meeting of KION GROUP AG on 9 May 2018, at which around 80 per cent of the share capital was represented, approved the Supervisory Board and Executive Board's proposals with a large majority.

The speeches of the Chief Executive Officer and the chairman of the Supervisory Board were broadcast live at kiongroup.com/agm. A webcast of the Chief Executive Officer's speech is also available on the Company's website.

When the 2017 annual report was published on 1 March 2018, the Executive Board of KION GROUP AG held a financial statements press conference and conference call. It also held a Capital Markets Day at which it presented the updated KION 2027 strategy. At the heart of the strategy are innovation, digitalisation, automation, efficient energy use, and even better products and processes – everything the KION Group needs to continue delivering profitable growth. In addition, the Executive Board held conference calls to report on each set of quarterly results. Recordings from the financial statements press conference and the transcripts from the annual and quarterly conference calls, along with the associated presentations, form part of the extensive information for investors that is available on the Company's website.

Information on the website

Detailed information on KION shares as well as press releases, reports, presentations and information about the Annual General Meeting and corporate governance in the Group can be found at kiongroup.com/ir. The KION Group's annual report is also available here, both as a PDF file and as an interactive online version. The contact details of the investor relations team can be found under IR Contact & Services.

kiongroup.com/ir


B

CORPORATE GOVERNANCE

Corporate governance report

Also constitutes the declaration on corporate governance pursuant to section 289f and section 315d HGB

Corporate governance covers the whole system of managing and monitoring an enterprise, the principles and guidelines that shape its business policy and the system of internal and external control and monitoring mechanisms. The Executive Board and Supervisory Board of KION GROUP AG believe that a commitment, born from responsibility for the Company, to rigorous corporate governance in accordance with the accepted standards is essential to the Company's long-term success. Compliance with these principles also promotes the trust that our investors, employees, business partners and the public have in the management and monitoring of the Company.

There is a close correlation between the corporate governance report required by the German Corporate Governance Code (the 'Code') as amended on 7 February 2017 and the content of the declaration on corporate governance required by section 289f and section 315d of the German Commercial Code (HGB). For this reason, the Executive Board and the Supervisory Board of KION GROUP AG have combined the two statements below in accordance with section 3.10 of the Code. The declaration on corporate governance pursuant to section 289f and section 315d HGB is part of the combined management report. According to section 317 (2) sentence 6 HGB, the information provided in accordance with section 289f and section 315d HGB does not have to be reviewed by the auditor.

1. Comply-or-explain statement pursuant to section 161 (1) AktG

Section 161 (1) of the German Stock Corporation Act (AktG) requires the management board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, and intends to comply with, the recommendations of the Code or stating the recommendations with which it has not complied or does not intend to comply, and the reasons why.

The Executive Board and Supervisory Board submitted the Company's previous comply-or-explain statement on 13/18 December 2017.

Both decision-making bodies again considered the recommendations of the amended Code in detail and, on 3/12 December 2018, issued the following comply-or-explain statement of KION GROUP AG as required by section 161 (1) AktG:

Since issuing the last declaration of conformity in December 2017, KION GROUP AG has complied with all but one of the recommendations of the German Corporate Governance Code (the 'Code') as amended on 7 February 2017 and intends to do so in the future.

In derogation of section 3.8 (3) of the Code, the articles of association of KION GROUP AG do not provide for a deductible for members of the Supervisory Board under D&O insurance. The Company believes that such a deductible is not customary on an international level and would therefore make it considerably more difficult to find independent candidates for the Supervisory Board, in particular candidates from outside Germany.

Frankfurt am Main, 3/12 December 2018

For the Executive Board:

Gordon Riske Anke Groth

For the Supervisory Board:

Dr John Feldmann

The comply-or-explain statement is permanently available to the public on the website of KION GROUP AG at kiongroup.com/comply_statement.

2. Corporate governance practices

The corporate governance of KION GROUP AG is essentially, but not exclusively, determined by the provisions of the German Stock Corporation Act and the German Codetermination Act (MitbestG) and also follows the recommendations of the German

Corporate Governance Code. KION GROUP AG complies with all the Code's recommendations, with one exception. These fundamental principles are combined with a commitment to sustainable business, taking account of society's expectations in the markets in which the Company operates.

In 2018, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the German Stock Corporation Act. The Supervisory Board's Audit Committee, which was set up to support this task, received regular reports on the standard accounting processes, on changes to the regulatory environment and the internal control and risk management systems, and on the audit of financial statements and the effectiveness of this, and then reported back to the full Supervisory Board on these matters.

2.1 Internal control system

KION GROUP AG has an internal control system designed to meet the specific needs of the Company. Its processes are intended to ensure the correctness of the internal and external accounting processes, the efficiency of the Company's business operations and compliance with key legal provisions and internal policies. These control processes also include the Company's strategic planning, where the underlying assumptions and plans are reviewed on an ongoing basis and refined as necessary.

2.2 Accounting-related internal control system

For its accounting process, the KION Group has defined suitable structures and processes as part of its internal control and risk management system and implemented them throughout the Group. Besides defined control mechanisms, it includes, for example, system-based and manual reconciliation processes, clear separation of functions, strict compliance with the double-checking principle and written policies and procedures. The overarching aim is for the separate financial statements, consolidated financial statements and combined management report to be fully compliant with the relevant statutory and regulatory requirements and, in particular, the applicable financial reporting standards. Changes to these requirements and standards are analysed on an ongoing basis and taken into account as appropriate. Details can be found in the risk report, which is part of the combined management report.

2.3 Risk management system

For the Company to be managed professionally and responsibly, the Executive Board must use the risk management system established in the Company to regularly gather information about current risks and how they are evolving, and then report on this to the Supervisory Board's Audit Committee. The KION Group's risk management system is documented in a Group risk policy that defines tasks, processes and responsibilities and sets out the rules for identifying, assessing, reporting and managing risk. Specific individual risks are then reported by each Group entity using an online reporting tool. Reporting on cross-segment risks and groupwide risks is carried out by Controlling and the relevant departments. The risks that have been reported are reviewed on a quarterly basis and re-assessed until the reason for reporting a risk no longer exists.

2.4 Compliance management system

The Executive Board and Supervisory Board of KION GROUP AG consider that adhering rigorously to broad-ranging compliance standards is essential to sustained financial success. That is why a detailed compliance programme, centring around the KION Group Code of Compliance, has been set up for KION GROUP AG and its Group companies worldwide.

The KION Group Code of Compliance, which is available in all of the main languages relevant to the Group companies of KION GROUP AG, provides all employees with clear guidance on how to conduct their business in accordance with sound values and ethics and in compliance with the law. The aim is that all employees should receive regular training on the most important compliance subjects, in particular anti-corruption, liability of senior management/directors' and officers' liability, data protection and IT security, communications, competition law, and foreign trade/export controls. Compliance activities are also focused on these areas.

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management within the Group; the compliance department reports to the Chief Executive Officer of KION GROUP AG. He has delegated the performance of compliance duties to the Chief Compliance Officer. The presidents of the Operating Units are responsible for compliance within the operating business, while the functional managers are responsible for core administrative processes in the departments at the Group's headquarters. Ultimate responsibility for the compliance management system of course remains with the Chief Executive Officer of the Group. The KION compliance department, the KION compliance team and the KION compliance committee provide operational support to the aforementioned functions. The KION compliance department focuses mainly on preventing compliance violations by providing guidance, information, advice and training. It manages the KION compliance team, in which local and regional compliance officers of the Group are represented.

Actual or suspected incidents of non-compliance can be reported anonymously or otherwise by calling a 24-hour compliance hotline or by email, post or fax.

As part of its work, the compliance department at KION GROUP AG cooperates closely with the legal, internal audit and human resources departments. The KION compliance committee, which is staffed by the heads of these departments and chaired by the Chief Compliance Officer, operates as a cross-functional committee that primarily advises on, examines and, if appropriate, punishes incidents of non-compliance that are reported.

2.5 Audit of the financial statements

The Company's independent auditors, which are appointed by means of a resolution of the Annual General Meeting, audit the separate financial statements prepared by the Executive Board of KION GROUP AG, the consolidated financial statements and the combined management report. Since the audit of the 2014 separate and consolidated financial statements, Ms Kirsten Gräbner-Vogel has been the global lead service partner at the appointed independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte). The separate financial statements, the consolidated financial statements and the combined management report are discussed by the Audit Committee and then reviewed and approved by the Supervisory Board.

The independent auditors review the condensed consolidated interim financial statements, the condensed interim group management report for the first half of the year and the non-financial report. The Executive Board discusses the two quarterly statements and the half-year interim report with the Audit Committee before they are published.

2.6 Avoiding conflicts of interest

Conflicts of interest between the governing bodies and other decision-makers in the Company or significant shareholders go against the principles of good corporate governance and may be harmful to the Company. KION GROUP AG and its governing bodies therefore adhere strictly to the recommendations of the German Corporate Governance Code on this subject. The employees of KION GROUP AG and its investees are made aware of the problem of conflicts of interest as part of compliance training and are bound by rules on how to behave in the event of actual or potential conflicts of interest. Every Executive Board member must disclose potential conflicts of interest to the Supervisory Board immediately and must also inform the other Executive Board members. All transactions between KION GROUP AG and Executive Board members or related parties must be concluded on an arm's-length basis.

The Company attaches high priority to preventing possible conflicts of interest from occurring in the first place. This is especially important given the involvement of Weichai Power, whose stake has risen to 45 per cent. The Company achieves these aims by avoiding business scenarios or personnel structures that could give the impression of a conflict of interest and by taking transparent steps and issuing clear communications.

The Company's Chief Executive Officer, Mr Gordon Riske, was appointed a non-executive director of Weichai Power Co., Ltd., with effect from 24 June 2013. On 14 June 2018, the term of his appointment was extended to 31 December 2020, for which the Supervisory Board had previously given its consent. Appropriate precautions have been taken to ensure that this role at a parent company of the Company does not create a conflict of interest relating personally to Mr Riske. Formal processes have been put in place to ensure that Mr Riske, in his role as a non-executive director of Weichai Power Co., Ltd., is not involved in transactions that could give rise to a conflict with the interests of the KION Group. Nor is Mr Riske involved in transactions relating to the exercise of voting rights by Weichai Power or its subsidiaries at the Annual General Meeting of KION GROUP AG. It has been ensured that Mr Riske maintains a strict separation between his duties as a non-executive director of Weichai Power Co., Ltd., and his duties as Chief Executive Officer of KION GROUP AG and that he fulfils all of his legal obligations in the interests of the Company.

3. Working methods of the Executive Board and Supervisory Board and composition of the committees of the Supervisory Board

The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship focused on ensuring the sustained success of the Company. The members of the Executive Board regularly attend Supervisory Board meetings, unless the Supervisory Board decides to meet without the Executive Board.

The Executive Board promptly, comprehensively and regularly reports to the Supervisory Board on the performance of the KION Group. Besides the reporting obligations defined by law, the rules of procedure for the Executive Board of KION GROUP AG set out further reporting requirements and reservations of approval in favour of the Supervisory Board.

3.1 Working methods of the Executive Board

The Executive Board of KION GROUP AG now comprises five members, having been extended from four members with effect from 1 October 2018. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the Company's strategy, discusses it with the Supervisory Board and ensures that it is implemented. Every Executive Board member is responsible for his or her own area of responsibility and keeps the other board members informed of developments on an ongoing basis. > TABLE 003

Responsibilities of Executive Board members as at 31 December 2018 TABLE 003

Member	Responsibilities
Gordon Riske	**CEO of KION GROUP AG** LMH EMEA STILL EMEA KION Americas Corporate Office Corporate Communications Corporate Strategy Internal Audit Corporate Compliance KION Invest
Dr Eike Böhm	**CTO of KION GROUP AG** Product & Technology Strategy Product Development Industrial Trucks Product Development Supply Chain Solutions Module & Component Development Procurement Quality Production System KPDO Initiative
Anke Groth	**CFO of KION GROUP AG** Corporate Accounting / Tax Corporate Controlling Corporate Finance / M&A Investor Relations Financial Services Corporate HR / Labour Relations Director Legal Health, Safety & Environment Logistics / Urban
Ching Pong Quek	**Chief Asia Pacific Officer of KION GROUP AG** KION APAC
Susanna Schneeberger	**CDO of KION GROUP AG** Dematic Software Development KION Group IT Data Protection Digital Campus Mobile Automation

Rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and meetings are chaired by the Chief Executive Officer. Individual Executive Board members sometimes take part via video conference. At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, require the approval of the full Executive Board. Resolutions of the full Executive Board are passed by simple majority unless a greater majority is required by law. The Chief Executive Officer has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings. Taking account of the requirements of section 90 AktG, the Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all matters of relevance to the business as a whole relating to the intended operating policy, strategic planning, business performance, financial position, financial performance and business risks. The Chief Executive Officer discusses these matters regularly with the chairman of the Supervisory Board.

The Executive Board's rules of procedure specify that important transactions are subject to approval by the Supervisory Board. Budget planning, major acquisitions or capital expenditure, for example, require the consent of the Supervisory Board.

In accordance with its articles of association, the Company is represented by two members of the Executive Board or by one member of the Executive Board acting conjointly with a Prokurist (person with full commercial power of representation).

3.2 Working methods of the Supervisory Board

The Supervisory Board of KION GROUP AG appoints the members of the Executive Board and advises and monitors the Executive Board in its management of the Company. The Supervisory Board is fully involved from an early stage in all decisions that are fundamental to KION GROUP AG.

The Supervisory Board of KION GROUP AG consists of 16 members, eight of whom are employee representatives and eight are shareholder representatives. The shareholder representatives are elected by the Annual General Meeting by simple majority.

The Supervisory Board has drawn up rules of procedure for its work. These apply in addition to the requirements of the articles of association and also define the Supervisory Board committees. According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs the meetings of the Supervisory Board and represents it externally. The Supervisory Board meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. In 2018, there were six Supervisory Board meetings in total. The focus of the Supervisory Board's advisory activities is detailed in the Supervisory Board's report to the Annual General Meeting. Between these meetings, resolutions may also be adopted in writing, by telephone or by other similar forms of voting, provided that the chairman of the Supervisory Board or, in his absence, his deputy, decides on this procedure for the individual case concerned. The Supervisory Board adopts resolutions by a simple majority of the votes cast unless a different procedure is prescribed by law. If a vote is tied, the matter will only be renegotiated if the majority of the Supervisory Board vote in favour of this option. Otherwise the Board must vote again without delay. If this new vote on the same matter also results in an equal number of votes for and against, the chairman of the Supervisory Board has a casting vote. The Supervisory Board has the efficiency of its work and processes reviewed by an external party at regular intervals.

3.3 Working methods and composition of the committees of the Supervisory Board

KION GROUP AG's Supervisory Board had four standing committees in the year under review. Their tasks, responsibilities and work processes comply with the provisions of the German Stock Corporation Act and the German Corporate Governance Code. The chairman of each committee reports regularly to the full Supervisory Board on the committee's work. The minutes of the committee meetings are made available to all Supervisory Board members. The standing committees have each drawn up rules of procedure that define their tasks and working methods.

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also compiled by the Executive Committee. In addition, the Executive Committee is responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions on any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory Board members and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

The Executive Committee met four times in 2018. The main topics discussed and deliberated upon by the Executive Committee in 2018 concerned the creation of a new, fifth Executive Board role and the associated appointment of Ms Susanna Schneeberger as Chief Digital Officer and the extension of the term of Dr Eike Böhm as Chief Technology Officer of KION GROUP AG. Topics related to the Annual General Meeting, governance and the review of the efficiency of the Supervisory Board were also addressed.

Members of the Executive Committee as at 31 December 2018:

Dr John Feldmann (chairman)
Özcan Pancarci (deputy chairman)
Dr Alexander Dibelius
Jiang Kui
Olaf Kunz
Jörg Milla
Hans Peter Ring
Claudia Wenzel

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. It only convenes in exceptional cases. If the two-thirds-of-votes majority required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a casting vote on the candidates proposed. The Mediation Committee did not need to be convened in 2018.

Members of the Mediation Committee as at 31 December 2018:
Dr John Feldmann (chairman)
Özcan Pancarci (deputy chairman)
Jörg Milla
Hans Peter Ring

Audit Committee

The Audit Committee comprises four members. Its primary purpose is to monitor financial reporting (including non-financial reporting), the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the auditing of the financial statements and compliance, thereby supporting the Supervisory Board in its task of monitoring the Company's management. The Audit Committee also reviews the work carried out by the independent auditors and checks that the independent auditors are qualified and independent. It is also responsible for engaging the independent auditors, determining the focus of the audit and agreeing the fee. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

The Audit Committee met five times in 2018. The main topics discussed by the Audit Committee in 2018 were the 2017 annual financial statements, the quarterly statements, the interim report, the budget, the Company's sustainability report and the regular subject of the key elements of corporate governance and risk control systems within the Company.

Members of the Audit Committee as at 31 December 2018:
Hans Peter Ring (chairman)
Alexandra Schädler (deputy chairwoman)
Dr John Feldmann
Jörg Milla

The chairman of the Audit Committee, Hans Peter Ring, is an independent member of the Supervisory Board and has the required expertise in the areas of accountancy and auditing specified in sections 100 (5) and 107 (4) AktG.

Nomination Committee

The Nomination Committee has four members, all of whom are shareholder representatives and are elected by the shareholder representatives on the Supervisory Board. The Nomination Committee's only task is to propose new candidates for the Supervisory Board to the Company's Annual General Meeting. The Nomination Committee met once in 2018 to discuss the appointment of Dr Michael Macht to the Supervisory Board.

Members of the Nomination Committee as at 31 December 2018:
Dr John Feldmann (chairman)
Dr Alexander Dibelius (deputy chairman)
Birgit A. Behrendt
Jiang Kui

4. Diversity

One of the main concerns of good corporate governance is to ensure that appointments to the Executive Board and Supervisory Board are appropriate to the specific needs of the business. Key criteria in this regard include the professional and personal skills and qualifications of the members of the Executive Board and Supervisory Board as well as diversity in the composition of both boards, an appropriate degree of female representation and the independence of the Supervisory Board.

Composition of the Supervisory Board

The Supervisory Board has laid down specific requirements and objectives for its composition in recognition of its responsibilities and obligations and taking into account the business needs of KION GROUP AG. Besides having the minimum professional skills required to be a Supervisory Board member, as specified by law and the highest courts, all members of the Supervisory Board of KION GROUP AG should meet the following criteria:

- Identification with the fundamental values and beliefs of KION GROUP AG
- Positive attitude towards the basic principles of responsible corporate governance
- Personal integrity and a responsible approach to dealing with potential conflicts of interest
- Ability to devote the expected amount of time required and compliance with the limit on the number of mandates that may be held at any one time

Other targets set by the Supervisory Board with regard to its composition are a standard age limit of no more than 70 at the time of appointment/election and a maximum limit for length of membership of four terms of office. All of the current Supervisory Board members meet these requirements.

In addition, the Supervisory Board has defined what it considers to be an adequate number of independent Supervisory Board members. Accordingly, five shareholder representatives on the Supervisory Board should be independent within the meaning of section 5.4.2 of the Code. These five members are currently Ms Behrendt, Dr Reuter, Dr Dibelius, Dr Feldmann and Mr Ring. As regards the employee representatives, the Supervisory Board believes their role as representatives of the employees does not, per se, compromise their independence.

The Supervisory Board is of the opinion that the priority in aiming for a board composition based on diversity is the expertise of the individual members and a balanced mix of personal qualities, experience, skills, qualifications and knowledge in line with the requirements of the business. This is the basis on which the Supervisory Board has drawn up its profile of skills and expertise. The following profile of skills and expertise defines the knowledge acquired through professional practice (experience) and theoretical/academic knowledge (expertise) that should be represented on the Supervisory Board:

- Experience
  - Automotive industry, components and drive technologies
  - Intralogistics
  - Automation, particularly automation in intralogistics
  - Service/aftersales business, particularly in intralogistics
  - Development of international marketing strategies and product portfolio strategies
- Expertise
  - Development and assessment of technology
  - Service/aftersales business models and technological developments in this area
  - Digitalisation and automation
- In-depth understanding of the markets in EMEA, the Americas and Asia
- Experience
  - Management of companies with an international presence, including the development of corporate cultures and organisational structures
  - Supervisory board membership in companies with an international presence
  - Acquisitions and strategic alliances

- Experience and expertise
  - Corporate governance and compliance principles as well as their implementation in at least two of the regions relevant to the Company
  - Accounting and auditing
  - Capital markets and international finance.

Each of these fields of competence is currently covered by at least six members of the Supervisory Board.

As 31.25 per cent of its members are female (five of 16), the Supervisory Board meets the statutory requirements regarding gender representation on supervisory boards pursuant to section 96 (2) AktG. The shareholder representatives and the employee representatives are agreed that attaining the objectives in relation to diversity, in particular the objectives relating to the involvement of women and people from different cultural backgrounds, is considered to be in the interests of KION GROUP AG and a task that forms part of the collective responsibility of the entire Supervisory Board. The Supervisory Board therefore supports the inclusion of additional female members and members from different cultural backgrounds who meet the above criteria insofar as the skills requirements are met.

When proposing candidates to the Annual General Meeting in future, the Nomination Committee and Supervisory Board will take all of the aforementioned targets into account and strive to ensure that the profile of skills and expertise is still achieved. The Nomination Committee and Supervisory Board have no influence on the composition of the group of employee representatives on the Supervisory Board because the employees in Germany are free to choose whom they elect.

Composition of the Executive Board

Against the background of the aforementioned diversity considerations as well as demographic requirements and strategic operating challenges, the Supervisory Board strives for diversity at Executive Board level, not only in terms of appropriate female representation but also in respect of experience, skills, expertise, cultural background and personality. Ultimately, however, the Supervisory Board is guided exclusively by the skills and qualifications of the persons concerned when making appointments to the Executive Board.

When implementing these objectives during the process of appointing successors or recruiting for a new position, the Supervisory Board draws up a shortlist of candidates who appear to be suitable for the Company as a result of their strategic management experience, expertise, skills and qualifications. Demographic criteria (including the standard retirement age of 65 for Executive Board members) and diversity criteria are then also taken into account, depending on the existing composition of the Executive Board. However, these criteria are of a subordinate nature when making a final decision on the person to appoint. The Supervisory Board therefore set the target for the minimum proportion of women on the Executive Board of KION GROUP AG at 0 per cent, to be achieved by 31 December 2021. The specification of this type of target is required by Germany's 'Act for the equal participation of women and men in managerial positions in the private and public sectors'.

Following the departure of Dr Thomas Toepfer, the Supervisory Board applied these principles when it appointed Ms Anke Groth as a member of the Executive Board with effect from 1 June 2018. Furthermore, it created a new, fifth Executive Board role, reassigning responsibilities in the process, and appointed Ms Susanna Schneeberger as a member of the Executive Board with effect from 1 October 2018. The proportion of women on the Executive Board of KION GROUP AG was therefore 40 per cent as at 31 December 2018.

Appointments to management positions below the level of the Executive Board of KION GROUP AG

When selecting candidates for senior management levels, the Executive Board generally considers that it is under an obligation to make such selections on the basis of diversity, capability, character and experience. As regards the number of women appointed to senior management positions in the Company, the Executive Board is striving in its implementation of the new KION 2027 strategy to increase the current proportion of women in management positions. In this context, the Executive Board set the target at 10 per cent for the first management level below the Executive Board of KION GROUP AG and at 30 per cent for the second management level, to be achieved by 31 December 2021. The specification of this type of target is required by Germany's 'Act for the equal participation of women and men in managerial positions in the private and public sectors'.

In 2018, as part of the HR initiative under the KION 2027 strategy, a dedicated diversity programme was launched whose initial areas of activity were defined in workshops involving participants drawn from various Operating Units and sites. The end of 2018, for example, saw the start of the Female Mentoring Programme, in which the Company's high-potential female employees are systematically coached by managers from the highest management level in the Company.


C

COMBINED MANAGEMENT REPORT

Preliminary remarks

COMBINED MANAGEMENT REPORT

The combined management report published in the 2018 annual report combines the group management report and the management report of KION GROUP AG. Unless stated otherwise, the description of the course of business (including business performance), position and expected development refers both to the Group and to KION GROUP AG. Sections that only contain information on KION GROUP AG are indicated as such. The report on the economic position includes a separate section containing disclosures for KION GROUP AG in accordance with the German Commercial Code (HGB).

Fundamentals of the KION Group

PROFILE OF THE KION GROUP

Organisational structure

The KION Group is one of the world's leading suppliers of integrated supply chain solutions. Its portfolio encompasses forklift trucks, warehouse technology and supply chain solutions, including the related services. Across more than 100 countries worldwide, the KION Group designs, builds and supports logistics solutions that optimise material and information flow within factories, warehouses and distribution centres. The Group is the largest manufacturer of industrial trucks in Europe, the second-largest producer of industrial trucks globally and based on revenue the leading provider of automation technology.

The Linde and STILL brands serve the premium industrial truck segment. Baoli focuses on industrial trucks at the lower end of the volume segment and in the economy segment. Among KION's regional industrial truck brand companies, Fenwick is the biggest material-handling provider in France and OM Voltas is a leading provider of industrial trucks in India. Dematic is a leading global supplier of integrated automation technology, software and services for optimising supply chains. Around 1.4 million industrial trucks and over 6,000 installed intralogistics systems are deployed by customers in all industries and of all sizes on six continents.

The KION Group comprises the parent company KION GROUP AG, which is a public limited company under German law, and its subsidiaries. The KION Group's strategic management holding company, KION GROUP AG, is listed on the Frankfurt Stock Exchange and is part of the MDAX, the STOXX Europe 600 and the FTSE Euro Mid Cap. Details of treasury shares (pursuant to section 160 (1) no. 2 of the German Stock Corporation Act (AktG)) are provided in note [27] 'Equity' in the notes to the consolidated financial statements.

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), a subsidiary of Weichai Power Co., Ltd., Weifang, China, which held 45.0 per cent of the shares at the end of 2018 as far as the Company is aware. The free float accounted for 54.9 per cent of the shares, while the remaining 0.1 per cent were treasury shares.

Management and control

Corporate governance

The KION Group follows generally accepted standards of sound, responsible corporate governance. The German Corporate Governance Code (DCGK) provides the framework for management and control. As required by section 289f and section 315d of the German Commercial Code (HGB), the corporate governance standards that the Group applies are set out in the declaration on corporate governance. This declaration also contains the comply-or-explain statement pursuant to section 161 AktG, which was issued by the Executive Board and Supervisory Board of KION GROUP AG on 3/12 December 2018, and the corporate governance report pursuant to section 3.10 of the German Corporate Governance Code, which also provides information about the compliance standards in the Group. The declaration on corporate governance can be viewed and downloaded on the Company's website. It also forms part of this annual report and is a component of the combined management report.

The essential features of the remuneration system are described in the 'Remuneration report' section. The total amounts for Executive Board remuneration and Supervisory Board remuneration are also reported in the notes to the consolidated financial statements (note [46]).

Non-financial declaration

A separately published sustainability report provides detailed information on the sustainable management of the KION Group. It contains the KION Group's non-financial declaration as required under the German law to implement the corporate social responsibility (CSR) directive. The declaration focuses on targets, action steps and due diligence processes relating to the key environmental, social and employee-related aspects of the KION Group's business model, the observation of human rights and the fight against corruption and bribery.

In accordance with the statutory disclosure deadlines defined in section 325 HGB, the KION Group publishes its annual sustainability report (including the non-financial report) by no later than the end of April each year on its website (www.kiongroup.com), where it will remain available for at least ten years.

Executive Board

The Executive Board of KION GROUP AG is responsible for the operational management of the KION Group. In the year under review, the Executive Board was extended from four to five members and the following personnel changes were made:

- Anke Groth was appointed as a member of the Group's Executive Board and as Chief Financial Officer (CFO) for a term of five years beginning 1 June 2018. Ms Groth also assumed the role of Labour Relations Director. She replaced Dr Thomas Toepfer, who had left the Company at his own request on 31 March 2018.
- Susanna Schneeberger was appointed as a member of the Group's Executive Board for a term of five years beginning 1 October 2018. She took on the newly created role of Chief Digital Officer (CDO), assuming strategic responsibility for groupwide activities aimed at digitalisation and networking products and processes as well as operational responsibility for the Supply Chains Solutions segment.
- Dr Eike Böhm was reappointed for a further three years as an Executive Board member and Chief Technology Officer (CTO) of KION GROUP AG. His second term of appointment will commence on 1 August 2019.

As at 31 December 2018, the responsibilities of the Executive Board members were as follows:

- Gordon Riske, Chief Executive Officer (CEO), is responsible for the LMH EMEA, STILL EMEA and KION Americas Operating Units in the Industrial Trucks & Services segment. He also remains in charge of the following group functions: corporate office, corporate communications, corporate strategy, internal audit, corporate compliance and KION Invest.
- Dr Eike Böhm, in his role as Chief Technology Officer (CTO), has groupwide responsibility for research and development in both the Industrial Trucks & Services and the Supply Chain Solutions segments, including modules & components, and for procurement, quality, the production system and the KION Product Development Optimisation (KPDO) initiative.
- Anke Groth, in her role as Chief Financial Officer (CFO), is in charge of corporate accounting & tax, corporate controlling, corporate finance / M&A, investor relations, financial services, legal affairs and logistics / Urban. As Labour Relations Director, she is further responsible for corporate HR and health, safety & environment.
- Ching Pong Quek, Chief Asia Pacific Officer, heads up the KION APAC Operating Unit and thus the entire Asia business within the Industrial Trucks & Services segment.
- Susanna Schneeberger is responsible for the Dematic Operating Unit in the Supply Chain Solutions segment and – in the role of Chief Digital Officer (CDO) – for the groupwide areas of software development, KION Group IT, data protection, mobile automation and the Digital Campus.

The Group Executive Committee (GEC) advises the Executive Board of KION GROUP AG and provides input from the Operating Units. The committee comprises the Executive Board members as well as the presidents of the five Operating Units.

The Executive Board maintains a relationship of trust with, and is monitored by, the Company's Supervisory Board.

Supervisory Board

The Supervisory Board, which was formed in accordance with the German Codetermination Act (MitbestG), comprises 16 people. It advises the Executive Board in its handling of significant matters and business transactions. To increase the efficiency of its work, the Supervisory Board is supported by four standing committees: the Nomination Committee, the Executive Committee, the Audit Committee and the Mediation Committee.

The shareholder representatives' term of office ends at the Annual General Meeting in 2022. Dr Michael Macht was appointed to the Supervisory Board with effect from 9 October 2018. He succeeds Mr Tan Xuguang, Chairman of the Board of Directors of Weichai Power Co., Ltd., who stepped down on 30 September 2018. Mr Martin Fahrendorf succeeded Mr Denis Heljic as an employee representative with effect from 10 May 2018.

Business model and organisational structure

The KION Group's business model is designed so that customers of all sizes and from all kinds of industries can obtain the full spectrum of material handling products and services from a single source. Thanks to its broad technology base, diversified product portfolio and worldwide service network, the KION Group has a comprehensive portfolio of such products and services in the market.

The KION Group's market activities are divided into five Operating Units: LMH EMEA, STILL EMEA, KION APAC, KION Americas and Dematic. LMH EMEA and STILL EMEA each concentrate on Europe, the Middle East and Africa. KION APAC and KION Americas hold cross-brand responsibility for industrial truck business in the Asia-Pacific region and the Americas respectively. Dematic is the global supply chain solutions business. While the Operating Units have full operational and commercial responsibility within their markets, KION GROUP AG is the strategic management holding company and is responsible for the groupwide strategy and groupwide business standards.

For internal management purposes, the KION Group has divided its operating business into two segments that correspond to the segments as required by international financial reporting standards (IFRS 8). The industrial truck business, including the supporting financial services, is shown in the Industrial Trucks & Services segment, while activities focusing on end-to-end solutions make up the Supply Chain Solutions segment. The two operating segments complement each other because they both have a strong market position and regional presence. The Corporate Services segment comprises the other activities and holding functions of the KION Group. These include service companies that provide services such as IT and logistics across all segments.

Industrial Trucks & Services segment

The Industrial Trucks & Services segment encompasses the activities of the international brand companies Linde, STILL and Baoli, the local brand companies Fenwick and OM Voltas plus the financial services business.

Linde is an international premium brand and technology leader that meets customers' most sophisticated requirements regarding technology, efficiency, functionality and design. In France, Linde products are sold under the Fenwick brand.

STILL is predominantly an international premium provider of trucks with electric and diesel-electric drives. It mainly focuses on the European and Latin American markets.

Baoli is the international brand for the lower end of the volume segment and the economy segment.

OM Voltas is the local brand company for the Indian market, through which the KION India Pvt. Ltd. subsidiary manufactures and sells electric and IC forklift trucks and warehouse trucks.

KION Financial Services (FS) is an internal funding partner for the Industrial Trucks & Services segment, providing finance solutions to support sales. Its activities comprise the financing of long-term leasing business for external customers, the internal financing of the short-term rental business and the related risk management. In the large sales markets with a high volume of financing and leasing, legally independent FS companies handle this business.

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers the key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management and financial services that support the core industrial truck business.

The segment earns just over half of its revenue by selling industrial trucks. The product portfolio includes counterbalance trucks powered by an electric drive or internal combustion engine, warehouse trucks (ride-on and hand-operated) and towing vehicles for industrial applications covering all load ranges. Worldwide research and development activities enable the Industrial Trucks & Services segment to consolidate its technology leadership, which it is extending in the areas of energy-efficient and low-emission drive technologies and automation solutions. In this field, the KION Group operates 16 production facilities for industrial trucks and components in eight countries. So that it can ensure security of supply and the availability of spare parts for important components in order to meet customers' specific requirements, the segment manufactures major components itself – notably lift masts, axles, counterweights and safety equipment. Other components – such as hydraulic components, electronic components, rechargeable batteries, engine components and industrial tyres – are purchased through the global procurement organisation.

As a rule, industrial trucks are built according to the customer's individual specifications. Networked fleet management solutions and the advantages for customers in terms of total cost of ownership (TCO) support the international Linde and STILL brands' premium positioning. The segment is underpinned by an extensive sales and service network comprising more than 1,600 outlets in over 100 countries and staffed by more than 18,000 service employees. Almost half of them are employed by the KION Group.

The worldwide vehicle fleet, which consisted of around 1.4 million industrial trucks at the end of 2018, provides a stable base for the service business. This business helps to smooth out fluctuations in the segment's revenue, reduces dependency on market cycles and supports new truck sales by maintaining lasting customer relationships. The proportion of service business is continually increasing across all price segments. Extensive services such as software-based fleet management are offered, mainly for premium products. There are also individual orders for repairs and maintenance work as well as for spare parts. The Operating Units also have extensive used truck and rental truck businesses, allowing peaks in capacity requirements to be met and customers to be supported after their leases have expired.

Financial services support new truck business in many markets, forming another pillar of the service business. About half of all new trucks are financed via the KION Group itself or via external banks and financing partners. Offering financial services is therefore part of the truck sales process. A lease contract is generally linked to a service contract throughout the term of the finance agreement.

Supply Chain Solutions segment

Through the Dematic brand, the Supply Chain Solutions segment is a leading global supplier of integrated automation technology, software and services for optimising supply chains.

Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and multishuttle warehouse systems to picking, automated palletising and automated guided vehicle systems. Picking equipment controlled by radio, voice or light is available for nearly all goods and packaging types, whether it is used for case, individual item, split-case or pallet picking. Automated storage and retrieval systems (ASRS) and compact, powerful split-case and pallet picking stations can be used to achieve very fast throughput times and picking rates. At the same time, cross-docking solutions increase the efficiency of the system as a whole by eliminating the unnecessary handling and storage of goods.

Real-time management of the supply chain solutions is based on the proprietary software platform Dematic iQ, which can be easily integrated into the customer's existing application landscape. By providing real-time material flow data analyses, among other things, Dematic iQ can help with the data-based optimisation of all processes to ensure seamless order processing. It also supports performance management functions for measuring and controlling performance.

The segment is primarily involved in customer-specific, longer-term project business. With global resources, eleven production facilities worldwide and regional teams of experts, Dematic is able to plan and deliver logistics solutions with varying degrees of complexity anywhere in the world.

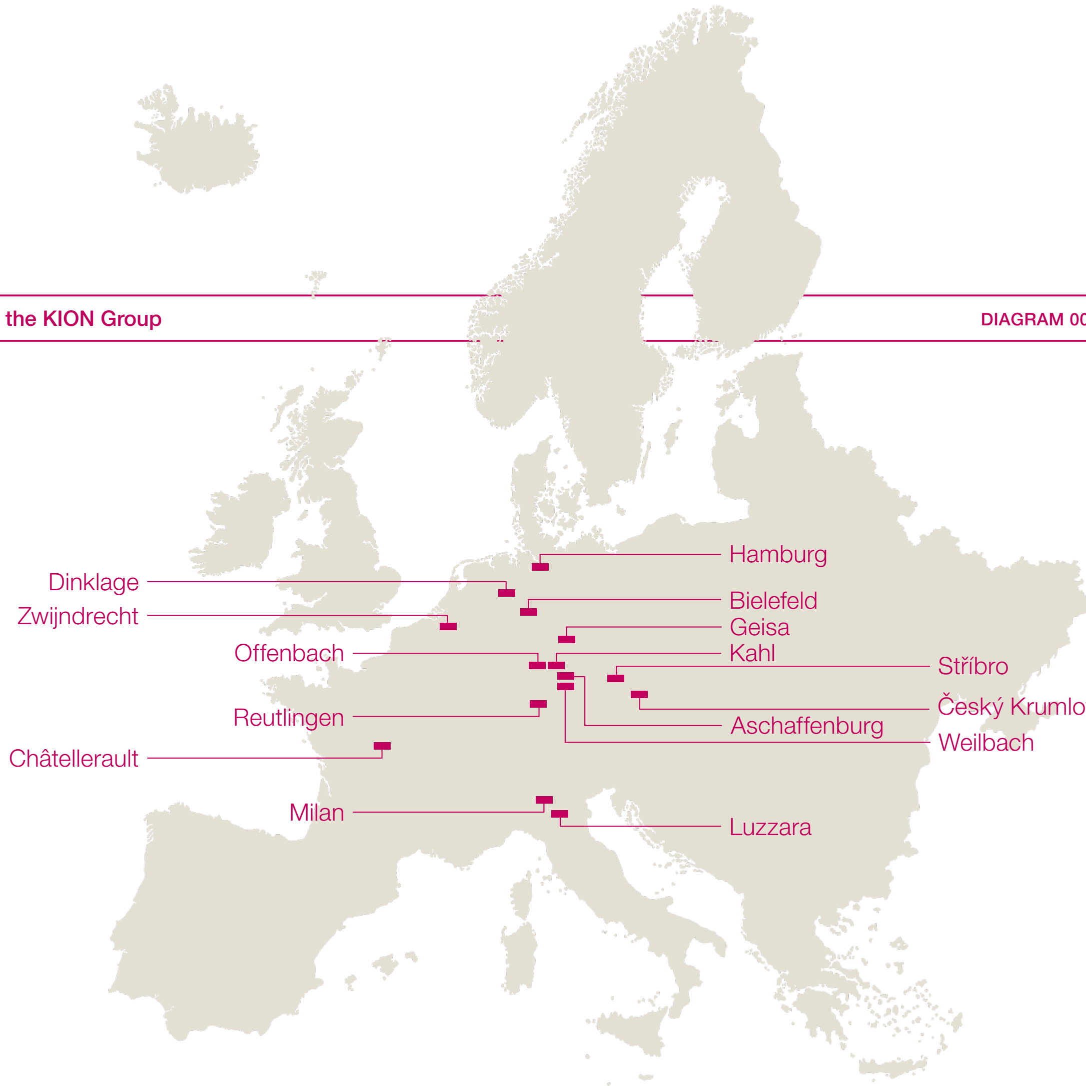
The (new) project business (business solutions) covers every phase of a new installation: analysis of the customer's needs and the general parameters, provision of appropriate advice, computer simulation of bespoke intralogistics solutions in the customer's individual environment, technical planning and design of the system, implementation of the control technology and its integration into the customer's existing IT infrastructure, site and project management, plant monitoring and support for the customer during implementation of the system, including training for the workforce.

The system components, which are specified in detail for each customer project, such as automatic guided vehicles, palletisers, storage and picking equipment including automated storage and retrieval systems, sorters and conveyors, are manufactured inhouse or, in some cases, by quality-assured third parties.

Modernisation work and services (customer services), which usually cover the entire lifetime of an installation, are provided to local customers by approximately 1,400 employees in over 20 countries. The service business benefits from a sizeable installed base of more than 6,000 systems. > DIAGRAM 003

Production sites of the KION Group

DIAGRAM 003

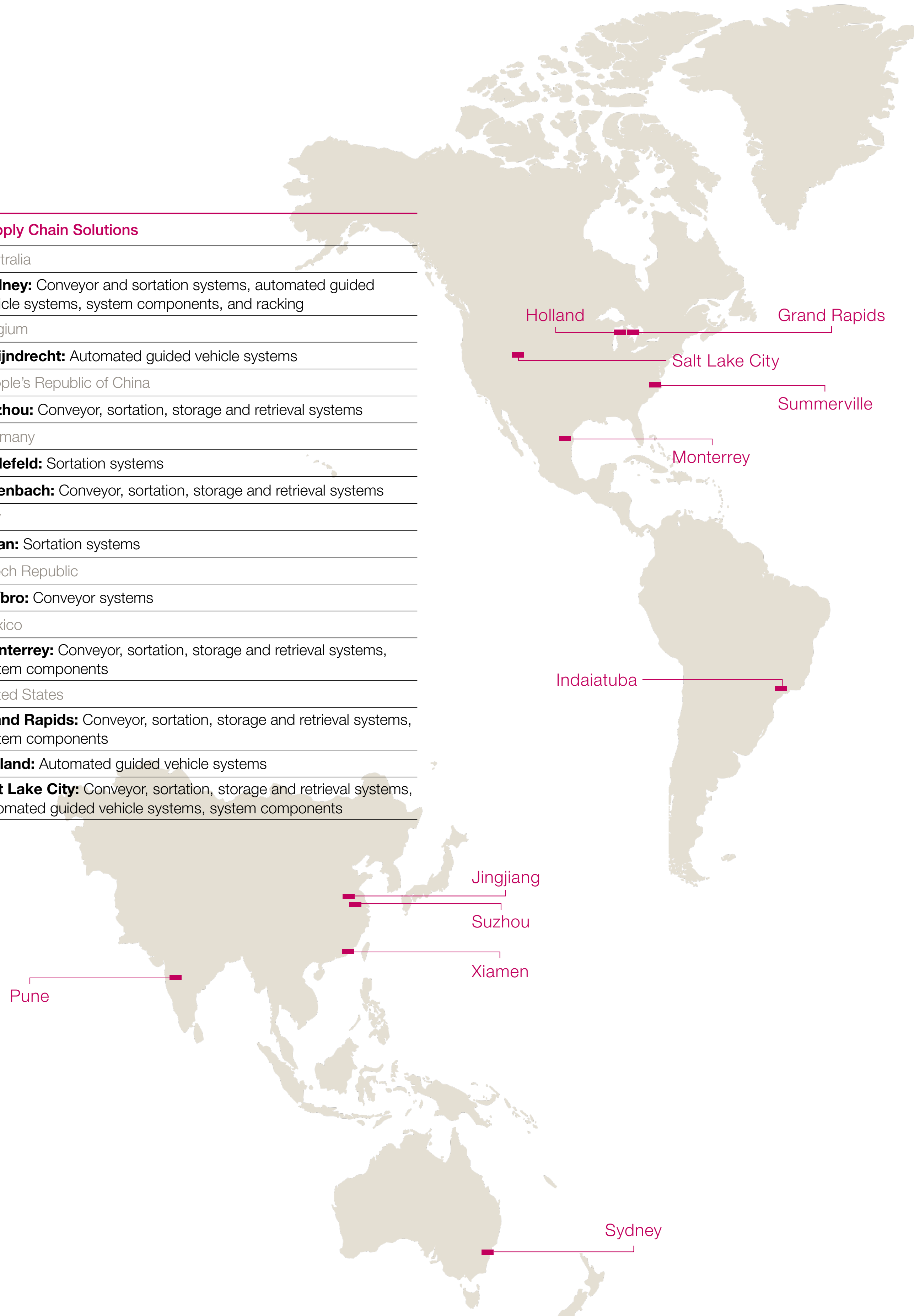


Industrial Trucks & Services

Brazil	
Indaiatuba / São Paulo: Counterbalance trucks with electric drive or IC engine, warehouse technology	
People's Republic of China	
Jingjiang: Counterbalance trucks with electric drive or IC engine, warehouse technology	
Xiamen: Counterbalance trucks with electric drive or IC engine, heavy trucks, warehouse technology	
Germany	
Aschaffenburg: Counterbalance trucks with electric drive or IC engine	
Dinklage: Component production	
Geisa: Component production	
Hamburg: Counterbalance trucks with electric drive or IC engine, warehouse technology, components	
Kahl: Spare parts center, component production	
Reutlingen: Very narrow aisle trucks	
Weilbach: Component production	
France	
Châtellerault: Warehouse technology	
India	
Pune: Counterbalance trucks with electric drive or IC engine, warehouse technology	
Italy	
Luzzara: Warehouse technology	
Czech Republic	
Český Krumlov: Component production	
Stříbro: Warehouse technology	
United States	
Summerville: Counterbalance trucks with electric drive or IC engine, warehouse technology	

Supply Chain Solutions

Australia
Sydney: Conveyor and sortation systems, automated guided vehicle systems, system components, and racking
Belgium
Zwijndrecht: Automated guided vehicle systems
People's Republic of China
Suzhou: Conveyor, sortation, storage and retrieval systems
Germany
Bielefeld: Sortation systems
Offenbach: Conveyor, sortation, storage and retrieval systems
Italy
Milan: Sortation systems
Czech Republic
Stříbro: Conveyor systems
Mexico
Monterrey: Conveyor, sortation, storage and retrieval systems, system components
United States
Grand Rapids: Conveyor, sortation, storage and retrieval systems, system components
Holland: Automated guided vehicle systems
Salt Lake City: Conveyor, sortation, storage and retrieval systems, automated guided vehicle systems, system components



Market and influencing factors

According to the KION Group's estimates, the material handling market – comprising forklift trucks, warehouse technology and supply chain solutions – has expanded at a faster rate than global economic growth over the past five years. The value of the market has increased at an average annual rate of around 6 per cent.

Of the relevant market volume, almost 60 per cent is estimated to be attributable to industrial trucks and related services, which are essential elements in the production and logistics processes of many manufacturers as well as in the wholesale and retail sectors. The remaining market volume is accounted for by supply chain solutions, the growth of which is fuelled in no small part by the increasing automation and digitalisation of production and logistics processes in various industries. The main overarching growth drivers are the advancing interconnectivity of the global economy and additional transport services between ever-more fragmented value chains and supply chains, which necessitate decentralised warehouse and logistics capacity. The strong growth of e-commerce and the increasing prevalence of multichannel approaches in all kinds of industries are boosting capital expenditure on the reconfiguration of supply chains.

Economic conditions in the different regions and the rates of growth in global trade have a major influence on customers' willingness to invest. Historically, new business in the Industrial Trucks & Services segment has shown a very strong correlation with the performance of broad economic indicators, such as industrial output. By contrast, the Supply Chain Solutions segment tends to be less cyclical owing to longer projects that often last several years and due to the stable growth of e-commerce. In both segments, the service business is generally more stable than the product or project business as it is linked to the installed base of trucks and systems over their entire lifetime. The economic situation is also affected by competition levels, exchange rates and changes in commodity prices. Economic trends within individual customer sectors are another important factor.

The most significant of these are manufacturing, the food industry, general merchandise and grocery wholesale and retail, logistics services and pure e-commerce, which has the highest growth rates.

Regulatory frameworks have a major impact on the business model, both in the Industrial Trucks & Services segment and in the Supply Chain Solutions segment. The products and services of companies in the KION Group have to comply with the specific legal requirements in their respective markets. Compliance with the different requirements has to be verified or certified. Many of the legal requirements are enshrined in product-specific standards and other norms (e.g. EN, ISO and DIN).

Legal requirements also apply to the construction and operation of production facilities, including in relation to air pollution avoidance, noise reduction, waste production & disposal and health & safety. The KION Group fulfils all of these requirements as well as all the legal provisions pertaining to exports and financing business.

Influencing factors in the Industrial Trucks & Services segment

In recent years, the value of the global market for industrial trucks has increased by an average of 5 per cent per year. This is due in equal measure to the growth in the volume of new truck business and the rise in the contribution from the service business compared to the past. Measured in terms of units ordered, 37 per cent of the global market was attributable to IC counterbalance trucks in 2018, while electric forklift trucks accounted for 17 per cent and warehouse technology for 46 per cent. It should be noted that the per-unit price for warehouse technology is considerably lower than for forklift trucks, which is why the breakdown by value shows that trucks clearly dominate. IC trucks continue to make up a comparatively high proportion of the total unit volume in growth regions. However, the strongest growth in the new truck business in recent years has been for forklift trucks and warehouse trucks powered by an electric motor. Much of the additional volume is attributable to the electrification of manual hand pallet trucks, which have been replaced by entry-level trucks in the lower weight categories. Better drive technologies, in particular lithium-ion drives, are also contributing to the above-average growth in electric trucks and equipment. Moreover, driverless transport solutions developed by automating standard warehouse trucks are becoming more and more appealing to customers.

The upper price segment continues to benefit from customers' growing requirements regarding the quality, efficiency and eco-friendliness of industrial trucks and from higher expectations in terms of service, availability of spare parts and flexible rental solutions. In this segment, customers are much more focused than before on optimising total cost of ownership and, increasingly, on the ability to integrate the trucks into fully automated intralogistics solutions. At the same time, there is mounting competitive pressure worldwide as some manufacturers in the economy segment based in emerging markets are pursuing an international expansion strategy. In mature markets and, increasingly, in growth regions, the large number of trucks in use also provides a strong base for replacement business and rising demand for services.

Influencing factors in the Supply Chain Solutions segment

According to the KION Group's estimates, the market for supply chain solutions has expanded much faster than the market for industrial trucks and services over the past five years owing to growing demand in the main customer industries. Both the project business (business solutions) and downstream services (customer services) contributed to this expansion. The service business benefits from the ever-larger installed base and the trend towards the outsourcing of logistics processes.

The growth of e-commerce has a major influence on demand for supply chain solutions, including warehouse automation and solutions for sorting and for automated goods transport. According to market analysis by the Ecommerce Foundation, global online trading (B2C) expanded at an average rate of around 15 per cent between 2013 and 2017. Increasing complexity, cost pressures and shifting demand patterns require shorter lead times, a more efficient flow of goods, a wider product range and process reliability. This is pushing up demand for decentralised warehouse and logistics capacity that enables faster deliveries and, due to automated processes, keeps down personnel expenses and floor space requirements. The digitalisation and automation of industrial production and supply chains and the multichannel strategies being adopted in traditional industries – e.g. supermarket chains, grocery wholesale and retail, fashion, food and beverage manufacturing, and parcel and courier services – are also contributing to this. At the same time, the focus of technological progress is increasingly shifting towards software and robotics solutions. Interact Analysis forecasts strong growth in the market for automated guided vehicles (AGVs) and autonomous mobile robots (AMRs) over the next five years.

Market position

In 2018, the Industrial Trucks & Services segment achieved a 14.1 per cent share of the global market based on unit sales (2017: 14.4 per cent) and is thus still the second-largest manufacturer of industrial trucks. It remained the market leader in Europe. At the same time, the KION Group is a leading global producer of electric forklift and warehouse trucks. In China, it is still the leading foreign manufacturer and number three overall. The KION Group is also among the leading providers in Brazil and India.

The Supply Chain Solutions segment (Dematic) is the largest manufacturer in the relevant market segment. This is also the case in the fast-growing AGV and AMR segment, where Dematic is the leading vendor, according to Interact Analysis (2017).

STRATEGY OF THE KION GROUP

Objectives of the KION 2027 strategy

In 2018, the KION Group began implementing its updated strategy, KION 2027. It provides guidance on the strategic direction to be taken over the next decade and is aligned with the KION Group's vision: "We are the best company in the world at understanding our customers' material handling needs and providing the right solutions."

Following the integration of Dematic, the KION 2027 strategy's aim is to unlock the potential of the entire Group and place an even greater focus on a shared, customer-centric innovation, sales and brand strategy. The emphasis is on developing and marketing integrated, automated supply chain solutions and mobile automation solutions for customers around the world. In the Industrial Trucks & Services segment, consultancy and project work are increasingly being added to the traditional portfolio of products and services. And in the Supply Chain Solutions segment, the range of solutions for customers is being expanded through partnerships, among other things. The KION 2027 strategy provides the framework for profitable growth in the Group and sets groupwide targets:

- Growth: The KION Group aims to grow at a faster rate than the global material handling market by evolving into a solutions provider in both segments.
- Profitability: The KION Group wants to retain its position as the most profitable supplier in the industry and improve its EBIT margin so that it is permanently in the double-digit range.
- Efficient use of capital: The KION Group is working steadfastly to optimise the return on capital employed (ROCE). Besides increasing earnings, the focus here is on asset management and efficient use of capital.
- Resilience: Profitability throughout the various market cycles is to be guaranteed by a robust business model. This will involve greater diversification in terms of regions and customer sectors alongside efforts to expand the service business and further optimise the production network.

Strategic fields of action and measures in 2018

Five fields of action have been defined for the KION 2027 strategy – energy, digital, automation, innovation and performance – for which a wide range of strategic measures were implemented in 2018:

Energy

In the material handling market, the KION Group wants to lead the way in terms of efficient energy use by its products and solutions. Thanks in no small part to the high energy-efficiency of its premium brands' products, the KION Group has become a global market leader for electric forklift trucks and warehouse trucks. A focus of the strategy is to develop and commercialise new energy sources for industrial trucks and related services, such as the provision of advice on energy matters.

Several measures enabled the KION Group to move a step closer to its objective in 2018. Energy-efficient lithium-ion batteries, which offer a number of benefits including shorter charging times, lower operating costs and greater range and availability, are now an option for the entire Linde and STILL fleet. The RX 20 electric forklift truck made by STILL won the International Intralogistics and Forklift Truck of the Year award in the Counter Balanced Truck category (see 'Research and development'). Furthermore, Linde's new rental concept is encouraging the use of energy-saving drive technology in intralogistics. The benefits for customers are flexibility and financial security over the entire usage period. Through its strategic partnership with EP Equipment, Co., Ltd., Hangzhou, a leading Chinese manufacturer of warehouse trucks, the KION Group improved its market position in the entry-level segment for lightweight warehouse trucks. It will also drive forward electrification based on lithium-ion technology in this segment. The KION Group is also a leader in fuel-cell technology, as evidenced by a rising number of customer orders.

Digital

The KION Group is aligning its business with an increasingly digital world. The digitalisation of customer solutions, which will even include fully automated warehouses incorporating robotics solutions, will be accompanied by the digitalisation of internal processes. Digital solutions will be developed for customers to improve the efficiency of their intralogistics. The KION Group will digitalise its inhouse processes so that they are more effective. It will not only integrate software into solutions but also increasingly market it to customers as a separate product. New internal organisational structures will enable the KION Group to cater to the high expectations regarding the speed at which solutions are created and adapted. This will pave the way for agile development and embed it across the KION Group.

The important role that digitalisation plays was recognised with the creation of a fifth Executive Board role in 2018. Susanna Schneeberger has operational responsibility for the Supply Chain Solutions segment (Dematic) and, as Chief Digital Officer (CDO), coordinates the further development of the IT systems and manages the groupwide activities aimed at digitalisation and networking products and processes. The new KION Digital Campus, established in early 2018 as an agile innovation laboratory for new digital solutions and business models, is an example of the speed of digital change within the KION Group. The laboratory instructs teams in agile work methods and software developers help them to rapidly create minimum viable products for initial use in test phases. The first solutions developed in the Campus include a chatbot app for service technicians and an application for data-based fleet optimisation.

Automation

The KION Group's solutions will enable customers to use automated technologies effectively and will help them to achieve a 'lights-out' warehouse. Today, the KION Group and its two segments cover the complete spectrum, from customers with just one forklift truck to those with fully automated large-scale warehouses. It will continue to develop different solutions so that it can offer all customers a scalable automation solution that is suited to their particular requirements and to which extra components can be added.

Building on its leading position in the AGV and AMR segment, Dematic improved its range of automated guided vehicle systems significantly last year. Dematic's new robotics centre of excellence, which focuses on developing and implementing robot-based automation, delivered the first market-ready product in July. The new robotic piece picking module completes the automation of order processing and increases throughput.

The Dematic iQ software, which enables real-time management of material flow solutions, was expanded with the cloud-based asset performance management system Dematic iQ InSights. This new module increases warehouse efficiency through end-to-end facilities management. Linde and STILL have also extended their digital offerings, in particular for fleet management.

Innovation

The KION Group is driving innovation in the material handling market with an effective innovation ecosystem and cutting-edge, rapid development processes. It is developing new technologies into innovative products for use in both segments. To this end, it enters into strategic partnerships with research institutes, universities and innovative companies so that it can go to market quickly with new products and solutions.

In addition to the investment in the KION Digital Campus, a further example in 2018 was the integration and refinement of the offering of Comnovo, a start-up acquired in 2017. Comnovo has developed Safety Guard, an assistance system that uses ultra-wideband technology to increase safety in Logistics 4.0. The assistance system now plays an important role in delivering Linde's VISION ZERO, an advisory and training package designed to increase productivity and prevent accidents at work. The KION Group also expanded its collaboration with external research institutes and scientists, for example as part of QBIIK, a joint research and development project between STILL and the Federal Ministry for Economic Affairs and Energy aimed at improving self-learning autonomous truck technology. KION Invest is a newly established unit that works with start-ups to drive forward new technologies and innovative business models that will benefit KION Group customers in the future.

Performance

The KION Group is continually improving internal efficiency, optimising the performance of its products from a customer perspective and fully leveraging synergies.

In 2018, the KION Group continued its efficiency drive at European production sites in the Industrial Trucks & Services segment. The new and largely automated powder painting plant came online at the Linde site in Aschaffenburg during the first quarter of 2018. A new logistics centre at the STILL site in Hamburg serves as the hub for internal logistics, including the storage and dispatch of large truck parts. Dematic is now able to serve customers in the European market even better thanks to its new factory in Stříbro in the Czech Republic, which commenced operations in the first quarter of 2018. It produces modules for multishuttles and modular conveyor systems.

Efforts were also focused on even more efficient product development based on a global, modular platform strategy that allows for localisation with minimal effort. The diesel trucks developed in the Chinese research and development centre, for example, are also available on the North American market through local supply chains. The offering for the US market comprises three warehouse trucks and a new diesel truck with a load capacity of four to five tonnes.

