

### Executive Board's report on agenda item 8

The Executive Board is to be given flexible options for taking advantage, with the Supervisory Board's consent, of financing possibilities in the interest of the Company in order to act on business opportunities and strengthen the Company's equity capital base. For this reason, the Executive Board and the Supervisory Board propose to the general meeting in agenda item 8 that authorized capital of up to a total of Euro 9,890,000.00 be created by issuing up to 9,890,000 new no-par value bearer shares (Authorized Capital 2014). The Executive Board is to be authorized to issue shares on or before 18 May 2019 on the basis of the Authorized Capital 2014. The Authorized Capital 2014 is to be available for capital increases against cash and non-cash contributions and may also be used in partial amounts. In this regard, the total amount may not be exceeded overall. The proposed amount of the Authorized Capital of a total of up to 9,890,000 new shares would, if used in full, correspond to an increase of the current share capital by 10 %.

The issuance of new shares on the basis of the proposed Authorized Capital 2014 is restricted in that the total pro rata amount of the share capital attributable to the shares may not exceed 10 % of the share capital, either when this authorization comes into effect or when it is exercised. Any shares will be counted towards the aforesaid 10 % limit insofar as such shares are issued, are to be issued or can be issued during the term of this authorization for servicing bonds with conversion or option rights or a conversion or option obligation from the contingent capital proposed in agenda item 9 or were issued, will be issued or – in order to serve a bond – are still to be issued or can be issued during the term of this authorization on the basis of another authorization. Because of this capital limit, the total extent of any issuance of shares on the basis of the authorized capital and the issuance of bonds is restricted to 10 % of the current share capital. In this way, shareholders will be protected to a particularly high degree against dilution of their holdings.

With the proposed Authorized Capital 2014, the Executive Board of KION GROUP AG will be put in a position to bring the capital base of KION GROUP AG in line with its business requirements at any time, within the said limit, and to act quickly and flexibly in the interest of the Company. To this end the Company must – regardless of any specific plans to make use of the authorization – always have the necessary instruments for procuring capital at its disposal. Since decisions about meeting the Company's capital requirements must as a rule be made quickly, it is important for the Company not to be dependent on the timing of the annual general meetings or to have to wait for an extraordinary general meeting. The legislator took this requirement into account when it provided for the instrument of authorized capital. Authorized capital is commonly used to

strengthen a company's equity capital base or to finance the acquisition of equity interests.

When the Authorized Capital 2014 is utilized, the shareholders are in principle entitled to a subscription right. The new shares may, pursuant to section 186(5) German Stock Corporation Act, also be acquired by a credit institution or several credit institutions with the obligation to offer such shares for subscription to the shareholders (so-called indirect subscription right). However, the proposed authorization provides that the Executive Board may – in accordance with the statutory provisions – wholly or partially exclude the shareholders' subscription rights with the Supervisory Board's consent in the cases specified below.

#### **Exclusion of subscription rights in the case of capital increases against cash contributions**

The Executive Board is to be authorized, with the Supervisory Board's consent, to be able to exclude subscription rights in the case of capital increases against cash contributions pursuant to section 203(1), sentence 1, (2), section 186(3), sentence 4 German Stock Corporation Act if the new shares are issued at a price that is not substantially below the stock exchange price of the Company's shares that are already listed.

It may be expedient to make use of this statutory possibility of excluding subscription rights to enable the Company to take advantage of favourable market situations quickly and flexibly and to be able to meet any capital requirements that arise in this regard without delay. The two week subscription period required when granting subscription rights to the shareholders (section 186(1), sentence 2 German Stock Corporation Act) makes it impossible to react swiftly to the current market situation in this way. Moreover, because of the volatility of the stock markets, conditions which are as close as possible to market conditions can generally only be achieved if the Company is not bound to them for a prolonged period. If subscription rights are granted, section 186(2) German Stock Corporation Act stipulates that the final subscription price must be announced no later than three days before the end of the subscription period. Therefore, if subscription rights are granted, there is a greater market risk – in particular the risk of price changes over several days – than in the case of allocation without subscription rights. To ensure successful placement it is therefore generally necessary, if subscription rights are granted, to deduct corresponding safety margins from the current stock exchange price; this usually leads to less favourable conditions for the Company than in the case of a capital increase carried out subject to the exclusion of subscription rights. By excluding subscription rights, placement at a price close to the stock exchange price is possible. Since it is uncertain whether the shareholders entitled to the subscription rights will

actually exercise these, full placement is not automatically guaranteed if subscription rights are granted, either, and subsequent placement with third parties usually entails additional expense.

The total amount of the share capital attributable to the shares issued subject to such an exclusion of subscription rights may not exceed 10 % of the share capital, either when this authorization comes into effect or when it is exercised. To this extent, the legislator deems it reasonable for the shareholders to maintain the relative value of their shareholdings by buying shares on the market. Any shares will be counted towards this limit insofar as such shares are issued, are to be issued or can be issued for servicing bonds with conversion or option rights or a conversion or option obligation, insofar as the bonds were issued during the term of this authorization subject to the exclusion of subscription rights in analogous application of section 186(3), sentence 4 German Stock Corporation Act. Furthermore, the number of own shares sold will be counted towards this limit insofar as the sale takes place during the term of this authorization subject to the exclusion of subscription rights in analogous application of section 186(3), sentence 4 German Stock Corporation Act. Counting such shares towards the limit in this way serves to protect the shareholders by keeping the dilution of their stakes to a minimum.

This model of counting shares towards the 10 % limit ensures that the relative amounts of the shareholders' holdings will not be diluted by more than 10 % even in cases where capital measures are linked to the issuing of bonds and/or the sale of own shares. For the rest, the shareholders are in principle able, given that the issue price of the new shares is close to the stock exchange price and because of the restriction of the amount of the capital increase without subscription rights, to maintain the relative amounts of their shareholdings by acquiring the required shares under almost identical conditions via the stock exchange. This therefore ensures that, in accordance with the statutory requirements of section 186(3), sentence 4 German Stock Corporation Act, the assets and participating interests will be appropriately safeguarded in the event of the utilization of the Authorized Capital 2014 subject to the exclusion of subscription rights, while the Company will be given additional scope for action in the interest of all the shareholders.

### **Exclusion of subscription rights in the case of capital increases against non-cash contributions**

The Executive Board is furthermore to be authorized, with the Supervisory Board's consent, to exclude the shareholders' subscription rights in the case of capital increases against non-cash contributions, in particular for the purpose of acquiring enterprises, parts of enterprises or interests in enterprises.

This is to enable KION GROUP AG to offer shares of the Company quickly and flexibly in suitable cases in order to fulfil claims arising from the preparation, implementation, closing or settlement of contractual or statutory acquisition processes as well as company mergers without using the stock markets. KION GROUP AG competes in the global marketplace. It must be in a position to act quickly and flexibly in international and regional markets in the interest of its shareholders at all times. This includes acquiring enterprises, businesses, parts of or interests in enterprises or other assets or claims to the acquisition of assets, including claims against the Company or its group companies, at short notice in order to improve its competitive position. It may be expedient or even necessary to grant shares as consideration for this in order to conserve liquidity or to comply with the seller's expectations. It may also be useful to grant shares instead of paying money for the purpose of achieving an optimal financing structure. The Company will not suffer any disadvantage as a result of this, since it is a prerequisite for the issuing of shares against non-cash contributions that the value of the non-cash contribution is reasonably in proportion to the value of the shares. When determining the valuation ratio, the Executive Board will ensure that the interests of the Company and its shareholders are duly safeguarded and that an appropriate issue price is achieved for the new shares. The fact that the Company is listed on the stock exchange also means that each shareholder is in principle able to increase the relative amount of his shareholding by acquiring additional shares.

### **Exclusion of subscription rights in the case of fractional amounts**

The Executive Board is moreover to be authorized, with the Supervisory Board's consent, to exclude shareholders' subscription rights for fractional amounts. Such an exclusion of the subscription rights is to make it possible to achieve a practical subscription ratio and thereby facilitate the technical execution of a capital increase. The value of the fractional amounts is as a rule fairly low, whereas the costs incurred for issuing shares without excluding subscription rights for fractional amounts are generally significantly higher. The costs of trading in subscription rights involving fractional amounts would be out of proportion to any benefit for the shareholders. The new shares excluded from the shareholders' subscription rights as so-called "non-allocable fractional amounts" will be exploited in the best interest of the Company. In these cases, the subscription rights are therefore excluded for practical reasons and to facilitate the issuing of the shares.