MANAGEMENT SYSTEM

Core key performance indicators

The KION Group's strategy, which centres on value and growth, is reflected in how the Company is managed. It uses five core key performance indicators (KPIs), which remained unchanged in the reporting year, to continuously monitor market success, profitability, financial strength and liquidity. The performance targets of the Group and the segments are based on selected financial KPIs, as is the performance-based remuneration paid to managers. The KPIs used to manage the segments are order intake, revenue and adjusted EBIT. As a rule, the KPIs are measured and made available to the Executive Board in a comprehensive report each month. This enables the management team to take prompt corrective action in the event of variances compared with target figures. > TABLE 004

Key performance indicators TABLE 004

in € million	2018	2017*
Order intake	8,656.7	7,979.1
Revenue	7,995.7	7,598.1
Adjusted EBIT**	789.9	777.3
Free cash flow	519.9	474.3
ROCE	9.3%	9.3%

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16
** Adjusted for PPA items and non-recurring items

KPIs related to business volume

Order intake and revenue

Order intake and revenue are broken down by segment, region and product category in the KION Group's management reporting so that growth drivers and pertinent trends can be identified and analysed at an early stage. Order intake is a leading indicator for revenue. The length of time between receipt and invoicing of an order varies between business units and product categories.

Earnings-related KPI

Adjusted EBIT

The key figure used for operational management and analysis of the KION Group's financial performance is adjusted earnings before interest and tax (EBIT). It is calculated in the same way as EBIT, except that it does not take account of purchase price allocation effects or any non-recurring items.

Liquidity-related KPI

Free cash flow

Free cash flow is the main KPI for managing liquidity and financing activities. It is determined by the KION Group's operating activities and investing activities. Carefully targeted management of working capital and the controlling of capital expenditure are important tools in generating free cash flow. Free cash flow does not include interest arising from financing activities.

Profitability-related KPI

ROCE

Return on capital employed (ROCE) is another core KPI. It is the ratio of adjusted EBIT to capital employed. ROCE is measured annually. > TABLE 005

Return on capital employed (ROCE) TABLE 005

in € million	2018	2017*
Total assets	12,968.8	12,337.7
- less selected assets[1]	–1,730.4	–1,547.9
- less selected liabilities[2]	–2,708.0	–2,413.3
Capital employed	**8,530.3**	**8,376.5**
Adjusted EBIT	**789.9**	**777.3**
ROCE	**9.3%**	**9.3%**

1 Lease receivables, income tax receivables, cash and cash equivalents, PPA items and several items of other financial assets respectively other assets
2 Sundry other provisions, trade payables, a major part of other liabilities as well as several items of other financial liabilities
* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Other key performance indicators

Besides the aforementioned core KPIs, the KION Group uses a wealth of additional financial KPIs. The main one is the adjusted EBIT margin, which is besides ROCE a relevant component of remuneration and is also a target in the KION 2027 strategy. There are also non-financial KPIs, which primarily relate to customers, employees, sustainability and technology. Some of them are used operationally as leading indicators for the financial KPIs.

Report on the economic position

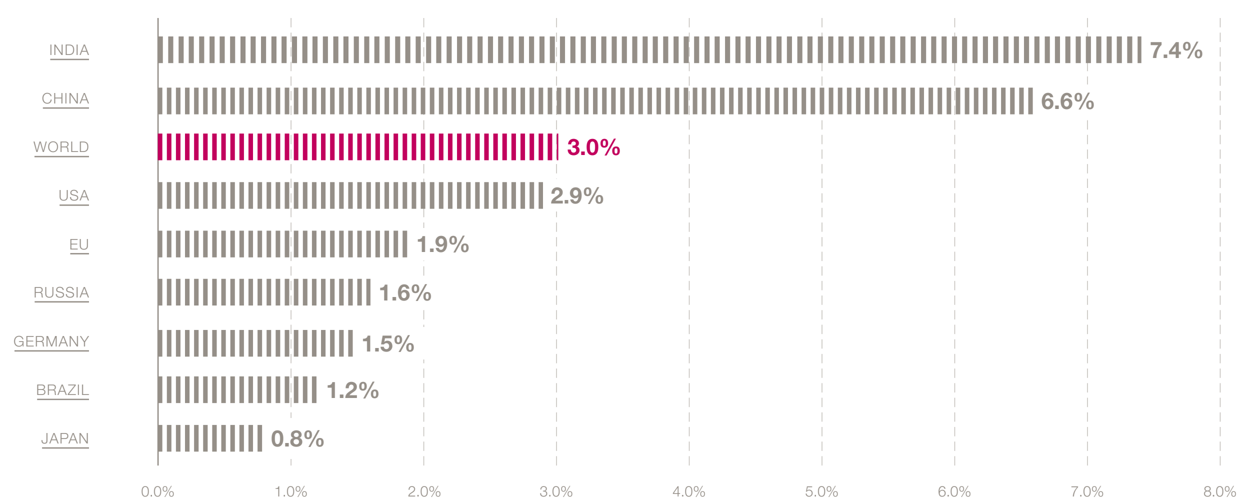
MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Macroeconomic conditions

Global economic growth continued at a robust pace in 2018. The upturns in the United States and India made up for the moderate decline in growth rates in the European Union, China and various emerging markets. Growth rates for global industrial output and the worldwide volume of trade were both down compared with 2017, although they remained high thanks to capital expenditure and strong domestic demand in many economies.

The pace of growth tailed off over the course of the year. One of the main reasons was an increasing reluctance to invest in view of growing geopolitical and trade-policy uncertainties. The escalating trade dispute between the US and China led to greater doubt about the stability of the upturn, as did the difficult negotiations on the United Kingdom's departure from the EU and the diminishing budgetary discipline in Italy. Deteriorating financial conditions in the emerging markets against a backdrop of higher inflation (predominantly driven by the oil price), interest-rate hikes and the negative balances of payments resulting from the resurgent US dollar also played their part in the slowdown. > DIAGRAM 004

Gross domestic product in 2018 – real year-on-year change DIAGRAM 004



Source: Oxford Economics (as at 16/01/2019)

Sectoral conditions

The global material handling market, which comprises industrial trucks and supply chain solutions, again grew at a much faster rate than the global economy in 2018. Despite the spiralling trade disputes, the high volume of goods traded worldwide led once again to growing demand for industrial trucks in all of the KION Group's sales regions. At the same time, demand rose sharply for warehouse automation and for sorting and picking solutions, partly in connection with the creation of extra warehouse capacity for the expanding e-commerce market.

Industrial Trucks & Services

Measured in terms of the number of trucks ordered, the global market for industrial trucks registered strong growth of 10.3 per cent in 2018. Around 1.5 million industrial trucks were ordered in total worldwide, with significant increases in all product categories. Orders for new IC trucks were up by 6.4 per cent, although the rate of growth in China, the biggest individual IC market, was a lot slower than in 2017. Unit sales of electric forklift trucks rose by 9.3 per cent. For warehouse trucks, the increase was 14.0 per cent. One of the main reasons for this growth was that manual equipment was replaced by entry-level trucks in the lower price segment, particularly electric hand pallet trucks in the lower weight categories.

In the EMEA region (western Europe, eastern Europe, Middle East and Africa), which is still the KION Group's most important region, order numbers were up by 10.8 per cent. This was on a par with the growth rate in 2017, thanks to contributions from both western and eastern Europe. At 4.1 per cent, the rate of increase in the Americas region (North, Central and South America) was lower than in 2017. While the rate of growth was down significantly in Central and South America, the US also registered markedly slower growth. Despite a noticeable flattening, the APAC region (Asia-Pacific) again generated the strongest rise, driven to a large extent by demand for electric-powered trucks. > TABLE 006

Supply Chain Solutions

The market for supply chain solutions again expanded rapidly in 2018. Burgeoning e-commerce is continuing to have a significant impact, as is the related refocusing of supply chains on multi-channel approaches. A steadily growing number of companies are investing in the expansion and optimisation of their warehousing and logistics capacity in order to shorten lead times, improve the efficiency of the flow of goods and widen their product range. Automated warehouse systems include not only solutions for individual processes, such as picking and packing, but also fully integrated end-to-end solutions.

Global industrial truck market (order intake) TABLE 006

in thousand units	2018	2017	Change
Western Europe	435.0	395.5	10.0%
Eastern Europe	94.1	78.4	20.0%
Middle East and Africa	36.2	36.4	–0.6%
North America	288.8	277.7	4.0%
Central and South America	39.5	37.7	5.0%
Asia-Pacific	647.3	571.4	13.3%
World	**1,540.9**	**1,397.2**	**10.3%**

Source: WITS/FEM

In the US market, the volume of e-commerce sales again rose sharply year on year and the proportion of retail business transacted online increased from 8.7 per cent to 9.6 per cent. This meant a greater flow of goods in warehousing and logistics, as shown by the Prologis Industrial Business Indicator. The resulting increase in logistics capacity utilisation is leading to investment in distribution centres located close to consumers, and the trend for large building units accelerated sharply. At the same time, there is growing demand for more efficient warehouses, especially as the majority are still managed manually. Capital expenditure on warehouse equipment and technology, including rising investment in warehouse management systems, was therefore again at a high level in 2018.

Procurement markets

On the whole, prices for the commodities used by the KION Group rose sharply over the course of 2018. Steel, the most important commodity, became more expensive during the year and was up by more than 5 per cent on the average price for 2017. The average price of copper (LME) also increased year on year, reaching its highest level since 2014. The average price of oil in 2018 was also well above the previous year's average. The price of Brent crude maintained a clear uptrend until October and, for a time, exceeded the threshold of US$ 75 per barrel, but it subsequently fell sharply. By contrast, rubber became cheaper due to declining demand from the middle of the year onward, and the average price in 2018 was lower than the average in 2017.

Financial markets

In the reporting year, the KION Group billed 48.1 per cent of revenue in foreign currencies, the most important of which were the US dollar, China's renminbi and pound sterling.

Overall, currency effects had a slight negative impact on the KION Group's business situation in 2018. Relative to the dollar, the euro was worth approximately 5 per cent less on average in 2018 compared with the average for 2017, as the US dollar appreciated significantly in the second half of the year. Against pound sterling and the Chinese renminbi, the euro made only moderate gains. > TABLE 007

Currencies TABLE 007

Average rate per Euro	2018	2017
Australia (AUD)	1.5801	1.4734
Brazil (BRL)	4.3073	3.6090
China (CNY)	7.8066	7.6292
United Kingdom (GBP)	0.8848	0.8764
USA (USD)	1.1809	1.1300

Source: Bloomberg

Business performance in the Group

In 2018, the KION Group focused on strengthening its position in emerging markets in line with its KION 2027 strategy. Back in January 2018, the KION Group entered into an exclusive and global strategic partnership with EP Equipment, Co., Ltd., Hangzhou, People's Republic of China, a leading Chinese manufacturer of warehouse trucks. In this context, the KION Group also plans to acquire a non-controlling interest in EP Equipment, Co., Ltd., thereby expanding its product offering in the entry-level segment for lightweight warehouse trucks in the Chinese market and improving on its worldwide position as the leading supplier of electric-powered material handling equipment.

In the first quarter of 2018, the KION Group's production network was enlarged when the factory in Stříbro, Czech Republic, commenced operations and began manufacturing multishuttles and modular conveyor systems. The factory supports Dematic's growth in the European market.

Further steps were taken as part of ongoing improvements to the KION Group's funding. In January 2018, the KION Group agreed an extension, until February 2023, to the term of the revolving credit facility of €1,150.0 million arranged under the senior facilities agreement (SFA), giving it another year of flexibility in its funding. The KION Group issued a further promissory note in June 2018. It has a volume of €200.0 million and will mature in June 2025. In addition, the long-term tranche of the acquisition facilities agreement (AFA) was reduced to €600.0 million (31 December 2017: €1,000.0 million).

At the start of the 2018 financial year, the KION Group adopted the new standards IFRS 9, IFRS 15 and IFRS 16 retrospectively. As a result, some of the prior-year figures, Group KPIs and line items have been adjusted, particularly those relating to the leasing business.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE OF THE KION GROUP

Overall assessment of the economic situation

2018 was another successful year for the KION Group. The targets set for its monetary KPIs for 2018 were achieved both at Group level and in the two segments, despite a negative overall currency effect over the course of the year. It should be emphasised that the brief dip in EBIT and free cash flow in the first half of the year was largely reversed again as a result of the faster revenue growth in the second half of the year. The corrective measures taken in the Industrial Trucks & Services segment had the desired effect on the temporary bottlenecks at individual suppliers. The Supply Chain Solutions segment's strong finish to 2018 more than made up for the shortfalls in project revenue recognised in the first few months of the year. The KION Group was thus able to take full advantage of the generally favourable market conditions in both segments.

The KION Group's total order intake rose by 8.5 per cent to €8,656.7 million (2017: €7,979.1 million). The contribution from the Supply Chain Solutions segment, where order intake increased by 15.5 per cent, was exceptionally strong, but the Industrial Trucks & Services segment also saw year-on-year order growth of 6.0 per cent. Consolidated revenue improved by 5.2 per cent to €7,995.7 million (2017: €7,598.1 million). The Industrial Trucks & Services segments played a particularly strong part in this revenue growth, whereas revenue in the Supply Chain Solutions segment was only slightly higher than in 2017 due to the overall poor start to 2018.

The KION Group's EBIT adjusted for non-recurring items and purchase price allocation effects came to €789.9 million (2017: €777.3 million). This year-on-year increase of €12.6 million was achieved despite higher material prices, wage cost rises, negative currency effects and temporary bottlenecks at individual suppliers in the Industrial Trucks & Services segment. There was a moderate reduction in the adjusted EBIT margin to 9.9 per cent (2017: 10.2 per cent). After taking into account diminishing purchase price allocation (PPA) effects and non-recurring items, EBIT rose sharply to €642.8 million (2017: €561.0 million). As a result of higher tax expenses, there was a moderate decrease in net income to €401.6 million (2017: €422.5 million). Non-recurring items in both 2018 (positive item of €29.4 million) and 2017 (positive item of €92.2 million) had a positive impact on tax expenses and thus on net income. Basic earnings per share attributable to the shareholders of the KION Group came to €3.39 in 2018 (2017: €3.68) based on a weighted average of 117.9 million no-par-value shares outstanding during the reporting year (2017: 114.3 million). KION GROUP AG will propose a dividend of €1.20 per share to the Annual General Meeting (2017: €0.99 per share).

Free cash flow increased to €519.9 million (2017: €474.3 million), above all thanks to improved earnings and the lower growth in net working capital.

Comparison between actual and forecast growth

The KION Group's order intake of €8,656.7 million was above the upper end of the target range (€8,050 million to €8,550 million), while the revenue of €7,995.7 million was in the middle (target range: €7,700 million to €8,200 million). The adjusted EBIT of €789.9 million was also within the specified bounds (target range: €770 million to €835 million). Higher advance payments from customers in the project business meant that the free cash flow of €519.9 million was significantly higher than anticipated (target range: €410 million to €475 million). At 9.3 per cent, ROCE was as predicted (target range: 8.7 per cent to 9.7 per cent). In the Industrial Trucks & Services segment, order intake and revenue exceeded expectations, while adjusted EBIT was at the lower end of the target range due to the temporary supply bottlenecks during the year. The results achieved in the Supply Chain Solutions segment for revenue and adjusted EBIT were also around the lower end of their respective target range. Order intake exceeded the top end of the target range because the strong level of incoming orders for customer projects in recent quarters continued into the fourth quarter. > TABLES 008 – 009

Comparison between actual and forecast growth – KION Group TABLE 008

	KION Group	
in € million	2018 Outlook	2018 Actual
Order intake	8,050 – 8,550	8,656.7
Revenue	7,700 – 8,200	7,995.7
Adjusted EBIT	770 – 835	789.9
Free cash flow	410 – 475	519.9
ROCE	8.7% – 9.7%	9.3%

Comparison between actual and forecast growth – segments TABLE 009

	Industrial Trucks & Services		Supply Chain Solutions	
in € million	2018 Outlook	2018 Actual	2018 Outlook	2018 Actual
Order intake*	5,950 – 6,150	6,210.6	2,100 – 2,400	2,425.2
Revenue*	5,700 – 5,900	5,922.0	2,000 – 2,300	2,055.2
Adjusted EBIT*	650 – 685	655.4	180 – 215	180.2

* Disclosures for the Industrial Trucks & Services and Supply Chain Solutions segments also include intra-group cross-segment order intake, revenue and effects on EBIT

Business situation and financial performance of the KION Group

Level of orders

Order intake in the KION Group rose by 8.5 per cent year on year to €8,656.7 million (2017: €7,979.1 million). This substantial increase is attributable to new truck business in the Industrial Trucks & Services segment, project business in the Supply Chain Solutions segment and growing service activities in both segments. Although negative currency effects dissipated slightly in the fourth quarter owing to the weakness of the euro, their overall impact in 2018 as a whole still reduced the value of order intake by €186.5 million. Thanks to strong order intake, the KION Group's order book of €3,300.8 million was up by 26.2 per cent compared with the end of 2017 (31 December 2017: €2,614.6 million) and provides an excellent basis for the future.

Revenue

The negative currency effects on revenue were comfortably outweighed by the growth in the volume of business. The consolidated revenue of the KION Group increased by 5.2 per cent to €7,995.7 million (2017: €7,598.1 million); if exchange rates had been the same as in 2017, the rise would have been 7.5 per cent. The rate of revenue growth picked up sharply in the second half of the year, predominantly due to the increase in production volume in the Industrial Trucks & Services segment once the bottlenecks at individual suppliers had largely been resolved. Overall, the Industrial Trucks & Services segment generated total revenue of €5,922.0 million, which equated to an increase of 6.3 per cent compared with 2017. In the Supply Chain Solutions segment, revenue amounted to €2,055.2 million following a strong fourth quarter. This year-on-year rise of 2.3 per cent was primarily attributable to the increase in revenue from the service business. Across the Group as a whole, the share of revenue attributable to the service business grew from 42.5 per cent to 43.1 per cent. > TABLE 010

Revenue with third parties by product category TABLE 010

in € million	2018	2017*	Change
Industrial Trucks & Services	**5,916.3**	**5,568.2**	**6.3%**
New business	3,009.1	2,828.8	6.4%
Service business	2,907.2	2,739.5	6.1%
– Aftersales	1,513.9	1,429.5	5.9%
– Rental business	900.1	855.2	5.3%
– Used trucks	327.8	306.6	6.9%
– Other	165.4	148.3	11.6%
Supply Chain Solutions	**2,052.1**	**2,005.1**	**2.3%**
Business solutions	1,514.0	1,512.4	0.1%
Service business	538.1	492.7	9.2%
Corporate Services	**27.3**	**24.8**	**10.0%**
Total revenue	**7,995.7**	**7,598.1**	**5.2%**

* Revenue for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Revenue by sales region

In the EMEA sales region (western Europe, eastern Europe, Middle East and Africa), revenue rose by 3.6 per cent year on year. Revenue was up by 4.4 per cent in western Europe, thanks in no small part to the Industrial Trucks & Services segment's higher unit sales in the German, Italian and French markets. In eastern Europe, revenue increased by 8.0 per cent compared with the previous year. This growth was mainly driven by brisk new truck business in Poland and Russia. In the Americas region (North, Central and South America), the KION Group posted a substantial rise in revenue of 16.1 per cent – despite significant negative currency effects – and thus boosted its strong market position in North America, especially in the Supply Chain Solutions segment. The APAC region (Asia-Pacific) was affected by a decline in revenue in Australia, resulting in an overall decrease of 2.2 per cent in spite of the ongoing momentum in the region. Emerging markets accounted for 20.3 per cent of the KION Group's revenue in the reporting year (2017: 20.9 per cent), while 80.8 per cent of consolidated revenue (2017: 81.6 per cent) was generated outside Germany. > TABLE 011

Revenue with third parties by customer location TABLE 011

in € million	2018	2017*	Change
Western Europe	4,769.9	4,567.1	4.4%
Eastern Europe	592.3	548.2	8.0%
Middle East and Africa	94.5	153.6	–38.5%
North America	1,486.3	1,266.7	17.3%
Central and South America	173.5	163.1	6.4%
Asia-Pacific	879.3	899.3	–2.2%
Total revenue	**7,995.7**	**7,598.1**	**5.2%**

* Revenue for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Earnings and profitability

EBIT, EBITDA and ROCE

Despite negative currency effects, earnings before interest and tax (EBIT) went up by 14.6 per cent to €642.8 million in 2018 (2017: €561.0 million). The main reason was the sharp reduction, from €176.2 million in 2017 to €126.2 million in the reporting year, in the negative purchase price allocation effects included in EBIT. The non-recurring items also decreased, to €21.0 million, and mainly related to ongoing process standardisation in connection with the integration of Dematic and, in the Industrial Trucks & Services segment, to the redirection of sales activities in South Africa. In 2017, non-recurring items (€40.1 million) had been incurred in connection with the fundamental integration of Dematic and with the start-up costs for the new plant in Monterrey, Mexico.

EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) was above the figure for the previous year at €789.9 million (2017: €777.3 million). The adjusted EBIT margin declined from 10.2 per cent to 9.9 per cent. > TABLE 012

EBIT TABLE 012

in € million	2018	2017*	Change
EBIT	**642.8**	**561.0**	**14.6%**
+ Non-recurring items	21.0	40.1	–47.7%
+ PPA items	126.2	176.2	–28.4%
Adjusted EBIT	**789.9**	**777.3**	**1.6%**

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to €1,540.6 million (2017: €1,457.6 million). Adjusted EBITDA came to €1,555.1 million (2017: €1,495.8 million). The adjusted EBITDA margin decreased from 19.7 per cent in 2017 to 19.4 per cent in 2018.

EBITDA for the long-term leasing business, which is derived from internal reporting and assumes a minimum rate of return on the capital employed, amounted to €321.1 million (2017: €320.9 million). > TABLE 013

EBITDA — TABLE 013

in € million	2018	2017*	Change
EBITDA	**1,540.6**	**1,457.6**	**5.7%**
+ Non-recurring items	14.6	36.4	−59.9%
+ PPA items	−0.0	1.8	<−100%
Adjusted EBITDA	**1,555.1**	**1,495.8**	**4.0%**

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Return on capital employed (ROCE) was at the same level as in 2017 at 9.3 per cent.

Key influencing factors for earnings

Whereas revenue increased by 5.2 per cent, the cost of sales was up by 4.5 per cent. Consequently, the gross margin improved slightly to reach 26.2 per cent, compared with 25.7 per cent in 2017. Higher material prices and wage cost rises in the reporting year partly negated the positive impact of reduced purchase price allocation effects. In addition, the bottlenecks at individual suppliers in the Industrial Trucks & Services segment resulted in production inefficiencies and thus an increase in the cost of sales. Furthermore, delays in the awarding of projects by customers in previous quarters led to temporary underutilisation of project-related personnel capacity and, overall, squeezed earnings in the Supply Chain Solutions segment. Despite a recovery in the fourth quarter, currency effects, primarily from the US dollar, also had a negative impact on the key financials and therefore on the KION Group's EBIT.

Selling expenses and administrative expenses increased by 6.1 per cent – virtually the same rate as for revenue growth – to reach €1,352.6 million (2017: €1,275.1 million). This rise was due to higher wage costs and, above all, the expansion of market-specific and customer-specific sales activities. The level of groupwide research and development costs held steady at €137.7 million (2017: €137.0 million), reflecting the ongoing innovation initiatives taking place in the KION Group in connection with its growth strategy. The 'other' item included, among other effects, the share of profit (loss) of equity-accounted investments, which amounted to a profit of €12.2 million (2017: profit of €13.6 million). It also included impairment losses on non-current assets of €6.4 million (2017: €14.8 million); the prior-year figure had included impairment losses of €8.6 million relating to the Egemin brand name, which has been integrated into the Dematic brand presentation. > TABLE 014

(Condensed) income statement TABLE 014

in € million	2018	2017*	Change
Revenue	7,995.7	7,598.1	5.2%
Cost of sales	–5,898.1	–5,643.3	–4.5%
Gross profit	**2,097.6**	**1,954.8**	**7.3%**
Selling expenses and administrative expenses	–1,352.6	–1,275.1	–6.1%
Research and development costs	–137.7	–137.0	–0.5%
Other	35.4	18.3	93.6%
Earnings before interest and taxes (EBIT)	**642.8**	**561.0**	**14.6%**
Net financial expenses	–97.4	–96.3	–1.2%
Earnings before taxes	**545.3**	**464.7**	**17.3%**
Income taxes	–143.7	–42.2	<–100%
Net income	**401.6**	**422.5**	**–4.9%**

* (Condensed) income statement for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, were virtually unchanged year on year at €97.4 million (2017: net financial expenses of €96.3 million). Current interest expense on financial liabilities decreased in 2018 due to the corporate actions carried out in 2017, whereas currency effects had improved the level of net financial expenses in the previous year. The deferred borrowing costs of €4.5 million reported within financial expenses included, among other items, expenses resulting from the early repayment of €400.0 million under the acquisition facilities agreement (AFA); previously deferred borrowing costs of €1.9 million were expensed. In 2017, borrowing costs totalling €8.8 million had been recognised as an expense.

Income taxes

Income tax expenses amounted to €143.7 million, which equates to a tax rate of 26.3 per cent. This included a positive tax effect stemming from the offsetting of losses of corporations in an amount of €29.4 million in connection with an amendment to tax law (section 8c of the German Corporation Tax Act (KStG)) at the end of the financial year 2018. The far lower level of tax expenses of €42.2 million in 2017 had primarily been attributable to the remeasurement of deferred tax liabilities in light of the US tax reforms; the associated positive non-recurring tax effect had amounted to €92.2 million in 2017.

Net income and appropriation of profit

Net income amounted to €401.6 million (2017: €422.5 million). On a like-for-like basis, i.e. excluding the non-recurring impact of the tax effects in both years, net income was significantly higher than in the previous year. The net income attributable to the shareholders of KION GROUP AG was €399.9 million (2017: €420.9 million). Basic earnings per share came to €3.39 (2017: €3.68) based on 117.9 million (2017: 114.3 million) no-par-value shares; this was the weighted average number of shares outstanding during the reporting year. Diluted earnings per share, which is calculated by adding the potential dilutive no-par-value shares under the employee share option programme, amounted to €3.39 (2017: €3.68) based on a weighted average number of shares of 117.9 million (2017: 114.4 million). These calculations did not include 165.6 thousand (2017: 160.8 thousand) no-par-value treasury shares that were repurchased by KION GROUP AG as part of the employee equity programme.

KION GROUP AG's net profit for 2018 was €236.3 million, of which €94.8 million will be transferred to other revenue reserves. The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on 9 May 2019 that an amount of €141.5 million be appropriated from the distributable profit of €141.7 million for the payment of a dividend of €1.20 per dividend-bearing share. It is also proposed that the remaining sum of €0.2 million be carried forward to the next accounting period. This equates to a dividend payout rate of 35 per cent of net income.

Business situation and financial performance of the segments

Industrial Trucks & Services segment

Business performance and order intake

The Industrial Trucks & Services segment registered a year-on-year increase in orders for new trucks across all sales regions of 7.6 per cent to 216.7 thousand units. The Linde brand (including Fenwick) achieved strong growth and accounted for 62.1 per cent of new truck business. STILL generated 31.8 per cent of new orders; the remaining 6.1 per cent was attributable to the Baoli and OM Voltas brands.

In line with the objectives of the KION 2027 strategy, there was a particularly sharp increase in unit sales of electric-powered trucks, which accounted for over 80 per cent of orders.

The total value of order intake rose by 6.0 per cent to €6,210.6 million (2017: €5,859.5 million), despite negative currency effects of €98.5 million. In addition to new truck orders, the expanding service business also contributed to this increase.

Revenue

Total segment revenue went up by 6.3 per cent to €5,922.0 million (2017: €5,572.2 million). Although deliveries were delayed during the course of 2018 due to temporary bottlenecks at individual suppliers, which adversely affected revenue, the level of output improved markedly in the second half of the year. Excluding negative currency effects of €97.6 million, the increase in revenue was 8.0 per cent for 2018 as a whole. The growth of 6.4 per cent in the new truck business is due to scheduled price adjustments and, above all, increasing unit sales of electric forklift trucks and warehouse trucks. Unit sales of diesel trucks were lower than in 2017. Revenue from the service business was up by 6.1 per cent year on year, which was almost the same as the rate of revenue growth in the new truck business. Aftersales business accounted for the largest share, contributing 52.1 per cent of service revenue. The rental and used truck business was also very encouraging, with revenue going up by 5.7 per cent. The proportion of the segment's external revenue accounted for by the service business was 49.1 per cent (2017: 49.2 per cent).

Earnings

The segment's adjusted EBIT increased at a slightly slower rate than revenue to reach €655.4 million (2017: €642.7 million). The related contraction of the adjusted EBIT margin to 11.1 per cent (2017: 11.5 per cent) essentially reflects the impact of the bottlenecks at suppliers, the effects of which included temporary inefficiencies in production. The adjusted EBIT margin continued to be squeezed by higher material prices and wage costs. After taking into account non-recurring items and purchase price allocation effects, EBIT amounted to €625.2 million (2017: €640.2 million).

Adjusted EBITDA improved to €1,340.2 million (2017: €1,288.7 million). This equated to an adjusted EBITDA margin of 22.6 per cent (2017: 23.1 per cent). > TABLE 015

Key figures – Industrial Trucks & Services TABLE 015

in € million	2018	2017*	Change
Order intake	6,210.6	5,859.5	6.0%
Total revenue	5,922.0	5,572.2	6.3%
EBITDA	1,332.3	1,287.0	3.5%
Adjusted EBITDA	1,340.2	1,288.7	4.0%
EBIT	625.2	640.2	−2.3%
Adjusted EBIT	655.4	642.7	2.0%
Adjusted EBITDA margin	22.6%	23.1%	–
Adjusted EBIT margin	11.1%	11.5%	–

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Supply Chain Solutions segment

Business performance and order intake

The Supply Chain Solutions segment saw a significant year-on-year improvement of 15.5 per cent in its order intake to €2,425.2 million (2017: €2,099.2 million). Negative currency effects of €88.0 million, which were mainly due to the US dollar being weaker on average during the year, were easily offset. Adjusted for currency effects, order intake was up by 19.7 per cent. Following a muted start to 2018, project business (business solutions) received major orders – especially in the second and third quarters – and thus registered strong year-on-year growth. Overall, project business generated 76.5 per cent of the segment's order intake (2017: 75.4 per cent). The growing trend for the outsourcing of logistics processes and the related downstream services provides good foundations for the rapidly expanding service business (customer services) in the Supply Chain Solutions segment.

Revenue

The segment's total revenue increased by a moderate 2.3 per cent to €2,055.2 million (2017: €2,009.5 million), following a strong finish to the year in the fourth quarter. However, delays in the awarding of projects by customers – some of which stretched back to 2017 – took their toll on revenue in the first nine months of 2018. The fourth quarter rally was unable to fully make up for this, which meant that revenue was at the lower end of the target range. Excluding negative currency effects of €76.5 million, the year-on-year increase was 6.1 per cent. Project business accounted for 73.8 per cent of external revenue and the service business for 26.2 per cent. The segment generated 65.7 per cent of its revenue in North America (2017: 56.8 per cent).

Earnings

The segment's adjusted EBIT came to €180.2 million, which was below the figure for the previous year of €188.7 million. The continued delays in the awarding of projects by customers led to temporary underutilisation of project-related personnel capacity in 2018. Currency effects also had an adverse impact on EBIT. The adjusted EBIT margin fell to 8.8 per cent (2017: 9.4 per cent).

After taking into account non-recurring items and purchase price allocation effects, which were down year on year, EBIT improved significantly to €64.4 million (2017: minus 16.6 million). Adjusted EBITDA came to €231.5 million (2017: €235.7 million), with an adjusted EBITDA margin of 11.3 per cent (2017: 11.7 per cent). > TABLE 016

Key figures – Supply Chain Solutions TABLE 016

in € million	2018	2017*	Change
Order intake	2,425.2	2,099.2	15.5%
Total revenue	2,055.2	2,009.5	2.3%
EBITDA	226.1	207.7	8.9%
Adjusted EBITDA	231.5	235.7	–1.8%
EBIT	64.4	–16.6	>100%
Adjusted EBIT	180.2	188.7	–4.5%
Adjusted EBITDA margin	11.3%	11.7%	–
Adjusted EBIT margin	8.8%	9.4%	–

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

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

Total segment revenue, which came to €299.2 million (2017: €266.6 million), mainly resulted from internal IT and logistics services.

The segment reported adjusted EBIT of €369.6 million, compared with €532.4 million in the previous year. This sharp fall was attributable to higher intra-group dividend income in 2017. Adjusted EBIT excluding intra-group dividend income amounted to minus €45.8 million (2017: minus €54.1 million). Adjusted EBITDA came to €398.8 million, or minus €16.6 million if intra-group dividend income is excluded. > TABLE 017

Key figures – Corporate Services TABLE 017

in € million	2018	2017*	Change
Order intake	299.2	266.6	12.2%
Total revenue	299.2	266.6	12.2%
EBITDA	397.6	549.4	–27.6%
Adjusted EBITDA	398.8	557.9	–28.5%
EBIT	368.5	523.9	–29.7%
Adjusted EBIT	369.6	532.4	–30.6%

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Net assets

Non-current assets

Non-current assets rose by €300.0 million from their level at the end of 2017 to €10,150.6 million as at 31 December 2018. Intangible assets accounted for €5,721.6 million of total non-current assets (31 December 2017: €5,716.5 million). The goodwill included in this total was up slightly at €3,424.8 million (31 December 2017: €3,382.5 million), mainly as a result of currency effects. However, these were partly offset by the effect of the ongoing writedowns on the customer relationships acquired from Dematic as part of the purchase price allocation (PPA). The rise in other property, plant and equipment to €1,077.8 million (31 December 2017: €994.9 million) was largely attributable to higher capital expenditure on new production facilities and to additional right-of-use assets relating to new and extended procurement leases. Right-of-use assets increased to €390.7 million (31 December 2017: €347.4 million). Within this total, the right-of-use assets for land and buildings stood at €276.4 million (31 December 2017: €247.6 million) and the right-of-use assets for plant, machinery, and office furniture and equipment stood at €114.3 million (31 December 2017: €99.8 million). Leased assets for direct and indirect leases with end customers that are classified as operating leases increased slightly to reach €1,261.8 million (31 December 2017: €1,246.3 million). Further expansion of the short-term rental fleet caused rental assets to rise to €670.5 million (31 December 2017: €608.4 million). At €826.2 million, long-term lease receivables arising from leases with end customers that are classified as finance leases were considerably higher than at the end of 2017 (31 December 2017: €647.8 million). The amount of deferred tax assets recognised in the statement of financial position was €421.7 million as at the reporting date (31 December 2017: €475.2 million).

Current assets

Current assets rose by €331.1 million to €2,818.2 million (31 December 2017: €2,487.1 million). The temporary bottlenecks at individual suppliers resulted in significant inventory growth in the Industrial Trucks & Services segment that had not been completely eliminated by 31 December 2018. The increased volume of business also resulted in higher inventories in the KION Group, which stood at €994.8 million as at the reporting date (31 December 2017: €768.6 million). > TABLE 018

Trade receivables amounted to €1,036.4 million (31 December 2017: €999.4 million).

The KION Group's net working capital, which comprises inventories, trade receivables and contract assets less trade payables and contract liabilities, rose to €676.1 million (31 December 2017: €619.9 million).

Inventories TABLE 018

in € million	2018	2017	Change
Materials and supplies	284.2	185.2	53.5%
Work in progress	132.3	109.0	21.3%
Finished goods and merchandise	550.6	459.0	19.9%
Advances paid	27.8	15.4	80.5%
Total inventories	**994.8**	**768.6**	**29.4%**

Cash and cash equivalents stood at €175.3 million on the reporting date, which was virtually unchanged on the previous year (31 December 2017: €173.2 million) and, in line with groupwide liquidity management (cash pooling), was at the level required for operating activities.

Current lease receivables from end customers increased to €271.2 million (31 December 2017: €228.0 million).

The condensed consolidated statement of financial position as at 31 December 2018 showing current and non-current assets and liabilities together with equity is presented in > TABLE 019.

Financial position

Principles and objectives of financial management

The KION Group pursues a conservative financial policy of maintaining a strong credit profile with reliable access to debt capital markets. By pursuing an appropriate financial management strategy, the KION Group makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. In addition, the KION Group optimises its financial relationships with customers

(Condensed) statement of financial position TABLE 019

in € million	2018	in %	2017*	in %	Change
Non-current assets	10,150.6	78.3%	9,850.6	79.8%	3.0%
Current assets	2,818.2	21.7%	2,487.1	20.2%	13.3%
Total assets	**12,968.8**	**–**	**12,337.7**	**–**	**5.1%**
Equity	3,305.1	25.5%	2,992.3	24.3%	10.5%
Non-current liabilities	5,999.1	46.3%	6,133.7	49.7%	–2.2%
Current liabilities	3,664.6	28.3%	3,211.7	26.0%	14.1%
Total equity and liabilities	**12,968.8**	**–**	**12,337.7**	**–**	**5.1%**

* (Condensed) statement of financial position for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

and suppliers and mitigates the financial risk to its enterprise value and profitability, notably currency risk, interest-rate risk, price risk, counterparty risk and country risk. In this way, the KION Group creates a stable funding position from which to maintain profitable growth.

The financial resources within the KION Group are provided on the basis of an internal funding approach. The KION Group collects liquidity surpluses of the Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. This funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants. The Group occasionally arranges additional credit lines for KION Group companies with local banks or leasing companies in order to comply with legal, tax and other regulations.

The KION Group is a publicly listed corporate group and therefore ensures that its financial management takes into account the interests of shareholders, promissory note investors and the banks providing its funding. For the sake of all stakeholders, the KION Group makes sure that it maintains an appropriate ratio of internal funding to borrowing. The KION Group's borrowing is based on a long-term approach. The individual tranches of this borrowing will become due for repayment in the years 2021 to 2027.

Depending on requirements and the market situation, the KION Group will also avail itself of the funding facilities offered by the public capital markets in future. The KION Group therefore seeks to implement proactive risk management by rigorously pursuing its corporate strategy and to maintain an investment-grade credit rating in the capital and funding markets by ensuring a solid funding structure. Since September 2017, rating agency Standard & Poor's has classified the KION Group as BB+ with a positive outlook, while the rating from Fitch Ratings has been BBB– with a stable outlook since January 2017. The KION Group thus has an investment-grade credit rating, helping it to secure more advantageous funding conditions in the capital markets.

The KION Group maintains a liquidity reserve in the form of unrestricted, agreed and confirmed credit lines and cash in order to ensure long-term financial flexibility and solvency. In addition, it uses derivatives to hedge currency risk. It enters into interest-rate swaps in order to hedge risks attaching to financial liabilities.

Among other stipulations, the contractual terms of the senior facilities agreement (SFA), the acquisition facilities agreement (AFA) and the promissory notes set out certain covenants. In addition, there is a financial covenant that involves ongoing testing of adherence to a defined maximum level of leverage. Non-compliance with the covenants or with the defined maximum level of leverage as at a particular reporting date may potentially give lenders a right of termination or lead to an increase in interest payments.

All covenants were complied with in the past financial year, as had been the case in 2017.

Main corporate actions in the reporting period

In January 2018, the term of the revolving credit facility of €1,150.0 million agreed under the SFA was extended by a year, which means the KION Group can now utilise this credit facility until February 2023. The KION Group issued a further promissory note in June 2018. Split into fixed-rate and variable-rate tranches, it has a volume of €200.0 million and will mature in June 2025. The risk of a change in fair value has been hedged using an interest-rate swap with matching maturity. The hedging transaction is recognised as a fair value hedge. The funds generated by this promissory note were used to repay part of the long-term tranche under the AFA. Following further repayments using funds from operating activities, the only outstanding liability in connection with the AFA entered into in order to fund the acquisition of Dematic is the floating-rate long-term tranche in a residual amount of €600.0 million (31 December 2017: €1,000.0 million), which is due to mature in October 2021. As a result of the early repayment, deferred borrowing costs of €1.9 million had to be recognised under financial expenses. The KION Group has issued guarantees to the banks for all of the payment obligations under the SFA and AFA and it is the borrower in respect of all the payment obligations resulting from the promissory notes.

In October 2018, the KION Group employees entitled to participate in KEEP were given the opportunity to buy more KION shares. By 31 December 2018, a total of 38,691 shares had been purchased by staff (31 December 2017: 36,294 shares).

The number of shares held in treasury therefore stood at 165,558 as at the reporting date (31 December 2017: 160,829).

Analysis of capital structure

At €9,663.7 million, current and non-current liabilities had risen by €318.4 million as at the reporting date (31 December 2017: €9,345.4 million). An increase in current financial liabilities during the year was more than offset by repayments in the second half of the year. Non-current liabilities included deferred tax liabilities of €626.7 million (31 December 2017: €702.4 million).

Financial debt

Non-current financial liabilities (net of borrowing costs) decreased to €1,818.7 million (31 December 2017: €2,024.8 million). This figure can essentially be broken down into promissory notes with a total volume of €1,210.0 million and the remaining floating-rate long-term tranche of €600.0 million drawn down under the AFA.

Over the course of 2018, current financial liabilities fell by €17.4 million to €226.5 million (31 December 2017: €243.9 million). In the first six months of the year, higher drawdowns from the revolving credit facility were needed to fund net working capital as a result of the temporary bottlenecks at individual suppliers. These were repaid in the second half of 2018, taking current financial liabilities to below the level as at 31 December 2017.

Net financial debt (non-current and current financial liabilities less cash and cash equivalents) was therefore reduced to €1,869.9 million (31 December 2017: €2,095.5 million). This equated to 1.2 times the adjusted EBITDA in the year under review.

The unused, unrestricted loan facility under the SFA stood at €1,048.2 million as at the reporting date (31 December 2017: €965.3 million). > TABLE 020

Industrial net operating debt TABLE 020

in € million	2018	2017*
Liabilities to banks	826.4	1,253.7
Promissory notes	1,214.3	1,007.3
Other financial liabilities to non-banks	4.6	7.7
Financial liabilities	**2,045.2**	**2,268.7**
Less cash and cash equivalents	−175.3	−173.2
Net financial debt	**1,869.9**	**2,095.5**
Liabilities from financial services (short-term rental fleet)	307.1	–
Other financial liabilities (short-term rental fleet)	289.9	515.7
Liabilities from short-term rental fleet financing	**597.0**	**515.7**
Liabilities from procurement leases	**421.2**	**369.1**
Industrial net operating debt	**2,888.1**	**2,980.4**

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Retirement benefit obligation

The KION Group supports pension plans in many countries. These plans comply with legal requirements, standard local practice and thus the situation in the country in question. They are either defined benefit pension plans, defined contribution pension plans or multi-employer benefit plans. As at 31 December 2018, the retirement benefit obligation under defined benefit pension plans amounted to a total of €1,043.0 million, which was only slightly higher than the figure at the end of 2017 of €1,002.7 million. The net obligation under defined benefit pension plans increased year on year to reach €1,009.7 million (31 December 2017: €978.5 million). Changes in estimates relating to defined benefit pension entitlements resulted in a marginal decrease in equity.

Contributions to pension plans that are entirely or partly funded via funds are paid in as necessary to ensure sufficient assets are available and to be able to make future pension payments to pension plan participants. These contributions are determined by factors such as the funded status, legal and tax considerations, and local practice. The payments made by the KION Group in 2018 in connection with the main pension plans totalled €37.3 million, comprising €17.5 million for direct pension payments and €19.7 million for employer contributions to plan assets. The latter predominantly comprised a one-off payment of €17.8 million that was made in the United States in order to better meet statutory minimum funding provisions.

Liabilities from financial services

Further expansion of the long-term leasing business with end customers in 2018 again led to a higher total funding requirement in the form of liabilities from financial services and lease liabilities.

Liabilities from financial services comprise all liabilities from financing the leasing business and the short-term rental fleet on the basis of sale and leaseback sub-leases from 1 January 2018 onwards, as well as the liabilities that arise from financing the leasing business by means of lease facilities and the use of securitisations. Furthermore, liabilities from financial services arising from the leasing business include residual value obligations resulting from the indirect leasing business.

Overall, liabilities from financial services increased to €1,472.4 million as at 31 December 2018 (31 December 2017: €437.4 million). Of this total, €1,165.3 million was attributable to financing of the direct and indirect long-term leasing business (31 December 2017: €437.4 million). The total also includes residual value obligations of €319.5 million (31 December 2017: €340.7 million) resulting from the indirect leasing business.

A sum of €307.1 million, representing some of the financing of the short-term rental fleet, is recognised under liabilities from financial services (31 December 2017: €0.0 million); the remaining financing of the short-term rental fleet, which amounts to €289.9 million (31 December 2017: €515.7 million), is recognised under other financial liabilities.

Lease liabilities

Lease liabilities fell by €390.5 million to €740.6 million as at the reporting date (31 December 2017: €1,131.1 million) because new business has been included in liabilities from financial services since 1 January 2018.

Overall, liabilities from financial services and lease liabilities together totalling €1,906.0 million were attributable to financing of the direct and indirect long-term leasing business (31 December 2017: €1,568.5 million).

Other financial liabilities

As at the reporting date, other financial liabilities included liabilities of €289.9 million (31 December 2017: €515.7 million) arising from sale and leaseback sub-lease transactions used to finance the short-term rental fleet.

This item also included liabilities from procurement leases amounting to €421.2 million (31 December 2017: €369.1 million), for which right-of-use assets were recorded. Overall, current and non-current other financial liabilities came to €813.2 million (31 December 2017: €962.2 million).

Contract liabilities

Contract liabilities, of which a large proportion related to the long-term project business, increased to €570.1 million (31 December 2017: €324.4 million) due to higher advance payments from customers in connection with new orders.

Equity

Equity increased substantially to €3,305.1 million (31 December 2017: €2,992.3 million). Net income of €401.6 million was partly offset by the dividend of €116.8 million paid by KION GROUP AG in May 2018. Given the stable level of interest rates, actuarial effects on pensions had a negligible impact on equity. Exchange differences at the reporting date boosted equity by €35.5 million. The total effects recognised directly in equity amounted to €16.8 million. The equity ratio increased to 25.5 per cent (31 December 2017: 24.3 per cent).

Analysis of capital expenditure

The KION Group's total capital expenditure on property, plant and equipment and on intangible assets (excluding right-of-use assets from procurement leases) totalled €258.5 million in the reporting year (2017: €218.3 million). This increase is primarily attributable to the rise in capitalised development costs (see 'Research and development'), which came to €84.0 million and were thus up by 11.5 per cent on 2017.

Spending in the Industrial Trucks & Services segment continued to be focused on capital expenditure on product development and on the expansion and modernisation of the Operating Units' production and technology facilities. Capital expenditure in the Supply Chain Solutions segment mainly related to development costs as well as software and licences.

Analysis of liquidity

Liquidity management is an important aspect of central financial management in the KION Group. The sources of liquidity are cash and cash equivalents, cash flow from operating activities and amounts available under credit facilities. Using cash pools, liquidity is managed in such a way that the Group companies can always access the cash that they need. At €175.3 million, cash and cash equivalents were virtually unchanged year on year (31 December 2017: €173.2 million). Taking into account the credit facility that was still freely available, the unrestricted cash and cash equivalents available to the KION Group as at the reporting date amounted to €1,219.8 million (31 December 2017: €1,138.0 million).

Net cash provided by operating activities totalled €765.5 million, which was higher than the prior-year figure of €711.9 million. The year-on-year improvement in earnings played a significant part in this increase. The temporary rise in liquidity tied up in inventories was partly reversed in the fourth quarter once most of the bottlenecks at individual suppliers had been resolved. Higher advance payments from customers in the project business of the Supply Chain Solutions segment made up for the increase in inventories in the Industrial Trucks & Services segment. Overall, the smaller increase in net working capital compared to the previous year made a positive contribution of €58.9 million to cash flow from operating activities. By contrast, further expansion of the leasing and rental business and, as budgeted, higher tax payments of €193.2 million (2017: €136.3 million) resulting from the positive earnings performance of KION Group companies reduced the level of cash flow from operating activities.

Net cash used for investing activities amounted to €245.6 million and was therefore higher than in the previous year (2017: €237.6 million). Within this figure, cash payments for capital expenditure on product development and on property, plant and equipment (excluding right-of-use assets related to procurement leases) rose to €258.5 million (2017: €218.3 million).

Free cash flow – the sum of cash flow from operating activities and investing activities – increased to €519.9 million (2017: €474.3 million).

Net cash used for financing activities came to €514.5 million (2017: €568.5 million). The net repayment of financial debt in the period under review totalled €230.9 million. The gross repayment amount of €2,042.6 million consisted of the repayment of a further tranche of the long-term AFA in an amount of €400.0 million as well as the repayment of loan facilities drawn down in order to fund the temporary increase in inventories. There was also new borrowing of €1,811.7 million that was largely attributable to utilisation of the revolving credit facilities and to the issuance of a promissory note with a volume of €200.0 million. Payments made for interest portions and principal portions under procurement leases amounted to

€114.0 million in the reporting year (2017: €109.0 million). The net cash used for current interest payments decreased from €58.1 million in 2017 to €42.9 million in 2018 due to lower average net debt during the year. The dividend paid by KION GROUP AG in the second quarter of €0.99 per share resulted in an outflow of funds of €116.8 million (2017: €86.9 million). The acquisition of employee shares caused a cash outflow of €3.6 million (2017: €4.3 million). > TABLE 021

(Condensed) statement of cash flows TABLE 021

in € million	2018	2017*	Change
EBIT	642.8	561.0	14.6%
Cash flow from operating activities	765.5	711.9	7.5%
Cash flow from investing activities	–245.6	–237.6	–3.4%
Free cash flow	**519.9**	**474.3**	**9.6%**
Cash flow from financing activities	–514.5	–568.5	9.5%
Effect of exchange rate changes on cash	–3.2	–12.2	73.4%
Change in cash and cash equivalents	**2.2**	**–106.4**	**>100%**

* (Condensed) statement of cash flows for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

KION GROUP AG

Business activities

KION GROUP AG is the strategic management holding company in the KION Group. KION GROUP AG holds all the shares in Dematic Holdings GmbH, Frankfurt am Main (formerly DH Services Luxembourg Holding S.à r.l., Luxembourg) and thus all the shares in the subsidiaries in the Supply Chain Solutions segment. Furthermore, KION GROUP AG is the sole shareholder of Linde Material Handling GmbH, Aschaffenburg, which holds almost all the shares of the companies in the Industrial Trucks & Services segment.

The annual financial statements of KION GROUP AG have been prepared in accordance with the provisions in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The management report has been combined with the group management report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the additional provisions in section 315e (1) HGB. Differences between the accounting policies in accordance with HGB and those in accordance with IFRSs arise primarily in connection with the accounting treatment of financial instruments, provisions and deferred taxes.

Management system, future development and risk position

As a holding company without any operating activities of its own, KION GROUP AG is indirectly dependent on the earnings and economic performance of its subsidiaries. The management system, expected development and the opportunities and risks of the KION Group are described in detail in the 'Management system' and 'Outlook, risk report and opportunity report' sections of this combined management report.

Business performance in 2018

The business performance and position of KION GROUP AG are largely determined by the business performance and success of the Group. Detailed reports in this regard are set out in the 'Business performance' and 'Financial position and financial performance of the KION Group' sections.

Financial performance

KION GROUP AG does not have any operating activities itself. The reported revenue of €30.5 million (2017: €24.3 million) largely arose from the performance of services for affiliated companies.

Other operating income went up by €11.1 million to €33.5 million and includes, in particular, gains on the measurement of bank accounts and cash pools in foreign currencies.

The cost of materials is related to the revenue from the provision of services and mostly consists of expenses for consultancy services.

Personnel expenses fell by €4.9 million to €37.5 million. This year-on-year decrease was due to the smaller addition to provisions for share-based remuneration. There was a countervailing effect on personnel expenses from the increase in the number of employees and from annual salary rises.

Other operating expenses rose by €11.9 million to €80.2 million owing to losses on the measurement of bank accounts and cash pools in foreign currencies. Costs for external services and consultancy are another substantial component of other operating expenses.

The main changes in net financial income/expenses were as follows:

- Of the total income from profit-transfer agreements, €343.4 million related to Linde Material Handling GmbH (2017: €500.6 million).
- Interest expense and similar charges, which amounted to €54.9 million (2017: €48.8 million), arose mainly from the external financing of the KION Group via the promissory notes and loan agreements as well as, to a smaller extent, from interest charged on intercompany liabilities and the unwinding of the discount on pension provisions.
- Other interest and similar income in the amount of €61.6 million (2017: €28.6 million) for the most part consisted of interest income on intercompany receivables. This rise is attributable to KION GROUP AG having taken over the management of the cash pool in 2017, resulting in a gradual increase in intercompany receivables.

KION GROUP AG incurred tax expenses of €55.5 million as a result of its role as the parent company of the tax group in 2018 (2017: €79.4 million). This included a positive tax effect stemming largely from the offsetting of losses of corporations in an amount of €29.4 million in connection with an amendment to tax law (section 8c of the German Corporation Tax Act (KStG)).

A total net profit of €236.3 million was generated in the year under review (2017: €335.5 million). > TABLE 022

Financial performance TABLE 022

in € million	2018	2017	Change
Revenue	30.5	24.3	25.4%
Other operating income	33.5	22.4	49.6%
Material expenses	–0.7	–0.5	–40.5%
Personnel expenses	–37.5	–42.4	11.6%
Other operating expenses	–80.2	–68.3	–17.4%
Depreciation expense	–0.4	–0.2	–84.3%
Operating loss	**–54.9**	**–64.8**	**15.3%**
Net financial income	346.7	479.7	–27.7%
Income taxes	–55.5	–79.4	30.1%
Net income	**236.3**	**335.5**	**–29.6%**

Net assets

At the end of 2018, the total assets of KION GROUP AG had reduced, albeit insignificantly, by approximately 0.9 per cent year on year to €7,574.5 million.

The financial assets largely comprise the carrying amounts of the equity investments in Dematic Holdings GmbH (formerly DH Services Luxembourg Holding S.à r.l.) (€2,862.2 million) and Linde Material Handling GmbH (€1,368.4 million).

The receivables mainly consist of loans and cash pool receivables due from other Group companies and the Company's entitlement to the transfer of profits from Linde Material Handling GmbH of €343.4 million (2017: €500.6 million). There are long-term loans to Group companies of €216.0 million.

After taking into account the dividend payment of €116.8 million and the €0.9 million increase in the volume of treasury shares, the net profit of €236.3 million meant that equity rose to €3,811.6 million (31 December 2017: €3,692.9 million). Further disclosures on treasury shares can be found in the notes to the financial statements of KION GROUP AG. The equity ratio was 50.3 per cent as at the reporting date (31 December 2017: 48.3 per cent).

Provisions contracted by €10.0 million to €85.4 million; this was mainly attributable to the reversal of the provisions for share-based remuneration and to the recognition of tax assets following the retrospective abolition of German tax rules on the lapse of some losses following a harmful share acquisition. There was a countervailing effect from the increase in pension provisions. Pension provisions include provisions of €5.5 million (31 December 2017: €3.9 million) for former members of the Executive Board. KION GROUP AG recognised tax provisions of €22.0 million (31 December 2017: €27.6 million) including those in connection with its role as the parent company of the tax group.

Liabilities mainly consist of liabilities to banks of €1,978.7 million (31 December 2017: €2,214.8 million) as well as loan liabilities and cash pool liabilities to other Group companies. The liabilities to banks comprise the financing via the promissory notes, the bridge loan (AFA) and the syndicated loan agreement (SFA). > TABLE 023

Net assets TABLE 023

in € million	2018	2017	Change
Assets			
Property, plant and equipment	3.3	2.9	15.1%
Financial assets	4,231.2	4,231.2	–
Receivables and other assets	3,321.6	3,389.3	–2.0%
Cash and cash equivalents	18.3	20.5	–10.7%
Total assets	**7,574.5**	**7,643.9**	**–0.9%**
Equity and liabilities			
Equity	3,811.6	3,692.9	3.2%
Retirement benefit obligation	39.3	32.1	22.4%
Tax provisions	23.2	27.6	–15.8%
Other provisions	22.9	35.7	–35.9%
Liabilities	3,677.5	3,855.6	–4.6%
Total equity and liabilities	**7,574.5**	**7,643.9**	**–0.9%**

Financial position

By pursuing an appropriate financial management strategy, the KION Group – through KION GROUP AG – makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. KION GROUP AG is a publicly listed company and therefore ensures that its financial management takes into account the interests of shareholders and banks. For the sake of these stakeholders, KION GROUP AG makes sure that it maintains an appropriate ratio of internal funding to borrowing.

KION GROUP AG signed a syndicated loan agreement (SFA), originally for €1.5 billion, with a syndicate of international banks on 28 October 2015. As at 31 December 2018, the SFA consisted solely of a revolving credit facility of €1.2 billion. This has a variable interest rate and, following the agreement in 2018 of an extension to its term, it can be drawn down until February 2023. As at 31 December 2018, the amount drawn down was €101.8 million (31 December 2017: €184.7 million). The drawdowns under the revolving credit facility are classified as short term.

On 4 July 2016, KION GROUP AG reached agreement on a bridge loan to finance the acquisition of Dematic, originally in an amount of €3.0 billion. As at 31 December 2018, it consisted solely of a floating-rate loan in a nominal amount of €600.0 million that is due to mature in October 2021. At the end of 2017, this loan had a nominal amount of €1,000.0 million. It was partly repaid in 2018 using the funds from the issuance of a further promissory note and using cash received from operating activities.

In 2018, a promissory note was issued in a nominal amount of €200.0 million. It will mature in June 2025 and has both floating-rate and fixed coupons. The resulting funds were used to repay part of the floating-rate loan under the AFA. KION GROUP AG has entered into an interest-rate derivative to hedge the risk of a change in the fair value of the tranche with a fixed coupon.

The promissory note issued in 2017 in a nominal amount totalling €1,010.0 million is divided into several tranches that mature between 2022 and 2027 and have floating-rate or fixed coupons. KION GROUP AG has entered into a number of interest-rate derivatives in order to hedge the interest-rate risk resulting from the floating-rate tranches.

The SFA, AFA and promissory notes are not collateralised. KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the SFA and AFA and it is the borrower in respect of all the payment obligations resulting from the promissory notes.

As at 31 December 2018, liabilities to banks amounted to €1,978.7 million (31 December 2017: €2,214.8 million). After deduction of cash and cash equivalents, net debt amounted to €1,960.4 million (31 December 2017: €2,194.3 million).