### **Exclusion of subscription rights in the case of bonds with warrants and convertible bonds**

The Executive Board is furthermore to be authorized, with the Supervisory Board's consent, to exclude the shareholders' subscription rights insofar as this is necessary to grant the holders or creditors of conversion or option rights and/or holders or creditors of bonds with conversion or option obligations issued or to be issued by KION GROUP AG or by a domestic or foreign company in which KION GROUP AG directly or indirectly has a majority stake and holds the majority of the votes a subscription right to the extent to which they would be entitled after exercising the conversion or option rights or fulfilling the conversion or option obligations.

The background to this is as follows: The economic value of the said conversion or option rights or the bonds with conversion or option obligations depends not only on the conversion or option price but also, in particular, on the value of the shares of the Company to which the conversion or option rights or conversion or option obligations relate. In order to ensure successful placement of the respective bonds or to avoid a corresponding price discount when placing them, it is therefore customary to include so-called anti-dilution provisions in the bond conditions, which protect the entitled parties against a loss of value of their conversion or option rights as a result of a dilution of the value of the shares to be subscribed; including such anti-dilution provisions in the bond or option conditions is consequently also provided for in the authorization to issue convertible bonds, bonds with warrants or participation rights proposed in agenda item 9. The subsequent issuing of shares with subscription rights being granted to the shareholders would typically lead to such a dilution of value in the absence of dilution protection. The aforesaid anti-dilution provisions in the bond conditions usually provide for a reduction in the conversion or option price in such a case, with the result that in the event of the subsequent conversion or exercising of the option or the subsequent fulfilment of a conversion or option obligation, the funds flowing into the Company are reduced or the number of shares to be issued by the Company is increased.

As an alternative which makes it possible to avoid reducing the conversion or option price, the anti-dilution provisions usually permit the holders of bonds with conversion or option rights or conversion or option obligations to be granted a right to subscribe to new shares to the extent to which they would be entitled after exercising their own conversion or option rights or after fulfilling their conversion or option obligations. They are therefore placed in the position that they would have been in had they, by exercising the conversion or option rights or by fulfilling any conversion or option obligations, already become shareholders before the offer to subscribe and would to this extent also already have been entitled to subscribe; the value of the subscription right therefore compensates them – like all the already participating shareholders – for the dilution of

value. For the Company, this second alternative for granting dilution protection has the benefit that the conversion or option price does not have to be reduced; it therefore serves to guarantee the largest possible inflow of funds in the event of a subsequent conversion or exercising of the option or the subsequent fulfilment of any conversion or option obligation or reduces the number of shares to be issued in this case. This also benefits the participating shareholders, so that it at the same time constitutes remuneration for the restriction of their subscription rights. Their subscription rights as such continue to exist and are merely reduced pro rata to the extent to which, in addition to the participating shareholders, the holders of the conversion or option rights or the bonds with conversion or option obligations are also granted subscription rights. The present authorization gives the Company the opportunity to choose, in the event that subscription rights are issued, between the two alternatives for granting dilution protection after weighing up the interests of the shareholders and the Company.

#### **Exclusion of subscription rights for the issuing of shares to employees**

The Executive Board is also to be authorized, with the Supervisory Board's consent, to exclude the shareholders' subscription rights in order to issue shares to persons employed by or in a service relationship with the Company or any of its group companies. The exclusion of subscription rights in this regard is restricted to a total of no more than 5 % of the share capital, both at the time at which this authorization comes into effect and when it is exercised. The purpose of this provision is to increase the ties between employees and their respective companies. This is in the interest of the Company. The Executive Board and the Supervisory Board also regard the restriction to 5 % of the share capital as appropriate.

#### **Use of the authorization**

Currently, there are no specific plans to make use of the Authorized Capital 2014. These kinds of anticipatory resolutions providing for the possibility of excluding the subscription rights are common practice both in Germany and abroad. The Supervisory Board's consent is required in all cases in which the subscription rights can be excluded as proposed in this resolution. The Executive Board will moreover in each case carefully consider whether it would be in the interest of the Company to make use of the Authorized Capital 2014; it will in particular also consider whether any exclusion of the subscription rights in a specific case is objectively justified. The Executive Board will then report to the next general meeting on any use of the authorization.

Wiesbaden, April 2014

KION Group AG  
The Executive Board