Employees

The average number of employees at KION GROUP AG was 217 in 2018 (2017: 190). KION GROUP AG employed 230 people as at 31 December 2018 (31 December 2017: 195).

Concluding declaration on the report on relationships with affiliated entities (dependency report), section 312 (3) sentence 3 AktG

With respect to the legal transactions and other measures mentioned in the report on relationships with affiliated entities, we hereby declare that in each case the Company received appropriate consideration in accordance with the circumstances of which we were aware at the time when the legal transactions were concluded or the measures were taken or omitted and that it did not suffer any disadvantages as a result of such measures having been taken or omitted.

Frankfurt am Main, 20 February 2019

The Executive Board

Gordon Riske

Dr Eike Böhm

Anke Groth

Ching Pong Quek

Susanna Schneeberger

NON-FINANCIAL PERFORMANCE INDICATORS

The KION Group's enterprise value is determined not only by financial KPIs but also by non-financial factors. They are based on the Company's relations with its customers and employees, on its technological position and on environmental considerations. The KION Group can only achieve the targets that it has formulated for itself in the KION 2027 strategy if it is an attractive and responsible employer that can retain competent and committed employees at all sites, if it develops products and solutions that are closely tailored to customers' needs and environmental requirements now and in future, if it continually increases the customer benefits provided by its products and services and if it designs production processes in such a way that resources are conserved and emissions are avoided as far as possible.

The KION Group firmly believes that these aspects are important to its positioning as a pioneering company in a highly competitive environment.

Employees

HR strategy

The KION Group's success is founded on the capabilities and commitment of its employees. The ultimate objective of the KION Group's HR strategy is to provide the best possible support for the targeted implementation of the KION 2027 strategy. To this end, the KION Group draws on a wide range of measures to ensure that there is always a sufficient number of highly qualified, hard-working employees at all levels of its operations. Attractive working conditions and the opportunities for career progression afforded by working for an international group of companies play an important role in this and provide a solid basis for meeting the manifold challenges presented by demographic change.

The KION Group has maintained and continued to strengthen the high value of its employer brands, particularly those of Linde Material Handling, STILL and Dematic. In 2018, STILL was recognised as a top employer for the seventh year in succession by the Top Employers Institute, a certification organisation.

Our shared KION Group values

In 2017, we defined and introduced our shared corporate values as part of an international multi-stage process involving employees from across all units, countries and hierarchy levels. Eleven global workshops with a total of around 1,000 participants were held on all continents, ensuring that the entire workforce was represented. The values – integrity, collaboration, courage and excellence – provide a common basis for our work together.

In order to further entrench the values in the Company, we implemented a number of measures in 2017 and 2018. Among other things, we ran team workshops to ensure that all employees are aware of them, and provided regular updates on the intranet, including features on employees who embody the values particularly well.

Headcount

The average number of employees (full-time equivalents (FTEs), including trainees and apprentices) in the KION Group was 32,524 in 2018 (2017: 31,064 FTEs).

As at 31 December 2018, the KION Group companies employed 33,128 FTEs, 1,520 more than a year earlier. > TABLE 024

Employees (full-time equivalents)* TABLE 024

31/12/2018	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	17,641	2,210	796	20,647
Eastern Europe	2,642	131	0	2,773
Middle East and Africa	206	4	0	210
North America	232	2,745	0	2,977
Central and South America	486	739	0	1,225
Asia-Pacific	4,326	970	0	5,296
Total	**25,533**	**6,799**	**796**	**33,128**
31/12/2017				
Western Europe	16,634	2,098	698	19,430
Eastern Europe	2,349	84	0	2,433
Middle East and Africa	237	11	0	248
North America	219	2,808	0	3,027
Central and South America	459	839	0	1,298
Asia-Pacific	4,192	980	0	5,172
Total	**24,090**	**6,820**	**698**	**31,608**

* Number of employees (full-time equivalents) as at balance sheet date; allocation according to the contractual relationship

Personnel expenses amounted to €2,100.2 million. The main reason for this increase of 5.6 per cent compared with 2017 was the rise in average headcount for 2018 and changes to collective bargaining agreements. > TABLE 025

Personnel expenses TABLE 025

in € million	2018	2017	Change
Wages and salaries	1,653.4	1,567.8	5.5%
Social security contributions	364.2	343.5	6.0%
Post-employment benefit costs and other benefits	82.6	78.5	5.3%
Total	**2,100.2**	**1,989.7**	**5.6%**

Diversity

The KION Group sees itself as a global manufacturer with strong intercultural awareness: as at 31 December 2018, people from around 90 different countries were employed across the KION Group.

One of the ways in which the Company promotes international collaboration between employees is the KION expat programme, which gives employees the opportunity to transfer to different countries where the KION Group is represented.

The KION Group is tackling the challenges of demographic change in a variety of ways, for example by providing working conditions that are suited to employees' age-related requirements and organising healthy-living programmes so that it can continue to benefit from older employees' experience. As at 31 December 2018, 26.6 per cent of employees were over the age of 50 (31 December 2017: 27.0 per cent).

Compared with the previous year, the proportion of the KION Group's total workforce made up of women was virtually unchanged in 2018, at 16.2 per cent (2017: 16.0 per cent). To help increase the proportion of management positions occupied by women, the Executive Board set targets that are published in the corporate governance report. Going forward, the KION Group intends to fill more management positions internationally in order to better fulfil the continually growing requirements placed on the Company.

The KION Group offers flexible working-time models that promote a good work-life balance.

In addition, various initiatives were launched in 2018 aimed at increasing diversity in the Company. For our female managers, for example, we launched the Female Mentoring Programme.

Development of specialist workers and executives

The longer-term HR strategy focuses on an even better and more targeted development for employees with high potential.

In addition to the development activities geared specifically to high-potential employees, greater priority will be given to succession planning for key positions in the KION Group in future. To this end, we introduced a performance management process for succession planning in 2017/2018 that applies globally. Finding highly qualified people to fill specialist and executive positions is critically important to the KION Group. As a result, one of the focuses of HR work across the Group in 2018 was, as in the previous years, the recruitment and development of suitable young talent.

The KION Group endeavours to offer its employees interesting career opportunities and flexible, family-friendly working-time models. The Group companies also collaborate closely on areas such as talent management and training & development programmes. This helps to systematically identify and support staff with potential, high performers and experts in key functions. The STILL, Linde Material Handling and Dematic academies offer subject-specific and interdisciplinary training courses that develop employees' skills, particularly in sales and service.

Training and professional development

The companies in the KION Group currently offer training for 22 professions in Germany. Besides providing dual vocational training schemes, KION Group companies offer work placements for students combining vocational training with a degree course in cooperation with various universities.

The total number of trainees and apprentices was 601 as at 31 December 2018 (31 December 2017: 579).

Sharing in the Company's success

The KION Group launched the KION Employee Equity Programme (KEEP) in 2014. Initially limited to Germany, the programme was then rolled out to more countries. Around 1,450 employees participated in this share matching programme in 2018, roughly 6 per cent of the total number who are eligible to do so.

The programme was extended to the USA in 2018.

Since 2014, the remuneration of the approximately 460 top executives has included a remuneration component running over several years that is based on the long-term success of the Company and is granted annually.

Employee commitment

The KION Group's products and services destined for its customers are produced by committed employees. That is why all KION companies aim to ensure a high level of employee commitment.

Based on the manager survey conducted in 2015 and the action plan derived from it, a package of measures was defined and implemented in 2016 as part of the new 'Lift up' transformation initiative, in particular to ensure the new organisational structure is firmly embedded and to communicate the KION Group's strategy more widely.

A new manager survey was carried out in 2017 which revealed that the action plan derived from the earlier survey had been successfully implemented and we were therefore able to improve on the results of the 2015 survey.

We continued to work on the action plan in team workshops over the course of 2018. Another survey is planned for 2019.

Health and safety in the workplace

As an employer, the KION Group is responsible for the health and safety of its employees. The focus is always on avoiding all accidents and work-related illness wherever possible, as well as on maintaining each employee's work capacity in the long term. In 2017, the KION Group updated its corporate policy setting out its obligations in respect of health, safety and the environment (HSE). These include taking comprehensive precautions to create a safe working environment and ensuring employees know how to avoid risks and accidents.

HSE activities centre on an internal audit programme, which covers all of the KION Group's production facilities as well as sales and service. It systematically documents HSE measures and processes and provides specific ideas for how they can be developed further. In 2018, nine central HSE audits were carried out within the KION Group, including at the new plant in the Czech Republic and at other Dematic sites. Furthermore, comprehensive minimum HSE standards were implemented that are binding for all plants and the sales and service organisation. Every employee can access them via the intranet. To ensure rapid implementation, the main focus is on the 20 standards that are particularly relevant.

The KION Safety Championship provides additional motivation for employees to continually engage with HSE matters. Based on regular reporting from the individual units and a set of four defined evaluation criteria, a panel of judges awards prizes to those units that have shown special dedication or have suggested the most improvements in an area of HSE.

HSE managers at the KION Group's production facilities and in its sales and service units have the opportunity to meet and talk with one another at annual conferences.

Numerous activities aimed at improving health, such as fitness programmes and advice on nutrition and healthcare – also have a positive effect on health and safety in the Group. The vast majority of employees have access to voluntary health-related activities at their site.

At 2.8 per cent on average, the illness rate for 2018 remained at a satisfactory level (2017: 2.8 per cent). The illness rate is the figure for illness-related or accident-related absences from the workplace. The targets relating to HSE were examined in 2018 as part of a regular review. Further information, along with details of the other HSE key performance indicators and of the measures initiated and implemented in 2018, will be included in the KION Group's separate sustainability report, which will be published in April 2019 on the following website: https://reports.kiongroup.com/2018/sr.

Research and development

Strategic focus of research and development

Under the KION 2027 strategy, research and development is set up so as to provide the best possible support for the KION Group's objective of becoming the world's leading supplier of integrated, automated supply chain solutions and mobile automation solutions. The innovativeness of the portfolio is being significantly increased by concentrating heavily on automation and robotics solutions that are based on an overarching software platform. In 2018, the KION Group forged ahead with incorporating autonomous trucks and automated guided vehicle systems into end-to-end solutions for warehouses, among other things. Another area of focus was the ongoing development of the warehouse management system. Moreover, the KION Group has driven forward the integration of research and development into a groupwide digitalisation strategy. The Digital Campus, for example, is helping to significantly accelerate projects to digitalise the existing core business and ensure that they are fully aligned with the requirements of the Operating Units and their customers.

At the same time, R&D will continue to be structured cost-effectively, including through the use of agile processes. This will further reduce the complexity and diversity of products and shorten development times for new products. R&D essentially works on a cross-brand and cross-region basis, which ensures that research findings and technological know-how are shared across the Group. Building on this, local product development teams working for the individual brand companies and regions develop customer-specific solutions. As a result, a consortium led by the Fraunhofer Institute for Production Technology IPT and RWTH Aachen ranked the KION Group among the top five 'successful practice' companies in a benchmark study on agile invention. A total of 159 German and European companies took part in the benchmark study.

Key R&D figures

Total spending on research and development came to €221.7 million in 2018 (2017: €212.4 million), which equates to 2.8 per cent of revenue (2017: 2.8 per cent). Total R&D expenditure included €84.0 million in capitalised development costs (2017: €75.4 million). Alongside this addition to capitalised development costs, there were amortisation and impairment charges of €76.6 million (2017: €69.0 million) (see note [16] in the notes to the consolidated financial statements). A total of €137.7 million (2017: €137.0 million) was expensed.

The number of full-time jobs in R&D teams remained more or less constant compared to 31 December 2017. > TABLE 026

The KION Group takes comprehensive measures to protect the products it develops against imitations and pursues a dedicated patent strategy. In 2018, the KION companies applied for a total of 105 new patents (2017: 101). As at 31 December 2018, the companies of the KION Group held a total of 2,923 patent applications and issued patents (31 December 2017: 2,808 patent applications and issued patents).

Research and development (R&D) TABLE 026

in € million	2018	2017	Change
Research and development costs (P&L)	137.7	137.0	0.5%
Capitalised development costs	84.0	75.4	11.5%
Total R&D spending	**221.7**	**212.4**	**4.4%**
R&D spending as percentage of revenue	2.8%	2.8%	–

Focus of R&D in 2018

Energy

Since 2018, lithium-ion technology has been available for virtually every intralogistics and warehouse management application. The advantages of energy-saving electric drives include faster charging times, lower operating costs, higher safety standards and the ability to store considerably more energy. Linde extended the availability of lithium-ion batteries to the six to eight tonne load capacity range, closing the final gap in the electric forklift truck segment in the process. A new rental concept is also encouraging the use of energy-saving drive technology. The benefits for customers are flexibility and financial security over the entire usage period.

A new battery concept was introduced for the new RX 20 electric forklift truck from STILL in 2018. The truck was a winner at this year's International Intralogistics and Forklift Truck of the Year (IFOY) awards, where it triumphed in the Counter Balanced Truck category thanks to its compactness, ergonomics, performance, precision and innovative assistance systems.

Through its strategic partnership with EP Equipment, the KION Group is expanding its portfolio for the electrification of intralogistics to include entry-level warehouse technology.

Digitalisation

Software-based supply chain solutions that use robotics applications are at the heart of digitalisation. The Dematic iQ software, which enables real-time management of material flow solutions, was expanded with the cloud-based asset performance management system Dematic iQ InSights. This new module increases warehouse efficiency through end-to-end facilities management. Using real-time data, Dematic iQ InSights helps to optimise capacity utilisation, reduce lead times and increase operational performance.

Supported by the Digital Campus, Linde and STILL have also extended their digital offerings, in particular for data-based fleet management. Linde's 'connect' fleet management solution is now available for all industrial trucks – including those built by other companies – and therefore provides a comprehensive system for capturing and evaluating data that is also suitable for mixed fleets. Two new assistance systems have also been added to 'connect'. Linde Safety Guard is a new assistance system that uses acoustic and visual signals as well as vibrations to alert pedestrians and drivers in good time if they are approaching one another within warning zones that can be individually configured. Zone Intelligence uses sensors to identify and avoid situations that may cause an accident and therefore costs. The new assistance systems use ultra-wideband technology to enable communication between the truck's sensors, static sensors and sensors worn on the person. The highly responsive Active Stability Control (ASC) assistance system from Linde and the Active Floor Compensation (AFC) safety and assistance system from STILL make it possible to drive faster yet more safely in high-rack warehouses, even where the floor is uneven. Furthermore, the innovative Truck Mapping app improves communication between the fleet manager and drivers, thereby enabling orders to be managed even more efficiently.

Another new solution is the STILL neXXt fleet online portal, via which numerous processes involving inhouse material and data flows can be managed digitally – including from mobile devices – in order to optimise industrial truck fleets. The user is given a clear overview of all relevant fleet data and KPIs via a single application that can be accessed online from any device.

Automation

Dematic's robotics centre of excellence, established in 2018, brought the first robotic piece picking module to market that is capable of independently selecting individual items and placing them in the right container at very high throughput rates. The module has already proven itself in the field, and now all stages of the order fulfilment process can be fully automated. Further developments include a very narrow aisle AGV and robotics solutions for use in cold stores.

Dematic also presented the second generation of its pouch sorting system, which is particularly suitable for the handling of returns and for picking, e.g. in e-commerce. Hanging and flat goods as well as flat-packed items and boxes can be stored, sorted and staged. An improved goods-to-person picking solution was also launched. Combining the advantages of the Dematic Multishuttle with patented inter-aisle transfer technology, the solution enables more intelligent, faster and ergonomic order processing for high volumes of goods.

The Industrial Trucks & Services and Supply Chain Solutions segments particularly focused on product development aimed at improving the automation and connectivity of warehouse and logistics solutions. Linde entered the automated guided cart (AGC) segment with the new Linde C-MATIC, which autonomously manoeuvres through the warehouse and plays a key part in standardising production logistics processes. Another addition to the robotics portfolio was the R-MATIC autonomous reach truck, which operates fully automatically to store and retrieve palletised goods weighing up to 1.6 tonnes on high-bay racks. New rider trucks in the 1.2 to 2.5 tonne load capacity range ensure even more comfortable and productive goods transport and link to the 'connect' modular data system. For light transport tasks, Linde also launched three new pallet stackers and a hand pallet truck on the market.

Customers

The KION Group's industrial trucks and supply chain solutions are deployed in all kinds of industries.

The Industrial Trucks & Services segment has a very broadly diversified customer base, ranging from large key accounts with global operations to small and medium-sized enterprises that typically order just a few trucks each year.

The Supply Chain Solutions segment benefits from long-standing customer relationships with major players in the e-commerce and logistics sectors. They influence the success of the segment's new business and service business. Specific product solutions and customer retention formats help Dematic to further consolidate its position in major customer sectors, including general merchandise, grocery wholesale and retail, fashion, food and beverages, and parcel and courier services. The KION Group already ranks among the global market leaders in most of these sectors and enjoys excellent relationships with its customers. It has been able to extend these relationships through joint development projects and other initiatives.

The KION brand companies again exhibited at the sector's leading trade fairs in various regions in 2018 in order to intensify their collaboration with customers and partners.

At the World of Material Handling event in June, Linde and its partners – including Dematic for the first time – presented solutions for efficient, affordable and safe intralogistics to more than 5,000 visitors. The topics in the spotlight were loading and unloading, goods handling in high-rack warehouses and fully and semi-automated solutions for picking and transport between individual production steps. There was a particular focus on specific sectors, for example through special formats for grocery wholesale and retail, transport logistics and the construction industry.

STILL presented mainly compact trucks at the 2018 Logistics & Distribution fair in Brussels, where the new RX 20 electric forklift truck won the Best of Handling award. STILL also showcased its platform concept for digitalised intralogistics of the future at the Zukunftskongress Logistik trade show in Dortmund. Among the products unveiled at CeMAT 2018 were innovative fleet management solutions from STILL. Baoli participated in various trade fairs, including an event in Dubai.

At LogiMAT in Stuttgart, Dematic presented industry-specific automation solutions and hosted a Logistics Supply Chain Day at its site in Heusenstamm. Dematic also launched European Customer Days 2018, a series of events for customers from the textile and fashion wholesale/retail industries that was supported through participation in the Fashion Supply Chain Summit. The autumn saw the launch of European Service Days, a platform where service teams from across Europe can find out more about preventative measures for automation solutions. At MODEX 2018 in Atlanta, Dematic showcased its comprehensive range of products and solutions, while at EXCHAINGE it presented sector-specific automation solutions and highlighted the digital transformation's potential benefits for the supply chain. Dematic also supported the Material Handling & Logistics Conference in Utah, where customers and industry experts engaged in dialogue in a wide range of workshops and lectures on new trends and applications.

Sustainability

Acting sustainably and responsibly is one of the key principles by which the KION Group operates. The Group's focus on sustainability is reflected in its safe and clean products, in its environmentally friendly manufacturing processes and in the safe and non-discriminatory working environment it provides. The KION Group and its Operating Units strive for a balance between environmental, economic and social considerations in their activities. This is the basis upon which sustainability is enshrined in the KION 2027 strategy. The KION Group's values also have a clear link to sustainability.

In 2018, the KION Group took part in CDP's climate change survey for the first time. Once a year, the Company will voluntarily provide information regarding its climate protection activities to CDP. The KION Group was also awarded a sector-specific 'prime status' in a ranking by ISS-oekom, which specialises in identifying sustainability-related investment opportunities and risks. The objective is to be categorised as a sustainable investment for environmentally conscious investors.

As well as comprehensive information on strategy, the management approach and structures for sustainability, the groupwide 2018 sustainability report which will be published in April of 2019, contains data on relevant key performance indicators (see https://reports.kiongroup.com/2018/sr). It also contains the KION Group's non-financial declaration as required under German law. For this reason, the KION Group has not provided detailed information in the 2018 combined management report.

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 as well as the earnings of KION GROUP AG. Any unexpected developments in the global economy would result in the KION Group's and KION GROUP AG'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 our forecasts due, among other factors, to the opportunities and risks described here. 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.

Outlook for 2018

The overall assessment of the financial situation of the KION Group compares the outlook included in the 2017 combined management report with actual performance in 2018.

Assumptions

The forecasts in this section are derived from the KION Group's multiple-year market, business and financial plan, which is based on certain assumptions. Market planning takes into account macroeconomic and industry-specific performance, which is described below. Business planning and financial planning are based on expected market performance, but also draw on other assumptions, such as those relating to changes in the cost of materials, the KION Group's ability to command higher prices from customers and movements in exchange rates.

Expected macroeconomic conditions

In its outlook for 2019 published in January 2019, the International Monetary Fund (IMF) predicts continued global economic growth, which is slightly lower than the rate for 2018. Although growth is expected to weaken in the developed economies, partly as a result of the positive impact of the US tax reforms coming to an end, expansion in the emerging markets is forecast to continue almost unchanged. The IMF anticipates a slight dip in the eurozone's moderate growth that will be attributable, in particular, to Germany, Italy and France.

According to the IMF's prediction, the worldwide volume of trade will continue to grow at a constant rate.

This outlook from the IMF is lower than its previous expectations, which it primarily attributes to geopolitical risks. The IMF makes specific mention of the risks, for example in connection with the US/Chinese trade dispute, the consequences of the Brexit outcome, diminishing budgetary discipline in some eurozone countries and the high level of government debt in emerging markets.

Expected sectoral conditions

The overall market for industrial trucks and warehouse systems will continue to expand in 2019. Going forward, growth at regional level will again depend heavily on the strength of the economy in the main sales markets. In past years, the market's growth – measured by the number of new trucks sold and the revenue of the largest system manufacturers – has consistently exceeded the growth rates for global gross domestic product (GDP). The KION Group believes that the fundamental drivers of growth are intact, particularly the global fragmentation of value chains and consumers' increasing preference for e-commerce. In view of the largely stable macroeconomic prospects, the KION Group anticipates that the worldwide market for industrial trucks and warehouse systems will continue to expand at an above-average rate in 2019.

However, the growth of new industrial truck business is likely to normalise compared with the exceptional rates of expansion seen in 2017 and 2018, returning closer to the long-term trend of around 4 per cent. The EMEA and Americas regions are expected to register further moderate increases in orders. Sharper rises are anticipated in the APAC region, although it remains to be seen what impact the trade disputes will have. The KION Group is in an excellent position from which to take advantage of the expected progress in the electrification of warehouses. The constantly increasing number of trucks in operation worldwide provides a sustainable customer base for the service business.

Demand for supply chain solutions is likely to be underpinned by the strong inclination to invest seen in the main customer industries in connection with multichannel and e-commerce strategies. In the medium-term, market growth is expected to be in the high single digits.

Expected business situation and financial performance of the KION Group

In 2019, the KION Group aims to build on its successful performance in 2018 and, based on the forecasts for market growth, achieve further increases in revenue and adjusted EBIT.

The order intake of the KION Group is expected to be between €8,250 million and €8,950 million. The target figure for consolidated revenue is in the range of €8,150 million to €8,650 million. The target range for adjusted EBIT is €805 million to €875 million. Free cash flow is expected to be in a range between €380 million and €480 million. The target figure for ROCE is in the range of 9.0 per cent to 10.0 per cent.

Order intake in the Industrial Trucks & Services segment is expected to be between €6.250 million and €6,450 million. The target figure for revenue is in the range of €6,050 million to €6,250 million. The target range for adjusted EBIT is €685 million to €720 million.

Order intake in the Supply Chain Solutions segment is expected to be between €2,000 million and €2,500 million. The target figure for revenue is in the range of €2,100 million to €2,400 million. The target range for adjusted EBIT is €190 million to €225 million. > TABLE 027

Outlook TABLE 027

in € million	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	2018 Actual	2019 Outlook	2018 Actual	2019 Outlook	2018 Actual	2019 Outlook
Order intake*	8,656.7	8,250 – 8,950	6,210.6	6,250 – 6,450	2,425.2	2,000 – 2,500
Revenue*	7,995.7	8,150 – 8,650	5,922.0	6,050 – 6,250	2,055.2	2,100 – 2,400
Adjusted EBIT*	789.9	805 – 875	655.4	685 – 720	180.2	190 – 225
Free cash flow	519.9	380 – 480	–	–	–	–
ROCE	9.3%	9.0% – 10.0%	–	–	–	–

* Disclosures for the Industrial Trucks & Services and Supply Chain Solutions segments also include intra-group cross-segment order intake, revenue and effects on EBIT

Expected financial position of the KION Group

Having significantly reduced its financial liabilities in the reporting year, the KION Group intends to use free cash flow to achieve a further moderate decrease in net debt.

Overall statement on expected performance

The KION Group believes it will continue along its path of profitable growth and aims to further improve its market position worldwide in 2019.

RISK REPORT

Risk strategy

The business activities of the KION Group necessarily involve risk. Dealing responsibly with risk and managing it in a comprehensive manner is an important element of corporate management. The overarching aim is to fully harness business opportunities while ensuring that risk always remains under control. Using its groupwide risk management system, the KION Group contains all identified risks by implementing suitable measures and takes appropriate precautions.

This ensures that the losses expected if these risks arise will be largely covered and therefore will not jeopardise the Company's continuation as a going concern. Risk management is embedded in the corporate controlling function and plays an active and wide-ranging role due to the strategic focus of corporate controlling. The Operating Units' business models, strategic perspectives and specific plans of action are examined systematically. This ensures that risk management is fully integrated into the KION Group's overall planning and reporting process.

Principles of risk management

The procedures governing the KION Group's risk management activities are laid down in internal risk guidelines. For certain types of risk, such as financial risk or risks arising from financial services, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with inherent risks. Risk management is organised in such a way that it directly reflects the structure of the Group itself. Consequently, risk officers supported by risk managers have been appointed for each company and each division. A central Group risk manager is responsible for the implementation of risk management processes in line with procedures throughout the Group. His or her remit includes the definition and implementation of standards to ensure that risks are captured and evaluated.

The risk management process is organised on a decentralised basis. Firstly, a groupwide risk catalogue is used to capture the risks attaching to each company. Each risk must be captured individually. If the losses caused by a specific risk or the likelihood of this risk occurring exceed a defined limit, the KION Group's Executive Board and its corporate controlling function are notified immediately. Each risk is documented in an internet-based reporting system designed specifically for the requirements of risk management. Risks affecting more than one Group company, such as market risks, competition risks, financial risks and risks arising from financial services, are not recorded individually but are instead evaluated at Group level. Consequently, such risks are not quantified.

The scope of consolidation for risk management purposes is the same as the scope of consolidation for the consolidated financial statements. The risks reported by the individual companies are combined to form divisional risk reports as part of a rigorous reporting process. To this end, minuted risk management meetings are held once a quarter. Moreover, material risks are discussed with the segments at the business review meetings. The divisional risk reports are then used to compile an aggregate risk portfolio for the KION Group as a whole. To support this, the relevant departments of the holding company are consulted each quarter in order to identify and assess risk – particularly Company-wide, cross-brand risk affecting areas such as treasury, purchasing, tax, human resources and financial services. The Executive Board of KION GROUP AG and the Supervisory Board's Audit Committee are informed of the Group's risk position once a quarter. The Internal Audit department audits the risk management system at regular intervals.

Material features of the internal control and risk management system pertaining to the (Group) accounting process

Principles

The main objectives of the accounting-related internal control system are to avoid the risk of material misstatements in financial reporting, to identify material mismeasurement and to ensure compliance with the applicable regulations and internal instructions. This includes verifying that the consolidated financial statements and combined management report comply with the relevant accounting standards.

Material processes and controls in the (Group) accounting process

For its (Group) accounting process, the KION Group has defined suitable structures and processes within its internal control and risk management system and implemented them in the organisation.

Changes to the law, accounting standards and other pronouncements are continually analysed with regard to their relevance and effect on the consolidated financial statements and group management report; the relevant changes are then incorporated into the Group's internal policies and systems.

All consolidated entities must follow the KION GROUP IFRS Accounting Manual when preparing their IFRS reporting packages. This manual contains the recognition, measurement and disclosure rules to be applied in the KION Group's accounting in accordance with IFRS. The accounting guidelines primarily explain the financial reporting principles specific to the KION Group's business. In addition, all companies must adhere to the schedule defined by head office for preparing the consolidated financial statements and group management report.

The accounting-based internal control and risk management system encompasses defined control mechanisms, automated and manual reconciliation processes, separation of functions, the double-checking principle and adherence to policies and instructions.

The employees involved in the (Group) accounting process receive regular training in this field. Throughout the accounting process, the local companies are supported by central points of contact. The consolidated accounts are drawn up centrally using data from the consolidated subsidiaries. Specially trained KION Group employees carry out the consolidation activities, reconciliations and monitoring of the stipulated deadlines and processes. Monthly checklists have been drawn up for the consolidation process and are worked through in a standardised manner. All postings are managed centrally and documented.

A team is responsible for monitoring the system-based controls, which it supplements with manual checks. The entire accounting process contains a number of specific approval stages, for which extensive plausibility checks have been set up. Employees with the relevant expertise provide support on specialist questions and complex issues.

Internal control mechanisms and ongoing analysis of the regulatory framework enable any risks that might jeopardise the compliance of the consolidated financial statements and group management report with accounting standards to be identified as soon as possible so that appropriate countermeasures can be taken. Such risks form part of the KION Group's aggregate risk profile and are classified as operational risk.

The Internal Audit department evaluates governance, risk management and the control processes by following a systematic and structured process, thus helping to bring about improvements. It focuses primarily on the following aspects:

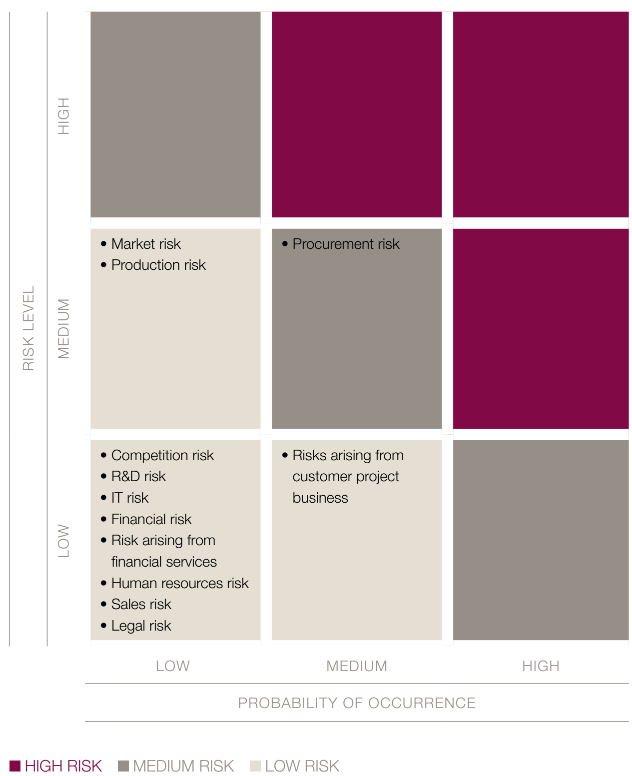
- appropriateness and effectiveness of the internal control systems for avoiding financial losses
- compliance with legal requirements, directives from the Executive Board, other policies and internal instructions
- correct performance of tasks and compliance with business principles

Risk

Aggregate risk

The aggregate risk position was largely unchanged compared with the end of 2017. With regard to 2019, the risks in the risk matrix below will be continually observed and evaluated in terms of their extent and probability of occurrence. For example, the KION Group considers there to be a low probability of the materialisation of market risks that would lead to a negative deviation from the assumptions underlying the forecast. However, the possible impact of market risk continues to be rated at a medium risk level because of the importance of the market for the KION Group's business situation and financial performance. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern. > DIAGRAM 005

Risk matrix — DIAGRAM 005



The market risks and competition risks described, the risks along the value chain, the human resources risks and the legal risks largely relate to the Industrial Trucks & Services and Supply Chain Solutions segments. Risks arising from financial services mainly affect the Industrial Trucks & Services segment, while financial risks would predominantly impact on the Corporate Services segment.

Market risks and competition risks

Market risks

Market risk can arise when the economy as a whole or a particular sector does not perform as well as had been anticipated in the outlook. Following two years of exceptionally strong growth in the Industrial Trucks & Services segment, the KION Group expects market growth to normalise at the multiple-year average. This expectation has been factored into the outlook.

Cyclical fluctuations in macroeconomic activity affect both the market for industrial trucks and the market for automated supply chain solutions, although the latter has greater immunity to economic cycles.

Customers' decisions on whether to invest depend to a large degree on the macroeconomic situation and conditions in their particular sector. During an economic downturn, or even just periods of heightened economic uncertainty, customers tend to postpone their capital expenditure plans. Although demand for services is less cyclical, it correlates with the degree of utilisation of the trucks and systems – which usually declines during difficult economic periods.

As the KION Group can only adjust its fixed costs to fluctuations in demand to a limited extent, reductions in revenue impact on earnings. Despite the significant proportion of revenue generated outside the eurozone (due in part to the strong North American business of the Supply Chain Solutions segment and the expansion of business in China), the bulk of revenue continues to be billed in euros. As a result, the market conditions that prevail in the eurozone impact significantly on the KION Group's financial performance. Although the eurozone's economic growth continued to stabilise in the year under review, there are still risks resulting from Brexit-related uncertainties and diminishing budgetary discipline in Italy. Moreover, any weakening of economic growth affecting major trading partners – e.g. China, where the punitive tariffs imposed by the US are taking their toll on the economy – might reduce eurozone customers' willingness to invest and consequently the demand for the KION Group's products.

Any loss of momentum in the emerging markets, for example due to the adverse impact of changes in the interest-rate and currency environment – could also have a negative effect on global trade volumes and thus on growth in the material handling market. The market risks referred to could be heightened by geopolitical risk, including the heightened protectionist tendencies seen last year, and possible currency crises.

However, it is not currently foreseeable whether these risks will become relevant and then have a material effect on the business situation and financial performance.

The geopolitical situation is monitored closely. Various measures aimed at making cost structures more flexible – such as the consolidation of production facilities, leveraging of cost synergies and the platform strategy – help to contain the earnings risk arising from reductions in revenue caused by economic conditions. Diversification of the customer base in terms of industry and region as well as expansion of service activities also play a role in mitigating risk. Moreover, the KION Group closely monitors the market and its competitors so that it can identify market risks at an early stage and adjust its production capacities in good time. Besides global economic growth and other data, the KION Group also analyses exchange rates, price stability, the consumer and investment climate, foreign trade activity and political stability in its key sales markets, constantly monitoring the possible impact on its financial performance and financial position. Other risks arise as a result of constant changes in the Company's political, legal and social environment. Because it operates in countries in which the political or legal situation is uncertain, the KION Group is exposed to the consequent risk of government regulation, changes to customs rules, capital controls and expropriations. The KION Group mitigates such strategic risks by, for example, carrying out in-depth market research, conducting thorough evaluation procedures to assess political and economic conditions and drafting contracts appropriately.

Competition risks

Competition risk describes the risk that growing competitive pressure will prevent the KION Group from achieving its predicted margins and market share. The markets in which the KION Group operates are characterised by strong competition, often price-driven. Price competition is compounded by some manufacturers having cost advantages in production, sometimes due to the currency situation and sometimes because local labour costs are lower. This mainly affects the Industrial Trucks & Services segment, where competition is fierce, particularly in the economy and volume price segments, and the impact is especially strong in emerging markets. Building on their local competitive strength, manufacturers in emerging markets are also looking for opportunities to expand. Although the high quality expectations and service needs of customers in developed markets present a barrier to growth for many of these manufacturers, this situation is likely to intensify competitive pressures in future.

It is also conceivable that competitors will join forces and their resulting stronger position will be detrimental to the KION Group's sales opportunities. Moreover, predictions of higher volumes and margins may lead to overcapacity, which would put increased pressure on prices. Although the excellent customer benefits provided by its products have enabled the KION Group to charge appropriate prices until now, it is taking a variety of steps to contain competition risk. Alliances, partnerships, acquisitions and other measures are increasingly playing a role in improving the KION Group's competitiveness in terms of resources, market access, product range and digitalisation expertise. The steps that the KION Group is taking to mitigate its competition risk also include making its plants more efficient and securing low-cost sources of supply.

The KION Group also continually evaluates its options for strengthening and consolidating its position in emerging markets, in particular through proactive cross-selling by the two operating segments, strategic partnerships, the creation of joint ventures or acquisition of local manufacturers. One of the risks of such alliances and acquisitions is that the expected benefits will materialise only partly or not at all. For example, the organisational integration of new units can harm financial performance for a variety of reasons. It is also possible that a partner will collaborate with competitors if exclusivity agreements are not in place.

Risks along the value chain

Research and development risks

The KION Group's market position and business performance depend to a large extent on its ability to build on its leading technological position in respect of individual products and system solutions in order to become the leading supplier of automated supply chain solutions and mobile automation solutions. This requires the Group to continually develop products that meet customer expectations and comply with changing regulatory and technological requirements. To this end, the KION Group must anticipate customers' needs and changing market conditions – including the growing use of digital technologies in value chains – and has to quickly bring new products to market. If the Company does not succeed in doing this, its technological and competitive position could be compromised in the long term.

The innovations developed by the KION Group are comprehensively protected by intellectual property rights, in particular patents. Nevertheless, there is always the possibility that products or product components will be imitated. There is also a risk that patent applications will not be successful. The KION Group mitigates research and development risk by focusing firmly on customer benefit in its development of products and solutions. Customer needs are incorporated into the development process on an ongoing basis by ensuring close collaboration between sales and development units and taking account of all region-specific requirements.

Procurement risks

Procurement activities constitute a potential risk for the KION Group in terms of the general availability of parts and components and the rising cost of raw materials, energy, inputs and intermediate products. In particular, restricted capacity in a tight supplier market could result in the KION Group facing backlogs in the supply of individual raw materials and components. As seen in 2018, these backlogs can lead to temporary decreases in revenue and cash flow as well as to inefficiencies in production. The KION Group obtains some of its key components from a limited number of core suppliers. Key components in the Industrial Trucks & Services segment include internal combustion engines, tyres and high-performance forged and electronic parts.

The risk of supply bottlenecks – for example in the event of a shortage of raw materials or financial difficulties at core suppliers – cannot be ruled out in future. The KION Group mitigates this risk by further diversifying its supplier structure in the context of a global procurement organisation.

In addition, the supplier development department, which focuses on improving suppliers' production processes, helps suppliers to ensure that their processes are cost-efficient and offer excellent quality.

Price changes present another procurement-related risk. In 2018, around 25.5 per cent (2017: around 25 per cent) of the cost of materials for new trucks was directly influenced by changes in commodity prices. Moreover, conditions in the commodity markets typically affect component prices after a delay of three to six months. The KION Group endeavours to pass on price increases to customers but cannot always do so entirely due to market pressures.

Production risks

Production risks are largely caused by quality problems, possible disruptions to operational procedures or production downtime at individual sites. They can also materialise as secondary risks resulting from the aforementioned procurement risks. In such cases, the KION Group's closely integrated manufacturing network presents a heightened risk to its ability to deliver goods on time. There is also a risk that structural measures and reorganisation projects will not be implemented owing to disruption of production or strikes. Delays in delivery or a rise in the number of complaints could harm the KION Group's positioning in the price segments and sales markets that it serves and, as a result, could harm its financial situation.

To mitigate these risks, the KION Group carries out preventive maintenance, implements fire protection measures, trains its staff and builds a pool of external suppliers. The Company has taken out a commercially appropriate level of insurance cover against loss. Quality assurance is a high priority throughout the value chain and reduces possible quality-related risks arising from the products and services provided. The KION Group mitigates its quality-related risks significantly by applying rigorous quality standards to its development activities, conducting stringent controls throughout the process chain and maintaining close contact with customers and suppliers.

Risks arising from customer project business

In the customer project business, risks can arise from deviations from the schedule originally agreed with the customer, potentially leading to revenue and profit being recognised in subsequent years or, in isolated cases, contractual penalties having to be paid. Another possible risk is that the technology deviates from the promised specifications, which may result in additional completion costs. The long-term nature of individual projects can lead to cost increases over the term of the project that were not anticipated in the project costing and cannot be passed onto the customer.

To mitigate these risks in the Supply Chain Solutions segment, project management includes a comprehensive process of risk management. This involves detailed evaluation of the risks when defining the technical aspects of quotations plus financial risk provisioning based on the individual project specifications when preparing quotations. A multistage approval process based on an extensive list of criteria ensures that financial, country-specific, currency-specific and contractual risks are largely avoided.

The potential risks that may arise in the project realisation phase are analysed in every individual project using detailed continuous reviews based on the individual items of work that make up the project. This keeps potential risks to a minimum.

Sales risks

The main sales risks – besides a drop in revenue caused by market conditions – result from dependence on individual customers and sectors. For example, it is possible that customers would postpone or cancel orders during a period of economic difficulty. There have not been any significant cancellations in previous years, however. It is also conceivable that customers would face a liquidity shortfall and therefore be unable to fulfil their payment obligations immediately or even at all. Because of its customer project business, the Supply Chain Solutions segment generally has a greater dependence on individual sectors and individual customers than the Industrial Trucks & Services segment. Nevertheless, the concentration risk for the KION Group overall is still considered to be low. The business is highly diversified from a regional perspective. In addition, the KION Group supplies companies of all sizes. Experience has shown that the KION Group's exposure to the risk of possible payment defaults is low, but this risk can be further mitigated by recovering any collateral.

IT risks

A high degree of interconnectedness between sites and with customers and other companies means that the KION Group also relies on its IT systems working flawlessly. The KION Group undertakes ongoing further development of a reliable, extendable and flexible IT system environment with the aim of countering any IT-related risks that may arise from the failure of IT systems and IT infrastructure. Internal IT resources are pooled in the cross-segment KION Group IT function, which has well-established processes for portfolio management and project planning and control. Independent external audits are conducted to provide additional quality assurance. Various technical and organisational measures protect the data of the KION Group and the Group companies against unauthorised access, misuse and loss. These measures include procedures to validate and log access to the Group's infrastructure.

There are further IT risks in connection with the European General Data Protection Regulation (GDPR), which came into effect on 25 May 2018. It contains a host of new data protection provisions that were not included in the previous legislation, for example rules on the processing of personal data and requirements relating to full documentation of such processing. Major breaches of the GDPR can lead to fines of up to 4 per cent of the previous year's revenue. In 2018, the KION Group launched a groupwide project in order to fully implement the data protection and documentation requirements. Furthermore, employees are being reminded that all of the Group's stakeholders have privacy rights that must be upheld. Given that the KION Group maintains very high compliance standards, the probability of the GDPR being breached is regarded as very low.

Financial risks

Corporate Treasury is responsible for ensuring that sufficient financial resources are always available for the KION Group's international growth. The main types of financial risk managed by Corporate Treasury, including risks arising from funding instruments, are liquidity risk, currency risk, interest-rate risk and counterparty risk. Counterparty risk consists solely of credit risks attaching to financial institutions.

Risk management procedures issued by Corporate Treasury stipulate how to deal with the aforementioned risks. Non-current financial liabilities fell by €206.1 million from their level at 31 December 2017 to reach €1,818.7 million at the end of 2018. As at 31 December 2018, the main financial liabilities classified as non-current were a promissory note with a nominal amount totalling €1,210.0 million plus the nominal amount of €600.0 million still outstanding under the bridge loan (AFA) following substantial repayments. The unused, unrestricted SFA loan facility stood at €1,048.2 million as at 31 December 2018.

Risk arising out of the lending and promissory note conditions that have been agreed was not regarded as material as at 31 December 2018. It relates in particular to the restrictions in respect of compliance with financial covenants and upper limits for certain transactions and in respect of the obligation to submit special regular reports. The KION Group complied with all the obligations in this regard in the reporting year.

Some of the Group's financing takes the form of floating-rate or fixed-rate financial liabilities. Interest-rate swaps are used to hedge the resultant interest-rate risk and the risk of a change in the liabilities' fair value.

The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution. The KION Group only uses derivatives to hedge underlying operational and financial transactions; they are not used for speculative purposes. It is exposed to currency risk because of the high proportion of its business conducted in currencies other than the euro. In the Industrial Trucks & Services segment, at least 75 per cent of the currency risk related to the planned operating cash flows based on liquidity planning is normally hedged by currency forwards in accordance with the relevant guideline. The Supply Chain Solutions segment hedges itself against currency risk on a project-related basis. Corporate Treasury rigorously complies with and monitors the strict separation of functions between the front, middle and back offices.

Each Group company's liquidity planning is broken down by currency and incorporated into the KION Group's financial planning and reporting process. Corporate Treasury checks the liquidity planning and uses it to determine the funding requirements of each company. The funding terms and conditions faced by the lenders themselves (manifested, for example, in the payment of liquidity premiums on interbank lending) may result in a future shortage of lines of credit and / or increased financing costs for companies. However, the Group currently does not expect any further changes in its lines of credit or any excessive increases in margins.

Goodwill and brand names represented 33.7 per cent of total assets as at 31 December 2018 (31 December 2017: 35.1 per cent). Pursuant to IFRS, these assets are not amortised and their measurement depends, above all, on future expectations. If these future expectations are not fulfilled, there is a risk that impairment losses will have to be recognised on these assets.

The individual Group companies directly manage counterparty risks involving customers. These counterparty risks did not change significantly in 2018. Each individual Group company has established a credit management system for identifying customer-related counterparty risks at an early stage and initiating the necessary countermeasures. Analysis of the maturity structure of receivables is an integral element of monthly reporting.

Risks arising from financial services

The leasing activities of the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-rented. Residual values in the markets for used trucks are therefore constantly monitored and forecast. The KION Group regularly assesses its aggregate risk position arising from financial services.

The risks identified are immediately taken into account by the Company by recognising write-downs or provisions and in the costing of new lease contracts by adjusting the residual values. Risk-mitigating factors include the demand for used trucks, which stabilises the residual values of the KION Group's industrial trucks. In many cases, the residual values have underlying remarketing agreements that transfer any residual-value risk to the leasing company. This had a positive impact on the financial results in 2018. Groupwide standards to ensure that residual values are calculated conservatively, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to financial services by ensuring that most of its transactions and funding loans have matching maturities and by constantly updating its liquidity planning. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks and an effective dunning process ensure that the Group has sufficient liquidity.

In order to exclude currency risks, the KION Group generally finances its leasing business in the local currency used in each market.

The counterparty risk inherent in the leasing business continues to be insignificant. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed trucks. Furthermore, receivables management and credit risk management are refined on an ongoing basis. Besides the design of the business processes, it also encompasses the risk management and control processes.

Human resources risks and legal risks

The KION Group relies on having highly qualified managers and experts in key roles. If they left, it could have a long-term adverse impact on the Group's prospects. That is why the KION Group actively engages in HR work aimed at identifying and developing young professionals with high potential who already work for the Company and retaining them over the long term, thereby enabling succession planning for key roles across the Group. The KION Group also positions itself in the external market as an employer of choice. This will enable it to make strategic additions to its portfolio of existing staff and, in this way, avert the risk of possibly losing expertise and thereby becoming less competitive.

Any restructuring measures may result in a risk of strikes and reactions of other kinds by the workforce. As demonstrated several times in the past, this risk is contained by collaborating closely with employee representatives and, if job losses are necessary, taking comprehensive steps to ensure they are achieved with the minimum possible social impact.

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance. These lawsuits relate, among other things, to liability risks, especially as a result of legal action brought by third parties because, for example, the Company's products were allegedly faulty or the Company allegedly failed to comply with contractual obligations. Further legal risk may arise as a result of the environmental restoration of sites that have been shut down in recent years, for example work required due to contamination. Any damage to the environment may lead to legal disputes and give rise to reputational risk.

The Company has taken measures to prevent it from incurring financial losses as a result of these risks. Although legal disputes with third parties have been insignificant both currently and in the past, the Company has a centralised reporting system to record and assist pending lawsuits. In addition to the high quality and safety standards applicable to all users of the Company's products, with which it complies when it develops and manufactures the products, it has also taken out the usual types of insurance to cover any third-party claims. In addition, interdisciplinary teams work on the avoidance of risks arising from inadequate contractual arrangements. A further objective of this cooperation across functions is to ensure compliance with mandatory laws, regulations and contractual arrangements at all times.

Owing to the KION Group's export focus, legal risk and reputational risk arise due to the numerous international and local export controls that apply. The Company mitigates these risks with a variety of measures. Consequently, export controls are an important part of the compliance activities carried out by the Group companies.

OPPORTUNITY REPORT

Principles of opportunity management

Opportunity management, like risk management, forms a central part of the Company's day-to-day management. In 2018, the aggregate opportunity position was largely unchanged compared with the previous year. Individual areas of opportunity are identified within the framework of the strategy process. Opportunities are determined and managed on a decentralised basis in line with the Group strategy.

There are monthly reports on the opportunity situation as part of the regular Group reporting process. As a result, the KION Group is in a position to ascertain at an early stage whether market trends, competitive trends or events within the Group require individual areas of opportunity to be re-evaluated. This may lead to reallocation of the budgets earmarked for the realisation of opportunities. Such decisions are made on the basis of the potential of the opportunity, drawing on empirical values. There is no management system for the evaluation of opportunities comparable to the system for risk management.

Categorisation of opportunities

'Opportunities' are understood as positive deviations from the expectations set out in the outlook relating to the economic situation and the KION Group's position. Opportunities are divided into three categories:

- Market opportunities describe the potential resulting from trends in the market and competitive environment and from the regulatory situation.
- Strategic opportunities are based on implementation of the Group's strategy. They may lead to positive effects that exceed planning assumptions.
- Business-performance opportunities arise in connection with operational activities along the value chain, such as restructuring or cost-cutting measures.

Opportunity situation

Market opportunities

The economy as a whole may perform better than expected in 2019. In addition, circumstances may occur in the wider market at any time – such as quality problems at competitors or the effects of consolidation – that increase demand for products from the KION Group brands. New, unforeseen regulatory initiatives could be launched, for example the tightening of health and safety regulations or emissions standards, that would push up demand for products offered by the KION Group brands. Average prices for procuring commodities over the year may be cheaper than anticipated. Moreover, a weakening of the euro could bring positive currency effects that have not been factored into the planning.

Medium- to long-term market opportunities are presented, in particular, by:

- growing demand for intralogistics products, solutions and services as a consequence of globalisation, industrialisation and fragmentation of supply chains as well as efficiency increases that are needed due to limited warehouse space and changing consumer requirements
- high demand for replacement investments, especially in developed markets
- the trend towards outsourcing of service functions for industrial trucks, outsourcing of entire logistics processes in the supply chain solutions business and growth in demand for finance solutions
- increased use of industrial and warehouse trucks powered by electric motors – one of the KION Group's particular strengths
- growing demand for automation solutions and fleet management solutions in connection with the rapidly expanding e-commerce sector and the implementation of Industry 4.0 projects

Strategic opportunities

The positive impact of the strategic activities under the KION 2027 strategy is already appropriately reflected in the expectations regarding the KION Group's financial performance in 2019. Nevertheless, the individual activities could create positive effects that exceed expectations. There is also a possibility that new strategic opportunities that were not part of the planning may arise over the course of the year, for example in the form of acquisitions and strategic partnerships.

The KION Group's medium- to long-term strategic opportunities in the Industrial Trucks & Services segment arise, in particular, from:

- achievement of a leading global market and technology position with regard to truck automation and innovative drive technologies as an integral element of automated warehouse solutions
- a greater presence in the economy and volume price segments, particularly as a result of the systematic implementation of the segment-wide platform strategy
- stronger involvement in the electrification of warehousing and logistics processes, including by ensuring availability of lithium-ion technology across the entire product range and expanding market share in the lightweight warehouse truck sector
- further strengthening of its market-leading position in the EMEA region and achievement of a significant position in the Americas region, in particular by boosting its technological expertise, making greater use of shared modules and harnessing potential for cross-selling
- expansion of the service portfolio, including financial services, at every stage of the product lifecycle, taking advantage of the high number of trucks in use and the installed base of supply chain solutions

The KION Group's medium- to long-term strategic opportunities in the Supply Chain Solutions segment arise, in particular, from:

- further expansion of its position in the market for intralogistics solutions based on the growing acceptance of automation concepts
- the advancing digitalisation and automation of production and supply chains through the use of robotics solutions
- the growing trend in numerous sectors for the integration of supply chain solutions into the respective software application environment
- strengthening of the market position in the EMEA region – above all, central and eastern Europe – by using the sales structures of Industrial Trucks & Services

Business-performance opportunities

Business-performance opportunities arise firstly from ongoing activities to modernise and streamline the KION Group's production facilities and from the worldwide integration of the production network. By investing in new locations and expanding existing ones, products can be assembled nearer to the markets in which they are to be sold, economies of scale can be achieved across the Group and synergies can be leveraged. Secondly, activities are carried out under the KION strategy aimed at improving operational excellence in logistics, technology & product development and production and at lowering material and quality costs, for example by reducing the complexity of the product range.

The following may lead to an increase in profitability in the medium term:

- Ongoing efficiency increases at production sites may boost sales and improve the gross margin.
- Effective use of global development capacities may create synergies and economies of scale.
- Activities to improve operational excellence and lower costs may help the KION Group to achieve future growth with a disproportionately small rise in costs.

Disclosures relevant to acquisitions, section 315a and 289a HGB

1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to €118.09 million as at 31 December 2018. It is divided into 118.09 million no-par-value bearer shares. The share capital is fully paid up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions. As at 31 December 2018, the Company held 165,558 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Programme (KEEP).

2. Restrictions on voting rights or the transfer of shares

The Company is not aware of any agreements entered into by shareholders of KION GROUP AG that restrict voting rights or the transfer of shares.

KION GROUP AG has no rights arising from the treasury shares that it holds (section 71b AktG).

3. Direct or indirect shareholdings in the Company that represent more than 10 per cent of the voting rights

As far as the Company is aware, only Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power') directly or indirectly held more than 10 per cent of the voting rights in KION GROUP AG as at 31 December 2018 and its shareholding was 45 per cent.

- According to the disclosures pursuant to the German Securities Trading Act (WpHG), the shareholding held by Weichai Power is deemed to belong to the following other companies: > TABLE 028

Companies and countries to which Weichai Power is deemed to belong TABLE 028

Company	Registered office
Shandong Heavy Industry Group Co., Ltd.	Jinan, People's Republic of China
Weichai Group Holdings Limited	Weifang, People's Republic of China
Weichai Power Co., Ltd.	Weifang, People's Republic of China
Weichai Power Hong Kong International Development Co., Ltd.	Hong Kong, People's Republic of China

Other	Registered office
People's Republic of China	Beijing, People's Republic of China

Since the reporting date, there may have been further changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the Company only learns about changes to the size of shareholdings if these changes are notifiable pursuant to the WpHG or other regulations.

4. Shares with special rights that confer authority to exert control over the Company

There are no shares with special rights that confer the authority to exert control over the Company.

5. Type of voting right controls in cases where employees hold some of the Company's capital and do not exercise their control rights directly

There are no cases where employees hold some of the Company's capital and do not exercise their control rights directly themselves.

6. Appointment and removal of members of the Executive Board; amendments to the articles of association

Members of the Company's Executive Board are appointed and removed in accordance with the provisions of sections 84 and 85 AktG and section 31 MitbestG. Pursuant to article 6 (1) of the articles of association of the Company, the Executive Board must have a minimum of two members. The Supervisory Board determines the number of Executive Board members. Pursuant to section 84 AktG and section 6 (3) of the Company's articles of association, the Supervisory Board may appoint a Chief Executive Officer and a deputy.

Section 179 (1) sentence 1 AktG requires that amendments to the articles of association be passed by resolution of the Annual General Meeting. In accordance with article 23 of the articles of association in conjunction with section 179 (2) sentence 2 AktG, resolutions at the Annual General Meeting on amendments to the articles of association are passed by simple majority of the votes cast and by simple majority of the share capital represented in the voting unless a greater majority is specified as a mandatory requirement under statutory provisions. The option to stipulate a larger majority than a simple majority in any other cases has not been exercised in the articles of association.

The Supervisory Board is authorised in article 10 (3) of the articles of association to amend the articles of association provided that such amendments relate solely to the wording.

7. Authority of the Executive Board to issue or buy back shares

The Annual General Meeting on 12 May 2016 authorised the Company, in the period up to 11 May 2021, to acquire for treasury up to 10 per cent of all the shares in issue at the time of the resolution or in issue on the date the authorisation is exercised, whichever is the lower. Together with other treasury shares in possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorisation must not exceed 10 per cent of the Company's share capital at any time. The Company may sell the purchased treasury shares through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business or equity investments. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership programme. The treasury shares can also be retired. Share buyback for trading purposes is prohibited. The authorisation may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by a Group company or by third parties for the account of the Company or the account of a Group company. At the discretion of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders or by way of a public invitation to shareholders to tender their shares.

In 2018, the Company again made use of this authorisation, purchasing 66,000 shares in the period 10 to 27 September 2018. During the reporting year, 61,271 of the shares acquired that were still in treasury were used as part of the KEEP Employee Equity Programme for the employees of the Company and certain Group companies. In addition, 13,674 of the shares in treasury will be used in February of 2019 for the participants' own investments under the KEEP 2018 programme.

- On the basis of a resolution of the Company's Annual General Meeting on 11 May 2017, the Executive Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to €10.88 million by issuing up to 10.88 million new no-par-value ordinary bearer shares for cash and/or non-cash contributions up to and including 10 May 2022 (2017 Authorised Capital). The 2017 Authorised Capital became effective when the corresponding change to the articles of association was entered in the commercial register at the Wiesbaden local court (HRB 27060) on 12 May 2017.

With the consent of the Supervisory Board's ad-hoc transaction committee set up for this purpose, the Executive Board resolved on 22 May 2017 to use part of the 2017 Authorised Capital and, disapplying shareholders' pre-emption rights, to increase the Company's share capital by a nominal €9.3 million to €118.090 million by issuing 9.3 million new no-par-value bearer shares in the Company. This equates to an 8.55 per cent rise in the Company's share capital in existence on the effective date and at the time of use of the 2017 Authorised Capital. The capital increase took effect when its implementation was entered in the commercial register at the Wiesbaden local court under HRB 27060 on 23 May 2017. Consequently, the Executive Board is currently authorised by the Annual General Meeting to increase the Company's share capital by up to €1.579 million by issuing up to 1.579 million new no-par-value bearer shares for cash and/or non-cash contributions.

- On the basis of a resolution of the Annual General Meeting on 11 May 2017, the Executive Board was also authorised, in the period up to and including 10 May 2022, to issue convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with or without conversion rights, warrants, mandatory conversion requirements or option obligations, or any combinations of these instruments (referred to jointly as 'debt instruments') for a total par value of up to €1 billion, and to grant conversion rights and/or warrants to – and/or to impose mandatory conversion requirements or option obligations on – the holders/beneficial owners of debt instruments to acquire up to 10.88 million new shares of KION GROUP AG with a pro-rata amount of the share capital of up to €10.88 million ('2017 Authorisation'). The 2017 Conditional Capital of €10.88 million was created to service the debt instruments. The 2017 Authorisation has not been used so far.

The 2017 Conditional Capital will be reduced by, among other things, the portion of the share capital attributable to shares issued on the basis of the 2017 Authorised Capital. As part of the capital increase in May 2017, 9.3 million new shares were issued on the basis of the 2017 Authorised Capital. Consequently, conditional capital of up to €1.579 million is available on the basis of which the Executive Board would be able to issue shares.

8. Material agreements that the Company has signed and that are conditional upon a change of control resulting from a takeover bid, and the consequent effects

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following significant contracts (still in force on 31 December 2018) concluded between Group companies of KION GROUP AG and third parties:

- Senior facilities agreement dated 28 October 2015, concluded between KION GROUP AG and, among others, the London branch of UniCredit Bank AG

In the event that a person, companies affiliated with this person, or persons acting in concert within the meaning of section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG) acquire(s) control over more than 50 per cent of the Company's voting shares, the lenders may demand that the loans drawn down be repaid and may cancel the loan facilities under the senior facilities agreement.

- Acquisition facilities agreement dated 4 July 2016, concluded between KION GROUP AG and, among others, the London branch of UniCredit Bank AG

The provisions in this agreement that apply in the event of a change of control are identical to those in the senior facilities agreement dated 28 October 2015.

- Promissory note agreements (seven tranches with different coupons and different maturities) dated 13 February 2017 / 29 March 2017, concluded between KION GROUP AG and Landesbank Baden-Württemberg; the latter subsequently passed them on to its investors

The provisions in these agreements that apply in the event of a change of control are largely identical to those in the senior facilities agreement dated 28 October 2015.

- Promissory note agreements (two tranches with different coupons) dated 26 June 2018, concluded between KION GROUP AG and Landesbank Hessen-Thüringen; the latter subsequently passed them on to its investors

The provisions in these agreements that apply in the event of a change of control are largely identical to those in the senior facilities agreement dated 28 October 2015.

9. Compensation agreements that the Company has signed with the Executive Board members or employees and that will be triggered in the event of a takeover bid

No such agreements have been concluded between the Company and its current Executive Board members or employees.

Remuneration report

In accordance with statutory requirements and the recommendations of the German Corporate Governance Code (DCGK) as amended on 7 February 2017, this remuneration report explains the main features and structure of the remuneration system used for the Executive Board and Supervisory Board of KION GROUP AG and also discloses the remuneration of the individual members of the Executive Board and Supervisory Board for the work that they carried out on behalf of the Company and its subsidiaries in 2018. The report also reflects the requirements of German accounting standard (GAS) 17 and the HGB.

KION GROUP AG considers that transparency and clarity surrounding both the remuneration system itself and the remuneration of the individual members of the Executive Board and Supervisory Board are fundamental to good corporate governance.

EXECUTIVE BOARD REMUNERATION

I. Remuneration system

The Supervisory Board of KION GROUP AG is responsible for setting and regularly reviewing the total pay of the individual members of the Executive Board. According to the rules of procedure for the Supervisory Board, the Executive Committee prepares all Supervisory Board resolutions pertaining to remuneration.

As recommended by the Executive Committee, the Supervisory Board approved the remuneration system by adopting resolutions at its meetings on 29 June 2016 and 28 September 2016, taking account of the requirements of stock company law and the DCGK.

The remuneration system described below for the members of the Executive Board of KION GROUP AG has applied since 1 January 2017 and was approved by the Annual General Meeting of KION GROUP AG on 11 May 2017 with a majority of 71.68 per cent. The Supervisory Board acknowledged these voting results from the 2017 Annual General Meeting and believes that it therefore has an ongoing duty to review the remuneration system.

The European Shareholder Rights' Directive is to be implemented into German law in 2019, and we believe it will affect the changes being made to the German Corporate Governance Code. The Supervisory Board has therefore decided to review the remuneration system and level of remuneration for the members of the Executive Board of KION GROUP AG in 2019. To help with this review, KION will draw on the services of a remuneration consultancy that is independent of KION.

1) Essential features of the Executive Board remuneration system

The Supervisory Board based the level of remuneration for the members of our Executive Board on benchmark analyses of executive board pay in the MDAX. These analyses were conducted on behalf of the Supervisory Board by a consultancy that is independent of KION.

The Supervisory Board's decision on changing the remuneration system was guided by KION GROUP AG's positioning in the top quartile of the MDAX on the basis of its size, market position and total assets.

The remuneration of the Executive Board of KION GROUP AG is determined in accordance with the requirements of the German Stock Corporation Act and the DCGK and is focused on the Company's long-term growth. It is determined so as to reflect the size and complexity of the KION Group, its business and financial situation, its performance and future prospects, the normal amount and structure of executive board remuneration in comparable companies and the internal salary structure. The Supervisory Board also takes into account the relationship between the Executive Board remuneration and the remuneration paid to senior managers and the German workforce of the Company as a whole, including changes over the course of time. To this end, the Supervisory Board has decided how the relevant benchmarks are to be defined. Other criteria used to determine remuneration are the individual responsibilities and personal performance of each member of the Executive Board. The financial and individual targets used in the Executive Board remuneration system are in line with the business strategy. The Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

In doing so, the Supervisory Board focuses on the sustainability of the Company's long-term performance and has therefore given a high weighting to the multiple-year variable remuneration components. The granting of a long-term incentive in the form of performance shares with a three-year term means that this component is linked to the share price and incentivises Executive Board members to ensure the Company performs well over the long term.

The total remuneration of the Executive Board comprises a non-performance-related salary, non-performance-related non-cash benefits, non-performance-related pension entitlements and performance-related (variable) remuneration. The system specifically allows for both positive and negative developments.

2) Upper limits on total remuneration

In accordance with the DCGK, remuneration is subject to upper limits on the amounts payable, both overall and also in terms of the variable components. The upper limit on the total cash remuneration to be paid, consisting of the fixed annual salary plus the one-year and multiple-year variable remuneration, equals roughly 1.7 times the target remuneration (2017: 1.7 times) – excluding the non-performance-related non-cash remuneration and other benefits paid in that financial year. Both the one-year and the multiple-year variable remuneration are capped at 200 per cent of the target value. The specific figures are shown in > TABLE 033.

3) Overview of the structure and parameters of Executive Board remuneration

Structure and parameters of Executive Board remuneration TABLE 029

Component	Proportion of target value	Measurement basis	Range	Basis and criteria	Payment
Basic remuneration	32%–37%	Function, remit, responsibility	Fixed	Specified in service contract	Monthly instalments
One-year variable remuneration (STI)	20%–22%	KION Group's overall success/results, Group targets, individual targets, overall performance	0%–200% (full achievement = 100%)	Achievement of financial targets for year (adjusted EBIT and free cash flow) and assessment of individual performance	After adoption of annual financial statements
Multiple-year variable remuneration (LTI)	42%–49%	KION Group's overall success/results, Group targets, individual targets, overall performance	0%–200% (full achievement = 100%) + share price performance	Achievement of ROCE target and relative total shareholder return compared with the MDAX and assessment of individual performance	After expiry of three-year period and adoption of annual financial statements
Pension plan		Defined contribution pension entitlements and defined benefit entitlement	Annual pension contribution / annual service cost	Pension entitlement for retirement, insured event, early termination	Capital / annuity
Non-cash remuneration and additional benefits				Specified in service contract	

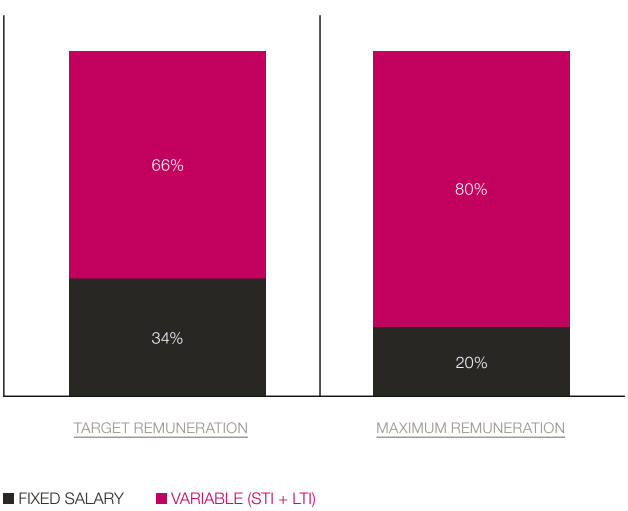
The regular cash remuneration for a particular year, consisting of a non-performance-related fixed annual salary and performance-related (variable) remuneration, has a heavy emphasis on performance. If the targets set by the Supervisory Board are completely missed, only the fixed salary is paid. The cash remuneration is structured as follows in the event that the target value / maximum value is reached:

Target value:
32 to 37 per cent fixed annual salary
20 to 22 per cent one-year variable remuneration
42 to 49 per cent multiple-year variable remuneration

Maximum value:
19 to 23 per cent fixed annual salary
23 to 26 per cent one-year variable remuneration
52 to 58 per cent multiple-year variable remuneration

The variable components of the cash remuneration make up between 63 and 68 per cent of the target value and between 77 and 81 per cent of the maximum remuneration. In each case, multiple-year components account for two-thirds of the total.

Ratio of fixed to variable pay on average DIAGRAM 006



Both the one-year and the multiple-year components are linked to key performance indicators used by the KION Group to measure its success. The KPIs relevant to one-year variable remuneration are adjusted earnings before interest and tax (EBIT) and free cash flow. The relevant KPIs for multiple-year variable remuneration are return on capital employed (ROCE) and relative total shareholder return (TSR).

The remuneration system is thus closely tied to the success of the Company and, with a high proportion of multiple-year variable remuneration, has a long-term focus aimed at promoting the KION Group's growth.

II. The components of Executive Board remuneration in detail

A. Non-performance-related remuneration

1) Fixed salary and additional benefits

The Executive Board members of KION GROUP AG receive non-performance-related remuneration in the form of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary is paid at the end of each month in twelve equal instalments, the last payment being made for the full month in which the Executive Board service contract ends. The Supervisory Board reviews the basic remuneration at regular intervals and makes adjustments if appropriate.

The additional benefits essentially comprise use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

2) Additional special benefits

Additional special benefits have been agreed for Mr Quek because he has been sent from Singapore to China on foreign assignment.

Under this arrangement, Mr Quek's remuneration is structured as if he were liable for taxes and social security contributions in Singapore. KION GROUP AG pays the taxes and social security contributions that Mr Quek incurs in China and Germany over and above the taxes that would theoretically apply in Singapore. In 2018, this additional amount totalled €615 thousand (2017: €1,253 thousand). The additional benefits also agreed with Mr Quek include the cost of trips home to Singapore for him and his family, a company car, rental payments in Xiamen, China, and private health insurance. In 2018, the additional benefits for Mr Quek amounted to a total of €136 thousand (2017: €118 thousand). These additional benefits will be granted for as long as Mr Quek's designated place of work is Xiamen or until his service contract with KION GROUP AG ends.

When Ms Groth entered into her KION Executive Board service contract, her existing employment contract with her previous employer ended and her entitlement to payment of long-term variable remuneration from her previous employer therefore expired without compensation. To compensate for the loss of this entitlement when she left her previous employer, Ms Groth was paid a sum of €314 thousand after suitable documentary evidence had been provided.

When Ms Schneeberger's contract was being drawn up, a commitment was made to pay her compensation to the extent that her entitlement to shares that she had been allocated by her previous employer expired without compensation owing to her departure. Ms Schneeberger was paid a sum of €328 thousand in October after suitable documentary evidence had been provided. This sum was calculated on the basis of the average price of those shares in June 2018.

3) Pension entitlements

KION GROUP AG grants its Executive Board members direct entitlement to a company pension plan consisting of retirement, invalidity and surviving dependants' benefits.

The Chief Executive Officer has a defined benefit entitlement that was granted in his original service contract and was transferred to his Executive Board service contract when the Company changed its legal form. The amount of the entitlement is dependent on the number of years of service and amounts to a maximum of 50 per cent of the most recent fixed annual salary awarded in the original service contract after the end of the tenth year of service.

The present value of the previous defined benefit plan for the ordinary members of the Executive Board was transferred as a starting contribution for a new defined contribution pension plan when the Company changed its legal form. The new plan is structured as a cash balance plan and is also applied to new Executive Board members.

Fixed annual contributions of €250 thousand for Dr Toepfer (pro rata for 2018: €62.5 thousand) and Ms Groth (pro rata for 2018: €145.8 thousand), €150 thousand for Ms Schneeberger (pro rata for 2018: €37.5 thousand) and Dr Böhm and €124.5 thousand for Mr Quek are paid into their pension accounts for the duration of the member's period of service on the Executive Board. Interest is paid on the pension account at the prevailing statutory guaranteed return rate for the life insurance industry (applicable maximum interest rate for the calculation of the actuarial reserves of life insurers pursuant to section 2 (1) of the German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV)) until an insured event occurs. If higher interest is generated by investing the pension account, it will be credited to the pension account when an insured event occurs (surplus). The standard retirement age for the statutory pension applies. Executive Board members are entitled to early payment of the pension no earlier than their 62nd birthday. In the event of invalidity or death while the Executive Board member has an active service contract, the contributions that would have been made until the age of 60 are added to the pension account, although only a maximum of ten annual contributions will be added. When an insured event occurs, the pension is paid as a lump sum or, following a written request, in ten annual instalments.

B. Performance-related remuneration

1) One-year variable remuneration (short-term incentive)

The one-year variable remuneration is a remuneration component linked to the profitability and productivity of the KION Group in the relevant financial year. This is the same as the arrangement in our remuneration system for senior managers. Its amount is determined by the achievement of the following targets:

- Adjusted earnings before interest and taxes (EBIT), weighting of 50 per cent
- Free cash flow, weighting of 50 per cent

The target values for the financial components are derived from the annual budget and specified in target agreements between the Supervisory Board and Executive Board.

No bonus is paid if target achievement is 70 per cent or less (lower target limit). In cases where the targets are significantly exceeded (upper target limit of 130 per cent), the bonus can be doubled at most (payment cap of 200 per cent). > DIAGRAM 007

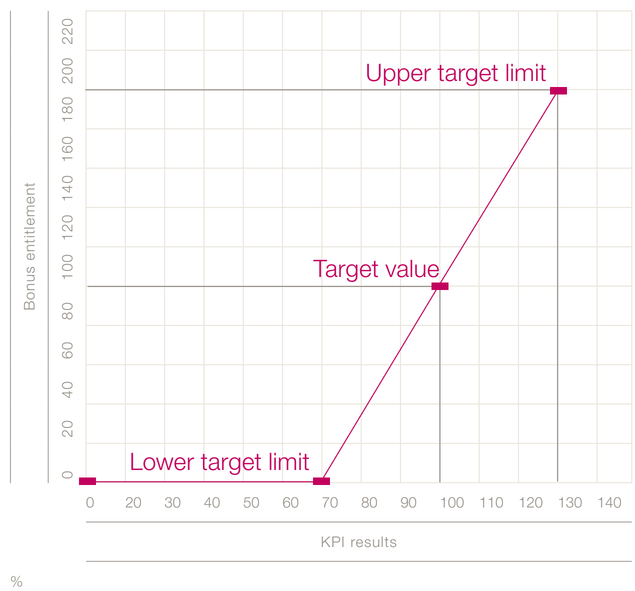
If the targets derived from the annual budget are achieved in full, target achievement is 100 per cent. The target achievement levels for the weighted targets (adjusted EBIT and free cash flow) are added together to give the total target achievement.

The individual performance of the Executive Board members is assessed by the Supervisory Board, which applies a discretionary performance multiple with a factor of between 0.7 and 1.3. The main criteria used for this performance-based adjustment are growth of market share, successful innovations and the Organizational Health Index (OHI), which measures the improvement in the Company's management culture. There are also agreements relating to special operational and, in particular, strategic projects that are very important to the Company's long-term development. The discretionary performance multiple enables the Supervisory Board to increase or reduce the bonus, calculated on the basis of the total target achievement for the financial targets derived from the budget, by a maximum of 30 per cent depending on the assessment of individual performance. The one-year variable remuneration is capped at 200 per cent of the contractual target bonus and is paid after the annual financial statements for the year in question have been adopted. > DIAGRAM 008

In the event that an Executive Board member is not entitled to remuneration for the entire year on which the calculation is based, the remuneration is reduced pro rata.

1 a) Bonus curve for the short-term incentive

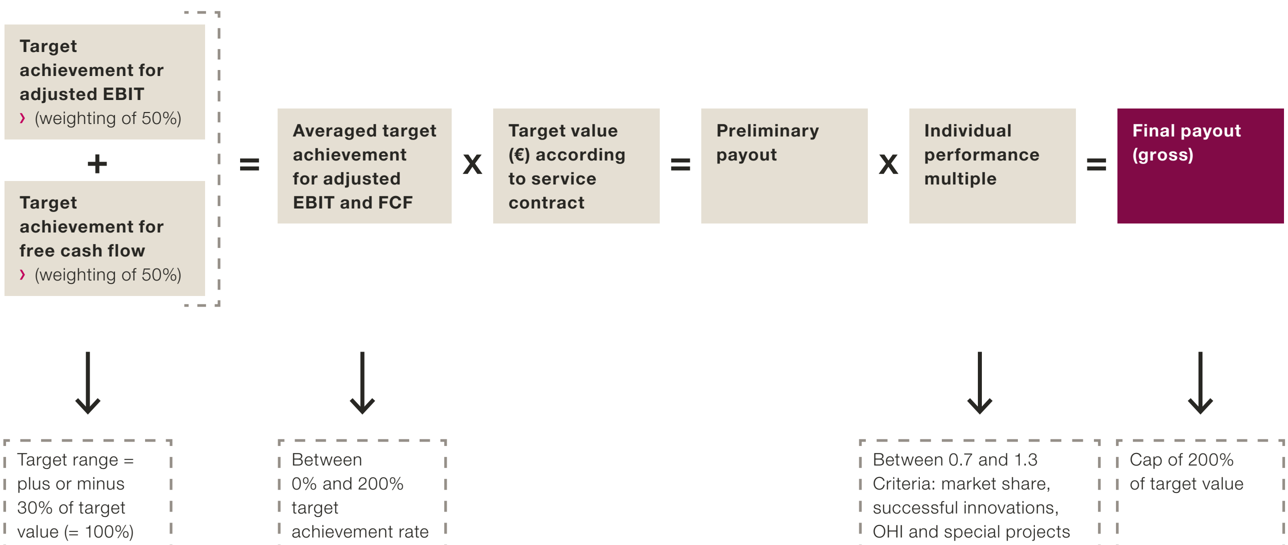
STI bonus entitlement DIAGRAM 007



1 b) Diagram showing the calculation of one-year variable remuneration (short-term incentive)

STI

DIAGRAM 008



2) Multiple-year variable remuneration (long-term incentive)

For the members of the Executive Board, multiple-year variable remuneration has been agreed in the form of a performance share plan. A very similar plan is in place for the Group's senior managers. The basis of measurement has been defined as the total shareholder return (TSR) for KION shares compared with the MDAX and return on capital employed (ROCE). Each has a weighting of 50 per cent. The annual tranches promised under the plan have a term (performance period) of three years and are paid at the end of the term, provided the defined targets have been achieved.

At the start of a performance period, a conditional entitlement to a certain target number of performance shares is granted. This preliminary number is calculated by dividing the allocation value set out (in euros) in the service contract for the particular Executive Board member by the share price on the relevant date at the start of the performance period. This share price, which is calculated to two decimal places, is determined from the average Xetra closing price of KION shares (closing auction prices) on the Frankfurt Stock Exchange (or a successor system that replaces it) over the last 60 trading days prior to the start of the performance period.

At the end of the performance period, the preliminary number of performance shares is adjusted depending on achievement of the two targets (relative TSR and ROCE) to give the final number of performance shares.

In respect of the ROCE target, there is no entitlement if target achievement is 70 per cent or less. If the target is significantly exceeded (target achievement of 130 per cent or more), the entitlement is capped at 200 per cent. Regarding the relative TSR target, there is no entitlement if KION shares underperform the MDAX. If the KION shares outperform this index by 20 per cent or more, the entitlement is capped at 200 per cent. If KION shares outperform the MDAX by 6.67 per cent and the ROCE targets defined each year on the basis of the budget are achieved, total target achievement will be 100 per cent.

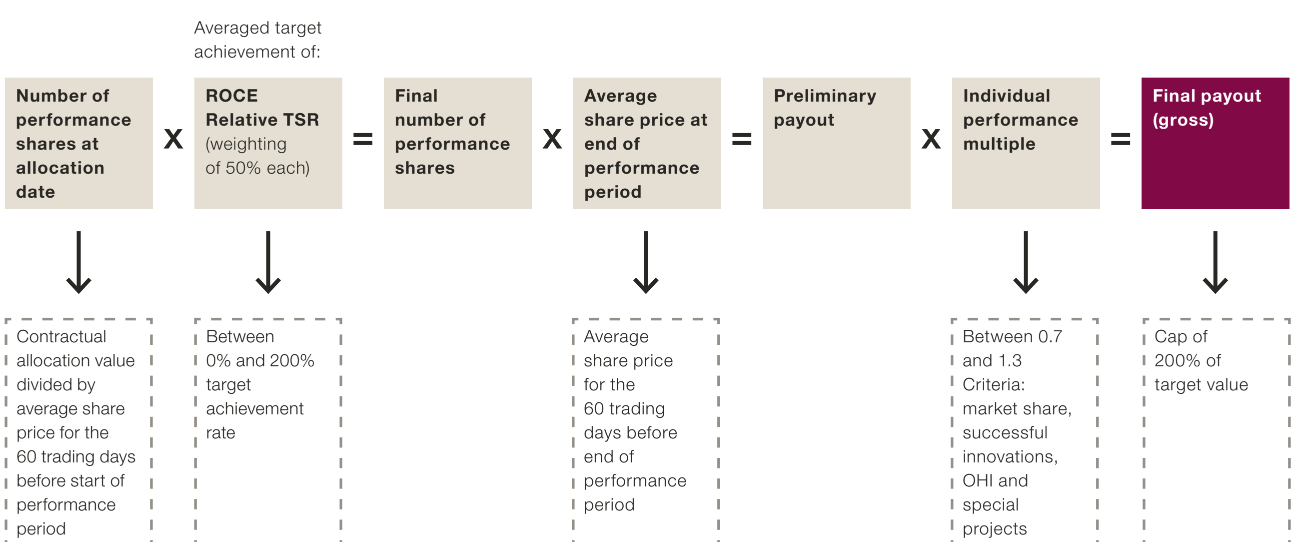
The amount paid for each tranche is determined by the final number of performance shares multiplied by the price of KION shares (average price over the preceding 60 trading days) at the end of the performance period.

Executive Board members' individual performance is also taken into account in the multiple-year variable remuneration. At the start of the performance period, the Supervisory Board defines targets for the three-year period. For the performance share plan, the criteria used to assess individual performance are – as for the one-year variable remuneration – growth of market share, successful innovations and the Organizational Health Index (OHI), which measures the improvement in the Company's management culture. For the LTI too, there are also agreements relating to special operational and, in particular, strategic projects that are very important to the Company's long-term development. Depending on achievement of these targets, the Supervisory Board can apply a discretionary factor to make a final adjustment to the calculation of the amount to be paid out at the end of the performance period by plus or minus 30 per cent, although the maximum payment may not exceed 200 per cent of the allocation value. > DIAGRAMS 009–010

2 a) Diagram showing the calculation of multiple-year variable remuneration (long-term incentive)

LTI

DIAGRAM 009



2 b) Target ranges for relative TSR and ROCE

LTI DIAGRAM 010

Target achievement	External measurement basis: relative TSR (weighting of 50%)	Internal measurement basis: ROCE (weighting of 50%)
0%	Underperformance	70% of budgeted figure
50%	Outperformance of 0%	85% of budgeted figure
100%	Outperformance of 6.67%	Budgeted figure
200%	Outperformance of 20%	130% of budgeted figure

The plan is a cash-settled long-term incentive plan that does not include the right to receive any actual shares. Under the requirements of GAS 17, IFRS 2 and the HGB, the total expense arising from share-based payments and the fair value of the performance share plan on the date of granting must be disclosed. > TABLES 030–032

The income in 2018 amounted to €1,763 thousand (total expense 2017: €7,476 thousand).

2016 performance share plan TABLE 030

	Fair value of the performance share plan on the date of grant	Number of performance shares granted[1]	Fair value per performance share on date of grant[2]	Expense for share-based remuneration in 2017[3]	Expense for share-based remuneration in 2018[3]
Gordon Riske	€1,500 thousand	36,179	€41.46	€1,062 thousand	–€736 thousand
Dr Eike Böhm	€1,000 thousand	24,120	€41.46	€708 thousand	–€491 thousand
Ching Pong Quek	€830 thousand	20,019	€41.46	€905 thousand	–€641 thousand
Dr Thomas Toepfer[4]	€1,000 thousand	24,120	€41.46	–€339 thousand	€0 thousand
Total	**€4,330 thousand**	**104,438**		**€2,336 thousand**	**–1,867 thousand**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary
2 The fair value was calculated using the Monte Carlo method
3 The amount shown for Mr Quek includes a flat-rate allowance of 53 per cent in 2018 (2017: 55 per cent) as part of a tax equalisation agreement
4 All of Dr Toepfer's entitlements under the performance share plan have expired because he left the Company on 31 March 2018

2017 performance share plan

TABLE 031

	Fair value of the performance share plan on the date of grant	Number of performance shares granted[1]	Fair value per performance share on date of grant	Expense for share-based remuneration in 2017[2]	Expense for share-based remuneration in 2018[2]
Gordon Riske	€1,600 thousand	29,712	€53.85	€650 thousand	–€179 thousand
Dr Eike Böhm	€1,000 thousand	18,570	€53.85	€406 thousand	–€112 thousand
Ching Pong Quek	€830 thousand	15,413	€53.85	€522 thousand	–€149 thousand
Dr Thomas Toepfer[3]	€1,000 thousand	18,570	€53.85	€0 thousand	€0 thousand
Total	**€4,430 thousand**	**82,265**		**€1,578 thousand**	**–€440 thousand**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary
2 The amount shown for Mr Quek includes a flat-rate allowance of 53 per cent in 2018 (2017: 55 per cent) as part of a tax equalisation agreement
3 All of Dr Toepfer's entitlements under the performance share plan have expired because he left the Company on 31 March 2018

2018 performance share plan

TABLE 032

	Fair value of the performance share plan on the date of grant	Number of performance shares granted[1]	Fair value per performance share on date of grant	Expense for share-based remuneration in 2018[2]
Gordon Riske	€1,600 thousand	22,906	€69.85	€185 thousand
Dr Eike Böhm	€1,000 thousand	14,316	€69.85	€116 thousand
Anke Groth[3]	€861 thousand	12,328	€69.85	€68 thousand
Ching Pong Quek	€830 thousand	11,883	€69.85	€147 thousand
Susanna Schneeberger[4]	€750 thousand	10,737	€69.85	€29 thousand
Total	**€5,041 thousand**	**72,170**		**€544 thousand**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary
2 The amount shown for Mr Quek includes a flat-rate allowance of 53 per cent as part of a tax equalisation agreement
3 The fair value of the performance share plan on the date of grant was recognised pro rata from the date of appointment to the Executive Board (1 June 2018)
4 The fair value of the performance share plan on the date of grant was recognised pro rata from the date of appointment to the Executive Board (1 October 2018)

3) Termination benefits

In line with the DCGK, all Executive Board service contracts provide for a severance payment equivalent to no more than two years' annual remuneration payable in the event of the contract being terminated prematurely without good cause. The amount of annual remuneration is defined as fixed salary plus the variable remuneration elements, assuming 100 per cent target achievement and excluding non-cash benefits and other additional benefits, for the last full financial year before the end of the Executive Board service contract. If the Executive Board service contract was due to end within two years, the severance payment is calculated pro rata. If a service contract is terminated for good cause for which the Executive Board member concerned is responsible, no payments are made to the Executive Board member in question. The Company does not have any commitments for the payment of benefits in the event of a premature termination of Executive Board contracts following a change of control.

Executive Board members are subject to a post-contractual non-compete agreement of one year. In return, the Company pays the Executive Board member compensation for the duration of the non-compete agreement amounting to 100 per cent of his final fixed salary. Other income of the Executive Board member is offset against the compensation.

In the event that Mr Riske's appointment is not extended for a reason for which he is not responsible and he has not reached the standard retirement age for the statutory pension or in the event that Mr Riske resigns for good cause before the end of his appointment or suffers permanent incapacity after his period of service as a result of sickness, he will receive transitional benefits of €300 thousand per annum on the basis of previous contracts. Severance payments in the event of early termination of his appointment without good cause, compensation for the post-contractual non-compete agreement, pension benefits that Mr Riske receives due to his previous work for other employers and income from other use of his working capacity (with the exception of remuneration for work as a member of a supervisory or advisory board or a board of directors) will be offset against these transitional benefits.

If an Executive Board member suffers temporary incapacity, he will receive his full fixed salary for a maximum period of six months plus the one-year variable remuneration. In the event of temporary incapacity for a further six months, the Executive Board member will receive 80 per cent of his fixed salary, but only up to a point at which the service contract is terminated.

If an Executive Board member ceases to be employed by the Company as a result of death, the Executive Board member's family will be entitled to the fixed monthly remuneration for the month in which the service contract ends and for the three subsequent months, but only up to the point at which the service contract would otherwise have come to an end.

4) Share ownership guidelines

In connection with the updated remuneration system for Executive Board members that has been in force since 1 January 2017, the Supervisory Board decided to introduce share ownership guidelines, under which all Executive Board members are required to hold shares worth 100 per cent of their basic remuneration. They have to build up their shareholding to this percentage and hold the shares for as long as they remain on the Executive Board. The obligation to hold the full number of shares begins no later than four years after the start of the obligation to hold shares. In the first four years, they are permitted to increase their shareholding incrementally: they must hold 25 per cent of the full number of shares no later than twelve months after the start of the obligation, 50 per cent by the end of the second year and 75 per cent by the end of the third year. The Executive Board members to whom these guidelines apply held the required number of shares as at 31 December 2018 and thus fulfilled this obligation.

The relevant number of shares is determined on the basis of the arithmetic mean (rounded to two decimal places) of the Xetra closing prices (closing auction prices) of the Company's shares on the Frankfurt Stock Exchange (or a successor system that replaces it) over the last 60 trading days prior to the start of the obligation to hold the shares and then rounded to the nearest whole number.

It is not necessary to acquire further shares once the full number of shares has been reached, nor will there be an obligation to purchase additional shares if the share price falls. There is only an obligation to purchase additional shares if there is a change to the fixed annual remuneration in the member's Executive Board service contract or if a capital reduction, capital increase or stock split takes place.

III. Remuneration for members of the Executive Board in 2018

In accordance with the recommendations of the DCGK, as amended on 7 February 2017, the remuneration of Executive Board members is presented in two separate tables. Firstly, the benefits granted for the year under review, including the additional benefits and – in the case of variable remuneration components – the maximum and minimum remuneration achievable are shown. > TABLE 033

Secondly, > TABLE 034 shows the total remuneration allocated/earned, comprising fixed remuneration, short-term variable remuneration and long-term variable remuneration, broken down by reference year.

1) Benefits granted pursuant to the DCGK

The total remuneration granted to Executive Board members for 2018 was €13,148 thousand (minimum: €5,426 thousand, maximum: €20,871 thousand) (2017: €10,279 thousand). Of this amount, €3,628 thousand (2017: €2,958 thousand) was attributable to fixed non-performance-related remuneration components, €7,722 thousand (minimum: €0 thousand, maximum: €15,444 thousand) (2017: €6,051 thousand) to variable one-year and multiple-year performance-related remuneration components, €841 thousand (2017: €186 thousand) to non-performance-related non-cash remuneration and other non-performance-related benefits and €957 thousand (2017: €1,084 thousand) to the pension expense in accordance with IFRS. The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 70 per cent or less, maximum: 200 per cent for target achievement of 130 per cent or more). The figure shown for multiple-year variable remuneration is the fair value of the performance share plan at the date of grant, representing full target achievement (minimum: zero payment, maximum: 200 per cent of the contractual allocation value).

The additional benefits were measured at the value calculated for tax purposes. > TABLE 033

Benefits granted in 2018

TABLE 033

€ thousand			Gordon Riske CEO of KION GROUP AG 2017	2018	2018 (min.)	2018 (max.)	Dr Eike Böhm CTO of KION GROUP AG 2017	2018	2018 (min.)	2018 (max.)
Non-performance-related components		Fixed remuneration	1,100	1,400	1,400	1,400	575	650	650	650
		Non-cash remuneration and other benefits [1]	21	34	34	34	20	15	15	15
		Total	**1,121**	**1,434**	**1,434**	**1,434**	**595**	**665**	**665**	**665**
Performance-related components	Short-term incentive	**One-year variable remuneration [2,3]**	**800**	**800**	**0**	**1,600**	**400**	**400**	**0**	**800**
	Share-based long-term incentive	**Multiple-year variable remuneration [4,5,6]**	**1,600**	**1,600**	**0**	**3,200**	**1,000**	**1,000**	**0**	**2,000**
		Performance share plan (1 Jan 2017 – 31 Dec 2019)	1,600				1,000			
		Performance share plan (1 Jan 2018 – 31 Dec 2020)		1,600	0	3,200		1,000	0	2,000
		Total	**3,521**	**3,834**	**1,434**	**6,234**	**1,995**	**2,065**	**665**	**3,465**
		Pension expense [7]	664	631	631	631	152	147	147	147
		Total remuneration	**4,185**	**4,464**	**2,064**	**6,864**	**2,147**	**2,212**	**812**	**3,612**
Reconciliation to total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17										
		Minus the one-year variable remuneration granted	–800	–800			–400	–400		
		Plus the expected one-year variable remuneration (allocation)	664	663			332	331		
		Minus the pension expense	–664	–631			–152	–147		
		Plus the adjustment of the one-year variable remuneration for the previous year	77	170			1	1		
		Total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17	**3,462**	**3,866**			**1,928**	**1,997**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs. The amounts for Ms Groth and Ms Schneeberger also contain a one-off compensation payment in 2018 (€314 thousand for Ms Groth, €328 thousand for Ms Schneeberger)
2 The amount shown for Mr Quek includes a flat-rate allowance of 58 per cent (2017: 55 per cent) as part of a tax equalisation agreement
3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 70 per cent or less, maximum: 200 per cent for target achievement of 130 per cent or more)
4 Fair value on the date of grant
5 The amount shown for Mr Quek includes a flat-rate allowance of 53 per cent (2017: 55 per cent) as part of a tax equalisation agreement
6 All of Dr Toepfer's entitlements under the performance share plan have expired because he left the Company on 31 March 2018
7 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in table 036)

Benefits granted in 2018

TABLE 033

€ thousand			Anke Groth – CFO of KION GROUP AG from 1 June 2018				Ching Pong Quek – Chief Asia Pacific Officer of KION GROUP AG			
			2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Non-performance-related components		Fixed remuneration	–	467	467	467	633	749	749	749
		Non-cash remuneration and other benefits [1]	–	320	320	320	118	136	136	136
		Total	**–**	**787**	**787**	**787**	**751**	**885**	**885**	**885**
Performance-related components	Short-term incentive	**One-year variable remuneration [2,3]**	**–**	**292**	**0**	**583**	**515**	**525**	**0**	**1,049**
	Share-based long-term incentive	**Multiple-year variable remuneration [4,5,6]**	**–**	**861**	**0**	**1,722**	**1,287**	**1,270**	**0**	**2,540**
		Performance share plan (1 Jan 2017 – 31 Dec 2019)	–				1,287			
		Performance share plan (1 Jan 2018 – 31 Dec 2020)	–	861	0	1,722		1,270	0	2,540
		Total	**–**	**1,939**	**787**	**3,092**	**2,552**	**2,679**	**885**	**4,474**
		Pension expense [7]	–				124	120	120	120
		Total remuneration	**–**	**1,939**	**787**	**3,092**	**2,675**	**2,800**	**1,005**	**4,594**
Reconciliation to total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17										
		Minus the one-year variable remuneration granted	–	–292			–515	–525		
		Plus the expected one-year variable remuneration (allocation)	–	242			427	435		
		Minus the pension expense	–				–124	–120		
		Plus the adjustment of the one-year variable remuneration for the previous year	–				–9	40		
		Total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17	**–**	**1,889**			**2,456**	**2,630**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs. The amounts for Ms Groth and Ms Schneeberger also contain a one-off compensation payment in 2018 (€314 thousand for Ms Groth, €328 thousand for Ms Schneeberger)
2 The amount shown for Mr Quek includes a flat-rate allowance of 58 per cent (2017: 55 per cent) as part of a tax equalisation agreement
3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 70 per cent or less, maximum: 200 per cent for target achievement of 130 per cent or more)
4 Fair value on the date of grant
5 The amount shown for Mr Quek includes a flat-rate allowance of 53 per cent (2017: 55 per cent) as part of a tax equalisation agreement
6 All of Dr Toepfer's entitlements under the performance share plan have expired because he left the Company on 31 March 2018
7 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in table 036)

Benefits granted in 2018

TABLE 033

€ thousand			Susanna Schneeberger CDO of KION GROUP AG from 1 October 2018				Dr Thomas Toepfer CFO of KION GROUP AG until 31 March 2018			
			2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Non-performance-related components		Fixed remuneration	–	163	163	163	650	200	200	200
		Non-cash remuneration and other benefits [1]	–	332	332	332	27	5	5	5
		Total	**–**	**494**	**494**	**494**	**677**	**205**	**205**	**205**
Performance-related components	Short-term incentive	**One-year variable remuneration [2,3]**	**–**	**100**	**0**	**200**	**450**	**125**	**0**	**250**
	Share-based long-term incentive	**Multiple-year variable remuneration [4,5,6]**	**–**	**750**	**0**	**1,500**	**0**	**0**	**0**	**0**
		Performance share plan (1 Jan 2017–31 Dec 2019)	–							
		Performance share plan (1 Jan 2018–31 Dec 2020)	–	750	0	1,500				
		Total	**–**	**1,344**	**494**	**2,194**	**1,127**	**330**	**205**	**455**
		Pension expense [7]	–				145	59	59	59
		Total remuneration	**–**	**1,344**	**494**	**2,194**	**1,272**	**389**	**264**	**514**
Reconciliation to total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17										
		Minus the one-year variable remuneration granted	–	–100			–450	–125		
		Plus the expected one-year variable remuneration (allocation)	–	83			374	104		
		Minus the pension expense	–				–145	–59		
		Plus the adjustment of the one-year variable remuneration for the previous year	–				44	2		
		Total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17	**–**	**1,327**			**1,095**	**311**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs. The amounts for Ms Groth and Ms Schneeberger also contain a one-off compensation payment in 2018 (€314 thousand for Ms Groth, €328 thousand for Ms Schneeberger)
2 The amount shown for Mr Quek includes a flat-rate allowance of 58 per cent (2017: 55 per cent) as part of a tax equalisation agreement
3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 70 per cent or less, maximum: 200 per cent for target achievement of 130 per cent or more)
4 Fair value on the date of grant
5 The amount shown for Mr Quek includes a flat-rate allowance of 53 per cent (2017: 55 per cent) as part of a tax equalisation agreement
6 All of Dr Toepfer's entitlements under the performance share plan have expired because he left the Company on 31 March 2018
7 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in table 036)

2) Allocation pursuant to the DCGK

The total remuneration allocated to/earned by Executive Board members for 2018 was €9,381 thousand (2017: €15,426 thousand). Of this amount, €3,628 thousand (2017: €2,958 thousand) was attributable to fixed non-performance-related remuneration components, €3,955 thousand (2017: €11,197 thousand) to variable one-year and multiple-year performance-related remuneration components, €841 thousand (2017: €186 thousand) to non-performance-related non-cash remuneration and other non-performance-related benefits and €957 thousand (2017: €1,084 thousand) to the pension expense in accordance with IFRS. The figure shown for one-year variable remuneration is derived from a preliminary total target achievement rate of about 95 per cent based on the budgeted figure. This target achievement rate was calculated using preliminary earnings figures at the beginning of 2019 and equates to a payout of around 83 per cent of the target value for one-year variable remuneration. This preliminary variable remuneration for each Executive Board member is also subject to adjustment by the Supervisory Board in line with the individual performance of the Executive Board member. This adjustment may vary by plus or minus 30 per cent of the variable remuneration. Because Ms Groth and Ms Schneeberger were appointed to the Executive Board part way through the year, their performance multiples were set at 1.0 for 2018, i.e. there was no individual adjustment. The same applies to Dr Toepfer's pro-rata entitlement for 2018; a performance multiple of 1.0 was also set for him because he left the Company during the year.

For the multiple-year variable remuneration, a payment from the 2016 tranche of the performance share plan will be made in spring 2019 on the basis of the achievement of the long-term targets that were defined in 2016 at the start of the performance period. The value shown for 2018 is also calculated on the basis of a preliminary total target achievement rate of about 47 per cent and is subject to the performance-based adjustment made by the Supervisory Board (using a discretionary performance multiple) for individual Executive Board members. Under the terms of the plan at the grant date, this performance-based adjustment may vary by plus or minus 20 per cent.

The additional benefits were measured at the value calculated for tax purposes. > TABLE 034

Allocation in 2018

TABLE 034

€ thousand			Gordon Riske CEO of KION GROUP AG 2017	 2018	Dr Eike Böhm CTO of KION GROUP AG 2017	 2018
Non-performance-related components		Fixed remuneration	1,100	1,400	575	650
		Non-cash remuneration and other benefits [1]	21	34	20	15
		Total	**1,121**	**1,434**	**595**	**665**
Performance-related components	Short-term incentive	**One-year variable remuneration [2]**	**834**	**663**	**333**	**331**
	Share-based long-term incentive	**Multiple-year variable remuneration**	**3,000**	**835**	**1,611**	**557**
		Performance share plan [3] (1 Jan 2015 – 31 Dec 2017)	3,000		1,611	
		Performance share plan (1 Jan 2016 – 31 Dec 2018)		835		557
		Total	**4,955**	**2,931**	**2,539**	**1,553**
		Pension expense [4]	664	631	152	147
		Total remuneration	**5,618**	**3,562**	**2,692**	**1,700**

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs. The amounts for Ms Groth and Ms Schneeberger also contain a one-off compensation payment in 2018 (€314 thousand for Ms Groth, €328 thousand for Ms Schneeberger)
2 The figure shown for one-year variable remuneration for 2017 is the actual amount paid out, which differs from the estimated value listed in the 2017 consolidated financial statements. The discretionary performance multiple for Ms Groth, Ms Schneeberger and Dr Toepfer has already been set at 1.0 for 2018
3 The figure shown for multiple-year variable remuneration is the actual amount paid out, which, in Mr Quek's case, differs from the estimated value listed in the 2017 consolidated financial statements
4 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in table 036)

Allocation in 2018

TABLE 034

€ thousand			Anke Groth CFO of KION GROUP AG from 1 June 2018 2017	2018	Ching Pong Quek Chief Asia Pacific Officer of KION GROUP AG 2017	2018
Non-performance-related components		Fixed remuneration	–	467	633	749
		Non-cash remuneration and other benefits [1]	–	320	118	136
		Total	**–**	**787**	**751**	**885**
Performance-related components	Short-term incentive	**One-year variable remuneration [2]**	**–**	**242**	**467**	**435**
	Share-based long-term incentive	**Multiple-year variable remuneration**	**–**	**0**	**2,577**	**707**
		Performance share plan [3] (1 Jan 2015–31 Dec 2017)	–		2,577	
		Performance share plan (1 Jan 2016–31 Dec 2018)	–			707
		Total	**–**	**1,028**	**3,795**	**2,026**
		Pension expense [4]	–		124	120
		Total remuneration	**–**	**1,028**	**3,918**	**2,147**

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs. The amounts for Ms Groth and Ms Schneeberger also contain a one-off compensation payment in 2018 (€314 thousand for Ms Groth, €328 thousand for Ms Schneeberger)
2 The figure shown for one-year variable remuneration for 2017 is the actual amount paid out, which differs from the estimated value listed in the 2017 consolidated financial statements. The discretionary performance multiple for Ms Groth, Ms Schneeberger and Dr Toepfer has already been set at 1.0 for 2018
3 The figure shown for multiple-year variable remuneration is the actual amount paid out, which, in Mr Quek's case, differs from the estimated value listed in the 2017 consolidated financial statements
4 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in table 036)

Allocation in 2018

TABLE 034

€ thousand			Susanna Schneeberger CDO of KION GROUP AG from 1 October 2018 2017	2018	Dr Thomas Toepfer CFO of KION GROUP AG until 31 March 2018 2017	2018
Non-performance-related components		Fixed remuneration	–	163	650	200
		Non-cash remuneration and other benefits [1]	–	332	27	5
		Total	**–**	**494**	**677**	**205**
Performance-related components	Short-term incentive	**One-year variable remuneration [2]**	**–**	**83**	**375**	**104**
	Share-based long-term incentive	**Multiple-year variable remuneration**	**–**	**0**	**2,000**	**0**
		Performance share plan [3] (1 Jan 2015–31 Dec 2017)	–		2,000	
		Performance share plan (1 Jan 2016–31 Dec 2018)	–			
		Total	**–**	**577**	**3,053**	**309**
		Pension expense [4]	–		145	59
		Total remuneration	**–**	**577**	**3,197**	**368**

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs. The amounts for Ms Groth and Ms Schneeberger also contain a one-off compensation payment in 2018 (€314 thousand for Ms Groth, €328 thousand for Ms Schneeberger)
2 The figure shown for one-year variable remuneration for 2017 is the actual amount paid out, which differs from the estimated value listed in the 2017 consolidated financial statements. The discretionary performance multiple for Ms Groth, Ms Schneeberger and Dr Toepfer has already been set at 1.0 for 2018
3 The figure shown for multiple-year variable remuneration is the actual amount paid out, which, in Mr Quek's case, differs from the estimated value listed in the 2017 consolidated financial statements
4 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in table 036)

The table below shows the pension contributions (additions to the plan) attributable to each individual Executive Board member and their separate present values in accordance with IFRS and HGB > TABLES 035–036.

Pension entitlements under IFRS TABLE 035

€ thousand	Service cost 2018	Service cost 2017	Present value (DBO) 31 Dec 2018	Present value (DBO) 31 Dec 2017
Gordon Riske	631	664	6,897	6,491
Dr Eike Böhm	147	152	502	364
Anke Groth			148	
Ching Pong Quek	120	124	670	557
Susanna Schneeberger			38	
Dr Thomas Toepfer [1]	59	145		864

1 Left the Company on 31 March 2018; the present value (DBO) as at 31 December 2018 was recognised under provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants in accordance with IAS 19

Pension entitlements under HGB TABLE 036

€ thousand	Service cost 2018	Service cost 2017	Present value (DBO) 31 Dec 2018	Present value (DBO) 31 Dec 2017
Gordon Riske	482	460	5,714	4,872
Dr Eike Böhm	134	133	469	326
Anke Groth			129	
Ching Pong Quek	129	98	615	505
Susanna Schneeberger			32	
Dr Thomas Toepfer [1]	65	156		738

1 Left the Company on 31 March 2018; the present value (DBO) as at 31 December 2018 was recognised under provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants in accordance with IAS 19

The total remuneration paid to former members of the Executive Board in 2018 amounted to €258 thousand (2017: €254 thousand). Provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €10,463 thousand (2017: €9,765 thousand) were recognised in accordance with IAS 19.

In the year under review, no advances were made to members of the Executive Board, and there were no loans.

SUPERVISORY BOARD REMUNERATION

Remuneration system

The Supervisory Board's remuneration is defined in article 18 of KION GROUP AG's articles of association. Members of the Supervisory Board receive fixed remuneration plus reimbursement of out-of-pocket expenses. The fixed annual remuneration of an ordinary member amounts to €55,000. The chairman of the Supervisory Board receives three times the amount of an ordinary member, i.e. €165,000, and his deputy receives two times the amount of an ordinary member, i.e. €110,000.

Additional remuneration is paid for being a member or chairman of a committee, although this does not apply in the case of the Nomination Committee or the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG). The annual remuneration for members of a committee is usually €8,000, while the chairman of a committee receives double this amount. However, ordinary members of the Audit Committee receive €15,000, the chairman of the Audit Committee €45,000 and his deputy €30,000 in view of their greater responsibilities and thus the greater amount of their time taken up.

If a member of the Supervisory Board or one of its committees does not hold their position for a full financial year, remuneration is reduced pro rata.

The members of the Supervisory Board receive an attendance fee of €1,500 per day for meetings of the Supervisory Board and its committees, although they only receive this amount once if they attend more than one meeting on the same day.

The Company reimburses each member for any VAT incurred in connection with his or her remuneration.

A D&O insurance policy without an excess has been taken out for the members of the Supervisory Board.

Remuneration paid to members of the Supervisory Board in 2018

The total remuneration paid to the Supervisory Board in 2018 was €1,455 thousand (2017: €1,386 thousand). Of this amount, €1,050 thousand (2017: €955 thousand) was attributable to remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work (including attendance fees) totalled €406 thousand (2017: €432 thousand). The following table shows the breakdown of remuneration paid to each Supervisory Board member for 2018: > TABLE 037

Remuneration of the Supervisory Board of KION GROUP AG in 2018 (net) TABLE 037

	Fixed remuneration	Committee remuneration (fixed)	Attendance fee	Total
Dr Feldmann, John	€165,000.00	€31,000.00	€21,000.00	€217,000.00
Behrendt, Birgit	€55,000.00		€9,000.00	€64,000.00
Dr Dibelius, Alexander	€55,000.00	€8,000.00	€13,500.00	€76,500.00
Jiang, Kui*	€55,000.00	€8,000.00	€13,500.00	€76,500.00
Dr Reuter, Christina	€55,000.00		€7,500.00	€62,500.00
Ring, Hans Peter	€55,000.00	€53,000.00	€19,500.00	€127,500.00
Tan, Xuguang* (until 30 Sep 2018)	€41,250.00		€6,000.00	€47,250.00
Dr Macht, Michael (from 9 Oct 2018)	€13,750.00		€1,500.00	€15,250.00
Xu, Ping*	€55,000.00		€7,500.00	€62,500.00
Pancarci, Özcan	€110,000.00	€8,000.00	€18,000.00	€136,000.00
Casper, Stefan	€55,000.00		€10,500.00	€65,500.00
Kunz, Olaf	€55,000.00	€8,000.00	€16,500.00	€79,500.00
Heljic, Denis (until 9 May 2018)	€22,916.67	€3,333.33	€3,000.00	€29,250.00
Fahrendorf, Martin (from 10 May 2018)	€36,666.67		€9,000.00	€45,666.67
Schädler, Alexandra	€55,000.00	€30,000.00	€19,500.00	€104,500.00
Wenzel, Claudia	€55,000.00	€8,000.00	€18,000.00	€81,000.00
Dr Schepp, Frank	€55,000.00		€12,000.00	€67,000.00
Milla, Jörg	€55,000.00	€20,333.33	€22,500.00	€97,833.33
Total	**€1,049,583.33**	**€177,666.67**	**€228,000.00**	**€1,455,250.00**
* Withholding tax (pursuant to section 50a of the German Income Tax Act (EStG)) incl. the reunification surcharge was also paid over in the following amounts:	€70,037.47	€3,704.46	€12,502.62	€86,244.55

In 2018, no company in the KION Group paid or granted any remuneration or other benefits to members of the Supervisory Board for services provided as individuals, such as consulting or brokerage activities. Nor were any advances or loans granted to members of the Supervisory Board.


D

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

Consolidated income statement TABLE 038

in € million	Note	2018	2017*
Revenue	[7]	7,995.7	7,598.1
Cost of sales		–5,898.1	–5,643.3
Gross profit		**2,097.6**	**1,954.8**
Selling expenses		–885.5	–827.5
Research and development costs		–137.7	–137.0
Administrative expenses		–467.1	–447.6
Other income	[8]	86.5	75.8
Other expenses	[9]	–63.3	–71.1
Profit (loss) from equity-accounted investments	[10]	12.2	13.6
Earnings before interest and taxes		**642.8**	**561.0**
Financial income	[11]	99.9	132.8
Financial expenses	[12]	–197.3	–229.2
Net financial expenses		**–97.4**	**–96.3**
Earnings before taxes		**545.3**	**464.7**
Income taxes	[13]	**–143.7**	**–42.2**
Current taxes		–166.5	–184.9
Deferred taxes		22.9	142.7
Net income		**401.6**	**422.5**
Attributable to shareholders of KION GROUP AG		399.9	420.9
Attributable to non-controlling interests		1.8	1.6
Earnings per share (in €)	[15]		
Basic earnings per share		3.39	3.68
Diluted earnings per share		3.39	3.68

* Consolidated income statement for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income TABLE 039

in € million	Note	2018	2017*
Net income		**401.6**	**422.5**
Items that will not be reclassified subsequently to profit or loss		**–6.8**	**19.7**
Gains/losses on defined benefit obligation	[28]	–0.2	18.7
thereof changes in unrealised gains and losses		–3.9	26.7
thereof tax effect		3.7	–8.0
Changes in unrealised gains/losses on financial investments	[22]	–6.4	0.0
Changes in unrealised gains and losses from equity-accounted investments		–0.1	1.0
Items that may be reclassified subsequently to profit or loss		**23.6**	**–302.2**
Impact of exchange differences		35.5	–314.9
thereof changes in unrealised gains and losses		35.9	–314.9
thereof realised gains (–) and losses (+)		–0.3	0.0
Gains/losses on hedge reserves	[41]	–12.2	3.7
thereof changes in unrealised gains and losses		–16.0	11.6
thereof realised gains (–) and losses (+)		–1.3	–5.5
thereof tax effect		5.1	–2.4
Gains/losses on available-for-sale financial instruments	[22]	0.0	8.4
thereof changes in unrealised gains and losses		0.0	8.5
thereof tax effect		0.0	–0.1
Changes in unrealised gains/losses from equity-accounted investments		0.3	0.6
Other comprehensive income (loss)		**16.8**	**–282.5**
Total comprehensive income		**418.4**	**140.0**
Attributable to shareholders of KION GROUP AG		416.9	138.9
Attributable to non-controlling interests		1.5	1.1

* Consolidated statement of comprehensive income for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Consolidated statement of financial position

Consolidated statement of financial position – Assets TABLE 040

in € million	Note	31/12/2018	31/12/2017*	01/01/2017*
Goodwill	[16]	3,424.8	3,382.5	3,572.9
Other intangible assets	[16]	2,296.8	2,333.9	2,602.7
Leased assets	[17]	1,261.8	1,246.3	1,143.9
Rental assets	[18]	670.5	608.4	543.0
Other property, plant and equipment	[19]	1,077.8	994.9	919.1
Equity-accounted investments	[20]	82.3	80.3	72.7
Lease receivables	[21]	826.2	647.8	531.3
Other financial assets	[22]	29.8	57.1	47.5
Other assets	[23]	58.9	24.2	12.3
Deferred taxes	[13]	421.7	475.2	514.8
Non-current assets		**10,150.6**	**9,850.6**	**9,960.1**
Inventories	[24]	994.8	768.6	672.4
Lease receivables	[21]	271.2	228.0	200.3
Contract assets	[33]	119.3	100.3	117.4
Trade receivables	[25]	1,036.4	999.4	895.9
Income tax receivables	[13]	31.5	14.4	35.2
Other financial assets	[22]	83.4	119.0	82.0
Other assets	[23]	106.2	84.3	86.2
Cash and cash equivalents	[26]	175.3	173.2	279.6
Current assets		**2,818.2**	**2,487.1**	**2,368.9**
Total assets		**12,968.8**	**12,337.7**	**12,329.0**

* Consolidated statement of financial position for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Consolidated statement of financial position – Equity and liabilities TABLE 041

in € million	Note	31/12/2018	31/12/2017*	01/01/2017*
Subscribed capital		117.9	117.9	108.6
Capital reserve		3,033.1	3,034.0	2,444.4
Retained earnings		662.1	364.4	30.5
Accumulated other comprehensive loss*		–511.4	–528.4	–246.4
Non-controlling interests		3.3	4.4	5.7
Equity	[27]	**3,305.1**	**2,992.3**	**2,342.8**
Retirement benefit obligation	[28]	1,043.0	1,002.7	991.0
Non-current financial liabilities	[29]	1,818.7	2,024.8	2,889.1
Liabilities from financial services	[30]	924.4	261.0	258.3
Lease liabilities	[31]	489.3	798.2	722.0
Other non-current provisions	[32]	98.9	95.6	92.3
Other financial liabilities	[35]	524.6	663.6	549.8
Other liabilities	[36]	473.5	585.4	551.2
Deferred taxes	[13]	626.7	702.4	909.6
Non-current liabilities		**5,999.1**	**6,133.7**	**6,963.2**
Current financial liabilities	[29]	226.5	243.9	293.9
Liabilities from financial services	[30]	548.0	176.4	91.4
Lease liabilities	[31]	251.3	332.9	285.2
Contract liabilities	[33]	570.1	324.4	376.4
Trade payables	[34]	904.2	923.9	802.2
Income tax liabilities	[13]	74.4	82.6	63.0
Other current provisions	[32]	127.2	149.0	163.4
Other financial liabilities	[35]	288.6	298.6	287.6
Other liabilities	[36]	674.2	679.9	659.9
Current liabilities		**3,664.6**	**3,211.7**	**3,023.0**
Total equity and liabilities		**12,968.8**	**12,337.7**	**12,329.0**

* Consolidated statement of financial position for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Consolidated statement of cash flows

Consolidated statement of cash flows TABLE 042

in € million	Note	2018	2017*
Earnings before interest and taxes		**642.8**	**561.0**
Amortisation, depreciation and impairment charges of non-current assets	[14]	897.9	896.6
Non-cash reversals of deferred revenues from leases		–238.7	–256.0
Other non-cash income (–)/expenses (+)		29.2	24.6
Gains (–)/losses (+) on disposal of non-current assets	[8], [9]	–1.2	–0.2
Change in leased assets (excluding depreciation) and receivables/liabilities from leasing business	[17], [21], [31]	–137.5	–74.7
Change in rental assets (excluding depreciation) and liabilities from rental business	[18], [35]	–188.5	–196.3
Change in net working capital**	[24], [25], [33], [34]	–54.3	–113.2
Cash payments for defined benefit obligations	[28]	–37.3	–28.2
Change in other provisions	[32]	–19.0	–4.0
Change in other operating assets/liabilities		65.4	38.5
Taxes paid		–193.2	–136.3
Cash flow from operating activities	[38]	**765.5**	**711.9**
Cash payments for purchase of non-current assets	[38]	–258.5	–218.3
Cash receipts from disposal of non-current assets	[38]	5.1	4.0
Dividends received		14.2	9.3
Acquisition of subsidiaries/other businesses (net of cash acquired)		–1.6	–13.3
Cash receipts/payments for sundry assets		–4.7	–19.3
Cash flow from investing activities	[38]	**–245.6**	**–237.6**

Consolidated statement of cash flows (continued)

TABLE 042

in € million	Note	2018	2017*
Capital contribution from shareholders for the carried out capital increase	[38]	0.0	598.6
Capital increase from issuing of employee shares	[27]	1.7	2.3
Acquisition of treasury shares		–3.6	–4.3
Dividend of KION GROUP AG		–116.8	–86.9
Dividends paid to non-controlling interests		–2.8	–2.7
Cash receipts/payments for changes in ownership interests in subsidiaries without change of control		0.6	0.5
Financing costs paid	[38]	–5.0	–7.4
Proceeds from borrowings	[38]	1,811.7	2,425.3
Repayment of borrowings	[38]	–2,042.6	–3,340.0
Interest received		2.5	7.5
Interest paid	[38]	–42.9	–58.1
Interest and principal portion from procurement leases		–114.0	–109.0
Cash receipts/payments from other financing activities		–3.4	5.7
Cash flow from financing activities	[38]	**–514.5**	**–568.5**
Effect of exchange rate changes on cash and cash equivalents		–3.2	–12.2
Change in cash and cash equivalents		**2.2**	**–106.4**
Cash and cash equivalents at the beginning of the year	[38]	173.2	279.6
Cash and cash equivalents at the end of the year	[38]	175.3	173.2

* Consolidated statement of cash flows for 2017 was restated due to the initial application of IFRS 15 and IFRS 16
** Net Working Capital comprises inventories, contract assets, trade receivables less contract liabilities and trade payables

Consolidated statement of changes in equity

Consolidated statement of changes in equity*

in € million	Note	Subscribed capital	Capital reserves	Retained earnings
Balance as at 01/01/2017		**108.6**	**2,444.4**	**183.4**
Effects from the initial application of IFRS 15 and IFRS 16				–152.9
Balance as at 01/01/2017 (restated)		**108.6**	**2,444.4**	**30.5**
Net income for the year				420.9
Other comprehensive income (loss)	[27]			
Comprehensive income (loss)		**0.0**	**0.0**	**420.9**
Dividend of KION GROUP AG	[27]			–86.9
Capital increase	[27]	9.3	593.6	
Transaction costs	[27]		–3.0	
Dividends paid to non-controlling interests				
Acquisition of treasury shares	[27]	–0.1	–4.3	
Changes from employee share option programme	[27]	0.1	3.2	
Effects from the acquisition / disposal of non-controlling interests	[27]			
Balance as at 31/12/2017		**117.9**	**3,034.0**	**364.4**
Balance as at 01/01/2018		**117.9**	**3,034.0**	**521.3**
Effects from the initial application of IFRS 9, IFRS 15 and IFRS 16				–138.3
Net income (loss) for the period				–3.9
Other comprehensive income (loss)				
Balance as at 01/01/2018 (restated)		**117.9**	**3,034.0**	**379.0**
Net income for the year				399.9
Other comprehensive income (loss)	[27]			
Comprehensive income (loss)		**0.0**	**0.0**	**399.9**
Dividend of KION GROUP AG	[27]			–116.8
Dividends paid to non-controlling interests	[27]			
Acquisition of treasury shares	[27]	–0.1	–3.5	
Changes from employee share option programme	[27]	0.1	2.6	
Effects from the acquisition / disposal of non-controlling interests	[27]			
Balance as at 31/12/2018		**117.9**	**3,033.1**	**662.1**

* Consolidated statement of changes in equity was restated due to the initial application of IFRS 9, IFRS 15 and IFRS 16

TABLE 043

Accumulated other comprehensive income (loss)							
Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on hedge reserves	Gains/losses on financial investments	Gains/losses from equity-accounted investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
59.7	**–302.0**	**–1.9**	**–0.0**	**–2.2**	**2,490.0**	**5.7**	**2,495.7**
					–152.9	0.0	–152.9
59.7	**–302.0**	**–1.9**	**–0.0**	**–2.2**	**2,337.1**	**5.7**	**2,342.8**
					420.9	1.6	422.5
–314.4	18.7	3.7	8.4	1.6	–282.0	–0.5	–282.5
–314.4	**18.7**	**3.7**	**8.4**	**1.6**	**138.9**	**1.1**	**140.0**
					–86.9	0.0	–86.9
					602.9	0.0	602.9
					–3.0	0.0	–3.0
					0.0	–2.7	–2.7
					–4.3	0.0	–4.3
					3.3	0.0	3.3
					0.0	0.2	0.2
–254.7	**–283.3**	**1.8**	**8.4**	**–0.6**	**2,987.9**	**4.4**	**2,992.3**
–255.1	**–283.3**	**1.8**	**8.4**	**–0.6**	**3,144.4**	**4.4**	**3,148.8**
					–138.3	0.0	–138.3
					–3.9	0.0	–3.9
0.4					0.4	0.0	0.4
–254.7	**–283.3**	**1.8**	**8.4**	**–0.6**	**3,002.5**	**4.4**	**3,006.9**
					399.9	1.8	401.6
35.8	–0.2	–12.2	–6.4	0.2	17.0	–0.3	16.8
35.8	**–0.2**	**–12.2**	**–6.4**	**0.2**	**416.9**	**1.5**	**418.4**
					–116.8	0.0	–116.8
					0.0	–2.8	–2.8
					–3.6	0.0	–3.6
					2.7	0.0	2.7
					0.0	0.2	0.2
–218.9	**–283.5**	**–10.4**	**1.9**	**–0.4**	**3,301.7**	**3.3**	**3,305.1**

Notes to the consolidated financial statements

Basis of presentation

[1] GENERAL INFORMATION ON THE COMPANY

By resolution of the Annual General Meeting dated 9 May 2018, KION GROUP AG's registered office was moved to Thea-Rasche-Strasse 8, 60549 Frankfurt am Main, Germany. The relocation became legally effective when it was entered in the commercial register at the Frankfurt am Main local court under reference HRB 112163 on 20 June 2018.

Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China, is the company that prepares the global consolidated financial statements for the largest number of affiliated companies. These consolidated financial statements are not publicly available.

Weichai Power Co., Ltd., Weifang, People's Republic of China, is the company that prepares the global consolidated financial statements for the smallest number of affiliated companies. These are available in English on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the company (www.weichaipower.com).

The KION Group is one of the world's leading suppliers of integrated supply chain solutions. In 2018, the Group and its highly skilled employees generated revenue of €7,995.7 million (2017: €7,598.1 million).

The consolidated financial statements and the combined group management report and management report of the Company were prepared by the Executive Board of KION GROUP AG on 20 February 2019.

[2] BASIS OF PREPARATION

The consolidated financial statements of the KION Group for the financial year ended 31 December 2018 have been prepared in accordance with section 315e of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as at the reporting date as well as the associated interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) 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. All of the IFRSs and IFRICs that had been enacted by the reporting date and that were required to be applied in the 2018 financial year have been applied in preparing the consolidated financial statements. Furthermore, IFRS 16 'Leases', which is required to be applied for financial years commencing on or after 1 January 2019, was adopted early with effect from 1 January 2018 because of its interactions with IFRS 15 'Revenue from Contracts with Customers'.

In order to improve the clarity of presentation, certain items are aggregated in the statement of financial position and the income statement. The items concerned are disclosed and explained separately in the notes. Assets and liabilities are broken down into current and non-current items in accordance with IAS 1.60. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The consolidated financial statements are prepared in euros, which is the Group's presentation currency. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. Due to rounding effects, addition of the individual amounts shown may result in minor rounding differences to the totals. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros. All of the separate financial statements of the subsidiaries included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG.

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 in 2018:

- 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
- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers' and the clarifications to IFRS 15 'Revenue from Contracts with Customers': amendments relating to the identification of performance obligations, classification as principal or agent, revenue from licences and transition relief
- IFRS 16 'Leases'
- Amendments to IAS 40 'Investment Property': clarification in relation to transfers of property to, or from, investment property
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Amendments to IAS 28 'Investments in Associates and Joint Ventures': amendments in connection with the annual improvements to IFRSs (2014–2016).

The initial application of IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' resulted in changes to the presentation of the financial performance and financial position and the notes to the financial statements of the KION Group. These changes are described in detail in note [6]. The initial application of the other standards and interpretations has had no significant effects.

Financial reporting standards released but not yet adopted

In its consolidated financial statements for the year ended 31 December 2018, the KION Group has not applied the following standards and interpretations, which have been issued by the IASB but were not yet required to be adopted in 2018:

- Amendments to IFRS 3 'Business Combinations': amendments relating to the definition of a business in order to distinguish it from a group of assets when applying IFRS 3
- Amendments to IFRS 9 'Financial Instruments': amendments relating to the classification of particular prepayable financial assets
- IFRS 17 'Insurance Contracts'
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': clarification of the definition of materiality
- Amendments to IAS 19 'Employee Benefits': amendments in connection with the remeasurement of net defined benefit liabilities resulting from plan amendments, curtailments or settlements
- Amendments to IAS 28 'Investments in Associates and Joint Ventures': clarification relating to the accounting treatment of long-term interests that form part of the net investment in an entity accounted for under the equity method
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to the Conceptual Framework: amendments to how the Conceptual Framework is referenced in IFRSs
- Annual Improvements to IFRSs (2015–2017).

These standards and interpretations are expected to be applied by the entities included in the KION Group only from the date on which they must be adopted for the first time. The effects of the initial application of these financial reporting standards on the presentation of the financial position and financial performance of the KION Group are expected to be insignificant.

[3] PRINCIPLES OF CONSOLIDATION

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities assumed on the acquisition date are recognised separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value.

The amount recognised as goodwill is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the acquiree's net assets. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the difference is recognised in profit or loss.

For each acquisition, the Group decides on a case-by-case basis whether the non-controlling interest in the acquiree is recognised at fair value or as a proportion of the net assets of the acquiree. KION GROUP AG recognises non-controlling interests at the proportionate value of the net assets attributable to them excluding goodwill.

In the case of business combinations in stages, previously held equity interests are recognised at their fair value at the acquisition date. The difference between their carrying amount and fair value is recognised in the consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to cash-generating units that are likely to benefit from the business combination.

Contingent consideration elements are included at fair value at the date of acquisition when determining the purchase consideration. Contingent consideration elements may consist of equity instruments or financial liabilities, depending on the structure.

The consolidated financial statements include all of the parent company's material subsidiaries. Intragroup balances, transactions, income and expenses, and gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognised on temporary differences arising from consolidation transactions.

Transactions with non-controlling interests are treated as transactions with the Group's equity providers. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary's net assets are recognised in equity. Gains and losses arising from the disposal of interests are also recognised in equity, provided there is no change in control.

Associates and joint ventures that are of material importance to the presentation of the financial position and financial performance of the KION Group are accounted for using the equity method.

[4] BASIS OF CONSOLIDATION

KION GROUP AG's equity investments include subsidiaries, joint ventures, associates and financial investments.

In addition to KION GROUP AG, the consolidated financial statements of the KION Group include, using the acquisition method, all material subsidiaries over which KION GROUP AG exercises control. KION GROUP AG controls a subsidiary if it has decision-making power over the main activities of the entity and can use this power to affect the amount of the variable returns to which it is exposed as a result of the equity investment. Subsidiaries acquired in the course of the financial year are consolidated from the date on which control is obtained. Companies sold in the course of the financial year are deconsolidated from the date on which control is lost.

A joint venture is an equity interest in which the entity is jointly managed by companies in the KION Group and one or more partners on the basis of a contractual agreement, and these parties have rights to the net assets of the joint venture.

Associates are entities in which companies in the KION Group are able to exercise significant influence, either directly or indirectly, over the financial and operating policies of the entity concerned. Significant influence is assumed when KION GROUP AG holds between 20 per cent and 50 per cent of the voting rights.

Equity interests over which KION GROUP companies are unable to exercise control or a significant influence, or that are not jointly controlled by them, are classified as financial investments.

The number of equity investments broken down by category is shown in > TABLE 044.

A total of 26 (2017: 24) German and 108 (2017: 114) foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at 31 December 2018.

In addition, two joint ventures and seven associates were consolidated and accounted for using the equity method as at 31 December 2018, which was the same number as at 31 December 2017. In each case, the last available annual financial statements were used as the basis for measurement.

In 2018, 58 (2017: 56) companies of minor importance were recognised at amortised cost or at fair value through other comprehensive income. The non-consolidated subsidiaries and other equity investments (joint ventures and associates that are not accounted for using the equity method, plus financial investments) are of minor importance to the presentation of the financial position and financial performance of the KION Group, both individually and as a whole.

Shareholdings by categories TABLE 044

	01/01/2018	Additions*	Disposals*	31/12/2018
Consolidated subsidiaries	**138**	**3**	**7**	**134**
Domestic	24	2	–	26
Foreign	114	1	7	108
Equity-accounted associates and joint ventures	**9**	**–**	**–**	**9**
Domestic	5	–	–	5
Foreign	4	–	–	4
Non-consolidated subsidiaries and other investments	**56**	**5**	**3**	**58**
Domestic	15	–	–	15
Foreign	41	5	3	43

* Including two cross-border changes of legal form

Where other requirements are met, the fully consolidated companies listed in > TABLE 045 are exempt from the obligation to disclose annual financial statements and to prepare notes to the financial statements and management reports in accordance with sections 264 (3) and 264b HGB on account of their inclusion in the consolidated financial statements. In the case of STILL Financial Services GmbH, it has been decided solely not to disclose the annual financial statements.

For the period ended 31 December 2018, the UK subsidiaries listed in > TABLE 046 exercised the exemption in section 479A of the UK Companies Act 2006 that releases them from the obligation to have their annual financial statements audited. These subsidiaries are all held indirectly by KION GROUP AG.

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG is shown in the list of shareholdings (note [48]).

[5] CURRENCY TRANSLATION

Financial statements in foreign currencies are translated in accordance with the functional currency concept. The functional currency is the currency of the primary economic environment in which an entity operates. The modified closing-rate method is used for currency translation.

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle spot exchange rate, i.e. at the average of the bid or offer rates on the reporting date. Income and expenses are translated at the average rate. With the exception of income and expenses recognised as other comprehensive income (loss), equity is recognised at historical rates. The resulting translation differences are not taken to income and are

German subsidiaries exempt from disclosure requirements TABLE 045

Subsidiary	Head office
BlackForxx GmbH	Stuhr
Eisengießerei Dinklage GmbH	Dinklage
Eisenwerk Weilbach GmbH	Frankfurt am Main
Fahrzeugbau GmbH Geisa	Geisa
KION Financial Services GmbH	Frankfurt am Main
KION Information Management Services GmbH	Frankfurt am Main
KION Warehouse Systems GmbH	Reutlingen
Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan
Linde Material Handling GmbH	Aschaffenburg
LMH Immobilien GmbH & Co. KG	Aschaffenburg
LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg
LR Intralogistik GmbH	Wörth an der Isar
Schrader Industriefahrzeuge GmbH & Co. KG	Essen
STILL Financial Services GmbH	Hamburg
STILL Gesellschaft mit beschränkter Haftung	Hamburg
Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim

UK subsidiaries exempt from local audit

TABLE 046

Subsidiary	Head office
Dematic (Services) Ltd.	Banbury
Linde Castle Ltd.	Basingstoke
Linde Holdings Ltd.	Basingstoke
Linde Jewsbury's Ltd.	Basingstoke
Linde Material Handling East Ltd.	Basingstoke
Linde Material Handling Scotland Ltd.	Basingstoke
Linde Material Handling South East Ltd.	Basingstoke
Linde Severnside Ltd.	Basingstoke
STILL Materials Handling Ltd.	Exeter
Superlift UK Ltd.	Basingstoke

recognised in other comprehensive income (loss) until subsidiaries are disposed of.

The financial statements of foreign equity-accounted investments are also translated using the method described above.

Transactions of the consolidated entities in foreign currencies are translated into the relevant company's functional currency at the rate prevailing on the transaction date. On the reporting date, monetary items are translated at the closing rate and non-monetary items at the rate prevailing on the transaction date. Currency translation differences are taken to income and recognised in other income / expenses or in net financial income / expenses.

The translation rates used for currencies that are material to the financial statements are listed in > TABLE 047.

Major foreign currency rates in €

TABLE 047

	Average rate		Closing rate	
	2018	2017	2018	2017
Australia (AUD)	1.5801	1.4734	1.6268	1.5372
Brazil (BRL)	4.3073	3.6090	4.4465	3.9785
China (CNY)	7.8066	7.6292	7.8669	7.8024
United Kingdom (GBP)	0.8848	0.8764	0.8990	0.8881
USA (USD)	1.1809	1.1300	1.1467	1.2005

Source: Bloomberg

[6] ACCOUNTING POLICIES

Initial application of IFRS 9, IFRS 15 and IFRS 16

The KION Group adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' in full and retrospectively for the first time with effect from 1 January 2018. Only the amended rules on hedge accounting in accordance with IFRS 9 are being applied prospectively. The prior-year figures have not been restated for IFRS 9, whereas for IFRS 15 and IFRS 16 the prior-year figures have been restated in accordance with the transitional provisions applicable in each case.

The disclosures relating to the financial performance and financial position of the KION Group, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the segment report take into account the following effects and changes in presentation resulting from the initial application of new financial reporting standards. With the exception of the aforementioned standards applied for the first time, the accounting policies applied in these consolidated financial statements are fundamentally the same as those used for the year ended 31 December 2017. The consolidated financial statements are based on the separate financial statements of the parent and the consolidated subsidiaries, which are prepared in accordance with uniform groupwide accounting policies.

IFRS 9 'Financial Instruments'

In accordance with the new classification rules in IFRS 9, the KION Group assigns financial assets to one of three measurement categories: debt instruments measured at fair value through profit or loss (FVPL), debt instruments measured at amortised cost (AC) or equity instruments measured at fair value through other comprehensive income, without reclassification of gains and losses accumulated in other comprehensive income to profit or loss upon disposal of these financial assets (FVOCI). Assignment to a particular measurement category depends on the type of financial instrument, the resulting cash flows and the business model used to manage the financial instruments.

For the majority of the KION Group's financial instruments, the classification rules in IFRS 9 did not lead to any change to the respective measurement model. The KION Group assigns financial investments previously designated as available for sale (AfS) under IAS 39 on an instrument-by-instrument basis to either the FVPL category or the FVOCI category. Financial investments held as at 1 January 2018 are recognised at fair value through other comprehensive income without recycling to profit or loss upon disposal (FVOCI category). By contrast, equity investments in non-consolidated subsidiaries or companies not accounted for under the equity method are now reported under other non-current assets. As the cash flows of financial instruments in the other financial investments class that were previously classified in accordance with IAS 39 as available for sale (AfS) or loans and receivables (LaR) do not solely consist of interest and principal payments, these debt instruments are recognised at fair value through profit or loss (FVPL) on the basis of the cash flow characteristics test in IFRS 9. As at 1 January 2018, trade receivables of €18.6 million were recognised at fair value through profit or loss (FVPL) on the basis of the business model test.

> TABLE 048 contains a reconciliation of the financial assets from the categories in IAS 39 to the categories in IFRS 9 as at 1 January 2018.

Reconciliation of financial assets from IAS 39 to IFRS 9 — TABLE 048

31/12/2017		Adjustments due to IFRS 9		01/01/2018	
Classes and measurement categories according to IAS 39	Carrying amount according to IAS 39	Reclassifications	Remeasurements	Classes and measurement categories according to IFRS 9	Carrying amount according to IFRS 9
in € million					
Investments in non-consolidated subsidiaries and other investments				**Financial investments**	
AfS	36.0	–24.3		FVOCI	11.8
Loans receivable				**Financial receivables**	
LaR	2.2			AC	2.2
Financial receivables				**Financial receivables**	
LaR	30.3		–0.1	AC	30.3
Other financial investments				**Other financial investments**	
AfS	0.5				
LaR	18.4	2.4		FVPL	21.3
Lease receivables				**Lease receivables**	
in scope of IFRS 16	875.8			in scope of IFRS 16	875.8
Trade receivables				**Trade receivables**	
LaR	999.4	–18.6	14.8	AC	995.6
				FVPL	18.6
Other financial receivables				**Other financial receivables**	
thereof non-derivative receivables				**thereof non-derivative receivables**	
LaR	58.7	–0.7		AC	58.0
thereof derivative financial instruments				**thereof derivative financial instruments**	
FAHfT	22.2			FVPL	22.2
Hedge Accounting	7.8			Hedge Accounting	7.8
Cash and cash equivalents				**Cash and cash equivalents**	
LaR	173.2			AC	173.2

Initial application of IFRS 9 also results in changes to the subsequent measurement of financial assets. The KION Group applies the simplified impairment model of IFRS 9 to all trade receivables, lease receivables and contract assets and thus recognises losses expected over the entire term. As a consequence of applying the simplified impairment model of IFRS 9, valuation allowances for trade receivables fell by €14.8 million. > TABLE 049

Overall, the initial application of IFRS 9 resulted in an increase in equity, after taking deferred taxes into account, of €14.6 million as at 1 January 2018. This transition effect was primarily due to the new impairment model based on expected losses.

Initial application of IFRS 9 has no impact on the classification and measurement of KION Group's financial liabilities.

All of the KION Group's hedges in existence as at 1 January 2018 satisfy the hedge accounting requirements in IFRS 9 and continue to be highly effective.

IFRS 15 'Revenue from Contracts with Customers'

Following the adoption of IFRS 15, the contract assets previously recognised in trade receivables are for the first time reported separately in the consolidated statement of financial position and amounted to €100.3 million as at 31 December 2017 (1 January 2017: €117.4 million). Contract liabilities, which were previously reported under other liabilities, also form a separate line item; they amounted to €324.4 million as at 31 December 2017 (1 January 2017: €376.4 million). The KION Group has used the exemption under which contracts fulfilled before 1 January 2017 do not have to be reassessed in accordance with IFRS 15. There were no further changes to the presentation of KION Group's primary financial statements.

For the vast majority of new business contracts, service business contracts and project business contracts, there has been no change in the point in time at which or the period of time over which the revenue is recognised. A shift in the timing of revenue recognition was identified only for a small number of contracts and led to an overall increase in equity, after taking deferred taxes into account, of €7.9 million as at 1 January 2017.

IFRS 16 'Leases'

Indirect leasing business transactions, which were previously recognised as sales transactions, are now recognised as leases in accordance with IFRS 15 and IFRS 16. As a result, leased assets as at 31 December 2017 increased by €724.0 million (1 January 2017: €714.2 million). On the other side of the consolidated statement of financial position, there was a €541.5 million rise in deferred revenue (1 January 2017: €532.7 million), of which €349.7 million was classified as other non-current liabilities (1 January 2017: €341.7 million) and €191.8 million as other current liabilities (1 January 2017: €191.1 million). Furthermore, the change in the reporting of indirect leasing business resulted in additional residual value obligations of €340.7 million as at 31 December 2017 being recognised under liabilities from financial services (1 January 2017: €335.9 million). As a result, non-current liabilities from financial services went up by €262.4 million (1 January 2017: €258.8 million) and current liabilities from financial services by €78.3 million (1 January 2017: €77.2 million). Liabilities from financial services have been reported as a separate line item for the first time and include liabilities from financial services used to fund the long-term leasing business, which had previously been reported under

Reconciliation of valuation allowances for trade receivables from IAS 39 to IFRS 9 TABLE 049

in € million	
Valuation allowances for trade receivables as at 31/12/2017	**51.1**
Remeasurement to equity for the initial application of IFRS 9	–14.8
Valuation allowances for trade receivables as at 01/01/2018	**36.3**

other current financial liabilities, of €85.7 million as at 31 December 2017 (1 January 2017: €8.3 million).

In accordance with IFRS 16, procurement leases that were previously recognised as operating leases but not shown in the statement of financial position are recognised as right-of-use assets under other property, plant and equipment; corresponding liabilities from procurement leases are reported under other financial liabilities. The KION Group exercises the option to recognise as an expense right-of-use assets and liabilities from procurement leases for low-value procurement leases and for procurement leases that have a lease term of less than twelve months. Other property, plant and equipment rose by €318.0 million as at 31 December 2017 (1 January 2017: €240.8 million). Accordingly, other non-current financial liabilities increased by €267.8 million (1 January 2017: €207.0 million) and other current financial liabilities by €72.0 million (1 January 2017: €55.6 million). Overall, the initial application of IFRS 16 to the KION Group's leasing arrangements – which are the same as they were under IAS 17 – led to a reduction in equity, after taking deferred taxes into account, of €160.8 million as at 1 January 2017.

The quantitative effects are summarised in > TABLES 050–053.

Effects on the consolidated income statement 2017 TABLE 050

in € million	Annual report 2017	Adjustments new IFRS	2017 restated
Revenue	7,653.6	–55.4	7,598.1
Cost of sales	–5,699.1	55.8	–5,643.3
Gross profit	**1,954.5**	**0.4**	**1,954.8**
Selling expenses	–829.6	2.0	–827.5
Research and development costs	–137.0	–0.0	–137.0
Administrative expenses	–456.8	9.2	–447.5
Other income	75.7	0.1	75.7
Other expenses	–71.1	0.0	–71.1
Profit from equity-accounted investments	13.6	–	13.6
Earnings before interest and taxes	**549.4**	**11.7**	**561.0**
Financial income	132.2	0.6	132.8
Financial expenses	–213.3	–15.9	–229.2
Net financial expenses	**–81.1**	**–15.2**	**–96.3**
Earnings before taxes	**468.3**	**–3.6**	**464.7**
Income taxes	–41.9	–0.3	–42.2
Net income for the period	**426.4**	**–3.9**	**422.5**

Effects on the consolidated statement of financial position as at 01/01/2017

TABLE 051

in € million	Annual report 2016	Adjustments new IFRS	01/01/2017 restated
Leased assets	429.7	714.2	1,143.9
Rental assets	575.3	–32.3	543.0
Other property, plant and equipment	678.3	240.8	919.1
Deferred taxes	419.8	95.0	514.8
Other non-current assets	6,839.3	–0.0	6,839.3
Non-current assets	**8,942.4**	**1,017.7**	**9,960.1**
Contract assets	–	117.4	117.4
Trade receivables	998.9	–103.1	895.9
Other current assets	1,355.7	–	1,355.7
Current assets	**2,354.6**	**14.3**	**2,368.9**
Total assets	**11,297.0**	**1,032.0**	**12,329.0**
Retained earnings	183.4	–152.9	30.5
Other equity	2,312.3	0.0	2,312.3
Equity	**2,495.7**	**–152.9**	**2,342.8**
Liabilities from financial services	–	258.3	258.3
Other financial liabilities	349.3	200.5	549.8
Other liabilities	202.8	348.4	551.2
Deferred taxes	882.5	27.2	909.6
Other non-current liabilities	4,694.4	–	4,694.4
Non-current liabilities	**6,128.9**	**834.4**	**6,963.2**
Liabilities from financial services	–	91.4	91.4
Contract liabilities	–	376.4	376.4
Other financial liabilities	222.6	65.0	287.6
Other liabilities	842.1	–182.2	659.9
Other current liabilities	1,607.8	–	1,607.8
Current liabilities	**2,672.5**	**350.6**	**3,023.0**
Total equity and liabilities	**11,297.0**	**1,032.0**	**12,329.0**

Effects on the consolidated statement of financial position as at 31/12/2017

TABLE 052

in € million	Annual report 2017	Adjustments new IFRS	31/12/2017 restated
Leased assets	522.3	724.0	1,246.3
Rental assets	651.4	–43.0	608.4
Other property, plant and equipment	676.9	318.0	994.9
Deferred taxes	370.5	104.7	475.2
Other non-current assets	6,525.8	0.0	6,525.8
Non-current assets	**8,746.9**	**1,103.7**	**9,850.6**
Contract assets	–	100.3	100.3
Trade receivables	1,094.1	–94.7	999.4
Other current assets	1,387.4	–	1,387.4
Current assets	**2,481.5**	**5.6**	**2,487.1**
Total assets	**11,228.4**	**1,109.3**	**12,337.7**
Retained earnings	521.3	–156.9	364.4
Accumulated other comprehensive loss	–528.8	0.4	–528.4
Other equity	3,156.3	0.0	3,156.3
Equity	**3,148.8**	**–156.5**	**2,992.3**
Liabilities from financial services	–	261.0	261.0
Other financial liabilities	407.8	255.8	663.6
Other liabilities	235.7	349.7	585.4
Deferred taxes	665.2	37.2	702.4
Other non-current liabilities	3,921.4	–	3,921.4
Non-current liabilities	**5,230.0**	**903.7**	**6,133.7**
Liabilities from financial services	–	176.4	176.4
Contract liabilities	–	324.4	324.4
Other financial liabilities	296.7	1.9	298.6
Other liabilities	820.7	–140.7	679.9
Other current liabilities	1,732.2	–	1,732.2
Current liabilities	**2,849.6**	**362.1**	**3,211.7**
Total equity and liabilities	**11,228.4**	**1,109.3**	**12,337.7**

Effects on the consolidated statement of cash flows 2017 TABLE 053

in € million	Annual report 2017	Adjustments new IFRS	2017 restated
Cash flow from operating activities	**615.8**	**96.0**	**711.9**
Cash flow from investing activities	**–237.6**	**0.0**	**–237.6**
Cash flow from financing activities	**–472.5**	**–96.0**	**–568.5**
Effect of exchange rate changes on cash and cash equivalents	–12.2	0.0	–12.2
Change in cash and cash equivalents	**–106.4**	**0.0**	**–106.4**
Cash and cash equivalents at the beginning of the period	279.6	0.0	279.6
Cash and cash equivalents at the end of the period	173.2	0.0	173.2

As a result of initial application of the new standards, EBIT and adjusted EBIT (EBIT adjusted for non-recurring items and purchase price allocation effects) for 2017 both rose by €11.7 million to reach €561.0 million and €777.3 million respectively. Of the net income of €422.5 million, a share of €420.9 million was attributable to the shareholders of KION GROUP AG. As a result of applying the new standards for the first time, basic earnings per share went down by €0.04 to €3.68 and diluted earnings per share by €0.03 to €3.68. Furthermore, the retrospective adjustment of cash flow from operating activities shown in > TABLE 053 caused free cash flow to increase by €96.0 million to €474.3 million in the consolidated statement of cash flows for 2017.

Due to the initial application of IFRS 16, in 2018 rental and lease payments (€111.2 million) for procurement leases previously accounted for off-balance as operating leases under IAS 17 were no longer recognised as expenses in the consolidated income statement. Instead, depreciation on the recognised right-of-use assets (€97.0 million) and interest expense arising on the recognition of liabilities from procurement leases (€14.5 million) were reported. As a result of this effect, EBIT and adjusted EBIT (EBIT adjusted for non-recurring items and purchase price allocation effects) for 2018 both rose by €14.5 million to reach €642.8 million and €789.9 million respectively.

Due to the recognition of right-of-use assets, other property, plant and equipment went up by €352.0 million to €390.7 million as at 31 December 2018 and, as a result of the recognition of liabilities from procurement leases, other financial liabilities increased by €382.5 million to €421.3 million. Furthermore, initial application of IFRS 16 caused cash flow from operating activities to rise by €111.2 million to €765.5 million and thus free cash flow to rise by €111.2 million to €519.9 million in the consolidated statement of cash flows for 2018.

Revenue recognition

Revenue is the fair value of the consideration received for the sale of goods and services and rental and lease income (excluding VAT) after deduction of trade discounts and rebates. In addition to the contractually agreed consideration, the transaction price may also include variable elements such as rebates, volume discounts, trade discounts, bonuses and penalties. Revenue is recognised when control over the goods or services passes to the customer. Payment terms vary in accordance with the customary conditions in the respective countries; they are not standardised across the Group. Other criteria may arise, depending on each individual transaction, as described below:

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the KION Group delivers goods to a customer, the risks and rewards incidental to the ownership of the goods sold are substantially transferred to the customer and the flow of benefits to the Group is considered to be sufficiently probable. If a customer is expected to accept goods but has yet to do so, the corresponding revenue is only recognised when the goods are accepted. In addition to the contractually agreed consideration, in the case of key-account customers the transaction price may also include variable elements such as rebates, volume discounts, trade discounts, bonuses and penalties. The revenue from these sales is recognised in the amount of the price specified in the contract less the estimated price reductions.

Rendering of services

Revenue from the rendering of services is recognised on a straight-line basis over the period of performance or in accordance with the proportion of the overall service rendered by the reporting date. By contrast, revenue from long-term service agreements is recognised on the basis of the average term of the service agreements and in line with progressive costs (constant margin).

Leases / short-term rentals

Revenue from direct leasing business is recognised in the amount of the sale value of the leased asset if classified as a finance lease and in the amount of the lease payments if classified as an operating lease. If industrial trucks are first sold to and then leased back from a financing partner to finance leases, no selling margin in connection with the financing is recognised as the financing partner usually does not obtain control over the industrial truck.

In the indirect leasing business, industrial trucks are sold to vendor partners that enter into long-term leases with end customers. As the vendor partner usually does not obtain control over the industrial truck, entities in the KION Group initially treat the portion of the consideration received that exceeds the residual value obligation as deferred income and subsequently recognise the revenue in instalments over the term of the lease. If risks and rewards are substantially transferred to the vendor partner, entities in the KION Group immediately recognise the portion of the consideration received that exceeds the residual value obligation as revenue.

Project business contracts

Receivables and revenue from the project business are recognised over a particular period according to the stage of completion (percentage-of-completion method). The percentage of completion is the proportion of contract costs incurred up to the reporting date compared to the total estimated contract costs as at the reporting date (cost-to-cost method). Under the percentage-of-completion method, project business contracts are measured at the amount of the contract costs incurred to date plus the pro rata profit earned according to the percentage of completion. If it is probable that the total contract costs will exceed the contract revenue, the expected loss is immediately recognised as an expense in the financial year in which the loss emerges. If the contract costs incurred and the profit and loss recognised exceed the progress billings, the excess is recognised as an asset under contract assets. If the progress billings exceed the capitalised costs and recognised profit and loss, the excess is recognised as a liability under contract liabilities (see note [33] for details of the amounts recognised in the statement of financial position).

If the outcome of a project business contract cannot be reliably estimated, the likely achievable revenue is recognised up to the amount of the costs incurred. Contract costs are recognised as an expense in the period in which they are incurred. Variations in the contract work, claims and incentive payments are recognised if they are likely to result in revenue and their amount can be reliably estimated.

Cost of sales

The cost of sales comprises the cost of goods and services sold and includes directly attributable material and labour costs as well as directly attributable overheads, including depreciation of production equipment, amortisation expense on capitalised development costs and certain intangible assets, and write-downs of inventories. Cost of sales also includes additions to warranty provisions, which are recognised in the amount of the estimated cost at the date on which the related product is sold.

Financial income and expenses

Financial income and expenses mainly consist of interest expense on financial liabilities, interest income from financial receivables, interest income from leases and the interest cost on leases, interest expense from financial services, the interest cost on procurement leases, exchange rate gains and losses on financial activities and the net interest cost of the defined benefit obligation.

Interest income and expenses are recognised in profit and loss in accordance with the effective interest method. The effective interest method is used for calculating the amortised cost of a financial asset or financial liability and the allocation of interest income and interest expenses over the relevant periods.

Dividends are recognised in income when a resolution on distribution has been passed. They are reported in the consolidated income statement under other income, provided they are dividends from non-consolidated subsidiaries.

Goodwill

Goodwill has an indefinite useful life and is therefore not amortised. Instead, it is tested for impairment in accordance with IAS 36 at least once a year, and more frequently if there are indications that the asset might be impaired.

For the purposes of internal and external reporting, the activities of the KION Group are broken down into the Industrial Trucks & Services, Supply Chain Solutions and Corporate Services segments.

The cash-generating units (CGUs) identified for the purposes of testing goodwill and brand names for impairment equate to the LMH EMEA, STILL EMEA, KION APAC and KION Americas Operating Units in the Industrial Trucks & Services segment and to the Dematic Operating Unit in the Supply Chain Solutions segment.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows forecast for the next five years are included in the calculation for the impairment test. The financial forecasts are based on assumptions relating to the development of the global economy, commodity prices and exchange rates. Cash flows beyond the five-year planning horizon were extrapolated for the LMH EMEA, STILL EMEA, KION APAC and KION Americas CGUs using a growth rate of 0.8 per cent (2017: 0.5 per cent). The growth rate used for Dematic was 1.3 per cent (2017: 0.5 per cent). The higher growth rates reflect long-term inflation trends (especially in Germany and the United States) and the expected medium-term performance of the ITS and SCS segments.

CGU cash flows are discounted using a weighted average cost of capital (WACC) that reflects current market assessments of the specific risks to individual CGUs.

> TABLE 054 shows the significant parameters for impairment testing broken down by Operating Unit.

Significant parameters for impairment testing TABLE 054

in %	Long-term growth rate 2018	Long-term growth rate 2017	WACC after tax 2018	WACC after tax 2017
Industrial Trucks & Services				
LMH EMEA	0.8%	0.5%	7.3%	6.6%
STILL EMEA	0.8%	0.5%	7.4%	6.7%
KION Americas	0.8%	0.5%	8.2%	7.8%
KION APAC	0.8%	0.5%	7.7%	7.6%
Supply Chain Solutions				
Dematic	1.3%	0.5%	8.6%	7.6%

The impairment test carried out in the fourth quarter of 2018 did not reveal any need to recognise impairment losses for intangible assets with an indefinite useful life or for the existing goodwill recognised for the LMH EMEA, STILL EMEA, KION APAC, KION Americas and Dematic CGUs. Using sensitivity analysis, it was determined that no impairment losses need to be recognised for goodwill, even if key assumptions vary within realistic limits, in particular variations in WACC of plus or minus 100 basis points.

Other intangible assets

Other purchased intangible assets with a finite useful life are carried at historical cost less all accumulated amortisation and all accumulated impairment losses. If events or market developments suggest impairment has occurred, impairment tests are carried out on the carrying amount of items classified as other intangible assets with a finite useful life. The carrying amount of an asset is compared with its recoverable amount, which is defined as the higher of its value in use and its fair value less costs to sell. If the reasons for recognising impairment losses in the past no longer apply, the relevant impairment losses are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its amortised cost.

Other intangible assets with an indefinite useful life are carried at cost and are capitalised brand names. Brand names are not amortised because they have been established in the market for a number of years and there is no foreseeable end to their useful life. In accordance with IAS 36, they are tested for impairment at least once a year or whenever there are indications that the asset might be impaired.

The impairment test applies an income-oriented method in which fundamentally the same assumptions are used as in the impairment test for goodwill. Assessments of indefinite useful life are carried out in every period.

Development costs are capitalised if the capitalisation criteria in IAS 38 are met. Capitalised development costs include all costs and overheads directly attributable to the development process. Once they have been initially capitalised, these costs and internally generated intangible assets – particularly internally generated software – are carried at cost less accumulated amortisation and accumulated impairment losses. All non-qualifying development costs are expensed as incurred and reported in the consolidated income statement under research and development costs together with research costs.

Amortisation of intangible assets with a finite useful life is recognised on a straight-line basis and, with the exception of the amortisation expense on capitalised development costs, is reported under cost of sales. The impairment losses on intangible assets are reported under other expenses.

The useful lives shown in > TABLE 055 are applied in determining the carrying amounts of other intangible assets.

Leases / short-term rentals

KION Group entities in the Industrial Trucks & Services segment conduct leasing and short-term rental business in which they lease or rent industrial trucks and related items of equipment to their customers in order to promote sales.

Entities in the KION Group enter into leases as lessors and as lessees. In line with IFRS 16, these leases are classified as finance leases if substantially all of the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. All other leases and short-term rentals are classified as operating leases, again in accordance with IFRS 16.

If an entity in the Industrial Trucks & Services segment enters into a finance lease as the lessor, the future lease payments to be made by the customer are recognised as lease receivables at an amount equal to the net investment in the lease. These are measured using the simplified impairment approach in accordance with IFRS 9. Interest income is spread over the term of the lease in order to ensure a constant return on the outstanding net investment in the lease.

Leased assets

If the beneficial ownership of leased assets remains with a KION Group entity as the lessor under an operating lease, the assets are reported as leased assets in the statement of financial position. The leased assets are carried at cost and depreciated on a straight-line basis over the term of the underlying leases. To finance lease contracts, industrial trucks are generally sold to leasing companies (financing partners) and immediately leased back (head lease) before being sub-leased to external end customers (described below as ‘sale and leaseback sub-leases’).

In accordance with the transitional provisions of IFRS 16, it was not necessary to reassess the sale and leaseback sub-lease portfolio in existence as at 31 December 2017 with regard to the transfer of control to the financing partner in the head lease. In all sale and leaseback sub-leases, risks and rewards incidental to the head lease are, in general, substantially borne by entities in the KION Group. The corresponding assets are therefore reported as leased assets within non-current assets at the lower of the present value of the lease payments and fair value. However, if risks and rewards incidental to the head lease are substantially transferred to the end customer in the sub-lease, a corresponding lease receivable is recognised. In both cases, the funding items for these long-term customer leases, which are funded for terms that match those of the leases, are recognised as lease liabilities.

Useful life of other intangible assets TABLE 055

	Years
Customer relationships / client base	4 – 15
Technology	10 – 15
Development costs	5 – 7
Patents and licences	3 – 15
Software	2 – 10

The accounting for contracts concluded from 1 January 2018 onwards is also determined by whether the financing partner gains control over the industrial truck. As the financing partner usually does not obtain control over the industrial truck, it is recognised as a leased asset in the statement of financial position or, if the risks and rewards have been transferred to the end customer, as a lease receivable. The industrial truck recognised as a leased asset is carried at cost, while the lease receivable is recognised at an amount equal to the net investment in the lease. The liabilities for financing the leased assets are recognised under liabilities from financial services.

In the indirect leasing business, industrial trucks are sold to leasing companies that enter into long-term leases with end customers (vendor partners). As the vendor partner ususally does not obtain control over the industrial truck, it is recognised as a leased asset in the statement of financial position and carried at cost. If the KION Group provides a residual value guarantee, an amount equivalent to the residual value obligation is recognised under liabilities from financial services. Accordingly, entities in the KION Group immediately recognise the portion of the consideration received that exceeds the residual value obligation as revenue or they initially treat that portion of the consideration received as deferred income and subsequently recognise the revenue on a pro-rata basis over the term of the lease.

Rental assets

Under short-term rental agreements, entities in the KION Group rent industrial trucks directly to end customers. Short-term rental agreements usually have a term ranging from a few hours to a year.

The industrial trucks are carried at cost and depreciated on a straight-line basis over the normal useful life of between five and eight years, depending on the product group. If a sale and leaseback sub-lease arrangement is in place for financing purposes, the assets are reported in the statement of financial position either at the lower of the present value of the rental payments and fair value or at cost, depending on the portfolio to which they belong.

In accordance with the transitional provisions of IFRS 16, it was not necessary to reassess the sale and leaseback sub-lease portfolio in existence as at 31 December 2017 with regard to the transfer of control to the financing partner in the head lease. If, in the case of sale and leaseback sub-leases, the risks and rewards incidental to the head lease are substantially borne by entities in the KION Group, these industrial trucks are reported as rental assets within non-current assets. The liabilities for financing this part of the short-term rental fleet are reported under other financial liabilities.

The accounting for contracts concluded from 1 January 2018 onwards is also determined by whether the financing partner gains control over the industrial truck. As the financing partner usually does not obtain control over the industrial truck, it is recognised as a rental asset in the statement of financial position and carried at cost. The liabilities for financing this part of the short-term rental fleet are reported under liabilities from financial services.

Other property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and impairment losses. The cost of internally generated machinery and equipment includes all costs directly attributable to the production process and an appropriate portion of production overheads. This includes production-related depreciation and proportionate costs for administration and social insurance/employee benefits.

Depreciation of property, plant and equipment is recognised on a straight-line basis and reported under functional costs. The useful lives and depreciation methods are reviewed annually and adjusted to reflect changes in conditions.

The ranges of useful life below are applied in determining the carrying amounts of items of property, plant and equipment. > TABLE 056

KION Group companies also lease property, plant and equipment for their own use through leases, which are recognised as right-of-use assets under other property, plant and equipment. As a rule, the leases are entered into for defined periods, although they may contain extension and/or termination options.

The right-of-use assets are depreciated over the shorter of their useful life or the term of the lease, unless title to the leased assets passes to the lessee when the lease expires, in which case the right-of-use asset is depreciated and the other financial liabilities are reversed over the useful life of the leased assets.

Lease instalments for procurement leases with a term of no more than twelve months and for procurement leases relating to low-value assets are expensed on a straight-line basis and reported under functional costs.

At the end of the lease term, the leased assets are returned or purchased, or the contract is extended.

If there are certain indications of impairment of the property, plant and equipment, the assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount, which is defined as the higher of value in use and fair value less costs to sell. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognised for an asset. The impairment losses on property, plant and equipment are reported under other expenses.

If an impairment test for an item of property, plant and equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill and, subsequently, the assets must be written down in proportion to their relative carrying amounts. If the reason for an impairment loss recognised in prior years no longer applies, the relevant pro-rata impairment losses are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its amortised cost. This does not apply to goodwill.

Equity-accounted investments

In accordance with the equity method, associates and joint ventures are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. Subsequently, the carrying amount of the equity investment is adjusted in line with any changes to the KION Group's interest in the net assets of the investee. The KION Group's interest in the profit or loss generated after acquisition is recognised in income. Other changes in the equity of associates and joint ventures are recognised in other comprehensive income (loss) in the consolidated financial statements in proportion to the Group's interest in the associate or joint venture.

If the Group's interest in the losses made by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognised. Any goodwill arising from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture.

Useful life of other property, plant and equipment TABLE 056

	Years
Buildings	10 – 50
Plant and machinery	3 – 15
Office furniture and equipment	2 – 15

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the investment in question is tested for impairment. The carrying amount of the asset is compared with its recoverable amount. If the carrying amount is greater than the recoverable amount, an impairment loss is recognised for the equity investment.

Other financial assets

Primary financial assets are initially recognised and derecognised in the financial statements on their settlement dates.

In accordance with IFRS 9, the KION Group categorises financial assets as debt instruments recognised at fair value through profit or loss (FVPL), debt instruments measured at amortised cost (AC) or equity instruments recognised at fair value through other comprehensive income (FVOCI).

Debt instruments are measured at amortised cost (AC) if they are held as part of a business model whose objective is to collect the contractual cash flows, and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Upon initial recognition, these assets are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

In line with the general impairment approach for debt instruments in the AC category, both upon initial recognition and in subsequent periods the KION Group recognises expected credit losses in profit or loss by recognising valuation allowances. The valuation allowances amount to the twelve-month expected losses, provided no significant increase in credit risk (for example as a result of material changes to external or internal credit ratings) is observable at the reporting date. Otherwise, lifetime expected losses are recognised. The simplified impairment approach is applied to all trade receivables, lease receivables and contract assets and always covers the lifetime expected losses.

The expected losses are calculated using the probability of default, the exposure at default and, taking into account any collateral, the estimated loss given default. The calculation draws on observable historical loss data, information on current conditions and the economic outlook.

A default is defined as the occurrence of a loss event, such as a borrower being in considerable financial difficulties or a contract being breached. Financial assets are written off if there are no reasonable prospects of recovering the underlying cash flows in full or partly. The recoverability is assessed on the basis of different indicators (for example, the opening of insolvency proceedings over the borrower's assets) that take the relevant country-specific factors into account.

Equity instruments in the FVOCI category are recognised at fair value through other comprehensive income. Upon initial recognition at fair value, directly attributable transaction costs are included. Gains and losses accumulated in other comprehensive income are not reclassified to profit or loss upon disposal of these financial assets. Dividends are recognised in income.

The KION Group assigns the remaining financial assets to the FVPL category. They are initially recognised at fair value; directly attributable transaction costs have to be taken directly to profit or loss. In subsequent periods, financial assets in the FVPL category are recognised at fair value through profit or loss.

In 2017, in accordance with IAS 39, the KION Group differentiated between financial assets held for trading at fair value through profit or loss (FAHfT), available for sale financial assets (AfS) and loans and receivables (LaR).

Hedge accounting

Currently, derivative financial instruments in the KION Group comprise currency forwards and interest-rate swaps that are used for hedging purposes to mitigate currency risk and interest-rate risk. They are initially recognised and derecognised in the financial statements on their settlement dates.

Derivative financial instruments are measured at their fair value and are reported as other financial assets or other financial liabilities as at the reporting date. If they are not part of a formally documented hedge, derivatives are classified as held for trading and assigned to the FVPL category. Derivative financial instruments forming part of a documented hedge are not assigned to any of the IFRS 9 measurement categories and are therefore recognised in accordance with the hedge accounting rules described below.

The KION Group currently uses cash flow hedges for currency risk and interest-rate risk.

In the case of cash flow hedges, derivatives are used to hedge future cash flow risks from existing hedged items, planned transactions and firm obligations not reported in the statement of financial position. The effective portion of changes in the fair value of derivatives is initially recognised in other comprehensive income (loss) and is subsequently reclassified to the income statement when the corresponding hedged item is also recognised. The ineffective portion of the changes in fair value is recognised immediately in the income statement.

In addition, the KION Group uses an interest-rate swap to hedge the fair value of a fixed-rate financial liability. The effective portion of changes in the fair value of the interest-rate swap is recognised in the income statement. They are offset by gains and losses on the change in the fair value of the hedged financial liability, which result in an adjustment in profit or loss of the carrying amount of the hedged item. The ineffective portion of the hedge is recognised immediately in the income statement.

Further information on risk management and accounting for derivative financial instruments can be found in notes [40] and [41].

Income taxes

In the consolidated financial statements, current and deferred taxes are recognised on the basis of the tax laws of the jurisdictions involved. Deferred taxes are recognised in other comprehensive income (loss) if they relate to transactions also recognised in other comprehensive income (loss).

Deferred tax assets and liabilities are recognised in accordance with the liability method for all temporary differences between the IFRS carrying amounts and the tax base, as well as for temporary consolidation measures.

Deferred tax assets also include tax refund claims that arise from the expected utilisation of existing tax loss carryforwards and interest carryforwards in subsequent years and whose utilisation is reasonably certain according to current forecasts. On the basis of this estimate, deferred tax assets have been recognised on some loss carryforwards and interest carryforwards.

Deferred taxes are determined on the basis of the tax rates that will apply at the recovery date, or have been announced, in accordance with the current legal situation in each country concerned. In accordance with the provisions in IAS 12, deferred tax assets and liabilities are not discounted. Deferred tax assets are offset against deferred tax liabilities to the extent that they have the same maturity and relate to the same taxation authority.

Inventories

Inventories are carried at the lower of cost and net realisable value. The acquisition costs of raw materials and merchandise are calculated on the basis of an average. The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overheads and production-related depreciation directly attributable to the production process. Administrative costs and social insurance/employee benefits are included to the extent that they are attributable to the production process. The amount recognised is an average value or a value determined in accordance with the FIFO method (FIFO = "first in first out").

Net realisable value is the selling price that can be realised less the estimated costs of completion and the estimated costs necessary to make the sale.

Write-downs are recognised for inventory risks resulting from duration of storage, impaired recoverability, etc. If the reasons for the recognition of the write-downs no longer apply, they are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its cost.

Contract balances

Contract assets mainly relate to work performed in the project business that has not yet been billed. Contract assets are measured using the simplified impairment approach in accordance with IFRS 9. The average loss rates calculated for trade receivables are used as an approximation of the expected losses from contract assets.

A contract liability is a company's obligation to transfer goods or services to a customer for which the company has received (or will receive) consideration. Project business contracts with a net debit balance due to customers are reported under contract liabilities, as are prepayments received from customers.

Trade receivables

Trade receivables that are held in order to collect the contractual cash flows are assigned to the AC category. Upon measurement subsequent to initial recognition, the KION Group applies the simplified impairment approach of IFRS 9 and thus recognises lifetime expected losses. To determine lifetime expected losses, for purposes of the valuation allowance average loss rates are calculated on a collective basis in accordance with the past due status of the receivables. The loss rates are calculated on the basis of observable historical loss data, taking into account current conditions and the economic outlook (for example on the basis of expected probability of default for significant countries). The amount of the valuation allowance recognised is adjusted in profit or loss if there is a change in the estimate for the underlying inputs and thus in the losses to be recognised.

The reversal of an impairment loss must not result in a carrying amount greater than the amortised cost that would have arisen if the impairment loss had not been recognised.

Trade receivables that are assigned to the FVPL category on the basis of the business model test in IFRS 9 are recognised at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash, credit balances with banks and current financial assets that can be transformed into cash at any time and are only subject to a minor level of volatility.

Retirement benefit obligation

The retirement benefit obligation is calculated in accordance with the projected unit credit method. Future pension obligations are measured on the basis of the pro rata vested benefit entitlements as at the reporting date and discounted to their present value. The calculations include assumptions about future changes in certain parameters, such as expected salary and pension increases and biometric factors affecting the amount of future benefits. Pension provisions are reduced by the fair value of the plan assets used to cover the Group's benefit obligations. Plan assets are measured at fair value.

Remeasurements, including deferred taxes, are recognised in other comprehensive income (loss). It is not permitted to reclassify remeasurements recognised in other comprehensive income (loss) to profit or loss in future periods. The cost of additions to pension provisions is allocated to functional costs. The interest cost on pension obligations and the interest income from plan assets are netted and reported in net financial income/expenses. Further details can be found in note [28].

Financial liabilities

The financial liabilities reported by the KION Group essentially comprise liabilities to banks and liabilities in connection with the promissory notes that have been issued. Upon initial recognition, they are recognised at fair value including directly attributable transaction costs. Subsequently, financial liabilities are recognised at amortised cost using the effective interest method (AC).

Liabilities from financial services

Liabilities from financial services comprise all liabilities from financing the leasing business and the short-term rental fleet on the basis of sale and leaseback sub-leases from 1 January 2018 onwards, as well as the liabilities that arise from financing the leasing business by means of lease facilities and the use of securitisations. Furthermore, liabilities from financial services arising from the leasing business include residual value obligations resulting from the indirect leasing business.

Upon initial recognition, they are recognised at fair value including directly attributable transaction costs. Subsequently, liabilities from financial services are recognised at amortised cost using the effective interest method (AC).

Other provisions

Other provisions are recognised when the Group has a legal or constructive obligation to a third party as the result of a past event that is likely to lead to a future outflow of resources and that can be reliably estimated. Where there is a range of possible outcomes and each individual point within the range has an equal probability of occurring, a provision is recognised in the amount of the mean of the individual points. Measurement is at full cost. Provisions for identifiable risks and contingent liabilities are recognised in the amount that represents the best estimate of the cost required to settle the obligations. Recourse claims are not taken into account. The settlement amount also includes cost increases identifiable as at the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability. The interest cost from unwinding the discount is recognised in interest expenses.

Warranty provisions are recognised on the basis of past or estimated future claim statistics. The corresponding expense is recognised in cost of sales at the date on which the revenue is recognised. Individual provisions are recognised for claims that are known to the Group.

Provisions for expected losses from onerous contracts and other business obligations are measured on the basis of the work yet to be performed.

A restructuring provision is recognised when a KION Group entity has prepared a detailed, formal restructuring plan and this plan has raised the valid expectation in those affected that the entity will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity concerned.

Share-based payments

IFRS 2 distinguishes between equity-settled and cash-settled share-based payment transactions.

Equity-settled share-based payment transactions are recognised at their fair value at the date of grant. The fair value of the obligation is recognised as an expense under functional costs over the vesting period and offset against capital reserves.

The portion of the fair value of cash-settled share-based payments that is attributable to service provided up to the valuation date is recognised as an expense under functional costs and is also reported as a liability. The fair value is recalculated on each reporting date until the end of the performance period. Any change in the fair value of the obligation must be recognised (pro rata) under expenses.

Other financial liabilities

The KION Group differentiates between financial liabilities held for trading and recognised at fair value through profit or loss (FVPL) and financial liabilities that are recognised at amortised cost using the effective interest method (AC).

The FVPL category contains derivative financial instruments that are not part of a formally documented hedge. These are reported under other financial liabilities and must be carried at fair value through profit or loss. Derivative financial instruments forming part of a documented hedge are not assigned to any of the IFRS 9 measurement categories.

All other financial liabilities of the KION Group must be assigned to the AC category. These liabilities are initially recognised at fair value at the time they are entered into. Directly attributable transaction costs are deducted. These liabilities are then measured at amortised cost. Any differences between historical cost and the settlement amount are recognised in accordance with the effective interest method.

In 2017, the KION Group differentiated between financial liabilities held for trading and recognised at fair value through profit or loss (FLHfT) and financial liabilities that are recognised at amortised cost using the effective interest method (FLaC).

Trade payables

Trade payables are recognised at amortised cost using the effective interest method (AC). Low-interest or non-interest-bearing liabilities due in more than one year are carried at their present value.

Assumptions and estimates

The preparation of the IFRS consolidated 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 and measuring leases and in determining the lease term
- 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, and
- in evaluating the stage of completion of contracts where the revenue is recognised over a period of time.

Goodwill is tested for impairment annually at the level of the cash-generating units to which goodwill is allocated, assuming division-specific growth rates for the subsequent period. Any material changes to these and other factors might result in the recognition of impairment losses. Further information on goodwill can be found earlier in this note and in note [16].

The classification of leases requires estimates to be made regarding the transferred and retained risks and rewards in connection with ownership of the industrial truck. When defining the lease term, senior management also takes into consideration all facts and circumstances that offer an economic incentive to exercise extension options or to not exercise cancellation options. Further information on leases can be found in the sections on leases / short-term rentals, leased assets, rental assets and other property, plant and equipment in the relevant notes.

Defined benefit pension obligations are calculated on the basis of actuarial parameters, although the value for certain plan assets is derived from inputs that are not observable in the market. As differences due to remeasurements are taken to other comprehensive income (loss), any change in these parameters would not affect the net profit for the current period. For further details about sensitivity analysis in relation to the impact of all significant assumptions, please refer to the information about the retirement benefit obligation in note [28].

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of resources, supplemented by past experience and the circumstances known to the Group at the reporting date. Accordingly, the actual outflow of resources for a given event may be different from the amount recognised in other provisions. Further details can be found in note [32].

Significant estimates are involved in calculating income taxes. These estimates may change on the basis of new information and experience (see also note [13]). Deferred tax assets on tax loss carryforwards and interest carryforwards are recognised on the basis of an estimate of the future recoverability of the tax benefit, i.e. an assumption as to whether sufficient taxable income or tax relief will be available against which the carryforwards can be utilised. The actual amount of taxable income in future periods, and hence the actual utilisation of tax loss carryforwards and interest carryforwards, may be different from the estimates made when the corresponding deferred tax assets were recognised.

On first-time consolidation of an acquisition, all identifiable assets and liabilities are recognised at their fair value at the acquisition date. The fair values of identifiable assets are determined using appropriate valuation techniques. These measurements are based, for example, on estimates of future cash flows, expected growth rates, exchange rates, discount rates and useful lives. In the event of material changes to assumptions or circumstances, estimates must be reassessed and this can lead to the recognition of an impairment loss for the asset concerned.

Project business contracts are accounted for using the percentage-of-completion method based on management estimates of the contract costs incurred. If estimates change, or if there are differences between planned and actual costs, this is directly reflected in the profit or loss from project business contracts. The Operating Units continually review the cost estimates and adjust them as appropriate. Further information on project business contracts can be found earlier in this note and in note [33].

The impact of a change to an estimate is recognised prospectively when it becomes known and assumptions are adjusted accordingly.

Notes to the consolidated income statement

[7] REVENUE

> TABLE 057 contains the product categories identified as material to the KION Group's financial performance and the timing of revenue recognition for each of these categories.

Timing of revenue recognition with third parties TABLE 057

Product category	Business model	Timing of revenue recognition
Industrial Trucks & Services		
New business	Sale of industrial trucks	At a point in time
	Direct and indirect leasing business (in both cases where classified as finance leases)	At a point in time
Aftersales	Supply of spare parts	At a point in time
	Individual orders for repairs and maintenance work	At a point in time
	(Full) service contracts	Over a period of time
Rental business	Direct long-term rental business and indirect leasing business (in both cases where classified as operating leases)	Over a period of time
	Short-term rental business	Over a period of time
	Fleet management	Over a period of time
Used trucks	Sale of used industrial trucks	At a point in time
Other	Various business models, currently categorised as not material to the financial performance of the KION Group in the IT&S segment	Mainly at a point in time
Supply Chain Solutions		
Business solutions	Project business	Over a period of time
Service business	Modernisations and upgrades	Over a period of time
	Spare parts business	At a point in time
	Various business models, currently categorised as not material to the financial performance of the KION Group in the SCS segment	Mainly over a period of time
Corporate Services		
	Services	Mainly at a point in time

> TABLES 058–059 show revenue from contracts with customers, broken down by sales region, product category, timing of revenue recognition and segment.

Disaggregation of revenues with third parties TABLE 058

	2018			
in € million	**Industrial Trucks & Services**	**Supply Chain Solutions**	**Corporate Services**	**Total**
Western Europe	4,287.5	459.2	23.2	4,769.9
Eastern Europe	561.9	27.1	3.4	592.3
Middle East and Africa	80.0	14.4	0.1	94.5
North America	138.6	1,347.7	0.0	1,486.3
Central and South America	164.8	8.7	0.0	173.5
Asia-Pacific	683.6	195.1	0.6	879.3
Total revenue	**5,916.3**	**2,052.1**	**27.3**	**7,995.7**
New business	3,009.1			3,009.1
Service business	2,907.2			2,907.2
– Aftersales	1,513.9			1,513.9
– Rental business	900.1			900.1
– Used trucks	327.8			327.8
– Other	165.4			165.4
Business solutions		1,514.0		1,514.0
Service business		538.1		538.1
Corporate Services			27.3	27.3
Total revenue	**5,916.3**	**2,052.1**	**27.3**	**7,995.7**
Timing of revenue recognition				
Products and services transferred at a point in time	4,524.8	237.3	20.9	4,783.0
Products and services transferred over a period of time	1,391.5	1,814.8	6.4	3,212.7

Disaggregation of revenue with third parties

TABLE 059

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
	2017*			
Western Europe	4,013.5	532.6	21.0	4,567.1
Eastern Europe	536.6	8.0	3.6	548.2
Middle East and Africa	89.7	63.9	0.1	153.6
North America	127.0	1,139.6	0.0	1,266.7
Central and South America	157.9	5.1	0.0	163.1
Asia-Pacific	643.5	255.8	0.1	899.3
Total revenue	**5,568.2**	**2,005.1**	**24.8**	**7,598.1**
New business	2,828.8			2,828.8
Service business	2,739.5			2,739.5
– Aftersales	1,429.5			1,429.5
– Rental business	855.2			855.2
– Used trucks	306.6			306.6
– Other	148.3			148.3
Business solutions		1,512.4		1,512.4
Service business		492.7		492.7
Corporate Services			24.8	24.8
Total revenue	**5,568.2**	**2,005.1**	**24.8**	**7,598.1**
Timing of revenue recognition				
Products and services transferred at a point in time	4,241.0	234.9	19.3	4,495.2
Products and services transferred over a period of time	1,327.2	1,770.1	5.6	3,102.9

* Revenue for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

> TABLE 060 shows the revenue that is expected as a result of performance obligations in existence at the reporting date. This consists only of revenue from contracts with customers as defined by IFRS 15. In the Supply Chain Solutions segment, this revenue is generated by the project and service business. In the Industrial Trucks & Services segment, it is generated through aftersales (full-)service contracts with an expected original term of more than one year.

Expected future revenue from existing performance obligations TABLE 060

in € million	2018	2017
Total of expected future revenue from existing performance obligations	**2,728.9**	**2,342.8**
due within one year	1,837.9	1,523.6
due in one to two years	506.8	366.2
due in two to three years	179.6	255.4
due in three to four years	113.1	104.4
due in four to five years	54.7	58.6
due in more than five years	36.9	34.6

[8] OTHER INCOME

The breakdown of other income is as follows: > TABLE 061

Other income TABLE 061

in € million	2018	2017*
Foreign currency exchange rate gains	44.2	34.5
Income from reversal of provisions	2.4	2.5
Gains on disposal of non-current assets	2.3	3.3
Rental income	1.2	1.2
Sundry income	36.4	34.4
Total other income	**86.5**	**75.8**

* Other income for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

The rise in foreign currency exchange rate gains was largely attributable to exchange rate gains arising in the course of the Group companies' operating activities. This line item also contains gains on hedges that were entered into in order to hedge currency risk arising from the operating business but do not form part of a documented hedge. These gains were offset by corresponding exchange rate losses (see note [9]). Sundry income also included income from non-consolidated subsidiaries and other equity investments amounting to €2.3 million (2017: €2.1 million).

[9] OTHER EXPENSES

The breakdown of other expenses is as follows: > TABLE 062

Other expenses TABLE 062

in € million	2018	2017
Foreign currency exchange rate losses	50.0	40.1
Losses on disposal of non-current assets	1.1	3.3
Impairment of non-current assets	6.4	14.8
Sundry expenses	5.7	12.8
Total other expenses	**63.3**	**71.1**

The foreign currency exchange rate losses were attributable to exchange rate losses arising in the course of the Group companies' operating activities and to hedges that were entered into in order to hedge currency risk arising from the operating business and do not form part of a documented hedge (see note [8] for details of the countervailing gains). Impairment of non-current assets related to buildings, plant and machinery, office furniture and equipment, and other property, plant and equipment. Of the total amount recognised as impairment of non-current assets in 2017, €8.6 million had resulted from giving up the Egemin brand after it was integrated within the Dematic brand presentation.

[10] SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS

The share of profit (loss) of equity-accounted investments in the reporting year amounted to a profit of €12.2 million (2017: €13.6 million). Further details on equity-accounted investments can be found in note [20].

[11] FINANCIAL INCOME

Financial income breaks down as shown in > TABLE 063.

Financial income TABLE 063

in € million	2018	2017*
Interest income from leases	43.8	36.8
Foreign currency exchange rate gains (financing)	48.9	87.5
Other interest and similar income	7.1	8.5
Total financial income	**99.9**	**132.8**

* Financial income for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

The decrease in financial income in 2018 mainly resulted from lower foreign currency exchange rate gains (financing) in connection with foreign currency positions in internal financing and the related hedging transactions. These gains were offset by corresponding exchange rate losses (see note [12]).

The interest income from leases relates to the interest portion of lease payments in financial services transactions in which KION Group entities operate as lessors (finance leases).

[12] FINANCIAL EXPENSES

Financial expenses break down as follows: > TABLE 064

Financial expenses TABLE 064

in € million	2018	2017*
Interest expense from loans	22.9	29.6
Interest expense from promissory notes	16.3	12.2
Interest expense from leases	51.3	48.1
Interest expense from procurement leases	16.9	16.3
Net interest expense from defined benefit plans	19.4	19.3
Amortisation of finance costs	4.5	8.8
Foreign currency exchange rate losses (financing)	55.2	66.6
Other interest expenses and similar charges	10.7	28.3
Total financial expenses	**197.3**	**229.2**

* Financial expenses for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

In 2018, financial expenses fell by €31.9 million year on year. Interest expense from loans decreased due to the corporate actions carried out in 2017, whereas the interest expense from promissory notes increased. At the time of the early repayment of certain financial liabilities (see also note [29]), deferred borrowing costs of €1.9 million (2017: €3.5 million) were reclassified as financial expenses and thus taken to profit or loss.

The exchange rate losses included in foreign currency exchange rate losses (financing) decreased, as was the case for exchange rate gains included in foreign currency exchange rate gains (financing) (see note [11]).

The interest expenses from leases predominantly relates to liabilities under sale and leaseback sub-lease transactions for the leasing business and for financing the short-term rental fleet. Sale and leaseback sub-lease transactions entered into in connection with the leasing business incurred interest expenses of €14.1 million (2017: €27.3 million). The income from corresponding customer agreements is a component of the rental and lease payments received and is therefore reported within revenue rather than as interest income.

The interest expenses from leases also contains further interest expense attributable to liabilities from financial services in an amount of €13.0 million (2017: €0.3 million). This includes interest expense on sale and leaseback sub-lease transactions of €4.2 million (2017: €0.0 million). The income from corresponding customer agreements is a component of the rental and lease payments received and is therefore reported within revenue rather than as interest income.

Net interest expense from defined benefit plans relates to the net interest cost on the net defined benefit liability applying the discount rate for plans in which pension obligations exceed plan assets.

[13] INCOME TAXES

The income tax expense of €143.7 million (2017: €42.2 million) consisted of €166.5 million in current tax expense (2017: €184.9 million) and €22.9 million in deferred tax income (2017: €142.7 million). In the reporting year, the current tax expense included income of €32.1 million (2017: €16.2 million) relating to previous financial years that was in an amount of €29.4 million predominantly due to the offsetting of losses of corporations in connection with an amendment to tax law (section 8c of the German Corporation Tax Act (KStG)). The deferred tax income recognised in 2017 had included income of €92.2 million that was due, in particular, to the remeasurement of deferred tax liabilities in light of the US tax reforms.

At the reporting date, there were income tax assets of €31.5 million receivable from tax authorities (2017: €14.4 million) and income tax liabilities of €74.4 million (2017: €82.6 million).

Deferred taxes are recognised for temporary differences between the tax base and IFRS carrying amounts. Deferred taxes are determined on the basis of the tax rates that will apply at the recovery date, or have been announced, in accordance with the current legal situation in each country concerned. The current corporate income tax rate in Germany is 15.0 per cent plus a solidarity surcharge (5.5 per cent of corporate income tax). Taking into account the average trade tax rate of 14.94 per cent (2017: 15.00 per cent), the combined nominal tax rate for entities in Germany was 30.77 per cent (2017: 30.82 per cent). The income tax rates for foreign companies used in the calculation of deferred taxes were between 9.0 per cent and 34.0 per cent, as had also been the case in 2017.

No deferred taxes have been recognised on temporary differences of €235.5 million (2017: €231.4 million) between the net assets reported in the consolidated financial statements for the Group companies and the tax base for the shares in these Group companies (outside basis differences) because the KION Group is in a position to manage the timing of the reversal of temporary differences and there are no plans to dispose of investments in the foreseeable future.

Deferred tax assets are allocated to the following items in the statement of financial position: > TABLE 065

Deferred tax assets TABLE 065

in € million	2018	2017*
Intangible assets and property, plant and equipment	137.7	105.3
Other assets	141.8	71.0
Provisions	238.7	229.8
Liabilities	609.6	610.2
Deferred income	186.9	222.6
Tax loss carry forwards, interest carry forwards and tax credits	21.4	38.7
Offsetting	–914.4	–802.4
Total deferred tax assets	**421.7**	**475.2**

* Deferred tax assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Deferred tax liabilities are allocated to the following items in the statement of financial position: > TABLE 066

Deferred tax liabilities TABLE 066

in € million	2018	2017*
Intangible assets and property, plant and equipment	1,071.0	1,118.5
Other assets	326.1	304.2
Provisions	19.4	16.6
Liabilities	110.7	60.1
Deferred income	13.9	5.5
Offsetting	–914.4	–802.4
Total deferred tax liabilities	**626.7**	**702.4**

* Deferred tax liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

The deferred tax liabilities essentially related to the purchase price allocation in the acquisition of the KION Group and Dematic, particularly for intangible assets and property, plant and equipment.

In 2018, deferred taxes of €8.8 million were recognised in other comprehensive income (loss), resulting in an increase in equity (2017: minus €10.5 million, resulting in a decrease in equity). Of this amount, deferred taxes of €3.7 million (2017: minus €8.0 million) arose from the remeasurement of the defined benefit obligation. Furthermore, deferred taxes of €5.1 million (2017: minus €2.4 million) were recognised in connection with realised and unrealised changes in the fair value of derivatives in documented hedges. In 2017, deferred taxes of minus €0.1 million had been recognised on the remeasurement of available-for-sale financial instruments, resulting in a decrease in equity.

The change in deferred taxes included currency effects of €7.0 million that were recognised in other comprehensive income (loss) under cumulative translation adjustment, resulting in a decrease in equity (2017: €33.9 million, resulting in an increase in equity).

In 2018, the parent company and subsidiaries that reported losses for 2018 or 2017 recognised net deferred tax assets on temporary differences and on loss carryforwards totalling €21.1 million (2017: €24.2 million). The assets were considered to be unimpaired because these companies are expected to generate taxable income in future.

No deferred tax assets have been recognised on tax loss carryforwards of €580.7 million (2017: €526.0 million) – of which €103.1 million (2017: €13.0 million) can only be carried forward on a restricted basis – or on interest carryforwards of €283.9 million (2017: €185.0 million). No deferred tax assets have been recognised on other temporary differences of €7.8 million (2017: €5.2 million).

Deferred taxes are recognised on tax loss carryforwards and interest carryforwards to the extent that sufficient future taxable income is expected to be generated against which the losses can be utilised. The total amount of unrecognised deferred tax assets relating to loss carryforwards is therefore €137.4 million (2017: €124.5 million), of which €111.2 million (2017: €120.9 million) concerns tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at 31 December 2018 amounted to €115.2 million (31 December 2017: €109.1 million), while trade-tax loss carryforwards stood at €95.9 million (31 December 2017: €88.6 million). There were also foreign tax loss carryforwards totalling €454.4 million (31 December 2017: €481.1 million).

The interest that can be carried forward indefinitely in Germany as at 31 December 2018 amounted to €283.9 million (31 December 2017: €185.0 million). This increase stemmed largely from the offsetting of losses of corporations in Germany in connection with an amendment to tax law (section 8c KStG).

The table below shows the reconciliation of expected income tax expenses to effective income tax expenses. The Group reconciliation is an aggregation of the individual company-specific reconciliations prepared in accordance with relevant local tax rates, taking into account consolidation effects recognised in income. The expected tax rate applied in the reconciliation is 30.77 per cent (2017: 30.82 per cent). > TABLE 067

Income taxes TABLE 067

in € million	2018	2017*
Earnings before taxes	**545.3**	**464.7**
Anticipated income taxes	–167.8	–143.2
Deviations due to the trade tax base	–2.4	–2.6
Deviations from the anticipated tax rate	6.5	3.2
Losses for which deferred taxes have not been recognised	–14.8	–27.9
Change in tax rates and tax legislation	1.9	92.2
Non-deductible expenses	–6.6	–5.8
Non-taxable income / tax-exempt income	11.0	34.7
Taxes relating to other periods	32.1	16.2
Deferred taxes relating to prior periods	–0.8	3.4
Non-creditable withholding tax on dividends	–2.3	–9.8
Other	–0.5	–2.5
Effective income taxes (current and deferred taxes)	**–143.7**	**–42.2**

* Income taxes for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[14] OTHER INCOME STATEMENT DISCLOSURES

The cost of materials rose by €117.7 million in the reporting year to €3,691.4 million (2017: €3,573.7 million).

Personnel expenses went up by €110.5 million to €2,100.2 million in 2018 (2017: €1,989.7 million). These personnel expenses included wages and salaries of €1,653.4 million (2017: €1,567.8 million), social security contributions of €364.2 million (2017: €343.5 million) and expenses for pensions of €82.6 million (2017: €78.5 million). The interest cost from the unwinding of the discount on estimated pension obligations is not recognised under personnel expenses and is instead reported under financial expenses as a component of interest cost of the defined benefit obligation. Pension expenses essentially comprised the pension entitlements of €41.4 million vested in 2018 (2017: €40.6 million) and unrecognised past service cost of €1.4 million (2017: income of €0.1 million) arising from plan amendments and curtailments.

Impairment losses and depreciation expenses on property, plant and equipment together with impairment losses and amortisation expenses on intangible assets amounted to €897.9 million in the reporting year (2017: €896.6 million). Inventories were written down by €25.3 million (2017: €18.0 million).

[15] EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (2018: 117,917,578 no-par-value shares; 2017: 114,328,999 no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €399.9 million (2017: €420.9 million); information about determining the net income (loss) accruing to the KION GROUP AG shareholders can be found in the consolidated income statement. Basic earnings per share for the reporting period came to €3.39 (2017: €3.68). The 165,558 no-par-value treasury shares repurchased by KION GROUP AG were not included in this figure as at 31 December 2018 (31 December 2017: 160,829).

Diluted earnings per share is calculated by adding the potential dilutive no-par-value shares that employees can obtain for free under the employee share option programme (KEEP) 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 of 117,935,296 no-par-value shares issued (2017: 114,356,934 no-par-value shares). Diluted earnings per share for the reporting period came to €3.39 (2017: €3.68).

Notes to the consolidated statement of financial position

[16] GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is broken down by segment as follows: > TABLE 068

Goodwill broken down by segment TABLE 068

in € million	2018	2017
Industrial Trucks & Services	**1,500.7**	**1,511.0**
LMH EMEA	817.2	817.7
STILL EMEA	549.2	549.7
KION Americas	21.3	23.5
KION APAC	112.9	120.1
Supply Chain Solutions	**1,924.2**	**1,871.5**
Dematic	1,924.2	1,871.5
Total goodwill	**3,424.8**	**3,382.5**

The change in goodwill in 2018 mainly resulted from currency effects.

The Group intends to retain and further strengthen the Linde, STILL, OM and KION brand names on a long-term basis. Brand names worth €466.2 million are assigned to the LMH EMEA CGU (31 December 2017: €466.2 million) and brand names worth €114.6 million to the STILL EMEA CGU (31 December 2017: €114.8 million). These assets are not amortised as they have an indefinite useful life. As at 31 December 2018, the brand names allocated to the KION APAC CGU had a carrying amount of €7.8 million (31 December 2017: €7.8 million) and had an indefinite useful life. The brand names allocated to the Supply Chain Solutions segment were worth €350.6 million as at 31 December 2018 (31 December 2017: €350.6 million) and essentially had an indefinite useful life. > TABLE 069

Intangible assets

TABLE 069

in € million	Goodwill	Brand names	Technology and development	Sundry intangible assets	Total
Balance as at 01/01/2017	**3,572.9**	**954.3**	**723.7**	**924.6**	**6,175.6**
Group changes	9.5	–	–	0.1	9.6
Currency translation adjustments	–199.8	–0.9	–59.8	–86.0	–346.5
Additions	–	–	75.4	28.8	104.2
Disposals	–	–	–	–0.3	–0.3
Amortisation	–	–0.2	–69.0	–148.2	–217.5
Impairment	–	–8.6	–	–	–8.6
Balance as at 31/12/2017	**3,382.5**	**944.6**	**670.3**	**719.0**	**5,716.5**
Gross carrying amount as at 31/12/2017	3,382.5	955.2	917.2	1,049.5	6,304.4
Accumulated amortisation	–	–10.6	–246.9	–330.5	–588.0
Balance as at 01/01/2018	**3,382.5**	**944.6**	**670.3**	**719.0**	**5,716.5**
Group changes	0.2	–	–	0.1	0.3
Currency translation adjustments	42.1	–0.2	16.1	21.0	78.9
Additions	–	–	84.0	26.7	110.7
Disposals	–	–	–0.2	–0.0	–0.2
Amortisation	–	–0.1	–76.6	–106.1	–182.8
Impairment	–	–	–	–1.7	–1.7
Reclassification	–	–	–4.0	4.0	–
Balance as at 31/12/2018	**3,424.8**	**944.3**	**689.7**	**662.9**	**5,721.6**
Gross carrying amount as at 31/12/2018	3,424.8	954.9	992.4	1,000.1	6,372.2
Accumulated amortisation	–	–10.6	–302.7	–337.3	–650.6

The total carrying amount for technology and development assets as at 31 December 2018 was €689.7 million (31 December 2017: €670.3 million). Development costs of €84.0 million were capitalised in the reporting year (2017: €75.4 million). Amortisation expenses of €76.6 million were also recognised (2017: €69.0 million); these expenses are reported under cost of sales. Research and development costs totalling €137.7 million (2017: €137.0 million) were expensed.

Other intangible assets relate in particular to licences, patents, software and customer relationships.

[17] LEASED ASSETS

The changes in leased assets in 2018 and 2017 were as follows:
> TABLE 070

Leased assets TABLE 070

in € million	2018	2017*
Balance as at 01/01/	**1,246.3**	**1,143.9**
Group changes	–	0.5
Currency translation adjustments	–9.7	–12.0
Additions	514.9	588.5
Disposals	–189.4	–169.1
Depreciation	–306.3	–305.6
Impairment	–0.4	–
Reclassification	6.4	0.1
Balance as at 31/12/	**1,261.8**	**1,246.3**
Gross carrying amount as at 31/12/	1,978.2	2,056.0
Accumulated depreciation	–716.4	–809.7

* Leased assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Leased assets are attributable to the Industrial Trucks & Services segment and relate to industrial trucks in the amount of €1,261.8 million (31 December 2017: €1,246.3 million) that are provided for use to external customers under operating leases in the direct leasing business or as part of the indirect leasing business.

Leased assets include assets provided to customers with a residual book value of €405.4 million (31 December 2017: €419.7 million) that are financed by means of sale and leaseback sub-lease transactions with leasing companies. Leased assets in connection with indirect leasing business are worth €639.5 million (31 December 2017: €724.4 million); the corresponding residual value obligations stood at €319.5 million (31 December 2017: €340.7 million).

Leased assets resulted in future lease payments expected to be paid by customers under operating leases amounting to €599.3 million (31 December 2017: €516.7 million).

The maturity structure of these expected future payments in the leasing business is shown in > TABLE 071.

Expected future payments from leasing business TABLE 071

in € million	2018	2017*
Payments from leasing business	**599.3**	**516.7**
due within one year	200.5	186.2
due in one to two years	153.5	126.3
due in two to three years	115.6	94.9
due in three to four years	76.8	62.8
due in four to five years	42.6	34.8
due in more than five years	10.3	11.8

* Leased assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[18] RENTAL ASSETS

The changes in rental assets in 2018 and 2017 were as follows:
> TABLE 072

Rental assets TABLE 072

in € million	2018	2017*
Balance as at 01/01/	**608.4**	**543.0**
Group changes	–	0.5
Currency translation adjustments	–8.6	–9.4
Additions	572.8	343.7
Disposals	–296.7	–93.7
Depreciation	–196.0	–175.8
Impairment	–2.9	–
Reclassification	–6.5	–
Balance as at 31/12/	**670.5**	**608.4**
Gross carrying amount as at 31/12/	1,081.6	933.2
Accumulated depreciation	–411.1	–324.8

* Rental assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Rental assets are allocated solely to the Industrial Trucks & Services segment and comprise assets in the short-term rental fleet. On the opposite side of the statement of financial position to the rental assets are liabilities from financial services of €307.1 million (31 December 2017: €0.0 million) arising from the financing of the short-term rental fleet by means of sale and leaseback sub-lease transactions and liabilities of €289.9 million recognised in other financial liabilities (31 December 2017: €515.7 million) arising on contracts entered into up to 31 December 2017.

[19] OTHER PROPERTY, PLANT AND EQUIPMENT

The changes in the carrying amounts of other property, plant and equipment are shown in > TABLE 073.

Other property, plant and equipment TABLE 073

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Advances paid and assets under construction	Total
Balance as at 01/01/2017*	**557.1**	**324.8**	**37.3**	**919.1**
Group changes	1.4	2.0	0.3	3.7
Currency translation adjustments	–13.1	–11.0	–1.1	–25.1
Additions	109.6	152.3	37.2	299.1
Disposals	–2.0	–2.7	–6.0	–10.8
Depreciation	–53.8	–129.0	–	–182.8
Impairment	–0.5	–5.8	–	–6.2
Reclassification	3.0	15.8	–20.9	–2.0
Balance as at 31/12/2017*	**601.7**	**346.5**	**46.7**	**994.9**
Gross carrying amount as at 31/12/2017	1,113.6	1,201.4	46.7	2,361.7
Accumulated depreciation	–511.9	–854.9	–	–1,366.8
Balance as at 01/01/2018	**601.7**	**346.5**	**46.7**	**994.9**
Group changes	–	0.0	–	0.0
Currency translation adjustments	–3.8	–0.5	0.1	–4.2
Additions	96.0	149.1	54.2	299.3
Disposals	–1.3	–2.6	–0.7	–4.6
Depreciation	–80.4	–125.9	–	–206.4
Impairment	–0.7	–0.6	–	–1.3
Reclassification	14.1	16.0	–30.0	0.0
Balance as at 31/12/2018	**625.5**	**382.0**	**70.3**	**1,077.8**
Gross carrying amount as at 31/12/2018	1,224.2	1,225.2	70.3	2,519.7
Accumulated depreciation	–598.7	–843.2	–	–1,441.9

* Other property, plant and equipment for 2017 were restated due to the initial application of IFRS 16

Land and buildings in the amount of €18.3 million (31 December 2017: €18.3 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

Other property, plant and equipment included a figure of €390.7 million for right-of-use assets related to procurement leases (31 December 2017: €347.4 million). Of this figure, €276.4 million was attributable to land and buildings (31 December 2017: €247.6 million) and €114.3 million to plant & machinery and office furniture & equipment (31 December 2017: €99.8 million). > TABLE 074

Right-of-use assets in other property, plant and equipment TABLE 074

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Total
Balance as at 01/01/2017*	**185.0**	**75.1**	**260.1**
Currency translation adjustments	–0.9	–1.1	–2.0
Additions	100.1	80.8	180.9
Disposals	–0.5	–0.7	–1.2
Depreciation	–36.0	–54.7	–90.8
Other	–	0.4	0.4
Balance as at 31/12/2017*	**247.6**	**99.8**	**347.4**
Gross carrying amount as at 31/12/2017	403.5	147.6	551.1
Accumulated depreciation	–155.9	–47.8	–203.7
Balance as at 01/01/2018	**247.6**	**99.8**	**347.4**
Currency translation adjustments	–0.6	–0.8	–1.4
Additions	81.5	69.6	151.1
Disposals	–0.4	–0.3	–0.7
Depreciation	–51.0	–53.8	–104.9
Other	–0.7	–0.2	–0.9
Balance as at 31/12/2018	**276.4**	**114.3**	**390.7**
Gross carrying amount as at 31/12/2018	483.6	214.6	698.2
Accumulated depreciation	–207.2	–100.2	–307.5

* Other property, plant and equipment for 2017 were restated due to the initial application of IFRS 16

The expense recognised in 2018 for procurement leases with a term of up to twelve months came to €13.0 million (2017: €14.6 million); the expense for procurement leases that relate to low-value assets was €5.1 million (2017: €3.2 million).

There were also obligations arising from short-term procurement leases that already existed as at 31 December 2018 but will be expensed in 2019 in an amount of €3.2 million (31 December 2017: €2.4 million).

[20] EQUITY-ACCOUNTED INVESTMENTS

The KION Group reported equity-accounted investments with a total carrying amount of €82.3 million as at 31 December 2018 (31 December 2017: €80.3 million).

The carrying amount of the equity-accounted investments mainly resulted from the shares (10.0 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg ('Linde Hydraulics'), the shares (45.0 per cent) in Linde Leasing GmbH, Wiesbaden, the shares (45.0 per cent) in Linde High Lift Chile S.A., Santiago de Chile, Chile, and the shares (50.0 per cent) in JULI Motorenwerk s.r.o, Moravany, Czech Republic. The associates and joint ventures can be seen in the list of shareholdings (see note [48]). Their financial information is summarised below. > TABLES 075 – 076

The amounts in the tables are based on the share held by the KION Group in the relevant associate or joint venture.

Summarised financial information associates TABLE 075

in € million	2018	2017
Total carrying amount	46.6	43.8
Profit (+)/loss (–) from continuing operations	6.6	5.2
Other comprehensive income	1.0	–0.7
Total comprehensive income	**7.6**	**4.5**

Summarised financial information joint ventures TABLE 076

in € million	2018	2017
Total carrying amount	35.7	36.4
Profit (+)/loss (–) from continuing operations	5.6	8.5
Other comprehensive income	0.1	1.3
Total comprehensive income	**5.7**	**9.7**

[21] LEASE RECEIVABLES

In the case of leases under which KION Group entities lease assets directly to end customers, the Group's net investment in the lease is reported as a lease receivable.

The amounts recognised as lease receivables are based on the following data: > TABLE 077

Maturity analysis of lease receivables TABLE 077

in € million	2018	2017
Nominal value of outstanding lease payments	**1,069.5**	**854.9**
due within one year	311.5	222.6
due in one to two years	256.9	209.4
due in two to three years	208.2	165.0
due in three to four years	152.2	129.9
due in four to five years	89.5	86.7
due in more than five years	51.2	41.4
Plus unguaranteed residual values	**135.7**	**107.3**
Less unearned financial income	**107.8**	**86.5**
Present value of outstanding lease payments	**1,097.3**	**875.8**

Outstanding lease payments include payments from non-cancellable leases amounting to €732.8 million (31 December 2017: €715.2 million).

[22] OTHER FINANCIAL ASSETS

The breakdown of other financial assets of €113.2 million (31 December 2017: €176.1 million) is shown in > TABLE 078.

Other financial assets TABLE 078

in € million	2018	2017
Investments in non-consolidated subsidiaries and other investments	–	36.0
Financial investments	5.2	–
Loans receivable	–	2.2
Financial receivables	1.1	–
Other financial investments	21.0	18.9
Derivative financial instruments	1.0	–
Sundry other financial assets	1.4	–
Other non-current financial assets	**29.8**	**57.1**
Derivative financial instruments	8.9	30.0
Financial receivables	34.7	30.3
Sundry other financial assets	39.8	58.7
Other current financial assets	**83.4**	**119.0**
Total other financial assets	**113.2**	**176.1**

The financial investments essentially comprise the equity investment in Balyo SA of €5.2 million. This equity investment, which has been assigned to the FVOCI category under IFRS 9 owing to the strategic partnership with the company, is now recognised at fair value through other comprehensive income without recycling to profit or loss upon disposal. As at 31 December 2017, this financial investment had been included under non-consolidated subsidiaries and other equity investments in an amount of €11.7 million.

As of 1 January 2018, the non-consolidated equity investments and the other equity investments not accounted for under the equity method are reported as other non-current assets (see note [23]).

Other financial investments comprise long-term investments that are held in order to cover the defined benefit obligation and do not qualify as plan assets.

[23] OTHER ASSETS

Other assets of €165.1 million (31 December 2017: €108.5 million) comprise the following: > TABLE 079

As at 31 December 2017, shares in non-consolidated equity investments and other equity investments not accounted for under the equity method had been reported as other non-current financial assets (see note [22]).

Pension assets relate to asset surpluses from two (31 December 2017: two) defined benefit plans in the United Kingdom, in which plan assets exceed the present value of the defined benefit obligation (see note [28]).

[24] INVENTORIES

The reported inventories break down as follows: > TABLE 080

The year-on-year expansion in inventories was largely attributable to increases in materials and supplies (53.5 per cent), work in progress (21.3 per cent) and finished goods (19.9 per cent). This overall expansion was due to short-term supply bottlenecks at suppliers in the Industrial Trucks & Services segment that mainly occurred in the first half of 2018 but had not been completely eliminated by 31 December 2018.

Other assets TABLE 079

in € million	2018	2017
Investments in non-consolidated subsidiaries and other investments	25.6	–
Pension assets	33.3	24.2
Other non-current assets	**58.9**	**24.2**
Deferred charges and prepaid expenses	49.0	40.2
Sundry tax receivables	57.2	44.0
Other current assets	**106.2**	**84.3**
Total other assets	**165.1**	**108.5**

Inventories TABLE 080

in € million	2018	2017
Materials and supplies	284.2	185.2
Work in progress	132.3	109.0
Finished goods and merchandise	550.6	459.0
Advances paid	27.8	15.4
Total inventories	**994.8**	**768.6**

In 2018, write-downs of €25.3 million were recognised on inventories (2017: €18.0 million). Reversals of write-downs had to be recognised in the amount of €6.5 million (2017: €7.5 million) because the reasons for the write-downs no longer existed.

[25] TRADE RECEIVABLES

The trade receivables break down as follows: > TABLE 081

Trade receivables TABLE 081

in € million	2018
Receivables from third parties	1,005.5
thereof receivables not due and overdue ≤ 90 days	917.6
thereof receivables overdue > 90 days ≤ 180 days	28.6
thereof receivables overdue > 180 days	23.4
thereof receivables adjusted for individual valuation allowances	35.9
Receivables from third parties measured at fair value through profit or loss (FVPL)	15.6
Trade receivables from non-consolidated subsidiaries, equity-accounted investments and other investments	53.2
Valuation allowances for trade receivables	–37.8
thereof valuation allowances for receivables not due and overdue ≤ 90 days	–1.5
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–1.9
thereof valuation allowances for receivables overdue > 180 days	–3.2
thereof individual valuation allowances	–31.1
Total trade receivables	**1,036.4**

in € million	2017*
Receivables from third parties	958.5
thereof receivables from third parties before valuation allowances	1,009.6
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–10.0
thereof valuation allowances for receivables overdue > 180 days	–25.8
thereof other valuation allowances	–15.3
Trade receivables from non-consolidated subsidiaries, equity-accounted investments and other investments	40.9
Total trade receivables	**999.4**

* Trade receivables for 2017 were restated due to the initial application of IFRS 15

Change in valuation allowances for trade receivables TABLE 082

in € million	2018	2017
Valuation allowances as at 31/12/	**51.1**	**40.4**
Remeasurement to equity for the initial application of IFRS 9	–14.8	–
Valuation allowances as at 01/01/	**36.3**	**40.4**
Additions	10.4	20.6
Reversals	–3.3	–6.3
Utilisations	–5.1	–2.4
Currency translation adjustments	–0.5	–1.2
Valuation allowances as at 31/12/	**37.8**	**51.1**

The change in valuation allowances for trade receivables is presented in > TABLE 082. The average loss rates used for the recognition of valuation allowances for expected losses vary depending on the Operating Unit and the period by which the receivable is past due. They currently range from 0.0 per cent to 4.0 per cent.

[26] CASH AND CASH EQUIVALENTS

The change in cash and cash equivalents is shown in the consolidated statement of cash flows. For more detailed information, please also refer to note [38]. > TABLE 083

[27] EQUITY

Subscribed capital and capital reserves

As at 31 December 2018, the Company's share capital amounted to €118.1 million, which was unchanged on 31 December 2017, and was fully paid up. It was divided into 118.1 million no-par-value shares.

The Annual General Meeting on 11 May 2017 voted to create new authorised capital that will enable the KION Group to continue to meet its funding needs quickly and flexibly. Subject to the consent of the Supervisory Board, the Executive Board is authorised until 10 May 2022 to increase the Company's share

Cash and cash equivalents TABLE 083

in € million	2018	2017
Balances with banks, cash and cheques	171.6	172.8
Pledged cash	3.7	0.4
Total cash and cash equivalents	**175.3**	**173.2**

capital by up to €10.879 million by way of an issue of up to 10,879,000 new no-par-value bearer shares (2017 Authorised Capital).

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG decided on 22 May 2017 to utilise some of the authorised capital created by the 2017 Annual General Meeting. The share capital was increased against cash contributions by issuing 9.3 million new no-par-value bearer shares. The gross proceeds from the capital increase came to €602.9 million. An amount of €593.6 million was paid into the capital reserves.

The total number of shares outstanding as at 31 December 2018 was 117,924,442 no-par-value shares (31 December 2017: 117,929,171 no-par-value shares). Between 10 September 2018 and 27 September 2018, a further 66,000 treasury shares (KEEP 2017: 60,000 treasury shares) were repurchased via the stock exchange at an average price of €54.17 (2017: €72.15) in order to provide the shares for employees' own investments and the free shares under the KEEP 2018 employee share option programme. The total cost was €3.6 million ((2017: €4.3 million). Due to the issue of 22,580 bonus shares under KEEP 2015 (KEEP 2014: 27,363 bonus shares) and 38,691 no-par-value shares (2017: 36,294 no-par-value shares) under KEEP 2018, KION GROUP AG held 165,558 treasury shares at the reporting date (31 December 2017: 160,829). These treasury shares are not dividend-bearing and do not confer any voting rights. Further details on the KEEP employee share option programme can be found in note [45]. In February 2019, a further 13,674 no-par-value shares were issued for participants' own investments under KEEP 2018.

As at 31 December 2018, KION Group employees held options on a total of 43,655 no-par-value shares (31 December 2017: 50,166 no-par-value shares). The share options granted under the employee share option programme are not dividend-bearing and do not confer any voting rights.

Retained earnings

The changes in retained earnings are shown in the consolidated statement of changes in equity in > TABLE 043. The retained earnings comprise the net income (loss) for the financial year and past contributions to earnings by the consolidated entities, provided they have not been distributed.

The figure for retained earnings in 2017 decreased owing to the effects of the transition to IFRS 9, IFRS 15 and IFRS 16, which are described in note [6].

The distribution of a dividend of €0.99 per share (2017: €0.80 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €116.8 million in May 2018 (2017: €86.9 million).

Appropriation of profit

KION GROUP AG's net profit for 2018 was €236.3 million, of which €94.8 million will be transferred to other revenue reserves. The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on 9 May 2019 that an amount of €141.5 million be appropriated from the distributable profit of €141.7 million for the payment of a dividend of €1.20 per dividend-bearing share. It is also proposed that the remaining sum of €0.2 million be carried forward to the next accounting period. This equates to a dividend payout rate of 35 per cent of net income.

Accumulated other comprehensive income (loss)

The breakdown of accumulated other comprehensive income (loss) is shown in > TABLE 043.

The currency translation adjustment contains the exchange differences arising from the financial statements prepared in a foreign currency of foreign subsidiaries, associates and joint ventures.

The gains/losses on the defined benefit obligation are the result of remeasuring defined benefit pension obligations (see also note [28]).

The gains/losses on hedge reserves are the effective portion of the changes in the fair value of hedging instruments in documented hedges. The gains/losses on financial investments relate to the remeasurement of the equity investment in Balyo SA at fair value (FVOCI category under IFRS 9; 2017: AfS category under IAS 39).

The gains/losses from equity-accounted investments contain the share of other comprehensive income (loss) from associates and joint ventures accounted for under the equity method.

Non-controlling interests

Non-controlling interests in companies in the KION Group amounted to €3.3 million (31 December 2017: €4.4 million).

[28] RETIREMENT BENEFIT OBLIGATION

The retirement benefit obligation is recognised for obligations to provide current and future post-employment benefits. Post-employment benefit plans are classified as either defined benefit plans or defined contribution plans, depending on the substance of the plan as derived from its principal terms and conditions.

Defined contribution plans

In the case of defined contribution pension plans, the Group pays contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The Group does not enter into any obligations above and beyond the payment of contributions to an external pension fund. The amount of future pension benefits is based solely on the amount of the contributions paid by the employer (and in some cases the beneficiaries themselves) to the external pension fund, including income from the investment of these contributions. The total expense arising from defined contribution plans amounted to €93.3 million in 2018 (2017: €92.9 million). Of this total, contributions paid by employers into government-run schemes came to €76.7 million (2017: €72.8 million). The defined contribution plan expense is reported within the functional costs.

Defined benefit plans

In the case of defined benefit plans, the beneficiaries are granted a specific benefit by the Group or an external pension fund. Due to future salary increases, the benefit entitlement at the retirement age of the beneficiary is likely to be higher than the amount granted as at the reporting date. Pensions are often adjusted after an employee reaches retirement age. The amount of the Group's obligation, which is defined as the actuarial present value of the obligation to provide the level of benefits currently earned by each beneficiary, is expressed as the present value of the defined benefit obligation (DBO) including adjustments for future salary and pension increases.

The KION Group currently grants pensions to almost all employees in Germany and a number of foreign employees. These pensions consist of fixed benefit entitlements and are therefore reported as defined benefit plans in accordance with IFRS. As at 31 December 2018, the KION Group had set up defined benefit plans in 13 countries. For all of the significant defined benefit plans within the Group, the benefits granted to employees are determined on the basis of their individual income, i.e. either directly or by way of intermediate benefit arrangements. The largest of the KION Group's defined benefit plans – together accounting for 92.7 per cent of the global defined benefit obligation (31 December 2017: 93.0 per cent) – are in Germany, the United Kingdom and the US.

Germany

In Germany, the pension benefits granted comprise Company-funded pension entitlements and employees' payment of part of their salary into the pension scheme. The existing pension plans were closed to new entrants with effect from 1 January 2018. As part of the restructuring of the pension plans, the guaranteed rate of return on contributions and the pension factors used for the annuitisation of capital commitments were adjusted to reflect conditions in financial markets.

The contributions to the new pension plans will be invested in investment funds under contractual trust arrangements; returns on plan assets will be passed on to the pension beneficiaries when an insured event occurs. Members of the Executive Board and other executives are predominantly covered by individual pension plans. For details of the pension entitlements of KION GROUP AG Executive Board members, please refer to the information in note [46]. The amount of the benefits paid to executives depends on the type of entitlement. A very small proportion of pension benefits are granted in the form of final-salary-linked benefit obligations. The overwhelming majority of the existing pension entitlements are a combination of a defined benefit obligation and a defined contribution component. The pension plan for senior managers was closed to new entrants with effect from 1 January 2018. The revised pension plan is structured in the same way as the aforementioned plan for employees covered by collective pay agreements and those not subject to such agreements. Different contributions are granted to senior managers depending on their role.

Beside the securities-linked pension entitlements, some of the KION Group's pension obligations in Germany under the closed plans are financed by way of contractual trust arrangements (CTAs). The assets transferred to the trustee qualify as plan assets within the meaning of IAS 19. The trustees are required to follow a defined investment strategy and guidelines. There are no statutory minimum funding requirements. In the event of the Company's insolvency, the company pension scheme in Germany is to a large extent protected by law by the insolvency protection scheme (Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, PSVaG).

United Kingdom

In the United Kingdom, defined benefit pension obligations predominantly relate to two plans. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits. The amount of the pension depends on employees' length of service and final salary.

The two plans were closed to new employees more than ten years ago. Each plan is monitored by its own board of trustees, which oversees the running of the plan as well as its funded status and the investment strategy. The members of the board of trustees comprise people appointed by the company involved and selected plan beneficiaries.

Under UK law, the board of trustees is obliged to have a valuation of the plan carried out at least every three years. The trustees and the Company are currently assessing the valuation of the pension plans as at 1 January 2018. A new agreement with the trustees is expected to be reached in 2019.

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 €20.0 million were extended for the benefit of the pension funds. The term of this collateral is limited to 1 July 2021, and the overall limit will not be reduced by payments made by the KION Group. The likelihood of the guarantee being used is deemed low in view of the position of the individual companies with regard to their current and future financial and earnings situations.

United States

Following the acquisition of Dematic, the KION Group maintains three main defined benefit pension plans in the US. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits.

Unionised employees receive pension entitlements on the basis of fixed amounts for each month of service. Salaried employees receive benefits that generally depend on their period of service and on their average final salary fixed on the date the plan concerned was frozen. These defined benefit plans have been frozen for some time now in relation to future periods of service.

Two of the plans are subject to statutory minimum funding provisions that each specify a certain coverage ratio and provide for annual payments to maintain the required ratio. In 2018, a one-off sum of €17.8 million was paid.

Other countries

Furthermore, significant asset volumes are invested in external pension funds with restricted access in Switzerland and the Netherlands. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. They also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

Measurement assumptions

In accordance with IAS 19 'Employee Benefits', pension provisions are recognised to cover obligations arising from the current and future pension entitlements of active and (after the vesting period has expired) former employees of the KION Group and their surviving dependants. The discount rate used to calculate the defined benefit obligation at each reporting date is determined on the basis of current capital market data and long-term assumptions about future salary and pension increases in accordance with the best estimate principle. These assumptions vary depending on the economic conditions affecting the currency in which benefit obligations are denominated and in which fund assets are invested, as well as capital market expectations.

Benefit obligations are calculated on the basis of current biometric probabilities as determined in accordance with actuarial principles. The calculations also include assumptions about future employee turnover based on employee age and years of service and about the probability of retirement. The defined benefit obligation is calculated on the basis of the significant weighted-average assumptions as at the reporting date shown in > TABLE 084.

The assumed discount rate is determined on the basis of the yield as at the reporting date on AA-rated, fixed-interest senior corporate bonds with maturities that match the expected maturities of the pension obligations. Pension obligations in foreign companies are calculated on a comparable basis taking into account any country-specific requirements.

Future increases in salaries are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The biometric mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 2018, the Heubeck 'Richttafeln 2018 G' mortality tables have been used as the biometric basis in Germany. The S2PA tables (standard mortality tables for self-administered

Assumptions underlying provisions for pensions and other post-employment benefits TABLE 084

	Germany		UK		USA		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	1.90%	1.95%	2.65%	2.35%	4.25%	3.60%	1.43%	1.41%
Salary increase rate	2.75%	2.75%	4.12%	4.12%	–	–	1.74%	1.49%
Pension increase rate	1.75%	1.75%	3.37%	3.37%	–	–	0.26%	0.27%

pension schemes (SAPS) based on normal health) are applied to the two defined benefit plans in the United Kingdom. In the US, calculations use the modified RP-2014 mortality tables with the generational projection from the Mortality Improvement Scale MP-2016.

The actuarial assumptions not listed in > TABLE 084, such as employee turnover, invalidity, etc., are determined in accordance with recognised forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

The significant weighted-average assumptions shown in > TABLE 085 were applied to the calculation of the net interest cost and the cost of benefits earned in the current year (current service cost).

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (known as remeasurements) are recognised immediately in other comprehensive income (loss) in accordance with IAS 19. This serves to ensure that the pension liability in the statement of financial position is the present value of the defined benefit obligation.

In the case of externally funded pension plans, this present value of the defined benefit obligation is reduced by the fair value of the assets of the external pension fund (plan assets). If the plan assets exceed the present value of the defined benefit obligation (net assets), a corresponding asset is recognised in accordance with IAS 19. IAS 19.64 in conjunction with the supplementary explanatory information in IFRIC 14 states that the recognition of an asset for an excess of plan assets is only permitted if the company concerned, in its function as the employer, gains economic benefits in the form of reductions in future contributions to the plan or in the form of refunds from the plan (this is the case for the defined benefit plans in the United Kingdom). If the present value of the defined benefit obligation is not covered by the plan assets, the net obligation is reported under the retirement benefit obligation.

In two defined benefit plans in the United Kingdom, plan assets exceed the present value of the defined benefit obligation. Stipulations limiting the asset to be recognised in the statement of financial position do not apply.

Assumptions underlying pensions expenses TABLE 085

	Germany		UK		USA		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	1.95%	1.90%	2.35%	2.55%	3.60%	4.05%	1.41%	1.35%
Salary increase rate	2.75%	2.75%	4.12%	4.12%	–	–	1.49%	2.51%
Pension increase rate	1.75%	1.75%	3.37%	3.47%	–	–	0.27%	0.28%

Statement of financial position

The change in the present value of the defined benefit obligation (DBO) is shown in > TABLE 086.

Changes in defined benefit obligation TABLE 086

in € million	Germany 2018	Germany 2017	UK 2018	UK 2017	USA 2018	USA 2017	Other 2018	Other 2017	Total 2018	Total 2017
Present value of defined benefit obligation as at 01/01/	**1,001.4**	**974.7**	**428.9**	**448.5**	**210.0**	**218.1**	**124.2**	**127.8**	**1,764.4**	**1,769.1**
Group changes	–	0.5	–	–	–	–	–	–	–	0.5
Exchange differences	–	–	–4.6	–17.4	9.3	–28.2	2.0	–4.6	6.7	–50.2
Current service cost	36.7	35.5	0.9	1.0	0.2	0.1	3.6	4.0	41.4	40.6
Past service cost (+) and income (–)	–	–	1.4	–	–	–	–	–0.1	1.4	–0.1
Interest expense	18.8	18.0	9.9	10.9	7.6	7.7	1.7	1.4	38.0	38.1
Employee contributions	3.7	3.5	–	–	–	–	1.0	1.0	4.7	4.5
Pension benefits directly paid by company	–15.9	–15.6	–	–	–	–0.4	–1.5	–1.9	–17.5	–17.9
Pension benefits paid by funds	–1.6	–1.2	–19.9	–16.6	–7.6	–7.7	–2.7	–2.7	–31.9	–28.3
Liability transfer out to third parties	–0.2	–0.5	–	–	–	–	1.9	0.1	1.7	–0.4
Actuarial gains (–) and losses (+) arising from										
changes in demographic assumptions	0.5	–	–10.6	–0.4	–0.6	5.0	0.0	–0.0	–10.7	4.6
changes in financial assumptions	15.1	–11.8	–18.7	2.8	–17.2	14.2	–0.7	–0.7	–21.4	4.5
experience adjustments	2.9	–1.7	1.9	0.1	1.0	1.2	0.7	0.0	6.6	–0.5
Present value of defined benefit obligation as at 31/12/	**1,061.2**	**1,001.4**	**389.1**	**428.9**	**202.7**	**210.0**	**130.2**	**124.2**	**1,783.3**	**1,764.4**
thereof unfunded	459.5	436.9	0.0	0.0	7.2	7.3	39.0	37.6	505.7	481.8
thereof funded	601.7	564.5	389.1	428.9	195.5	202.6	91.3	86.6	1,277.6	1,282.6

The DBO in the other countries was predominantly attributable to subsidiaries in Switzerland (2018: €54.7 million; 2017: €50.2 million) and the Netherlands (2018: €35.9 million; 2017: €35.7 million).

The change in the fair value of plan assets is shown in > TABLE 087.

Employees in Germany paid a total of €3.7 million (2017: €3.5 million) into the KION pension plan in 2018.

The payments expected for 2019 amount to €22.2 million (in 2017: €26.1 million for 2018), which includes direct payments of pension benefits amounting to €19.8 million (in 2017: €19.3 million for 2018) that are not covered by corresponding reimbursements from plan assets.

The reconciliation of funded status and net defined benefit obligation to the amounts reported in the consolidated statement of financial position as at 31 December is shown in > TABLE 088.

Overall, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 43.4 per cent (2017: 44.5 per cent).

The changes in the retirement benefit obligations reported in the statement of financial position are shown in > TABLE 089.

Statement of cash flows

In the case of obligations not covered by external assets, payments to beneficiaries are made directly by the Company and therefore have an impact on cash flow from operating activities. If the benefit obligations are backed by external assets, the payments are made from existing plan assets and have no effect on the Company's cash flow. Instead, any contributions made to the external pension fund by the Company result in a cash outflow for operating activities.

Changes in plan assets TABLE 087

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fair value of plan assets as at 01/01/	**93.8**	**86.3**	**448.7**	**455.7**	**165.0**	**167.0**	**78.4**	**81.4**	**785.9**	**790.4**
Group changes	–	–	–	–	–	–	–	–	–	–
Exchange differences	–	–	–5.0	–17.9	7.7	–21.9	1.7	–3.9	4.4	–43.6
Interest income on plan assets	1.8	1.6	10.4	11.1	6.1	5.6	0.9	0.8	19.2	19.1
Employee contributions	3.7	3.5	–	–	–	–	1.0	1.0	4.7	4.5
Employer contributions	0.8	0.9	0.3	3.9	17.6	3.9	1.1	1.3	19.7	10.0
Pension benefits paid by funds	–1.6	–1.2	–19.9	–16.6	–7.6	–7.7	–2.7	–2.7	–31.9	–28.3
Liability transfer out to third parties	–0.0	–0.1	–	–	–	–	1.8	–	1.8	–0.1
Remeasurements	2.3	2.9	–15.2	12.4	–17.0	18.0	–0.4	0.6	–30.4	33.9
Fair value of plan assets as at 31/12/	**100.7**	**93.8**	**419.1**	**448.7**	**171.7**	**165.0**	**82.0**	**78.4**	**773.5**	**785.9**

Funded status and net defined benefit obligation TABLE 088

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Present value of the funded defined benefit obligation	–601.7	–564.5	–389.1	–428.9	–195.5	–202.6	–91.3	–86.6	–1,277.6	–1,282.6
Fair value of plan assets	100.7	93.8	419.1	448.7	171.7	165.0	82.0	78.4	773.5	785.9
Surplus (+)/deficit (–)	**–501.1**	**–470.7**	**30.0**	**19.8**	**–23.7**	**–37.6**	**–9.3**	**–8.1**	**–504.1**	**–496.7**
Present value of the unfunded defined benefit obligation	–459.5	–436.9	–0.0	–0.0	–7.2	–7.3	–39.0	–37.6	–505.7	–481.8
Net liability (–)/net asset (+) as at 31/12/	**–960.5**	**–907.5**	**30.0**	**19.8**	**–30.9**	**–45.0**	**–48.2**	**–45.8**	**–1,009.7**	**–978.5**
Reported as “retirement benefit obligation“	–960.5	–907.5	–3.3	–4.4	–30.9	–45.0	–48.2	–45.8	–1,043.0	–1,002.7
Reported as “Other non-current assets“	–0.0	–	33.3	24.2	–	–	–	–	33.3	24.2

Changes in retirement benefit obligation TABLE 089

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Balance as at 01/01/	**907.5**	**888.3**	**4.4**	**5.0**	**45.0**	**51.2**	**45.8**	**46.4**	**1,002.7**	**991.0**
Group changes	–	0.5	–	–	–	–	–	–	–	0.5
Exchange differences	–	–	–0.0	–0.2	1.6	–6.3	0.3	–0.8	1.9	–7.3
Total service cost	36.7	35.5	0.1	0.0	0.2	0.1	3.6	3.9	40.6	39.5
Net interest expense	17.0	16.5	0.1	0.1	1.5	2.1	0.7	0.6	19.3	19.3
Pension benefits directly paid by company	–15.9	–15.6	–	–	–	–0.4	–1.5	–1.9	–17.5	–17.9
Employer contributions to plan assets	–0.8	–0.9	–0.3	–0.3	–17.6	–3.9	–1.1	–1.3	–19.8	–6.4
Liability transfer out to third parties	–0.2	–0.4	–	–	–	–	0.1	0.1	–0.2	–0.3
Remeasurements	16.2	–16.4	–1.0	–0.3	0.2	2.4	0.5	–1.3	15.9	–15.6
Balance as at 31/12/	**960.5**	**907.5**	**3.3**	**4.4**	**30.9**	**45.0**	**48.2**	**45.8**	**1,043.0**	**1,002.7**

For the main pension entitlements in the KION Group, a sum of €17.5 million (2017: €17.9 million) was paid directly by the Company and a sum of €31.9 million (2017: €28.3 million) was paid from plan assets in the reporting year. Cash contributions to plan assets in 2018 amounted to €19.7 million (2017: €10.0 million).

Income statement

In accordance with IAS 19, actuarial computations are performed for benefit obligations in order to determine the amount to be expensed in each period in accordance with fixed rules. The expenses recognised in the income statement for pensions and similar obligations consist of a number of components that must be calculated and disclosed separately.

The service cost is the new pension entitlement arising in the financial year and is recognised in the income statement. It is calculated as the present value of that proportion of the expected defined benefit obligation when the pension is paid attributable to the year under review on the basis of the maximum length of service achievable by each employee.

Past service cost arises if there is a change to the pension entitlement and it is recognised immediately in full.

The net interest cost/income, which is calculated by multiplying the net liability (present value of the defined benefit obligation minus plan assets) or the net assets (if the plan assets exceed the present value of the defined benefit obligation) at the start of the year by the discount rate, is also recognised in the income statement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the income statement for 2018 is shown in > TABLE 090.

The KION Group's net financial expenses include a net interest cost of €18.8 million (2017: €18.9 million). All other components of pension expenses are recognised under functional costs.

The actual total return on plan assets in 2018 was minus €11.2 million (2017: plus €53.1 million).

Cost of defined benefit obligation TABLE 090

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Current service cost	36.7	35.5	0.9	1.0	0.2	0.1	3.6	4.0	41.4	40.6
Past service cost (+) and income (–)	–	–	1.4	–	–	–	–	–0.1	1.4	–0.1
Total service cost	**36.7**	**35.5**	**2.3**	**1.0**	**0.2**	**0.1**	**3.6**	**3.9**	**42.8**	**40.5**
Interest expense	18.8	18.0	9.9	10.9	7.6	7.7	1.7	1.4	38.0	38.1
Interest income on plan assets	–1.8	–1.6	–10.4	–11.1	–6.1	–5.6	–0.9	–0.8	–19.2	–19.1
Net interest expense (+)/income (–)	**17.0**	**16.5**	**–0.5**	**–0.2**	**1.5**	**2.1**	**0.7**	**0.6**	**18.8**	**18.9**
Total cost of defined benefit obligation	**53.7**	**52.0**	**1.8**	**0.8**	**1.7**	**2.2**	**4.4**	**4.5**	**61.5**	**59.5**

Accumulated other comprehensive income (loss) TABLE 091

in € million	Germany 2018	Germany 2017	UK 2018	UK 2017	USA 2018	USA 2017	Other 2018	Other 2017	Total 2018	Total 2017
Accumulated other comprehensive income/loss as at 01/01/	**–334.0**	**–350.4**	**–45.1**	**–57.1**	**7.9**	**11.6**	**–24.0**	**–26.0**	**–395.1**	**–421.9**
Exchange differences	–	–	0.4	2.1	0.4	–1.3	–0.3	0.7	0.4	1.5
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	–18.5	13.5	27.4	–2.5	16.8	–20.4	–0.1	0.8	25.6	–8.7
Gains (+) and losses (–) arising from remeasurements of plan assets	2.3	2.9	–15.2	12.4	–17.0	18.0	–0.4	0.6	–30.4	33.9
Accumulated other comprehensive income/loss as at 31/12/	**–350.2**	**–334.0**	**–32.6**	**–45.1**	**8.1**	**7.9**	**–24.8**	**–24.0**	**–399.4**	**–395.1**

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognised in the statement of comprehensive income in 2018 is presented in > TABLE 091.

The components of the remeasurements of the defined benefit obligations are listed in > TABLE 086.

The gains and losses on the remeasurement of plan assets are attributable entirely to experience adjustments. The changes in estimates relating to defined benefit pension entitlements resulted in a €0.2 million decrease in equity as at 31 December 2018 after deduction of deferred taxes (31 December 2017: increase of €18.7 million).

Composition of plan assets

The plan assets of the main pension plans consist of the following components: > TABLE 092

Fair value of plan assets TABLE 092

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Shares	27.0	26.7	34.8	53.8	76.9	72.6	10.3	10.1	149.0	163.1
Fixed-income securities	27.9	28.8	332.0	362.9	80.8	78.9	12.6	12.1	453.3	482.7
Real estate	7.2	6.7	–	–	–	–	7.8	5.4	15.0	12.1
Insurance policies	–	–	–	–	–	–	35.9	46.3	35.9	46.3
Other	38.6	31.6	52.3	32.0	14.1	13.5	15.4	4.5	120.4	81.6
Total plan assets	**100.7**	**93.8**	**419.1**	**448.7**	**171.7**	**165.0**	**82.0**	**78.4**	**773.5**	**785.9**
thereof total assets that do not have a quoted price in active markets	**14.3**	**9.0**	**15.8**	**7.9**	**–**	**–**	**48.0**	**47.8**	**78.0**	**64.7**
Insurance policies	–	–	–	–	–	–	35.9	46.3	35.9	46.3
Other	14.3	9.0	15.8	7.9	–	–	12.1	1.5	42.1	18.4

Sensitivity analysis

The present value of the defined benefit obligation is based on the significant assumptions detailed in > TABLE 084 above. If one assumption were to vary and the other assumptions remained unchanged, the impact on the present value of the defined benefit obligation would be as shown in > TABLE 093.

The sensitivity analysis shown in > TABLE 093 is not representative of an actual change in the present value of the defined benefit obligation because variations in the significant assumptions are unlikely to occur in isolation as, to some extent, the assumptions are interrelated. Sensitivity is determined using the same methods (projected unit credit method) as for the measurement of the obligation recognised in the consolidated statement of financial position as at 31 December 2018.

Future pension benefit payments

The pension benefit payments shown in > TABLE 094 are forecast for the next ten years for the defined benefit pension entitlements in existence as at 31 December 2018. The expected pension benefits break down into future benefits to be paid directly by the employer (for 2019: €19.8 million) and future benefits to be paid from existing plan assets (for 2019: €36.3 million).

As at the reporting date, the average duration of the defined benefit obligation, weighted on the basis of the present value of the defined benefit obligation, was 21.5 years in Germany (2017: 22.2 years), 14.3 years in the United Kingdom (2017: 15.5 years), 12.9 years in the US (2017: 14.1 years) and 15.7 years in the other countries (2017: 16.0 years).

Sensitivity defined benefit obligation TABLE 093

in € million		2018	2017
Discount rate	Increase by 1.0 percentage point	–280.2	–279.7
	Reduction by 1.0 percentage point	377.0	373.1
Salary increase rate	Increase by 0.5 percentage point	17.7	18.7
	Reduction by 0.5 percentage point	–17.9	–18.7
Pension increase rate	Increase by 0.25 percentage point	39.5	42.2
	Reduction by 0.25 percentage point	–37.9	–40.2
Life expectancy	Increase by 1 year	63.7	61.7

Expected payments for pension benefits TABLE 094

in € million	Germany	UK	USA	Other	Total
2019	24.2	18.6	9.2	4.1	56.2
2020	22.0	18.5	9.7	4.4	54.7
2021	23.2	18.4	10.2	4.9	56.8
2022	25.8	18.5	10.6	4.4	59.2
2023	29.1	18.5	10.9	4.9	63.4
2024 to 2028	163.8	93.0	57.5	26.8	341.2

Risks

The funding ratio, the defined benefit obligation and the associated costs depend on the performance of financial markets. The return on plan assets is assumed to equal the discount rate, which is determined on the basis of the yield earned on AA-rated, fixed-interest senior corporate bonds. If the actual return on plan assets falls below the discount rates applied, the net obligation arising out of the pension plans increases. The amount of the net obligation is also particularly affected by the discount rates, and the current low level of interest rates – especially in the eurozone – is resulting in a comparatively large net obligation.

The plan assets are predominantly invested in corporate bonds and inflation-linked UK government bonds, particularly in the United Kingdom. The market risk attaching to plan assets – above all in the case of equities – is mitigated by defining an investment strategy and investment guidelines and constantly monitoring the assets' performance. Moreover, a downward trend in financial markets could have a significant effect on minimum funding requirements, some of which apply outside Germany.

The KION Group also bears the full risk of possible future pension adjustments resulting from changes in longevity and inflation.

Payroll-based contributions to the KION pension plan made by employees in Germany are invested in fund units. If the actual returns on these fund units fall below the minimum rate of return that has been guaranteed to participating employees, the KION Group's personnel expenses rise.

[29] FINANCIAL LIABILITIES

The financial liabilities reported by the KION Group as at 31 December 2018 essentially comprised interest-bearing liabilities to banks and the promissory notes. The liabilities to banks were predominantly attributable to the loan for the financing of the Dematic acquisition and liabilities under the syndicated loan agreement.

> TABLE 095 shows the contractual maturity structure of the financial liabilities.

Liabilities to banks

Senior facilities agreement

KION GROUP AG signed a syndicated loan agreement (senior facilities agreement, SFA), originally for €1,500.0 million, with a syndicate of international banks on 28 October 2015. As at 31 December 2018, the SFA consisted solely of a revolving credit facility of €1,150.0 million. This has a variable interest rate and, following the agreement in 2018 of an extension to its term, it can be drawn down until February 2023. As at 31 December 2018, the amount drawn down was €101.8 million (31 December 2017: €184.7 million, which included other loan liabilities and contingent

Maturity structure of financial liabilities TABLE 095

in € million	2018	2017
Liabilities to banks	**826.4**	**1,253.7**
due within one year	221.9	236.5
due in one to five years	604.5	1,017.2
due in more than five years	–	–
Promissory notes	**1,214.3**	**1,007.3**
due within one year	–	–
due in one to five years	744.5	744.0
due in more than five years	469.8	263.3
Other financial liabilities to non-banks	**4.6**	**7.7**
due within one year	4.6	7.4
due in one to five years	–	0.3
due in more than five years	–	–
Total current financial liabilities	**226.5**	**243.9**
Total non-current financial liabilities	**1,818.7**	**2,024.8**

liabilities). The drawdowns under the revolving credit facility are classified as short term.

Acquisition facilities agreement

On 4 July 2016, KION GROUP AG reached agreement with a group of banks on a bridge loan to finance the acquisition of Dematic (acquisition facilities agreement, AFA), originally in an amount of €3,000.0 million. As at 31 December 2018, it consisted solely of a floating-rate loan in a nominal amount of €600.0 million that is due to mature in October 2021.

At the end of 2017, this loan had a nominal amount of €1,000.0 million. It was partly repaid in 2018 using the funds from the issuance of a further promissory note of €200.0 million and using cash received from operating activities. As a result of the early repayment, previously deferred borrowing costs of €1.9 million were recognised under financial expenses.

Promissory notes

In 2018, a promissory note was issued in a nominal amount of €200.0 million. It will mature in June 2025 and has both floating-rate and fixed coupons. The resulting funds were used to repay part of the floating-rate loan under the AFA. Directly attributable transaction costs of €0.5 million were incurred in connection with the issuance of the promissory note. These were deducted from the fair value on initial recognition and will be expensed over subsequent periods. The KION Group has entered into an interest-rate derivative to hedge the risk of a change in the fair value of the tranche with a fixed coupon. This is accounted for as a fair value hedge (see note [41]).

The promissory note issued in 2017 in a nominal amount totalling €1,010.0 million is divided into three tranches with varying maturities and floating-rate or fixed coupons: a tranche of €746.0 million maturing in May 2022, a tranche of €236.5 million maturing in April 2024 and a tranche of €27.5 million maturing in April 2027. Issuance of this promissory note resulted in directly attributable transaction costs of €3.2 million. These were deducted from the fair value of each tranche on initial recognition and will be expensed over subsequent periods. The KION Group has entered into a number of interest-rate derivatives in order to hedge the interest-rate risk resulting from the floating-rate tranches of this promissory note. The interest-rate derivatives are accounted for as cash flow hedges (see note [41]).

The SFA, AFA and promissory notes are not collateralised. KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the SFA and AFA and it is the borrower in respect of all the payment obligations resulting from the promissory notes.

> TABLE 096 gives details of the changes in financial liabilities and lists the applicable terms and conditions.

Credit terms TABLE 096

in € million	Interest rate	Carrying amount 2018	Carrying amount 2017	Maturity
Multicurrency Revolving Credit Facility (SFA)	EURIBOR + Margin	101.8	178.0	2023
Term Loan Facility (AFA)	EURIBOR + Margin	597.3	994.1	2021
Promissory note (5 years term)	EURIBOR + Margin/ fixed rate	744.5	744.0	2022
Promissory note (7 years term)	EURIBOR + Margin/ fixed rate	235.9	235.8	2024
Promissory note (7 years term)	EURIBOR + Margin/ fixed rate	206.4	–	2025
Promissory note (10 years term)	EURIBOR + Margin/ fixed rate	27.4	27.4	2027
Other liabilities to banks	Various currencies and interest terms	127.2	81.6	
Other financial liabilities to non-banks		4.6	7.7	
Total financial liabilities		**2,045.2**	**2,268.7**	

Covenants

Among other stipulations, the contractual terms of the SFA, AFA and promissory notes set out certain covenants. In addition, there is a financial covenant that involves ongoing testing of adherence to a defined maximum level of leverage. Non-compliance with the covenants or with the defined maximum level of leverage as at a particular reporting date may potentially give lenders a right of termination or lead to an increase in interest payments.

All covenants were complied with in the past financial year, as was the case in 2017.

[30] LIABILITIES FROM FINANCIAL SERVICES

The liabilities from financial services relate to the financing of the long-term leasing business and residual value obligations arising from the indirect leasing business in an amount of €1,165.3 million (31 December 2017: €437.4 million) and to the financing of industrial trucks for the short-term rental fleet in an amount of €307.1 million (31 December 2017: €0.0 million). > TABLE 097

Liabilities from financial services

TABLE 097

in € million	2018	2017
Non-current liabilities from financial services	**924.4**	**261.0**
thereof from leasing business	601.9	261.0
thereof from short-term rental fleet financing	244.6	–
thereof from asset-backed securities	77.9	–
thereof other	–	–
Current liabilities from financial services	**548.0**	**176.4**
thereof from leasing business	157.7	79.7
thereof from short-term rental fleet financing	62.5	–
thereof from leasing credit facilities	307.3	85.7
thereof from asset-backed securities	20.4	–
thereof other	–	11.0

Liabilities from financial services arising from the leasing business encompass liabilities from financing by means of sale and leaseback sub-lease transactions with leasing companies in an amount of €440.2 million (31 December 2017: €0.0 million). They also include residual value obligations of €319.5 million (31 December 2017: €340.7 million) resulting from the indirect leasing business.

Furthermore, liabilities from financial services include liabilities from lease facilities in an amount of €307.3 million (31 December 2017: €85.7 million) and liabilities from the issuance of notes (securitisation) through K-Lift S.A., Luxembourg, in an amount of €98.3 million (31 December 2017: €0.0 million). On the opposite side of the statement of financial position, there are lease receivables funded from these resources worth €580.0 million (31 December 2017: €58.3 million) and leased assets of €212.5 million (31 December 2017: €27.4 million).

The maturities of the liabilities from financial services are shown in > TABLE 098.

[31] LEASE LIABILITIES

Lease liabilities relate solely to finance lease obligations arising from sale and leaseback sub-lease transactions entered into up to 31 December 2017 for the financing of long-term leases with end customers.

Whereas lease liabilities stood at €740.6 million (31 December 2017: €1,131.1 million), lease receivables arising from sale and leaseback sub-lease transactions entered into up to 31 December 2017 amounted to €514.3 million (31 December 2017: €739.2 million) and leased assets under sale and leaseback sub-lease transactions totalled €268.6 million (31 December 2017: €419.7 million).

The amounts recognised as lease liabilities (the present value of future lease payments) are based on the maturities shown in > TABLE 099.

Maturity analysis of liabilities from financial services TABLE 098

in € million	2018	2017
Total future payments from financial services (gross)	**1,539.9**	**456.1**
due within one year	589.7	187.2
due in one to two years	244.8	69.6
due in two to three years	240.9	68.2
due in three to four years	209.2	59.2
due in four to five years	172.7	48.8
due in more than five years	82.5	23.2

Maturity analysis of lease liabilities TABLE 099

in € million	2018	2017
Total future lease payments (gross)	**801.6**	**1,203.9**
due within one year	291.5	363.1
due in one to two years	217.5	359.4
due in two to three years	158.9	255.3
due in three to four years	94.4	148.5
due in four to five years	30.0	42.9
due in more than five years	9.4	34.7

[32] OTHER PROVISIONS

Other provisions relate to the following items: > TABLE 100

Other provisions TABLE 100

in € million	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
Balance as at 01/01/2018	**81.6**	**95.8**	**67.2**	**244.6**
thereof non-current	21.8	53.8	20.1	95.6
thereof current	59.8	42.1	47.2	149.0
Group changes	0.1	–	0.0	0.1
Additions	39.2	31.7	30.1	101.0
Utilisations	–25.8	–40.4	–17.0	–83.3
Reversals	–15.0	–13.3	–13.7	–42.0
Additions to accrued interest	0.0	0.2	0.0	0.2
Currency translation adjustments	0.3	0.1	–0.3	0.2
Other adjustments	0.6	5.8	–1.1	5.3
Balance as at 31/12/2018	**81.0**	**80.0**	**65.2**	**226.2**
thereof non-current	23.5	52.5	22.9	98.9
thereof current	57.5	27.5	42.2	127.2

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks, spare parts and automation solutions. It is expected that the bulk of the cash payments will be incurred within the next two years after the reporting date.

The provisions for personnel comprise provisions for partial retirement obligations, long-service awards, annual bonuses, severance pay, obligations under social plans and obligations relating to variable remuneration. The provisions for partial retirement obligations are recognised on the basis of individual contractual arrangements and agreements under collective bargaining law.

Other obligations comprise, among others, provisions for restructuring, litigation and expected losses from onerous contracts.

[33] CONTRACT BALANCES

Of the contract assets of €119.3 million (31 December 2017: €100.3 million), €114.7 million was attributable to project business contracts with a net credit balance due from customers (31 December 2017: €100.3 million) and €4.5 million to other contract assets (31 December 2017: €0.0 million). Of the contract assets recognised as at 1 January 2018, €88.1 million was billed in 2018 (2017: €61.3 million). By contrast, contract assets rose year on year because the goods and services provided by the KION Group before the agreed payment deadlines increased by €213.8 million in the reporting year (2017: €177.7 million). As had been the case in the previous year, no write-downs were recognised on contract assets.

Of the contract liabilities, €498.7 million was attributable to project business contracts with a net debit balance due to customers (31 December 2017: €255.9 million) and €71.4 million to prepayments received from customers (31 December 2017: €68.5 million). Contract liabilities are recognised as revenue as soon as the contractual goods and services have been provided. The revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to €292.6 million (2017: €265.7 million). Contract liabilities rose year on year, in particular because the prepayments received from customers increased by €221.8 million to €558.3 million in the reporting year (2017: €336.5 million).

[34] TRADE PAYABLES

As at 31 December 2018, trade payables of €904.2 million (31 December 2017: €923.9 million) included liabilities to non-consolidated subsidiaries, equity-accounted investments and other equity investments of €23.7 million (31 December 2017: €23.7 million).

[35] OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following items: > TABLE 101

Other financial liabilities TABLE 101

in € million	2018	2017*
Liabilities from short-term rental fleet financing	185.0	350.6
Liabilities from procurement leases	327.1	287.5
Derivative financial instruments	7.9	1.9
Sundry other financial liabilities	4.7	23.6
Other non-current financial liabilities	**524.6**	**663.6**
Liabilities from short-term rental fleet financing	104.9	165.1
Liabilities from procurement leases	94.2	81.7
Derivative financial instruments	6.4	3.3
Liabilities from accrued interest	15.2	14.5
Sundry other financial liabilities	67.9	34.1
Other current financial liabilities	**288.6**	**298.6**
Total other financial liabilities	**813.2**	**962.2**

* Other financial liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

The non-current derivative financial instruments consist of a number of interest-rate derivatives that were entered into in order to hedge the interest-rate risk resulting from the floating-rate tranches of the promissory note.

Liabilities from short-term rental fleet financing relate to the financing of the short-term rental fleet by means of sale-and-leaseback sub-lease transactions entered into up to 31 December 2017 in the amount of €289.9 million (31 December 2017: €515.7 million).

The amounts recognised as liabilities from short-term rental fleet financing and from procurement leases are based on the maturities shown in > TABLE 102.

Maturity analysis of other financial liabilities TABLE 102

	Procurement leases		Financing short-term rental fleet	
in € million	2018	2017*	2018	2017*
Total future payments (gross)	**464.1**	**402.0**	**315.0**	**552.0**
due within one year	105.8	90.6	122.8	189.1
due in one to two years	79.7	70.0	86.6	163.6
due in two to three years	57.5	50.1	53.8	102.0
due in three to four years	45.7	39.5	34.4	65.2
due in four to five years	34.0	29.4	12.2	23.1
due in more than five years	141.3	122.3	5.2	9.1

* Other financial liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[36] OTHER LIABILITIES

Other liabilities comprise the following items: > TABLE 103

Other liabilities TABLE 103

in € million	2018	2017*
Deferred income	473.5	585.4
Other non-current liabilities	**473.5**	**585.4**
Deferred income	250.0	267.9
Personnel liabilities	266.8	253.0
Social security liabilities	51.6	48.2
Tax liabilities	105.8	110.8
Other current liabilities	**674.2**	**679.9**
Total other liabilities	**1,147.6**	**1,265.3**

* Other liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[37] CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

The contingent liabilities include guarantees to external parties. In addition, guarantees of €2.3 million related to contingent liabilities assumed jointly with another shareholder of a joint venture (31 December 2017: €1.6 million). > TABLE 104

Contingent liabilities TABLE 104

in € million	2018	2017
Liabilities on guarantees	89.5	48.2

Litigation

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group believes it is unlikely that these ongoing lawsuits will require funds to be utilised that exceed the provisions recognised.

Other financial commitments

Sundry other financial commitments included future payment obligations to an associate amounting to €1.3 million (31 December 2017: €1.3 million). > TABLE 105

Other financial commitments TABLE 105

in € million	2018	2017*
Commitments under licence and support agreements	99.7	56.1
Capital expenditure commitments in property, plant and equipment	59.0	51.6
Other financial commitments	1.3	1.3
Total other financial commitments	**160.0**	**109.0**

* Other financial commitments for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Other disclosures

[38] CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the KION Group resulting from cash inflows and outflows in the year under review, broken down into cash flow from operating, investing and financing activities. The effects on cash from changes in exchange rates are shown separately. Cash flow from operating activities is presented using the indirect method in which the profit or loss for the year is adjusted for non-cash operating items.

The KION Group's net cash provided by operating activities totalled €765.5 million, which was significantly higher than the prior-year figure (2017: €711.9 million). This increase made up for the higher net working capital, the rise in the volume of rentals and leasing, and higher tax payments.

Net cash used for investing activities amounted to €245.6 million (2017: net cash used of €237.6 million). Cash payments for development (R&D) and for property, plant and equipment (excluding right-of-use assets related to procurement leases) amounted to €258.5 million (2017: €218.3 million).

Free cash flow – the sum of cash flow from operating activities and investing activities – improved to €519.9 million in the reporting period (2017: €474.3 million).

Net cash used for financing activities came to €514.5 million (2017: €568.5 million). While financial debt taken on during the year came to €1,811.7 million (2017: €2,425.3 million), repayments were higher at €2,042.6 million (2017: €3,340.0 million). Net cash of €40.4 million was also used for interest payments (2017: net cash used of €50.6 million). The costs of obtaining financing in the year under review amounted to €5.0 million (2017: €7.4 million). Payments made for interest portions and principal portions under procurement leases amounted to €114.0 million in the reporting year (2017: €109.0 million). The distribution of a dividend of €0.99 per share (2017: €0.80 per share) resulted in a cash outflow of €116.8 million (2017: €86.9 million), while the acquisition of 66,000 treasury shares (2017: 60,000 treasury shares) required an outflow of €3.6 million (2017: €4.3 million). Additional information for 2018 on the changes to liabilities arising from financing activities can be found in > TABLES 106–107.

Negative currency effects reduced cash and cash equivalents by €3.2 million (2017: €12.2 million). Overall, cash and cash equivalents increased only slightly year on year, from €173.2 million as at 31 December 2017 to €175.3 million as at 31 December 2018.

Reconciliation of liabilities arising from financing activities 2018 TABLE 106

			Non-cash changes		
in € million	01/01/2018	Cash flows	Foreign exchange movement	Other changes	31/12/2018
Non-current financial liabilities	2,024.8	–200.0	8.0	–14.1	1,818.7
Current financial liabilities	243.9	–30.9	–7.9	21.5	226.5
Liabilities from accrued interest	14.5	–42.9	–0.0	43.7	15.2
Liabilities from procurement leases	369.1	–114.0	–1.6	167.7	421.2
Total liabilities financial activities	**2,652.3**	**–387.8**	**–1.5**	**218.7**	**2,481.7**

Reconciliation of liabilities arising from financing activities 2017 TABLE 107

in € million	01/01/2017	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Other changes	31/12/2017
Non-current financial liabilities	2,889.1	–860.5	–0.5	–3.2	2,024.8
Current financial liabilities	293.9	–54.2	–4.4	8.5	243.9
Liabilities from accrued interest	12.4	–58.1	–0.0	60.3	14.5
Liabilities from procurement leases*	283.6	–109.0	–0.4	194.9	369.1
Total liabilities financial activities	**3,478.9**	**–1,081.8**	**–5.3**	**260.5**	**2,652.3**

* Liabilities from procurement leases for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[39] INFORMATION ON FINANCIAL INSTRUMENTS

The KION Group uses both primary and derivative financial instruments. The following section summarises the relevance of these financial instruments for the KION Group.

The following tables show the measurement categories used in accordance with IFRS 9 (2017: in accordance with IAS 39). In line with IFRS 7, the tables show the carrying amounts and fair values of financial assets and liabilities. Derivative financial instruments forming part of a documented hedge are not assigned to any of the IFRS 9 or IAS 39 measurement categories and are therefore not included in > TABLES 108–109. The lease receivables, lease liabilities, liabilities from procurement leases and liabilities from short-term rental fleet financing shown in these tables fall within the scope of IFRS 16 and are therefore not assigned to any of the IFRS 9 and IAS 39 measurement categories.

Carrying amounts and fair values broken down by class 2018

TABLE 108

Classes	Carrying amount	Categories FVPL	AC	FVOCI	Fair value
in € million					
Financial assets					
Financial investments	5.2			5.2	5.2
Financial receivables	35.9		35.9		35.9
Other financial investments	21.0	21.0			21.0
Lease receivables[1]	1,097.3				1,102.0
Trade receivables	1,036.4	15.6	1,020.9		1,036.4
Other financial receivables	51.2				51.2
thereof non-derivative receivables	41.2		41.2		41.2
thereof derivative financial instruments	9.9	6.5			9.9
Cash and cash equivalents	175.3		175.3		175.3
Financial liabilities					
Liabilities to banks	826.4		826.4		829.1
Promissory notes	1,214.3		1,214.3		1,222.0
Other financial liabilities to non-banks	4.6		4.6		4.6
Liabilities from financial services	1,472.4		1,472.4		1,477.0
Lease liabilities[1]	740.6				743.0
Trade payables	904.2		904.2		904.2
Other financial liabilities	813.2				822.1
thereof liabilities from procurement leases[1]	421.2				429.2
thereof liabilities from short-term rental fleet financing[1]	289.9				290.8
thereof non-derivative liabilities	87.8		87.8		87.8
thereof derivative financial instruments	14.3	2.5			14.3

1 as defined by IFRS 16

Carrying amounts and fair values broken down by class 2017* TABLE 109

Classes	Carrying amount	FAHfT	AfS	LaR	FLaC	FLHfT	Fair value
		Categories					
in € million							
Financial assets							
Investments in non-consolidated subsidiaries and other investments	36.0		36.0				36.0
Loans receivable	2.2			2.2			2.2
Financial receivables	30.3			30.3			30.3
Other financial investments	18.9		0.5	18.4			18.9
Lease receivables[1]	875.8						878.2
Trade receivables	999.4			999.4			999.4
Other financial receivables	88.7						88.7
thereof non-derivative receivables	58.7			58.7			58.7
thereof derivative financial instruments	30.0	22.2					30.0
Cash and cash equivalents	173.2			173.2			173.2
Financial liabilities							
Liabilities to banks	1,253.7				1,253.7		1,259.6
Promissory note	1,007.3				1,007.3		1,021.0
Other financial liabilities to non-banks	7.7				7.7		7.7
Liabilities from financial services	437.4				437.4		439.7
Lease liabilities[1]	1,131.1						1,138.1
Trade payables	923.9				923.9		923.9
Other financial liabilities	962.2						963.8
thereof liabilities from procurement leases[1]	369.1						367.7
thereof liabilities from short-term rental fleet financing[1]	515.7						518.8
thereof non-derivative liabilities	72.1				72.1		72.1
thereof derivative financial instruments	5.2					1.0	5.2

1 as defined by IFRS 16
* Financial liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

The net gains and losses on financial instruments in 2018 are broken down by IFRS 9 categories as shown in > TABLE 110. The measurement categories shown for 2017 are based on the categorisation rules in IAS 39. Gains and losses on financial instruments do not include gains/losses arising on hedging transactions that are part of a documented hedge (see also note [41]).

In 2018, the measurement at fair value of the equity instruments in the FVOCI category led to a loss of €6.4 million that was recognised in other comprehensive income; accumulated gains and losses from these financial instruments will not be reclassified to profit or loss upon disposal.

The net gains and losses include interest income of €6.2 million (2017: €7.8 million) and interest expenses of €57.7 million (2017: €72.9 million) that result from financial instruments measured at amortised cost (AC category) and are recognised within net financial income/expenses. Currency translation gains and losses, dividends, valuation allowances for expected and incurred losses, the marking-to-market of derivatives that are not part of a documented hedge and other measurement effects are also included in the net gains and losses.

As at the reporting date, the KION Group's trade receivables of €1.3 million (31 December 2017: €0.4 million) were offset by trade payables of the same amount. In addition, there was a potential offsetting volume of €4.6 million in connection with derivative financial instruments as at 31 December 2018 (31 December 2017: €3.1 million). The potential offsetting volume essentially arose from netting arrangements in framework agreements governing derivatives trading that the KION Group had entered into with commercial banks.

Fair value measurement

The majority of the cash and cash equivalents, financial receivables, other non-derivative receivables and liabilities, and trade receivables and trade payables recognised at amortised cost have short remaining terms to maturity. The carrying amounts of these financial instruments are roughly equal to their fair values.

The fair value of liabilities to banks, of promissory notes and of liabilities from financial services corresponds to the present value of the outstanding payments, taking account of the current interest-rate curve and the Group's own default risk. This fair value, calculated for the purposes of disclosure in the notes to the financial statements, is classified as Level 2 of the fair value hierarchy.

Net gains and losses on financial instruments broken down by category TABLE 110

in € million	2018
Financial assets measured at amortised cost (AC)	–1.9
Equity instruments measured at fair value through other comprehensive income (FVOCI)	–6.4
Financial instruments measured at fair value through profit or loss (FVPL)	–16.9
Financial liabilities measured at amortised cost (AC)	–58.1

in € million	2017
Loans and receivables (LaR)	–7.3
Available-for-sale investments (AfS)	15.1
Financial instruments held for trading (FAHfT, FLHfT)	35.8
Financial liabilities carried at amortised cost (FLaC)	–94.6

The fair value of lease receivables, lease liabilities, liabilities from short-term rental fleet financing and liabilities from procurement leases corresponds to the present value of the net lease payments, taking account of the current market interest rate for similar leases.

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 7 for financial instruments measured at fair value. > TABLES 111–112

Financial instruments measured at fair value TABLE 111

	Fair Value Hierarchy		
in € million	Level 1	Level 2	2018
Financial assets			**51.7**
thereof financial investments	5.2		5.2
thereof other financial investments		21.0	21.0
thereof trade receivables		15.6	15.6
thereof derivative financial instruments		9.9	9.9
Financial liabilities			**14.3**
thereof derivative financial instruments		14.3	14.3

Financial instruments measured at fair value TABLE 112

	Fair Value Hierarchy		
in € million	Level 1	Level 2	2017
Financial assets			**42.1**
thereof investments in non-consolidated subsidiaries and other investments	11.7		11.7
thereof other financial investments	0.5		0.5
thereof derivative financial instruments		30.0	30.0
Financial liabilities			**5.2**
thereof derivative financial instruments		5.2	5.2

Level 1 essentially comprises the financial investment in Balyo SA, for which the fair value is calculated using prices quoted in an active market.

The fair value of other financial investments is determined using prices quoted in an active market and other observable inputs. They are assigned to Level 2.

Trade receivables that are recognised at fair value through profit or loss are assigned to Level 2. Their fair value is calculated using the transaction price achievable in an active market. The transaction price is largely influenced by the default risk of the counterparty.

Interest-rate swaps and currency forwards are also classified as Level 2. The fair value of derivative financial instruments is determined by the system using appropriate valuation methods on the basis of the observable market information at the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures. The fair value of interest-rate swaps is calculated as the present value of the future cash flows. Both contractually agreed payments and forward interest rates are used to calculate the cash flows, which are then discounted on the basis of a yield curve that is observable in the market. The fair value of the currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date.

In order to eliminate default risk to the greatest possible extent, the KION Group only enters into derivatives with investment-grade counterparties.

If events or changes in circumstances make it necessary to reclassify financial instruments to a different level, they are reclassified at the end of a reporting period. As had also been the case in 2017, no financial instruments were transferred between the levels of the fair value hierarchy in 2018.

[40] FINANCIAL RISK REPORTING

Capital management

One of the prime objectives of capital management is to ensure liquidity at all times. Measures aimed at achieving these objectives include the optimisation of the capital structure, the reduction of liabilities and ongoing Group cash flow planning and management. Close cooperation between local units and the Group head office ensures that the local legal and regulatory requirements faced by foreign Group companies are taken into account in capital management.

Net financial debt – defined as the difference between financial liabilities and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level and amounted to €1,869.9 million as at 31 December 2018 (31 December 2017: €2,095.5 million).

The financial liabilities reported by the KION Group as at 31 December 2018 consisted of liabilities under the syndicated loan agreement (SFA), liabilities under the loan for the financing of the Dematic acquisition (AFA) and promissory notes (see also note [29]). The SFA comprises a floating-rate revolving credit facility of €1,150.0 million maturing in February 2023, of which €101.8 million was drawn down as at 31 December 2018 (31 December 2017: €184.7 million). As at 31 December 2018, the drawdown under the AFA consisted of a floating-rate bullet loan in a nominal amount of €600.0 million (31 December 2017: €1,000.0 million) maturing in October 2021. The nominal amount of the promissory notes issued totalled €1,210.0 million as at 31 December 2018 (31 December 2017: €1,010.0 million).

Taking into account credit facilities that had not yet been utilised, the unrestricted cash and cash equivalents available to the KION Group as at 31 December 2018 amounted to €1,219.8 million (31 December 2017: €1,138.0 million).

Default risk

In certain finance and operating activities, the KION Group is subject to credit risk, i.e. the risk that partners will fail to meet their contractual obligations. This risk is defined as the risk that a counterparty will default, and hence is limited to a maximum of the carrying amount of the assets relating to the counterparty involved. Default risk is limited by diversifying business partners based on certain credit ratings. The Group only enters into transactions with business partners and banks holding a good credit rating and subject to fixed limits. The potential default risk attaching to financial assets is also mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees, and potential netting agreements. Apart from this, the Group does not hold any significant collateral.

Counterparty risks involving our customers are managed by the individual Group companies. To reflect the default risk, valuation allowances are recognised for defaults that have occurred and for expected defaults (see note [25]). Valuation allowances are based on the credit risk associated with the receivables, the level of loss in the event of a default and, taking account of any collateral, the estimated loss given default. This risk is assessed mainly using factors such as customer credit rating and failure to adhere to payment terms.

Financial transactions are only entered into with selected partners that have an investment-grade credit rating. The underlying default risk remains insignificant.

Liquidity risk

Based on the definitions in IFRS 7, a liquidity risk arises if an entity is unable to meet its financial liabilities. In order to ensure financial flexibility and solvency, the KION Group maintains a liquidity reserve in the form of cash and a revolving credit facility agreed with a syndicate of international banks under the SFA. The age structure of financial liabilities is reviewed and optimised continually.

The KION Group is assigned credit ratings by Fitch Ratings and Standard & Poor's. These credit ratings have not changed since 2017. In January 2017, Fitch Ratings gave the Group an investment-grade long-term issuer rating of BBB– with a stable outlook. The rating awarded by the rating agency Standard & Poor's for the KION Group has been BB+ with a positive outlook since September 2017.

The following tables show all of the contractually agreed undiscounted payments under recognised financial liabilities as at 31 December 2018 and 2017, including derivative financial instruments with negative fair values. > TABLES 113 – 114

Liquidity analysis of financial liabilities and derivatives 2018 TABLE 113

in € million	Carrying amount 2018	Cash flow 2019	Cash flow 2020 – 2023	Cash flow from 2024
Primary financial liabilities				
Liabilities to banks	826.4	–233.3	–646.0	–
Promissory notes	1,214.3	–14.5	–798.8	–476.4
Other financial liabilities to non-banks	4.6	–4.6	–	–
Liabilities from financial services	1,472.4	–589.7	–867.7	–82.5
Lease liabilities	740.6	–291.5	–500.7	–9.4
Trade payables	904.2	–904.2	–	–
Other financial liabilities	798.9	–316.4	–403.9	–146.6
Derivative financial liabilities				
Derivatives with negative fair value	14.3			
+ Cash in		310.2	13.4	0.2
– Cash out		–324.5	–21.7	–

Liquidity analysis of financial liabilities and derivatives 2017* TABLE 114

in € million	Carrying amount 2017	Cash flow 2018	Cash flow 2019–2022	Cash flow from 2023
Primary financial liabilities				
Liabilities to banks	1,253.7	–267.1	–1,083.2	–
Promissory note	1,007.3	–	–788.8	–295.5
Other financial liabilities to non-banks	7.7	–7.4	–0.3	–
Liabilities from financial services	437.4	–187.2	–245.7	–23.2
Lease liabilities	1,131.1	–363.1	–806.1	–34.7
Trade payables	923.9	–923.9	–	–
Other financial liabilities	957.0	–351.9	–542.8	–131.4
Derivative financial liabilities				
Derivatives with negative fair value	5.2			
+ Cash in		182.5	16.2	2.6
– Cash out		–189.9	–18.9	–1.6

* Financial liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

The calculation of future cash flows for derivative financial liabilities includes all transactions that have negative fair values as at the reporting date.

In 2018, the KION Group sold financial assets with a total value of €152.3 million (2017: €132.0 million) in factoring transactions. In some cases, the KION Group retains insignificant rights and obligations in connection with fully derecognised financial assets, primarily the provision of limited reserves for defaults. The recognised assets that serve as reserves for defaults and are reported under other current financial assets stood at €3.1 million as at 31 December 2018 (31 December 2017: €2.6 million). The short remaining term of these financial assets means their carrying amount was almost the same as their fair value. The maximum downside risk arising on the transferred financial assets that are to be fully derecognised amounted to €19.9 million as at 31 December 2018 (31 December 2017: €16.2 million).

Risks arising from financial services

The leasing activities of the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-rented. Residual values in the markets for used trucks are therefore constantly monitored and forecast. The KION Group regularly assesses its aggregate risk position arising from financial services.

The risks identified are immediately taken into account by the Company by recognising impairments or provisions and in the costing of new lease contracts by adjusting the residual values. Risk-mitigating factors include the demand for used trucks, which stabilises the residual values of the KION Group's industrial trucks. The majority of the residual values have underlying remarketing agreements that transfer any residual-value risk to the leasing company. This had a positive impact on the financial results in 2018. Groupwide standards to ensure that residual values are calculated conservatively, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to financial services by ensuring that most of its transactions and funding loans have matching maturities and by constantly updating its liquidity planning. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks and an effective dunning process ensure that the Group has sufficient liquidity.

In order to exclude currency risk, the KION Group generally finances its leasing business in the local currency used in each market.

The counterparty risk inherent in the leasing business continues to be insignificant. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed trucks. Furthermore, receivables management and credit risk management are refined on an ongoing basis. Besides the design of the business processes, it also encompasses the risk management and control processes.

Currency risk

In accordance with its treasury risk policy, the KION Group hedges exchange rate risks both locally at the level of the individual companies and centrally via KION GROUP AG using prescribed hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

In the Industrial Trucks & Services segment, hedges are entered into at company level for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm obligations not reported in the statement of financial position. Currency risk arising from customer-specific project business contracts in the Supply Chain Solutions segment is hedged on a project-specific basis at individual company level. Some of these hedges are classified as cash flow hedges for accounting purposes in accordance with IFRS 9 (see note [41]).

In addition, foreign-currency forwards are employed to hedge the currency risks arising in the course of internal financing. > TABLE 115 shows an overview of the foreign-currency forwards entered into by the KION Group.

Foreign-currency forwards TABLE 115

		Fair value		Notional amount	
in € million		2018	2017	2018	2017
Foreign-currency forwards (assets)	Cash flow hedge	2.4	7.8	180.4	224.8
	Held for trading	6.5	22.1	332.1	502.1
Foreign-currency forwards (liabilities)	Cash flow hedge	4.6	2.3	211.8	100.3
	Held for trading	1.9	1.0	112.8	95.3

Significant currency risk arising from financial instruments is measured using a currency sensitivity method. Currency risks from financial instruments as defined by IFRS 7 are only included in calculating currency sensitivity if the financial instruments are denominated in a currency other than the functional currency of the reporting entity concerned. This means that currency risks resulting from the translation of the separate financial statements of subsidiaries into the Group reporting currency, i.e. currency translation risks, are not included.

Currency risk relevant to currency sensitivity in the KION Group arises mainly in connection with derivative financial instruments, trade receivables and trade payables. It is assumed that the portfolio of financial instruments as at the reporting date is representative of the portfolio over the whole of the year. The sensitivity analysis for the relevant currencies is shown in > TABLE 116. The table shows the after-tax impact from changes in exchange rates considered to be possible (+10.0 per cent: increase in the value of the euro against the other currencies of 10.0 per cent; –10.0 per cent: fall in the value of the euro against the other currencies of 10.0 per cent).

Interest-rate risk

Interest-rate risk within the KION Group is managed centrally. The basis for decision-making includes sensitivity analyses of interest-rate risk positions in key currencies.

The Group's financing takes the form of floating-rate and fixed-rate financial liabilities. It has entered into interest-rate swaps in order to hedge interest-rate risk arising on the floating-rate financial liabilities. The majority of these hedges are accounted for as cash flow hedges for accounting purposes in accordance with IFRS 9. An interest-rate swap has also been entered into to hedge the risk of a change in the fair value of a fixed-rate financial liability. This is accounted for as a fair value hedge (see note [41]). > TABLE 117 provides an overview of the interest-rate derivatives used by the KION Group.

A shift in the relevant yield curve of +/–50 basis points (bps) (2017: +/–50 bps) was simulated to assess interest-rate risk. The cumulative effect after tax resulted from variable-rate exposures and is shown in > TABLE 118.

Foreign-currency sensitivity TABLE 116

	Impact on net income		Impact on other comprehensive income (loss)	
	Increase in the value of the euro of +10.0%	Fall in the value of the euro of –10.0%	Increase in the value of the euro of +10.0%	Fall in the value of the euro of –10.0%
in € million **2018**				
GBP	0.2	–0.3	7.6	–11.9
USD	20.5	–9.4	6.3	–2.9
in € million **2017**				
GBP	0.2	–0.3	9.2	–11.2
USD	11.4	–13.9	5.1	–6.3

Interest-rate swaps TABLE 117

in € million		Fair value 2018	Fair value 2017	Notional amount 2018	Notional amount 2017
Interest-rate swaps (assets)	Fair value hedge	1.0	–	100.0	–
	Held for trading	–	0.1	–	50.0
Interest-rate swaps (liabilities)	Cash flow hedge	7.3	1.9	760.0	760.0
	Held for trading	0.6	–	90.0	–

Interest-rate sensitivity TABLE 118

in € million	+50 bps 2018	−50 bps 2018	+50 bps 2017*	−50 bps 2017*
Net income	−0.6	−0.4	−0.1	−1.2
Other comprehensive income (loss)	7.3	−2.5	9.9	−4.9

* Financial liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[41] HEDGE ACCOUNTING

Hedging currency risk

In accordance with its treasury risk policy, the KION Group applies cash flow hedge accounting in hedging the currency risks arising from highly probable future transactions and firm obligations not reported in the statement of financial position in various currencies. Foreign-currency forwards with settlement dates in the same month as the expected cash flows from the Group's operating activities are used as hedges. The critical terms of the hedging instruments and the hedged items are therefore matched. The hedge ratio for these hedges is 1:1. The currency forwards used as hedges will mature in 2020 at the latest.

The main currency hedges relate to pound sterling and the US dollar. The currency forwards in existence as at 31 December 2018 were entered into at average hedging rates of £0.8984 to €1 (2017: £0.8962 to €1) and US$1.2077 to €1 (2017: US$1.1675 to €1).

The critical-terms-match method is used to measure the prospective effectiveness of the hedges. Ineffective portions can arise if the critical terms of the hedged item and hedge no longer match; this is determined using the dollar-offset method.

On account of the short-term nature of the Group's payment terms, reclassifications to the income statement and the recognition of the corresponding cash flows generally take place in the same reporting period. A foreign-currency receivable or liability is recognised when goods are despatched or received. Until the corresponding payment is received, changes in the fair value of the derivative are recognised in the income statement such that they largely offset the effect of the measurement of the foreign-currency receivable or liability at the reporting date.

In total, foreign-currency cash flows of €392.1 million (2017: €325.2 million) were hedged and designated as hedged items, of which €372.4 million is expected by 31 December 2019 (2017: €306.7 million expected by 31 December 2018). The remaining cash flows designated as hedged items fall due in the period up to 31 December 2020 (2017: 31 December 2019).

Hedging of interest-rate risk

The KION Group uses cash flow hedge accounting in connection with the hedging of interest-rate risk. It also uses a fair value hedge to hedge the risk of a change in the fair value of fixed-rate financial liabilities. The hedge ratio used in both cases is 1:1. The critical terms of the hedging instruments and the hedged items are matched. The interest-rate swaps used as hedges reflect the maturity profile of the hedged items and will mature in 2025.

The KION Group has issued floating-rate and fixed-rate promissory notes as part of its financing (see also note [29]). It has hedged the interest-rate risk arising on the variable-rate tranches of the promissory note by entering into a number of interest-rate swaps, thereby transforming the variable interest-rate exposure into fixed-rate obligations. In 2018, the weighted, hedged risk-free fixed interest rate remained unchanged year on year at 0.5 per cent. In total, variable cash flows of €4.1 million (2017: €12.9 million) were hedged and designated as hedged items, of which €3.4 million relates to cash flows that are expected in 2020 to 2023 (2017: €10.2 million expected in 2019 to 2022). The remaining cash flows of €0.7 million (2017: €2.6 million expected as from 2023) are likely to materialise in 2024. Because the hedge is highly effective, the change in the fair value of the hedged item corresponds to the change in the fair value of the hedging instrument.

Moreover, the risk of a change in the fair value of a fixed-rate tranche of the promissory note that was issued in 2018 and will mature in 2025 is hedged using an interest-rate swap, thereby creating a EURIBOR-based variable-rate obligation. The carrying amount of the hedged promissory note tranche (€100.0 million), which is recognised under financial liabilities, included an adjustment of €6.8 million as at 31 December 2018 that was attributable to the change in fair value resulting from the hedged risk. Because the hedge is highly effective, this change in fair value corresponds to the change in the fair value of the hedging instrument.

The critical-terms-match method is used to measure the prospective effectiveness of the hedges. Ineffective portions can arise if the critical terms of the hedged item and hedge no longer match; this is determined using the dollar-offset method.

Change in the hedge reserve

The change in the hedge reserves within other comprehensive income (loss) is presented in > TABLE 119. Because the cash flow hedges are highly effective, the change in the fair value of the hedged items corresponds to the change in the fair value of the hedging instruments. These changes in fair value can be seen from the unrealised gains and losses in other comprehensive income (loss).

[42] 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.

Reconciliation of hedge reserves resulting from hedges of currency and interest rate risks TABLE 119

in € million	Currency risk	Interest-rate risk
Balance as at 01/01/2017	**–2.2**	**0.3**
Changes in unrealised gains and losses	12.9	–1.3
Changes in gains (–) and losses (+) to revenue	–1.5	–
Changes in gains (–) and losses (+) to cost of sales	–4.0	–
Tax effect of changes in reserves	–2.8	0.4
Balance as at 31/12/2017	**2.4**	**–0.6**

in € million	Currency risk	Interest-rate risk
Balance as at 01/01/2018	**2.4**	**–0.6**
Changes in unrealised gains and losses	–4.9	–11.1
Changes in gains (–) and losses (+) to revenue	–0.2	–
Changes in gains (–) and losses (+) to cost of sales	–1.1	–
Tax effect of changes in reserves	1.7	3.4
Balance as at 31/12/2018	**–2.2**	**–8.3**

Description of the segments

Industrial Trucks & Services

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management and financial services that support the core industrial truck business. The segment operates a multi-brand strategy involving the three international brands Linde, STILL and Baoli plus the two local brands Fenwick and OM Voltas.

Supply Chain Solutions

The Supply Chain Solutions segment, with its Dematic Operating Unit, is a strategic partner to customers in a variety of industries, supplying them with integrated technology and software solutions with which to optimise their supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and multishuttle warehouse systems to picking and value-added packing. This segment is primarily involved in customer-specific, longer-term project business operated under the leadership of the Dematic brand. With global resources, eleven production facilities worldwide and regional teams of experts, Dematic is able to plan and deliver logistics solutions with varying degrees of complexity anywhere in the world.

Corporate Services

The Corporate Services segment comprises the other activities of the holding and service companies in the KION Group. The service companies provide services for all segments in the KION Group. The bulk of the total revenue in this segment is generated by internal IT and logistics services.

Segment management

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'). Intra-group transactions are generally conducted on an arm's-length basis. Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [6].

> TABLES 120–121 show information on the KION Group's operating segments for 2018 and 2017.

Segment report 2018 TABLE 120

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation/ Reconciliation	Total
Revenue from external customers	5,916.3	2,052.1	27.3	–	7,995.7
Intersegment revenue	5.7	3.1	271.9	–280.7	–
Total revenue	5,922.0	2,055.2	299.2	–280.7	7,995.7
Earnings before taxes	**569.6**	**47.5**	**343.6**	**–415.3**	**545.3**
Net financial expenses/income	–55.6	–16.9	–24.9	–	–97.4
EBIT	**625.2**	**64.4**	**368.5**	**–415.3**	**642.8**
+ Non-recurring items	12.6	7.2	1.1	–	21.0
+ PPA items	17.6	108.6	–	–	126.2
= Adjusted EBIT	**655.4**	**180.2**	**369.6**	**–415.3**	**789.9**
Segment assets	9,645.6	4,909.6	1,784.8	–3,371.2	12,968.8
Segment liabilities	6,881.0	2,084.2	4,080.3	–3,381.8	9,663.7
Capital expenditure [1]	195.4	47.8	15.4	–	258.5
Amortisation and depreciation [2]	113.2	29.2	15.7	–	158.1
Order intake	6,210.6	2,425.2	299.2	–278.3	8,656.7
Number of employees [3]	25,533	6,799	796	–	33,128

1 Capital expenditure including capitalised development costs, excluding right-of-use assets
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
3 Number of employees (full-time equivalents) as at balance sheet date 31/12/; allocation according to the contractual relationship

Segment report 2017 *

TABLE 121

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	5,568.2	2,005.1	24.8	–	7,598.1
Intersegment revenue	4.0	4.5	241.8	–250.3	–
Total revenue	5,572.2	2,009.5	266.6	–250.3	7,598.1
Earnings before taxes	**584.0**	**–18.1**	**486.5**	**–587.7**	**464.7**
Net financial expenses / income	–56.2	–1.5	–37.5	–1.1	–96.3
EBIT	**640.2**	**–16.6**	**523.9**	**–586.5**	**561.0**
+ Non-recurring items	1.7	29.9	8.5	0.0	40.1
+ PPA items	0.9	175.3	–	–	176.2
= Adjusted EBIT	**642.7**	**188.7**	**532.4**	**–586.5**	**777.3**
Segment assets	9,031.3	4,770.0	1,894.6	–3,358.2	12,337.7
Segment liabilities	6,342.7	2,040.6	4,328.7	–3,366.5	9,345.4
Capital expenditure [1]	153.7	47.0	17.5	–	218.3
Amortisation and depreciation [2]	104.7	26.7	14.9	–	146.3
Order intake	5,859.5	2,099.2	266.6	–246.2	7,979.1
Number of employees [3]	24,090	6,820	698	–	31,608

1 Capital expenditure including capitalised development costs, excluding right-of-use assets
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
3 Number of employees (full-time equivalents) as at balance sheet date 31/12/; allocation according to the contractual relationship
* Segment report for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

External revenue by region is presented in > TABLE 122.

Revenue in Germany came to €1,533.2 million in 2018 (2017: €1,400.5 million). There are no relationships with individual customers that generate revenue deemed to be significant as a proportion of total consolidated revenue.

Financial income and expenses including all interest income and expenses are described in notes [11] and [12].

The non-recurring items mainly comprised consultancy costs totalling €21.0 million in 2018 (2017: €40.1 million). They are now attributable to process standardisation as part of the integration of Dematic and to the redirection of sales activities in South Africa.

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.

Capital expenditure includes additions to intangible assets and property, plant and equipment. Leased assets are described in note [17]. > TABLE 123

Capital expenditure in Germany came to €156.3 million in 2018 (2017: €122.6 million).

Depreciation/amortisation relates to intangible assets with finite useful lives and property, plant and equipment.

The regional breakdown of non-current assets excluding financial assets, financial instruments, deferred tax assets and post-employment benefits is shown in > TABLE 124.

Non-current assets attributable to Germany amounted to €3,395.7 million as at 31 December 2018 (31 December 2017: €3,399.4 million).

Revenue with third parties broken down by customer location TABLE 122

in € million	2018	2017*
Western Europe	4,769.9	4,567.1
Eastern Europe	592.3	548.2
Middle East and Africa	94.5	153.6
North America	1,486.3	1,266.7
Central and South America	173.5	163.1
Asia-Pacific	879.3	899.3
Total revenue	**7,995.7**	**7,598.1**

* Revenue for 2017 was restated due to the initial application of IFRS 15 and IFRS 16

Capital expenditure broken down by company location*

TABLE 123

in € million	2018	2017
Western Europe	190.2	162.8
Eastern Europe	14.6	6.6
Middle East and Africa	0.1	0.6
North America	34.6	31.6
Central and South America	1.6	3.5
Asia-Pacific	17.3	13.3
Total capital expenditure	**258.5**	**218.3**

* Capital expenditure including capitalised development costs, excluding right-of-use assets

Non-current assets broken down by company location

TABLE 124

in € million	2018	2017*
Western Europe	5,295.7	5,174.0
Eastern Europe	344.1	273.5
Middle East and Africa	5.0	20.3
North America	2,422.4	2,395.0
Central and South America	98.7	99.4
Asia-Pacific	565.8	603.9
Total non-current assets (IFRS 8)	**8,731.8**	**8,566.0**

* Non-current assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[43] EMPLOYEES

The KION Group employed an average of 32,524 full-time equivalents (including trainees and apprentices) in the reporting year (2017: 31,064). The number of employees (with part-time staff included on a pro rata basis) is shown by region in > TABLE 125.

The KION Group employed an average of 547 trainees and apprentices in 2018 (2017: 541).

[44] RELATED PARTY DISCLOSURES

In addition to the subsidiaries included in the consolidated 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.

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 2018 (see note [48]).

In July 2018, Weichai Power (Luxembourg) Holding S.àr.l., Luxembourg ('Weichai Power'), increased its stake in KION GROUP AG from 43.3 per cent to 45.0 per cent. Weichai Power Co. Ltd., Weifang, People's Republic of China, therefore indirectly holds a 45.0 per cent stake in KION GROUP AG. The distribution of a dividend of €0.99 per share (2017: €0.80 per share) to Weichai Power resulted in an outflow of funds from KION GROUP AG of €50.6 million (2017: €37.7 million).

The revenue that the KION Group generated in 2018 and 2017 from selling goods and services to related parties, and vice versa, is shown in > TABLES 126–127 along with the associated receivables and liabilities as at the reporting date. The receivables include a loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. This involved a commitment of €9.3 million (31 December 2017: €9.3 million), from which the KION Group had a loan receivable of €8.0 million as at 31 December 2018 (31 December 2017: €8.0 million) with a variable interest rate.

Employees (average) TABLE 125

	2018	2017
Germany	9,887	9,127
France	3,619	3,508
United Kingdom	2,383	2,396
Italy	1,212	1,094
Rest of Europe	5,673	5,100
USA	2,938	3,038
Asia	4,402	4,267
Rest of world	2,410	2,534
Total employees	**32,524**	**31,064**

Related party disclosures 2018

TABLE 126

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	29.3	12.9	30.9	22.1
Associates (equity-accounted)	36.0	10.8	179.6	133.1
Joint ventures (equity-accounted)	3.0	92.8	63.1	78.6
Other related parties *	15.3	5.0	38.8	11.5
Total	**83.6**	**121.5**	**312.3**	**245.3**

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

Related party disclosures 2017 *

TABLE 127

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	28.7	15.8	31.1	21.7
Associates (equity-accounted)	25.1	11.2	158.1	126.4
Joint ventures (equity-accounted)	1.5	56.0	56.8	83.2
Other related parties **	10.9	2.7	23.5	7.7
Total	**66.2**	**85.7**	**269.4**	**239.0**

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16
** 'Other related parties' include, among others, transactions with Weichai Power and its affiliated companies

The members of the Executive Board and Supervisory Board of KION GROUP AG are also related parties. Details of the remuneration of the Executive Board and Supervisory Board can be found in note [46].

In its consolidated financial statements, which are published on the website of the Hong Kong Stock Exchange, Weichai Power Co. Ltd. states that its highest-level parent company is Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China, which itself is owned by the State-owned Assets Supervision and Administration Commission of Shandong People's Government of the People's Republic of China, Jinan, People's Republic of China. This Commission acts on behalf of the People's Republic of China. The exemption for government-related entities was applied. There were no transactions that were significant, either individually or taken together, between the KION Group and companies with which the KION Group is closely associated solely because of its relationship with Shandong Heavy Industry Group Co., Ltd.

[45] VARIABLE REMUNERATION

KEEP employee equity programme

On 1 October 2018, the Executive Board of KION GROUP AG decided to launch a further share option programme for employees (KEEP 2018). In addition to the employees in the countries that had been included in the previous year, employees in the United States were permitted to participate for the first time. The period during which eligible employees could take up this offer by making a declaration of acceptance ran from 2 to 19 October 2018. To be eligible to participate in KEEP 2018, employees needed, at the start of the offer phase, to have had a permanent, uninterrupted employment contract with a participating KION Group company for at least one year. Currently, KION GROUP AG plus 19 German (2017: 17) and 62 foreign (2017: 60) subsidiaries are eligible to take part in KEEP. The Company is considering whether to extend the employee share option programme to other countries over the coming years.

KEEP is a share matching plan. Participating employees acquire KION shares for their own investment purposes. Each set of three KION shares represents a share package. Once the three-year holding period has expired, employees are entitled to one free matching share (bonus share) for each share package. However, KION GROUP AG has the right to satisfy each programme participant's entitlement by paying a cash settlement instead of granting a bonus share. For employees taking part for the first time, the KION Group offers a special incentive in the form of starter packages. Under KEEP 2018, the KION Group will bear the cost of one KION share (free share) in each of the first seven share packages that an employee takes up.

The right to obtain a bonus share lapses if participants sell their own investment in KION shares or cease to work for the KION Group. The change in the number of bonus shares to be granted is shown in > TABLE 128.

In 2018, 4,225 free shares were issued to employees as part of their starter packages (2017: 2,545 free shares).

The free shares to be issued are measured at their fair value on the day on which employees obtain the right to acquire shares as their own investment. The fair value on the grant date is determined on the basis of Monte Carlo simulation. The measurement parameters used are shown in > TABLE 129.

For KEEP 2018, the fair value of a bonus share was €42.03 (KEEP 2017: €62.02; KEEP 2016: €52.51).

The fair value of the bonus shares to be granted is recognised as an expense and paid into capital reserves over the three-year holding period. The holding period for KEEP 2015 ended on 1 October 2018 and the bonus shares were issued to the eligible employees at no cost.

Development of the granted bonus shares TABLE 128

in units	2018	2017
Balance as at 01/01/	**50,166**	**67,106**
Granted bonus shares	17,455	12,098
Exercised bonus shares	–22,580	–27,363
Forfeited bonus shares	–1,386	–1,675
Balance as at 31/12/	**43,655**	**50,166**

Significant measurement parameters for the KION GROUP AG Share Matching Programme TABLE 129

Measurement parameters	KEEP 2018	KEEP 2017	KEEP 2016
Expected dividend	€0.99	€0.88	€0.88
Price of the KION share as at grant date	€44.59	€64.62	€55.02

In 2018, an expense totalling €1.0 million was recognised under functional costs for free shares and bonus shares in connection with the employee share option programme (2017: €0.9 million). Of this amount, €0.3 million related to KEEP 2018, €0.2 million to KEEP 2017 (2017: €0.2 million), €0.2 million to KEEP 2016 (2017: €0.2 million) and €0.2 million to KEEP 2015 (2017: €0.3 million). In 2017, there had also been an amount of €0.2 million relating to KEEP 2014.

Each year, the Executive Board of KION GROUP AG decides whether there will be an offer made under the employee share option programme that year and which companies will participate.

KION performance share plan (PSP) for managers

The 2018 tranche of the long-term, variable remuneration component for the managers in the KION Group (LTI 2018) with a defined period (three years) was granted with effect from 1 January 2018. The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the performance of the MDAX index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2018 tranche ends on 31 December 2020 (2017 tranche: 31 December 2019). The 2016 tranche expired on 31 December 2018 and will be paid out in the first quarter of 2019.

At the beginning of the performance period on 1 January 2018 (2017 tranche: 1 January 2017; 2016 tranche: 1 January 2016), the managers were allocated a total of 188,531 phantom shares for this tranche (2017 tranche: 171,573 phantom shares; 2016 tranche: 180,963 phantom shares). The allocation was based on a particular percentage of each manager's individual gross annual remuneration at the time of grant. At the end of the performance period, the number of the phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The KION Group has the right to adjust the amount payable at the end of the performance period in the event of exceptional occurrences or developments. The maximum amount payable is limited to 200.0 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 130 were used to value the phantom shares on the reporting date.

Significant measurement parameters of the KION Performance Share Plans TABLE 130

Measurement parameters	Valuation date 31/12/2018 Tranche 2018	Tranche 2017
Expected volatility of the KION share	25.0%	30.0%
Expected volatility of the MDAX Index	10.0%	15.0%
Risk-free interest rate	–0.63%	–0.69%
Expected dividend	€0.99	€0.99
Price of the KION share at valuation date	€41.41	€41.41
Price of the MDAX Index at valuation date	€21,523.65	€21,523.65
Initial value of the KION share (60-days average)	€69.85	€53.85
Initial value of the MDAX Index (60-days average)	€26,396.86	€21,178.13

Taking account of the remaining term of two years (2018 tranche) and one year (2017 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at 31 December 2018, the fair value of one phantom share was €23.76 for the 2017 tranche (31 December 2017: €65.60) and €24.25 for the 2018 tranche. On that date, the total fair value based on 153,909 phantom shares was €3.7 million (2017 tranche; 31 December 2017: €11.6 million) and €4.3 million (2018 tranche based on 176,360 phantom shares). The amount of €3.8 million that is expected to be paid out for the 2016 tranche (2017: €11.4 million for the 2015 tranche) is calculated on the basis of a preliminary total target achievement rate. In March 2018, a payment from the 2015 tranche was made on the basis of the achievement of the long-term targets that were defined in 2015 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration was €7.7 million as at 31 December 2018 (31 December 2017: €23.0 million). Of this amount, €3.8 million related to the 2016 tranche (31 December 2017: €7.8 million), €2.4 million to the 2017 tranche (31 December 2017: €3.9 million) and €1.4 million to the 2018 tranche. In 2017, there had also been an amount of €11.4 million relating to the 2015 tranche. In 2018, income of €4.0 million in respect of the 2016 tranche (2017: expense of €5.2 million), income of €1.4 million for the 2017 tranche (2017: expense of €3.9 million) and a pro-rata expense for twelve months of €1.4 million for the 2018 tranche were recognised under functional costs. Furthermore, an expense of €4.3 million for the 2015 tranche had been recognised under functional costs in 2017.

KION performance share plan (PSP) for the Executive Board

The members of the Executive Board have been promised a multiple-year variable remuneration component in the form of a performance share plan with a three-year term in each case. The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the performance of the MDAX index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2018 tranche ends on 31 December 2020 (2017 tranche: 31 December 2019). The 2016 tranche expired on 31 December 2018 and will be paid out in the first quarter of 2019. At the beginning of the performance period on 1 January 2018 (2017 tranche: 1 January 2017; 2016 tranche: 1 January 2016), the Executive Board members were allocated a total of 72,170 phantom shares for this tranche (2017 tranche: 82,265 phantom shares; 2016 tranche: 104,438 phantom shares) on the basis of the starting price of KION shares (60-day average). The shares were allocated on the basis of an allocation value in euros specified in each Executive Board member's service contract.

At the end of the performance period, the number of the phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary personal performance multiplier to adjust the final payment at the end of the performance period by +/−30.0 per cent. The maximum amount payable is limited to 200.0 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 130 were used to value the phantom shares on the reporting date.

Taking account of the remaining term of two years (2018 tranche) and one year (2017 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at 31 December 2018, the fair value of one phantom share was €23.76 for the 2017 tranche (31 December 2017: €65.60) and €24.25 for the 2018 tranche. On that date, the total fair value based on 63,695 phantom shares was €1.5 million (2017 tranche; 31 December 2017: €4.2 million) and €1.8 million (2018 tranche based on 72,170 phantom shares). The amount of €2.1 million that is expected to be paid out for the 2016 tranche (2017: €9.5 million for the 2015 tranche) is calculated on the basis of a preliminary total target achievement rate. In March 2018, a payment from the 2015 tranche was made on the basis of the achievement of the long-term targets that were defined in 2015 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration was €3.8 million as at 31 December 2018 (31 December 2017: €15.1 million). Of this amount, €2.1 million related to the 2016 tranche (31 December 2017: €4.0 million), €1.1 million to the 2017 tranche (31 December 2017: €1.6 million) and €0.5 million to the 2018 tranche. In 2017, there had also been an amount of €9.5 million relating to the 2015 tranche. In 2018, income of €1.9 million in respect of the 2016 tranche (2017: expense of €2.3 million), income of €0.4 million for the 2017 tranche (2017: expense of €1.6 million) and a pro-rata expense for twelve months of €0.5 million for the 2018 tranche were recognised under functional costs. Furthermore, an expense of €3.6 million for the 2015 tranche had been recognised under functional costs in 2017.

[46] REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Responsibilities

Gordon Riske, Chief Executive Officer (CEO), is responsible for the LMH EMEA, STILL EMEA and KION Americas Operating Units in the Industrial Trucks & Services segment. He also remains in charge of the following group functions: corporate office, corporate communications, corporate strategy, internal audit, corporate compliance and KION Invest.

Dr Eike Böhm, in his role as Chief Technology Officer (CTO), has groupwide responsibility for research and development in both the Industrial Trucks & Services and the Supply Chain Solutions segments, including modules & components, and for procurement, quality, the production system and the KION Product Development Optimisation (KPDO) initiative.

Anke Groth, in her role as Chief Financial Officer (CFO), is in charge of corporate accounting & tax, corporate controlling, corporate finance/M&A, investor relations, financial services, legal affairs and logistics/Urban. As Labour Relations Director, she is further responsible for corporate HR and health, safety & environment.

Ching Pong Quek, Chief Asia Pacific Officer, heads up the KION APAC Operating Unit and thus the entire Asia business within the Industrial Trucks & Services segment.

Susanna Schneeberger, in the newly created role of Chief Digital Officer (CDO), is responsible for the Dematic Operating Unit in the Supply Chain Solutions segment and for the groupwide areas of software development, KION Group IT, data protection, mobile automation and the Digital Campus.

Remuneration

The remuneration paid to the Executive Board comprises a fixed salary and non-cash benefits, pension entitlements and performance-related components. The variable performance-related components comprise an annually recurring component linked to business performance and a multi-year performance-related component in the form of the KION performance share plan for all members of the Executive Board. The pension entitlements consist of retirement, invalidity and surviving dependants' benefits.

An expense of €5.7 million was recognised for the total remuneration for members of the Executive Board in 2018 (2017: €13.6 million). This consisted of short-term remuneration amounting to €6.5 million (2017: €5.0 million), post-employment benefits totalling €1.0 million (2017: €1.1 million) and share-based payments of minus €1.8 million (2017: €7.5 million). The short-term remuneration comprised non-performance-related components amounting to €4.5 million (2017: €3.1 million) and performance-related components amounting to €2.1 million (2017: €1.9 million). The current service cost resulting from pension provisions for the Executive Board is reported under post-employment benefits. The long-term incentive components take the form of a performance share plan (see also note [45]).

Under section 314 HGB, disclosure of the expense for share-based payments is not required. Rather, the payments must be included in the Executive Board members' remuneration for the year in which they are paid on the basis of the fair value at the individual grant dates. The fair value of the share-based payments at their individual grant dates, including tax equalisation, amounted to €5.5 million (2017: €3.9 million). Furthermore, disclosure of post-employment benefits (expense of €1.0 million; 2017: expense of €1.1 million) is not required. On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 HGB came to €12.0 million (2017: €8.9 million).

As in the previous year, no loans or advances were made to members of the Executive Board in 2018. The present value of the defined benefit obligation in respect of Executive Board members as at 31 December 2018 was €8.3 million (31 December 2017: €8.3 million).

The total remuneration paid to former members of the Executive Board in 2018 amounted to €0.3 million (2017: €0.3 million). Defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €10.5 million (31 December 2017: €9.8 million) were recognised in accordance with IAS 19.

Further details of Executive Board remuneration, including the individual amounts for each member, can be found in the remuneration report within the combined management report (see pages 113 to 131).

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their tasks at the parent company and subsidiaries in 2018 amounted to €1.5 million (2017: €1.4 million). There were no loans or advances to members of the Supervisory Board in 2018. Furthermore, the members of the Supervisory Board did not receive any remuneration or benefits for services provided as individuals, such as consulting or brokerage activities.

Members of the Supervisory Board also received short-term employee benefits of €0.7 million for employee services (2017: €0.8 million).

Further details of Supervisory Board remuneration, including the individual amounts for each member, can be found in the remuneration report within the combined management report (see pages 132 to 133).

[47] MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Gordon Riske
Chief Executive Officer (CEO)

Chairman of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China
Non-Executive Director of Weichai Power Co., Ltd., Weifang, People's Republic of China
Member of the Executive Board of the non-profit Hertie Foundation, Frankfurt am Main

Dr Eike Böhm
Member of the Executive Board / CTO

Member of the Advisory Board of JULI Motorenwerke s.r.o., Moravany, Czech Republic (since 29 August 2018)
Member of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China (since 8 November 2018)
Member of the Supervisory Board of e.GO Mobile AG, Aachen

Anke Groth
Member of the Executive Board / CFO (since 1 June 2018)

Ching Pong Quek
Member of the Executive Board / Chief Asia Pacific Officer

Member of the Board of KION South Asia Pte Ltd., Singapore, Singapore
President and CEO of KION Asia Ltd., Hong Kong, People's Republic of China
Chairman of KION Baoli Forklift Co., Ltd., Jiangsu, People's Republic of China
Member of the Board of Directors of KION India Pvte. Ltd., Pune, India
Member of the Board of Directors of Linde Material Handling Asia Pacific Pte., Ltd., Singapore, Singapore
Chairman of the Board of Directors of Linde Material Handling Hong Kong Ltd., Hong Kong, People's Republic of China
Member of the Advisory Board of Fujian JULI Motor Co., Ltd., Putian, People's Republic of China
Chairman of the APAC Advisory Board of Euro Asia Consulting Co., Ltd. Shanghai, People's Republic of China (since 1 November 2018)

Susanna Schneeberger
Member of the Executive Board / CDO (since 1 October 2018)

Member of the Supervisory Board of Concentric AB, Linköping, Sweden
Member of the Supervisory Board of Hempel A/S, Kongens Lyngby, Denmark

Dr Thomas Toepfer
Member of the Executive Board / CFO (until 31 March 2018)

Chairman of the Supervisory Board of STILL GmbH, Hamburg (until 31 March 2018)
Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (until 31 March 2018)
Chairman of the Board of Directors of KION North America Corp., Summerville, USA (until 8 March 2018)

Supervisory Board

Dr John Feldmann
Chairman of the Supervisory Board

Former member of the Board of Executive Directors of BASF SE, Ludwigshafen
Member of the Supervisory Board of HORNBACH Baumarkt AG, Bornheim
Chairman of the Supervisory Board of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse (since 6 July 2018)
Member of the Supervisory Board of HORNBACH Management AG, Annweiler am Trifels

Özcan Pancarci[1]
Deputy Chairman of the Supervisory Board

Chairman of the Plants I and II Works Council, Linde Material Handling GmbH, Aschaffenburg
Chairman of the Group Works Council of the KION Group
Deputy Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg

Birgit A. Behrendt
Vice President of Joint Ventures, Alliances and Commercial Affairs at Ford of Europe GmbH, Cologne
Member of the Executive Board of Ford of Europe GmbH, Cologne
Member of the Supervisory Board of Ford Werke GmbH, Cologne
Member of the Supervisory Board of Ford Deutschland Holding GmbH, Cologne
Member of the Board of Directors of Ford Sollers Holding LLC, Chelny, Russia
Member of the Audit Committee of Ford Sollers Holding LLC, Chelny, Russia
Member of the Board of Directors of Ford Otosan (Ford Otomotiv Sanayi A.S.), Istanbul, Turkey (since 19 March 2018)
Member of the Advisory Board of Getrag Ford Transmission GmbH, Cologne (since 1 January 2018)

Stefan Casper[1]
Chairman of the Works Council of KION Warehouse Systems GmbH, Reutlingen

Dr Alexander Dibelius
Managing Partner at CVC Capital Partners (Deutschland) GmbH, Frankfurt am Main
Deputy Chairman of the Board of Directors of Breitling S.A., Grenchen, Switzerland
Member of the Board of Directors of CVC Capital Partners (Luxembourg) SARL, Luxembourg
Chairman of the Supervisory Board of Diebold Nixdorf AG, Paderborn
Chairman of the Supervisory Board of Diebold Nixdorf International GmbH, Paderborn
Member of the Board of Directors of Diebold Nixdorf Inc., Ohio, USA
Member of the Supervisory Board of Douglas GmbH, Düsseldorf
Member of the Supervisory Board of Douglas Holding AG, Düsseldorf
Member of the Supervisory Board of Kirk Beauty Investments SA, Luxembourg
Member of the Shareholders' Committee of Tipico Group Ltd., Malta

Martin Fahrendorf[1] **(since 10 May 2018)**
Chairman of the Works Council of Dematic GmbH and Dematic Services GmbH, Heusenstamm

Denis Heljic[1] **(until 9 May 2018)**
Head of Service at the Dortmund/Krefeld main branch of STILL GmbH, Hamburg

Jiang Kui
President of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
Member of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy
Member of the Board of Directors of Ferretti S.p.A., Milan, Italy
Member of the Executive Board of Hydraulics Drive Technology Beteiligungs GmbH, Aschaffenburg
Member of the Supervisory Board of Linde Hydraulics Verwaltungs GmbH, Aschaffenburg
Member of the Board of Directors of PSI, Delaware, USA
Member of the Board of Directors of Shandong Heavy Industry India Private Ltd., Pune, India
Member of the Board of Directors of Shantui Construction Machinery Co. Ltd. Jining, People's Republic of China
Member of the Board of Directors of Sinotruk (BVI) Limited, British Virgin Islands (since 23 November 2018)
Member of the Board of Directors of Sinotruk (Hong Kong) Limited, Hong Kong, People's Republic of China (since 23 November 2018)
Member of the Board of Directors of Sinotruck Jinan Power Co. Ltd, Jinan, People's Republic of China (since 23 November 2018)
Member of the Board of Directors of Ballard Power Systems Inc., Burnaby, Canada (since 23 November 2018)

Chairman of the Board of Directors of Weichai Ballard Hy-Energy Technologies Co. Ltd., Weifang, People's Republic of China (since 26 November 2018)
Member of the Board of Directors of Weichai Power Co., Ltd., Weifang, People's Republic of China

Olaf Kunz[1]
Head of Collective Bargaining at IG Metall District Office for the Coast, Hamburg
Member of the Supervisory Board of STILL GmbH, Hamburg

Dr Michael Macht (since 9 October 2018)
Shareholder and member of the Supervisory Board of Endurance Capital Aktiengesellschaft, Munich
Member of the Supervisory Board of Ferretti S.p.A., Milan, Italy
Member of the Supervisory Board of Linde & Wiemann SE&Co. KG, Dillenburg
Chairman of the Advisory Board of Schweizer Group GmbH & Co. KG, Hattenhofen
Member of the Supervisory Board of Weichai Power Co. Ltd., Weifang, People's Republic of China

Jörg Milla[1]
Chairman of the Works Council of STILL GmbH, Hamburg
Deputy Chairman of the Supervisory Board of STILL GmbH, Hamburg

Dr Christina Reuter
Head of Central Manufacturing Engineering & Operational Excellence for Space Equipment Operations at Airbus Defence and Space GmbH, Taufkirchen

Hans Peter Ring
Management Consultant, Munich
Member of the Supervisory Board of Airbus Defence and Space GmbH, Taufkirchen
Member of the Supervisory Board of Fokker Technologies Holding B.V., Papendrecht, Netherlands

Alexandra Schädler[1]
Trade Union Secretary on the National Executive of IG Metall, Frankfurt am Main
Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg
Member of the Supervisory Board of Opel Automobile GmbH, Rüsselsheim (since 1 June 2018)

Dr Frank Schepp[2]
Vice President of Quality at KION GROUP AG, Frankfurt am Main (based in Aschaffenburg)

Tan Xuguang (until 30 September 2018)
Chairman of the Board of Directors and President of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
Chairman of the Board of Directors of China National Heavy Duty Truck Group Co., Ltd., Jinan, People's Republic of China (since 1 September 2018)
Chairman of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy
Chairman of the Board of Directors of Ferretti S.p.A., Milan, Italy
Chairman of the Board of Directors of Weichai Holding Group Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors and Chief Executive Officer of Weichai Power Co., Ltd., Weifang, People's Republic of China

Claudia Wenzel[1]
Full-time works council member, HQ and plant 2 at Linde Material Handling GmbH, Aschaffenburg

Xu Ping
Partner and Member of the Management Committee at King & Wood Mallesons, Beijing, People's Republic of China
Member of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy

1 Employee representatives
2 Executive representatives

[48] LIST OF THE SHAREHOLDINGS OF KION GROUP AG, FRANKFURT AM MAIN

The shareholdings of the KION Group as at 31 December 2018 are listed below. > TABLE 131

List of shareholdings as at 31 December 2018 TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
1	KION GROUP AG	Frankfurt am Main	Germany				
Consolidated subsidiaries							
Domestic							
2	BlackForxx GmbH	Stuhr	Germany	23	100.00%	100.00%	
3	Dematic GmbH	Heusenstamm	Germany	56	100.00%	100.00%	
4	Dematic Holdings GmbH	Frankfurt am Main	Germany	1	100.00%	100.00%	[1]
5	Dematic Logistics GmbH	Bielefeld	Germany	56	100.00%	100.00%	
6	Dematic Services GmbH	Heusenstamm	Germany	3	100.00%	100.00%	
7	DH Services GmbH	Frankfurt am Main	Germany	53	100.00%	100.00%	[2]
8	Eisengießerei Dinklage GmbH	Dinklage	Germany	23	100.00%	100.00%	
9	Eisenwerk Weilbach GmbH	Frankfurt am Main	Germany	15	100.00%	100.00%	
10	Fahrzeugbau GmbH Geisa	Geisa	Germany	23	100.00%	100.00%	
11	KION Financial Services GmbH	Frankfurt am Main	Germany	15	100.00%	100.00%	
12	KION Information Management Services GmbH	Frankfurt am Main	Germany	1	100.00%	100.00%	
13	KION Warehouse Systems GmbH	Reutlingen	Germany	23	100.00%	100.00%	
14	Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan	Germany	15	100.00%	100.00%	
15	Linde Material Handling GmbH	Aschaffenburg	Germany	1	100.00%	100.00%	
16	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	15 & 17	99.64%	99.64%	
17	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	15	94.00%	94.00%	
18	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	15	100.00%	100.00%	
19	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	15	100.00%	100.00%	
20	LR Intralogistik GmbH	Wörth a. d. Isar	Germany	23	100.00%	100.00%	
21	Schrader Industriefahrzeuge GmbH & Co. KG	Essen	Germany	15	100.00%	100.00%	
22	STILL Financial Services GmbH	Hamburg	Germany	11	100.00%	100.00%	
23	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	15	100.00%	100.00%	

List of shareholdings as at 31 December 2018 (continued)

TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
24	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	15	100.00%	100.00%	
25	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	27	74.00%	74.00%	
26	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	27	74.00%	74.00%	
27	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	15	74.00%	74.00%	
Foreign							
28	Dematic Holdings Pty. Ltd.	Belrose	Australia	56	100.00%	100.00%	
29	Dematic Pty. Ltd.	Belrose	Australia	28	100.00%	100.00%	
30	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	15	100.00%	100.00%	
31	Dematic NV	Zwijndrecht	Belgium	56 & 3	100.00%	100.00%	
32	STILL NV	Wijnegem	Belgium	23 & 87	100.00%	100.00%	
33	Dematic Sistemas e Equipamentos de Movimentação de Materiais Ltda.	Indaiatuba / São Paulo	Brazil	81 & 3	100.00%	100.00%	
34	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba / São Paulo	Brazil	23	100.00%	100.00%	
35	Dematic Logistics de Chile Ltda.	Santiago de Chile	Chile	54 & 111	100.00%	100.00%	
36	STILL DANMARK A/S	Kolding	Denmark	23	100.00%	100.00%	
37	BARTHELEMY MANUTENTION SAS	Vitrolles	France	43	80.00%	82.00%	
38	Bastide Manutention SAS	Bruguières	France	43	100.00%	100.00%	
39	Bretagne Manutention SAS	Pacé	France	43	100.00%	100.00%	
40	Dematic SAS	Bussy-Saint-Georges	France	56	100.00%	100.00%	
41	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	44	100.00%	100.00%	
42	FENWICK-LINDE OPERATIONS SAS	Cenon-sur-Vienne	France	43	100.00%	100.00%	
43	FENWICK-LINDE SAS	Elancourt	France	44	100.00%	100.00%	
44	KION France SERVICES SAS	Elancourt	France	15	100.00%	100.00%	
45	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	43	71.18%	74.04%	
46	Manuchar SAS	Gond-Pontouvre	France	43	100.00%	100.00%	
47	MANUSOM SAS	Rivery	France	51	100.00%	100.00%	
48	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	51	100.00%	100.00%	
49	SM Rental SAS	Roissy-Charles-de-Gaulle	France	43	100.00%	100.00%	
50	STILL Location Services SAS	Marne-la-Vallée	France	44	100.00%	100.00%	
51	STILL SAS	Marne-la-Vallée	France	44	100.00%	100.00%	
52	URBAN LOGISTIQUE SAS	Elancourt	France	24	100.00%	100.00%	

List of shareholdings as at 31 December 2018 (continued)

TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
53	Dematic (Services) Ltd.	Banbury	UK	4	100.00%	100.00%	
54	Dematic Ltd.	Banbury	UK	56	100.00%	100.00%	
55	Dematic Group Ltd.	Banbury	UK	7	100.00%	100.00%	
56	Dematic Holdings UK Ltd.	Banbury	UK	81	100.00%	100.00%	
57	KION FINANCIAL SERVICES Ltd.	Basingstoke	UK	70	100.00%	100.00%	
58	Linde Castle Ltd.	Basingstoke	UK	62	100.00%	100.00%	
59	Linde Creighton Ltd.	Basingstoke	UK	62	100.00%	100.00%	
60	Linde Holdings Ltd.	Basingstoke	UK	70	100.00%	100.00%	
61	Linde Jewsbury's Ltd.	Basingstoke	UK	62	100.00%	100.00%	
62	Linde Material Handling (UK) Ltd.	Basingstoke	UK	60	100.00%	100.00%	
63	Linde Material Handling East Ltd.	Basingstoke	UK	62	100.00%	100.00%	
64	Linde Material Handling Scotland Ltd.	Basingstoke	UK	62	100.00%	100.00%	
65	Linde Material Handling South East Ltd.	Basingstoke	UK	62	100.00%	100.00%	
66	Linde Severnside Ltd.	Basingstoke	UK	62	100.00%	100.00%	
67	Linde Sterling Ltd.	Basingstoke	UK	62	100.00%	100.00%	
68	Mirror Bidco Ltd.	Banbury	UK	7	100.00%	100.00%	
69	STILL Materials Handling Ltd.	Exeter	UK	70	100.00%	100.00%	
70	Superlift UK Ltd.	Basingstoke	UK	15	100.00%	100.00%	
71	KION India Pvt. Ltd.	Pune	India	107	100.00%	100.00%	
72	Linde Material Handling (Ireland) Ltd.	Walkinstown	Ireland	60	100.00%	100.00%	
73	Baoli EMEA S.p.A.	Lainate	Italy	23	100.00%	100.00%	
74	Dematic S.r.l.	Cernusco sul Naviglio	Italy	56	100.00%	100.00%	
75	Emhilia Material Handling S.p.A.	Modena	Italy	77	100.00%	100.00%	
76	KION Rental Services S.p.A.	Milan	Italy	73 & 77 & 78	100.00%	100.00%	
77	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	15	100.00%	100.00%	
78	STILL S.p.A. (until 2018: OM Carrelli Elevatori S.p.A.)	Lainate	Italy	15 & 73	100.00%	100.00%	
79	Dematic Ltd.	Mississauga	Canada	81	100.00%	100.00%	
80	K-LIFT S.A.	Luxembourg	Luxembourg	–	–	–	[3], [4]
81	Dematic Group S.à r.l.	Senningerberg	Luxembourg	7	100.00%	100.00%	
82	Dematic (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	105	100.00%	100.00%	
83	Dematic Logistics de Mexico S. de R.L. de C.V.	Monterrey	Mexico	54 & 111	100.00%	100.00%	
84	DMTC Technology Services, S. de. R.L. de C.V.	Monterrey	Mexico	54 & 111	100.00%	100.00%	
85	Dematic Trading de Mexico S. de. R.L. de C.V.	Monterrey	Mexico	54 & 111	100.00%	100.00%	

List of shareholdings as at 31 December 2018 (continued) TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
86	Dematic B.V.	s'Hertogenbosch	Netherlands	6	100.00%	100.00%	
87	STILL Intern Transport B.V.	Hendrik-Ido-Ambacht	Netherlands	23	100.00%	100.00%	
88	STILL Norge AS	Heimdal	Norway	23	100.00%	100.00%	
89	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	78	100.00%	100.00%	
90	Linde Material Handling Austria GmbH	Linz	Austria	15 & 89	100.00%	100.00%	
91	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	23	100.00%	100.00%	
92	Dematic Poland Sp. z o.o.	Poznań	Poland	3	100.00%	100.00%	
93	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	15	100.00%	100.00%	
94	STILL POLSKA Sp. z o.o.	Gadki	Poland	23	100.00%	100.00%	
95	STILL MATERIAL HANDLING ROMANIA SRL	Giurgiu	Romania	15 & 23	100.00%	100.00%	
96	OOO “Linde Material Handling Rus”	Moscow	Russia	15 & 9	100.00%	100.00%	
97	OOO “STILL Forklifttrucks”	Moscow	Russia	15 & 23	100.00%	100.00%	
98	Linde Material Handling AB	Örebro	Sweden	15	100.00%	100.00%	
99	Linde Material Handling Financial Services AB	Örebro	Sweden	98	100.00%	100.00%	
100	Nordtruck AB	Örnsköldsvik	Sweden	98	100.00%	100.00%	
101	STILL Sverige AB	Malmö	Sweden	23	100.00%	100.00%	
102	Dematic Suisse Sagl	Lugano	Switzerland	56	100.00%	100.00%	
103	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	15	100.00%	100.00%	
104	STILL AG	Otelfingen	Switzerland	23	100.00%	100.00%	
105	Dematic S.E.A. Pte. Ltd.	Singapore	Singapore	56	100.00%	100.00%	
106	KION South Asia Pte. Ltd.	Singapore	Singapore	15	100.00%	100.00%	
107	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	15	100.00%	100.00%	
108	Linde Material Handling Slovenská republika s.r.o.	Trenčin	Slovakia	15 & 118	100.00%	100.00%	
109	STILL SR, spol. s.r.o.	Nitra	Slovakia	23 & 121	100.00%	100.00%	
110	Linde Viličar d.o.o.	Celje	Slovenia	15	100.00%	100.00%	
111	Dematic Logistic Systems S.A.U.	Coslada	Spain	56	100.00%	100.00%	
112	Islavista Spain S.A.U.	L'Hospitalet de Llobregat	Spain	15	100.00%	100.00%	
113	KION Rental Services S.A.U.	Barcelona	Spain	112	100.00%	100.00%	
114	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	112	100.00%	100.00%	
115	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	112	100.00%	100.00%	
116	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	15	100.00%	100.00%	

List of shareholdings as at 31 December 2018 (continued) TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
117	KION Supply Chain Solutions Czech, s.r.o.	Český Krumlov	Czech Republic	55	100.00%	100.00%	
118	Linde Material Handling Česká republika s.r.o.	Prague	Czech Republic	15 & 23	100.00%	100.00%	
119	Linde Material Handling Parts Distribution CZ s.r.o.	Český Krumlov	Czech Republic	15	100.00%	100.00%	
120	Linde Pohony s.r.o.	Český Krumlov	Czech Republic	15	100.00%	100.00%	
121	STILL ČR spol. s.r.o.	Prague	Czech Republic	15 & 23	100.00%	100.00%	
122	STILL Regional Service Center, s.r.o.	Prague	Czech Republic	23	100.00%	100.00%	
123	STILL ARSER Iş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	23	51.00%	51.00%	
124	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	15	100.00%	100.00%	
125	STILL Kft.	Környe	Hungary	23	100.00%	100.00%	
126	Dematic Corp.	Grand Rapids	United States	68	100.00%	100.00%	
127	KION North America Corp.	Summerville	United States	15	100.00%	100.00%	
128	Dematic International Trading Ltd.	Shanghai	People's Republic of China	81	100.00%	100.00%	
129	Dematic Logistics Systems Ltd.	Suzhou	People's Republic of China	81	100.00%	100.00%	
130	Egemin Asia Pacific Automation Ltd.	Causeway Bay – Hong Kong	People's Republic of China	31	100.00%	100.00%	
131	Egemin (Shanghai) Trading Company Ltd.	Shanghai	People's Republic of China	130	100.00%	100.00%	
132	KION ASIA (HONG KONG) Ltd.	Kwai Chung – Hong Kong	People's Republic of China	15	100.00%	100.00%	
133	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jiangjiang	People's Republic of China	132	100.00%	100.00%	
134	Linde Material Handling Hong Kong Ltd.	Kwai Chung – Hong Kong	People's Republic of China	15	100.00%	100.00%	
135	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	People's Republic of China	15	100.00%	100.00%	

List of shareholdings as at 31 December 2018 (continued)

TABLE 131

No.	Name	Registered office	Country	Parent company	Shareholding 2018	Shareholding 2017	Note
Non-consolidated subsidiaries							
Domestic							
136	Comnovo GmbH	Dortmund	Germany	15	100.00%	100.00%	
137	KION IoT Systems GmbH	Frankfurt am Main	Germany	1	100.00%	100.00%	
138	Klaus Pahlke Betriebsführungs-GmbH	Haan	Germany	15	100.00%	100.00%	
139	Linde Material Handling Rental Services GmbH	Aschaffenburg	Germany	15	100.00%	100.00%	
140	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	78	100.00%	100.00%	[R]
141	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.00%	100.00%	
142	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	15	100.00%	100.00%	
143	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	27	74.00%	74.00%	
144	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	27	74.00%	74.00%	
145	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	27	74.00%	74.00%	
Foreign							
146	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	62 & 15	100.00%	100.00%	[R]
147	NDC Automation Pty. Ltd.	Belrose	Australia	29	100.00%	100.00%	[R]
148	NDC Manage Pty. Ltd.	Belrose	Australia	29	100.00%	100.00%	[R]
149	Baoli France SAS	Elancourt	France	44	100.00%	100.00%	
150	SCI Champ Lagarde	Elancourt	France	43	100.00%	100.00%	
151	Castle Lift Trucks Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
152	Creighton Materials Handling Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
153	D.B.S. Brand Factors Ltd.	Basingstoke	UK	67	100.00%	100.00%	[R]
154	Fork Truck Rentals Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
155	Fork Truck Training Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
156	FSU Investments Ltd.	Banbury	UK	81	100.00%	100.00%	
157	Lancashire (Fork Truck) Services Ltd.	Basingstoke	UK	67	100.00%	100.00%	[R]
158	Linde Heavy Truck Division Ltd.	Basingstoke	UK	62	100.00%	100.00%	
159	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	UK	59	100.00%	100.00%	
160	Regentruck Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
161	SDI Group Ltd.	Banbury	UK	156 & 81	100.00%	100.00%	
162	SDI Group UK Ltd.	Banbury	UK	161	100.00%	100.00%	

List of shareholdings as at 31 December 2018 (continued)

TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
163	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	UK	67	100.00%	100.00%	[R]
164	Sterling Mechanical Handling Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
165	Trifik Services Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
166	Urban Logistics (UK) Ltd.	Basingstoke	UK	24	100.00%	100.00%	
167	Handling & Storage Equipment (Ireland) Ltd.	Walkinstown	Ireland	72	100.00%	100.00%	[R]
168	Parmacarr Service Srl.	Torrile	Italy	78	100.00%	–	[3]
169	QUALIFT S.p.A.	Verona	Italy	77	100.00%	100.00%	
170	URBAN LOGISTICA S.R.L.	Lainate	Italy	24	100.00%	100.00%	
171	WHO Real Estate UAB	Vilnius	Lithuania	27	74.00%	74.00%	
172	Linde Material Handling (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	107	100.00%	100.00%	
173	Linde Viljuškari d.o.o.	Vrčin	Serbia	90	100.00%	100.00%	
174	IBER-MICAR S.L.U.	Gavà	Spain	15	100.00%	100.00%	
175	Dematic Thailand Co. Ltd.	Bangkok	Thailand	105 & 198	73.89%	73.89%	
176	Linde Material Handling (Thailand) Co., Ltd.	Pathum Thani	Thailand	107	100.00%	100.00%	
177	Baoli Material Handling Europe s.r.o.	Prague	Czech Republic	133	100.00%	100.00%	
178	Použitý Vozík CZ, s.r.o.	Prague	Czech Republic	118	100.00%	100.00%	
179	Urban Transporte spol. s.r.o.	Moravany	Czech Republic	24	100.00%	100.00%	
180	TOV “Linde Material Handling Ukraine”	Kiev	Ukraine	15 & 9	100.00%	100.00%	

Associates (equity-accounted investments)

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
	Domestic						
181	Carl Beutlhauser Kommunal- und Fördertechnik GmbH & Co. KG	Hagelstadt	Germany	15	25.00%	25.00%	
182	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	15	21.00%	21.00%	
183	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	15	10.00%	10.00%	
184	Pelzer Fördertechnik GmbH	Kerpen	Germany	15	24.96%	24.96%	
	Foreign						
185	Linde High Lift Chile S.A.	Santiago de Chile	Chile	15	45.00%	45.00%	
186	Labrosse Equipement SAS	Saint-Péray	France	43	34.00%	34.00%	
187	Normandie Manutention SAS	Saint-Etienne-du-Rouvray	France	43	34.00%	34.00%	

List of shareholdings as at 31 December 2018 (continued)

TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
Joint Ventures (equity-accounted investments)							
Domestic							
188	Linde Leasing GmbH	Wiesbaden	Germany	15	45.00%	45.00%	
Foreign							
189	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	15 & 23	50.00%	50.00%	
Associates (at cost)							
Domestic							
190	JETSCHKE GmbH	Hamburg	Germany	15	21.00%	21.00%	
191	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	15	10.00%	10.00%	
192	MV Fördertechnik GmbH	Blankenhain	Germany	15	25.00%	25.00%	
193	Supralift Beteiligungs- und Kommunikationsgesellschaft mbH	Hofheim am Taunus	Germany	15	50.00%	50.00%	
194	Supralift GmbH & Co. KG	Hofheim am Taunus	Germany	15	50.00%	50.00%	
Foreign							
195	Chadwick Materials Handling Ltd.	Corsham	UK	62	48.00%	48.00%	
196	Bari Servizi Industriali S.c.a.r.l.	Modugno	Italy	78	25.00%	25.00%	
197	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	114	38.54%	38.54%	
198	Dematic Holding (Thailand) Co., Ltd.	Bangkok	Thailand	105	48.90%	48.90%	
199	Motorové závody JULI CZ s.r.o.	Moravany	Czech Republic	15	50.00%	50.00%	
200	DEMATIC ELECTROMECHANICAL SYSTEMS MIDDLE EAST L.L.C.	Dubai	United Arab Emirates	3	49.00%	49.00%	

List of shareholdings as at 31 December 2018 (continued) TABLE 131

No.	Name	Registered office	Country	Parent company	Share-holding 2018	Share-holding 2017	Note
Financial investments							
Foreign							
201	Balyo SA	Ivry-sur-Seine	France	15	6.48%	6.48%	[5]
202	TPZ Linde Viličari Hrvatska d.o.o.	Zagreb	Croatia	15	20.00%	20.00%	[5]

[1] Formerly 'DH Services Luxembourg Holding S.à r.l', change of registered office from Luxembourg to Germany
[2] Formerly 'DH Services Luxembourg S.à r.l', change of registered office from Luxembourg to Germany
[3] Addition during 2018
[4] Consolidated in accordance with IFRS 10 as structured entity
[5] No material influence
[R] Dormant company

[49] AUDITORS' FEES

The fees recognised as an expense and paid to the auditors of the consolidated financial statements in 2018 amounted to €2.3 million (2017: €2.1 million) for the audit of the financial statements, €0.1 million (2017: €0.1 million) for other attestation services, €0.0 million (2017: €0.0 million) for tax consultancy services and €0.0 million (2017: €0.1 million) for other services.

[50] COMPLY-OR-EXPLAIN STATEMENT REGARDING THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)

In December 2018, the Executive Board and Supervisory Board of KION GROUP AG submitted their comply-or-explain statement for 2018 relating to the recommendations of the German Corporate Governance Code government commission pursuant to section 161 AktG. The comply-or-explain statement has been made permanently available to shareholders on the website of KION GROUP AG at kiongroup.com/comply_statement.

[51] EVENTS AFTER THE REPORTING DATE

On 5 February 2019, Dr Feldmann informed KION GROUP AG that he will be stepping down as chairman of the Supervisory Board and as a member of the Supervisory Board at the end of the upcoming Annual General Meeting.

[52] INFORMATION ON PREPARATION AND APPROVAL

The Executive Board of KION GROUP AG prepared the consolidated financial statements on 20 February 2019 and approved them for forwarding to the Supervisory Board. The Supervisory Board has the task of examining and deciding whether to approve the consolidated financial statements.

Frankfurt am Main, 20 February 2019

The Executive Board

Gordon Riske

Dr Eike Böhm

Anke Groth

Ching Pong Quek

Susanna Schneeberger

Independent auditors' report

To KION GROUP AG, Frankfurt am Main / Germany

Report on the audit of the consolidated financial statements and the combined management report

Audit opinions

We have audited the consolidated financial statements of KION GROUP AG, Frankfurt am Main/Germany, and its subsidiaries (the Group) – which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2018 and the notes to the consolidated financial statements including a summary of significant accounting methods. In addition, we have audited the combined management report on the Parent and the Group of KION GROUP AG, Frankfurt am Main/Germany, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sections 289f (4) and 315d German Commercial Code (HGB) included in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the statement on corporate governance pursuant to Sections 289f (4) and 315d German Commercial Code (HGB) included in the combined management report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the Regulation (EU) No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under these requirements and principles are further described in the section "Auditor's responsibilities for the audit of the consolidated financial statements and the combined management report" of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, pursuant to Article 10 (2f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of the goodwill and brand names with indefinite useful life as recognised in the consolidated statement of financial position
2. Recognition of leases as regards sales
3. Realisation of revenue regarding the project business in the Supply Chain Solutions segment

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor's response

1. Recoverability of the goodwill and brand names with indefinite useful life as recognised in the consolidated statement of financial position

a. As at 31 December 2018, the carrying amount of the goodwill and brand names with indefinite useful life in the consolidated financial statements is mEUR 3,424.8 (26.4 per cent of the Group's total assets) and mEUR 943.4 (7.3 per cent of the Group's total assets), respectively. The goodwill and brand names with indefinite useful lives are tested by the legal representatives for impairment each year. This impairment test is conducted regardless of whether there are external or internal indicators for an impairment. The impairment test is conducted at the level of the operating entities, which represent the cash-generating units, by determining the corresponding realisable amount and comparing that realisable amount with the corresponding carrying value. The realisable amount is determined using the discounted cash flow method on the basis of KION GROUP AG's budget consisting of the operative three-years plan (2019 budget and 2020 to 2021 medium-term budget) as well as of a projection concerning two further years, which is adjusted using assumptions about long-term growth rates. The result of this measurement highly depends on the legal representatives' estimation of the anticipated cash flows of the corresponding operating entity as well as the discount rate used (weighted average cost of capital – WACC) and, therefore, is subject to great uncertainty. Therefore and due to the underlying complexity of the valuation models applied, this matter was of particular significance in the scope of our audit.

   For information provided by the Parent on the goodwill and brand names with indefinite useful life, please refer to notes [6] and [16] to the consolidated financial statements.

b. During our audit, we, among other things, obtained an understanding of the method applied in the impairment test, the budget process of KION as well as the definition of the cash-generating units and assessed the determination of the WACC. In this context, we considered the Group's adherence to the budget process over the past years.

   Regarding the impairment test, we examined the appropriateness of the expected future cash flows mainly by comparing the information with the operative budget (2019) approved by the supervisory board and with the medium-term budget (2020 to 2021) approved by the legal representatives and by examining the key measurement assumptions and parameters for plausibility based on expectations about macroeconomic and industry-specific trends. As a significant portion of the value in use has been determined based on projected cash flows for the period following the five-year budget (period of perpetuity), we also examined in particular the sustained growth rate applied for the period of perpetuity based on industry-specific market expectations. With respect to the evaluation of the discount rate, we consulted internal valuation specialists, who convinced themselves of the appropriateness of the discount rate used based on market comparisons. Due to the great significance of the goodwill and the brand names with indefinite useful life in the consolidated financial statements, we finally conducted sensitivity analyses with regard to both the growth expectations of the future cash flows from the operating entities and the applied discount rate.

2. Recognition of leases as regards sales

a. To a great extent, KION uses leases as a sales instrument in the segment Industrial Trucks & Services. The corresponding agreements comprise contracts, under which the KION entities qualify as contract parties, and those, under which the lease object was sold to external finance partners. The following three contract types are primarily used:

- Single step lease: The lease object is directly leased to the consumer;
- Sale and leaseback sublease: The lease object is sold to a financial partner and subsequently leased back. At the same time, the lease object is also rented out under a sublease contract to the consumer.
- Indirect consumer financing: The (lease) object is sold to a finance partner, who rents it out to a consumer.

As at 31 December 2018, the carrying value of the receivables and assets under the lease agreements is mEUR 1,097.3 (8.5 per cent of total assets) and mEUR 1,932.3 (14.9 per cent of total assets), respectively.

Single-step leases are classified as finance leases or operating leases within the meaning of IFRS 16. For sale and lease back sublease contracts concluded until and including 31 December 2017, an asset and a lease liability is accounted for taking advantage of the right of continuance specified in IFRS 16. For sale and lease back sublease contracts concluded after 31 December 2017, the transaction is classified as a finance lease. Accordingly, a liability related to financial services is recognised in addition to an asset. In compliance with IFRS 15, the types of indirect consumer financing agreements have now been uniformly classified as leases within the meaning of IFRS 16.

Groupwide, consistent lease applications shall ensure that the recognition, categorisation and classification of the various contract types according to the IFRSs are complete and correct. The determination of the criteria and parameters in these applications is subject to the legal representatives' judgement. The classification and entry routines of the lease applications are updated, programmed and managed centrally in Germany, including necessary adjustments as part of the initial application of the new IFRS, while the contract input is performed locally in the operating entities or the Group's own financial services entities. In this context, the new lease application, which replaces the previous application, was finally introduced in the operating group entities.

Due to the high transaction volume in connection with the various contract types, any errors in this area may considerably affect the consolidated financial statements. For this reason, the assessment of the accounting for leases was of particular significance in the scope of our audit.

For information provided by the Parent on the accounting for leases, please refer to the notes [6], [17], [18], [21], [30], [31] and [35] to the consolidated financial statements.

b. As part of our audit, we first updated our understanding of the process including our understanding of the existing contract types as well as the company's internal controls regarding leases.

In the light of our understanding of the organisational composition and the overall process, the audit on the one hand focused on the lease applications used and on the other hand on the completeness and accuracy of the data input in the individual component areas.

With respect to the lease applications used, we examined the appropriateness, implementation and, where required, effectiveness of certain IT controls in line with our audit strategy. As part of this examination, we consulted internal IT specialists.

In a next step, we obtained an understanding of whether the automated entry and classification routines used in the lease applications comply with the relevant IFRSs. To this end, we first examined the KION IFRS Accounting Manual, which represents the basis for routine programming, for conformity with the IFRSs. In addition, we assessed whether the entry and classification routines have been appropriate. Therefore, we examined the agreements on the basis of judgemental selections or by applying sampling methods. However, we made sure that all contract types were subject to our examination. Based on the data inputs, we assessed for each selected contract whether the results of the lease applications comply with the relevant IFRSs.

We examined the data inputs made in the financial year in the individual component areas for accuracy directly in the operating entities on a sample basis in the form of mathematical and statistical methods and extrapolated any identified deviations to the corresponding basic population. In this context, apart from the accuracy, we audited the appropriate cut-off and completeness of the data inputs on the basis of the original contracts. Where required, we received confirmations of third parties to assess the completeness of the entered contracts.

Due to the introduction of the new lease application, which was concluded in the financial year in the operating group entities, we also assessed whether the necessary migration of the historical contract data was complete and correct by comparing – on the level of the contracts – the results of the new lease application with the results of the previous lease application.

3. Realisation of revenue regarding the project business in the Supply Chain Solutions segment

a. The revenue in the Supply Chain Solutions segment amounts to mEUR 2,052.1 in the financial year 2018 (prior year: mEUR 2,005.1). This accounts for 25.7 per cent (prior year: 26.4 per cent) of the Group's total revenue.

A significant portion of the revenue generated in the Supply Chain Solutions segment (mEUR 1,514.0; prior year: mEUR 1,512.4) relates to the project business (73.8 per cent of the segment's total revenue). Revenue for the project business-related customer contracts is recognised in line with the corresponding period unless there is an alternative possibility of use and right to the services already rendered. The revenue to be realised is determined based on the percentage of completion method. The percentage of completion is determined based on the proportion of the contract costs that have already been incurred to the total contract costs estimated as at the reporting date.

The revenue highly depends on estimations subject to the legal representatives' judgement, in particular with regard to the total contract costs and the resulting percentage of completion. Also taking into account the high amount of revenue related to the project business in the consolidated financial statements, we considered this matter to be of particular significance in the scope of our audit.

For information on revenue realisation related to the project business in the Supply Chain Solutions segment, please refer to the notes [6] and [7] to the consolidated financial statements.

b. In the scope of our audit, we deepened our knowledge of the processes concerning the project business including our understanding of the corresponding internal controls of the Group. We examined the appropriateness of the internal controls' design and implementation regarding the estimation of the percentage of completion and continued review of contract costs.

   Considering this, we selected projects based on risk considerations. First, we assessed – based on the individual basis of the contracts – whether the projects meet the requirements for revenue recognition according to the percentage of completion method. Subsequently, we assessed the estimation made for the individual contracts. To this end, we examined the current cost reports and project calculations taking into account the customer contracts with respect to the percentage of completion of the selected projects. To this end, we additionally consulted the employees responsible for the relevant projects on matters such as the current project phase, any risks including fines and changes to original assumptions and requested explanations for unexpected project developments, which were compared with supplementary evidence. In addition, we have convinced ourselves, where required, of the project progress on site and have taken into account the adherence to the budget planning based on retrospective analyses of selected projects.

Other information

The legal representatives are responsible for the other information. The other information comprises the following documents received prior to the date of this auditors' report:

- the statement on corporate governance included in the combined management report
- the legal representatives' confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB), respectively
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

In addition, the other information comprises the separate non-financial group report, which is expected to be published subsequently on KION GROUP AG's website by 30 April 2019.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the legal representatives and the supervisory board for the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs, as adopted by the EU, and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Other information pursuant to Article 10 EU Audit Regulation

We were elected as group auditor by the general meeting on 9 May 2018. We were engaged by the supervisory board on 25 May 2018 and 24 September/24 October 2018. We have been the group auditor of KION GROUP AG, Frankfurt am Main/Germany, which was named KION Holding 1 GmbH until 12 June 2013, without interruption since the financial year 2007. Since the financial year 2013, the company has been a public interest entity within the meaning of Section 319a (1) Sentence 1 German Commercial Code (HGB).

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Kirsten Gräbner-Vogel."

Frankfurt am Main/Germany, 20 February 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Crampton	Gräbner-Vogel
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the financial performance and financial position of the Group, and the group management report, which is combined with the Company's management report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 20 February 2019

The Executive Board

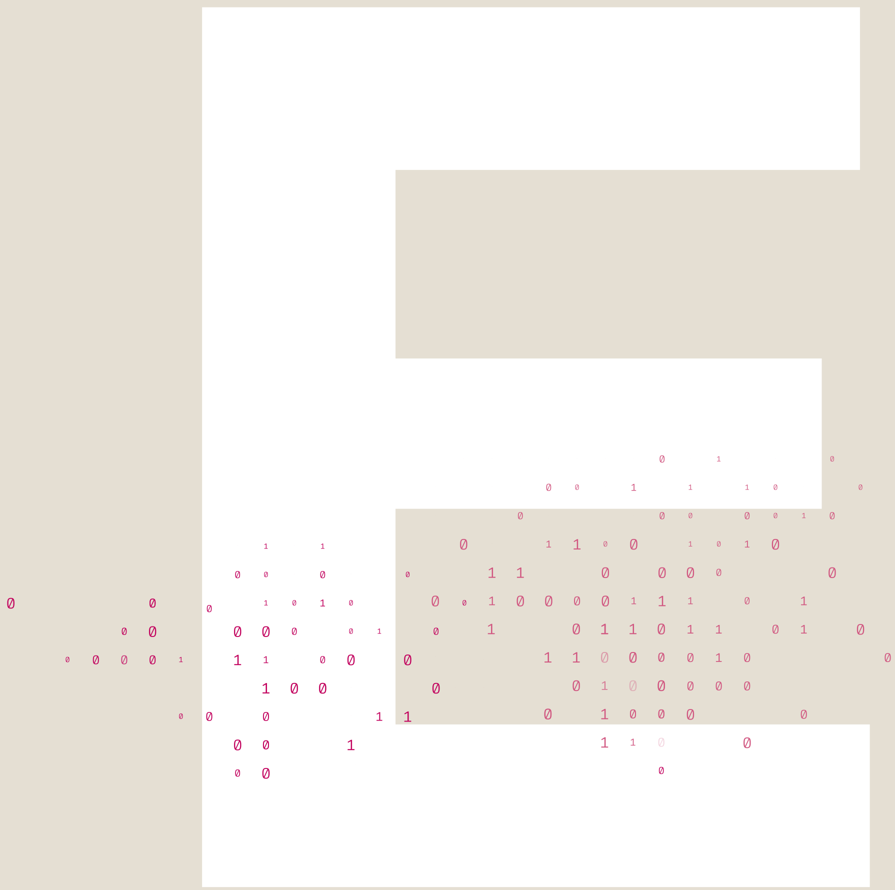
Gordon Riske

Dr Eike Böhm

Anke Groth

Ching Pong Quek

Susanna Schneeberger



ADDITIONAL INFORMATION

Quarterly information

Quarterly information

TABLE 132

in € million	Q4 2018	Q4 2017*	Q3 2018	Q3 2017*	Q2 2018	Q2 2017*	Q1 2018	Q1 2017*
Order intake	**2,287.4**	**2,279.6**	**2,060.3**	**1,847.2**	**2,424.0**	**1,970.5**	**1,885.0**	**1,881.7**
thereof Industrial Trucks & Services	1,724.2	1,579.6	1,454.8	1,351.6	1,546.5	1,513.7	1,485.2	1,414.6
thereof Supply Chain Solutions	556.3	692.9	598.5	492.7	874.2	452.3	396.3	461.3
Total revenue	**2,225.5**	**1,963.4**	**1,895.9**	**1,832.4**	**2,031.1**	**2,001.3**	**1,843.3**	**1,801.0**
thereof Industrial Trucks & Services	1,685.8	1,547.1	1,417.9	1,312.9	1,449.6	1,398.1	1,368.8	1,314.1
thereof Supply Chain Solutions	533.0	412.0	472.7	516.1	578.8	599.8	470.7	481.6
Adjusted EBITDA	**457.2**	**404.9**	**380.1**	**381.1**	**377.0**	**387.7**	**340.9**	**322.0**
thereof Industrial Trucks & Services	395.2	371.7	326.0	318.3	318.0	323.1	301.0	275.6
thereof Supply Chain Solutions	65.4	41.6	56.1	73.1	64.0	71.3	46.1	49.7
Adjusted EBITDA margin	**20.5%**	**20.6%**	**20.0%**	**20.8%**	**18.6%**	**19.4%**	**18.5%**	**17.9%**
thereof Industrial Trucks & Services	23.4%	24.0%	23.0%	24.2%	21.9%	23.1%	22.0%	21.0%
thereof Supply Chain Solutions	12.3%	10.1%	11.9%	14.2%	11.1%	11.9%	9.8%	10.3%
EBIT	**206.2**	**169.7**	**168.6**	**136.1**	**142.1**	**159.8**	**125.8**	**95.3**
thereof Industrial Trucks & Services	195.7	204.9	156.2	149.4	136.1	159.7	137.1	126.3
thereof Supply Chain Solutions	22.2	–20.4	20.9	4.9	19.4	16.2	1.9	–17.3
Adjusted EBIT	**252.3**	**219.7**	**192.7**	**195.5**	**187.0**	**210.4**	**157.9**	**151.6**
thereof Industrial Trucks & Services	213.8	206.1	157.4	150.3	148.2	159.4	135.9	127.0
thereof Supply Chain Solutions	49.9	28.9	43.8	61.2	51.5	64.1	35.0	34.5
Adjusted EBIT margin	**11.3%**	**11.2%**	**10.2%**	**10.7%**	**9.2%**	**10.5%**	**8.6%**	**8.4%**
thereof Industrial Trucks & Services	12.7%	13.3%	11.1%	11.4%	10.2%	11.4%	9.9%	9.7%
thereof Supply Chain Solutions	9.4%	7.0%	9.3%	11.9%	8.9%	10.7%	7.4%	7.2%

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Multi-year overview

KION Group multi-year overview

TABLE 133

in € million	2018	2017*	2017	2016	2015	2014
Order intake	8,656.7	7,979.1	7,979.1	5,833.1	5,215.6	4,771.2
Revenue	7,995.7	7,598.1	7,653.6	5,587.2	5,097.9	4,677.9
Order book [1,2]	3,300.8	2,614.6	2,614.6	2,396.6	864.0	764.1
Financial performance						
EBITDA	1,540.6	1,457.6	1,185.7	889.5	824.2	714.2
Adjusted EBITDA [3]	1,555.1	1,495.8	1,223.9	931.6	850.0	780.4
Adjusted EBITDA margin [3]	19.4%	19.7%	16.0%	16.7%	16.7%	16.7%
EBIT	642.8	561.0	549.4	434.8	422.8	347.0
Adjusted EBIT [3]	789.9	777.3	765.6	537.3	482.9	442.9
Adjusted EBIT margin [3]	9.9%	10.2%	10.0%	9.6%	9.5%	9.5%
Net income	401.6	422.5	426.4	246.1	221.1	178.2
Financial position [1]						
Total assets	12,968.8	12,337.7	11,228.4	11,297.0	6,440.2	6,128.5
Equity	3,305.1	2,992.3	3,148.8	2,495.7	1,848.7	1,647.1
Net financial debt	1,869.9	2,095.5	2,095.5	2,903.4	573.5	810.7
ROCE [4]	9.3%	9.3%	9.9%	6.9%	11.9%	11.4%
Cash flow						
Free cash flow [5]	519.9	474.3	378.3	–1,850.0	332.7	305.9
Capital expenditure [6]	258.5	218.3	218.3	166.7	142.6	133.1
Employees [7]	**33,128**	**31,608**	**31,608**	**30,544**	**23,506**	**22,669**

1 Figures as at balance sheet date 31/12/ (adjusted due to the final purchase price allocation Dematic)
2 Order backlog 2016 adjusted to reflect specific customer orders from long-term construction contracts in the segment SCS
3 Adjusted for PPA items and non-recurring items
4 ROCE is defined as the proportion of EBIT adjusted to capital employed
5 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
6 Capital expenditure including capitalised development costs, excluding right-of-use assets
7 Number of employees (full-time equivalents) as at balance sheet date 31/12/
* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

DISCLAIMER

Forward-looking statements
This annual 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 annual 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 2018 group management report, which has been combined with the Company's 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 annual report.

Rounding
Certain numbers in this annual report have been rounded. 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 annual report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

28 February 2019
Publication of 2018 annual report
Financial statements press conference

25 April 2019
Quarterly statement for the period ended 31 March 2019 (Q1 2019), conference call for analysts

9 May 2019
Annual General Meeting

25 July 2019
Interim report for the period ended 30 June 2019 (Q2 2019), conference call for analysts

24 October 2019
Quarterly statement for the period ended 30 September 2019 (Q3 2019), conference call for analysts

Subject to change without notice

CONTACT

Contacts for the media

Michael Hauger
Senior Vice President
Corporate Communications
Phone: +49 69 201 107 655
michael.hauger@kiongroup.com

Frank Grodzki
Senior Director External Communications
Phone: +49 69 201 107 496
frank.grodzki@kiongroup.com

Contacts for investors

Dr Karoline Jung-Senssfelder
Vice President Corporate Strategy
and Investor Relations
Phone: +49 69 201 107 450
karoline.jung-senssfelder@kiongroup.com

Securities identification numbers
ISIN: DE000KGX8881
WKN: KGX888

KION GROUP AG
Thea-Rasche-Strasse 8
60549 Frankfurt am Main | Germany
Phone: +49 69 201 100
Fax: +49 69 201 107 690
info@kiongroup.com
www.kiongroup.com

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

kiongroup.com/ir

We
keep
the
world
moving.

KION GROUP AG
Corporate Communications
Thea-Rasche-Strasse 8
60549 Frankfurt am Main | Germany

Phone: +49 69 201 100
Fax: +49 69 201 107 690
info@kiongroup.com
www.kiongroup.com