Executive Board's report on agenda item 9

Adequate capital resources and financing constitute an essential basis for the further development of KION GROUP AG and a successful presence on the market. By issuing convertible bonds and bonds with warrants, participation rights and participation bonds the Company can, depending on the market situation and its financing requirements, make use of attractive financing options with comparatively low interest rates, for example in order to raise debt capital on favourable terms. Moreover, by issuing convertible bonds and bonds with warrants, participation rights and/or participation bonds, potentially in addition to other instruments such as a capital increase, the Company can attract new investors. The conversion and option premiums generated also benefit the Company. In order for the Company to have a broad base for using such financing instruments flexibly in future, the Executive Board and the Supervisory Board propose to the general meeting in agenda item 9 that it grant authorization to issue convertible bonds, bonds with warrants, participation rights and participation bonds and that contingent capital be created to serve such bonds (Contingent Capital 2014).

The authorization proposed in agenda item 9 will make it possible for the Executive Board to issue bearer and/or registered convertible bonds, bonds with warrants, participation rights and/or participation bonds with or without conversion or option rights or conversion or option obligations or combinations of these instruments (hereinafter together "bonds") with or without a limited maturity term once or repeatedly on or before 18 May 2019 to a total nominal amount of up to Euro 800,000,000.00 and to grant the holders or creditors of bonds conversion and/or option rights and/or lay down for the holders or creditors of bonds conversion or option obligations to subscribe to a total of up to 9,890,000 new no-par value bearer shares of KION GROUP AG with a pro rata amount of the share capital of a total of up to Euro 9,890,000.00 in accordance with the terms and conditions of the bonds (hereinafter together "bond conditions"). The authorization proposed in agenda item 9 will furthermore make it possible for the Executive Board to issue the bonds with a variable interest rate, in terms of which the interest rate may be wholly or partially dependent on the amount of the net profit for the year, the balance sheet profit or the Company's dividend. Where this authorization is utilised in full, bonds could be issued which would grant subscription rights to up to 10 % of the current share capital.

The issuance of bonds is restricted in that the total amount of the shares issued in order to serve bonds that are issued on the basis of this authorization may not exceed a pro rata amount of 10 % of the share capital, either when this authorization comes into effect or when it is exercised. Any shares will be counted towards this 10 % limit insofar as such shares will be issued on the basis of the Authorized Capital 2014 during the term of this authorization 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 issuance of bonds and authorized capital 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.

The possibility provided for in the authorization to the effect that convertible bonds may also be issued with conversion or option obligations extends the scope for structuring financing instruments of this kind. When issuing bonds and depending on the market situation, the Company is to make use of the German or international capital markets and be able to issue bonds, in addition to the euro, also in the legal currency of an OECD country, limited to the corresponding equivalent value in euros. The bonds may also be issued 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 (hereinafter also "majority-owned subsidiary"); in such a case, the Executive Board is authorized, with the Supervisory Board's consent, to assume the guarantee for repayment of the bonds for the issuing majority-owned subsidiary and to grant the holders or creditors of such bonds conversion and/or option rights to shares in KION GROUP AG or to fulfil conversion or option obligations vested in shares in KION GROUP AG as well as to issue additional declarations and carry out additional acts as are necessary for a successful issue.

The purpose of the Contingent Capital 2014 in the nominal amount of Euro 9,890,000.00 being sought is to grant shares in the case of the exercising of the conversion or option rights associated with the bonds or in the case of the fulfilment of any conversion or option obligations insofar as no other forms of fulfilment are applied; the bond conditions may, at the choice of the Company, provide either wholly or partially for the delivery of existing shares or the delivery of listed shares in other companies or the granting of a cash settlement as such other forms of fulfilment as well. The nominal value of the Contingent Capital 2014 corresponds to 10 % of the current share capital of the Company. The issuing of the new shares from the Contingent Capital 2014 will take place at the option or conversion price that will be laid down in the bond conditions according to the specifications of the proposed authorization to issue bonds. Pursuant to section 193(2), no. 3 German Stock Corporation Act, only the bases on which the decisive minimum issue price is to be computed will be laid down in the authorization, so that the Company has the required flexibility when stipulating the conditions. The aforesaid amount of Euro 9,890,000.00 will be reduced by the pro rata amount of the share capital attributable to shares which are issued on the basis of the Authorized Capital 2014 or will be issued or – in order to serve a bond – are still to be issued or can be issued on the basis of another authorization.

When bonds are issued with conversion or option rights or conversion or option obligations, the shareholders are in principle entitled to a subscription right (section 221(4) German Stock Corporation Act in conjunction with section 186(1) German Stock Corporation Act). If the bonds are issued by a majority-owned subsidiary of KION GROUP AG, KION GROUP AG must ensure that the shareholders are granted the statutory subscription right. To facilitate the execution the bonds may, in analogous application of section 186(5) German Stock Corporation Act, be acquired by a credit institution or several credit institutions with the obligation to offer such bonds for subscription to the shareholders (so-called indirect subscription right).

In this regard, the Executive Board is to be permitted, with the Supervisory Board's consent, to structure the subscription right also partially as a direct subscription right and for the rest as an indirect subscription right. It may for example be particularly expedient and, for cost-related reasons, in the interest of the Company for a major shareholder who is entitled to subscription rights and who has undertaken to purchase a fixed number of (partial) bonds in advance to be offered these bonds for subscription directly, in order to avoid the costs of the issuing banks that would be incurred by the Company in the case of an indirect subscription right. This does not entail any restriction of the content of the subscription rights of the shareholders to whom the bonds are offered by way of an indirect subscription right.

In accordance with the statutory provisions, the Executive Board is – with the Supervisory Board's consent – to be authorized to exclude the shareholders' subscription rights in the cases specified in detail in the authorization.

Exclusion of subscription rights in the case of fractional amounts

The Executive Board is first of all 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 the issuance of bonds. The value of the fractional amounts is as a rule fairly low, whereas the costs incurred for issuing bonds 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 bonds excluded from the subscription rights because of 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 bonds.

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 when issuing bonds 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 a majority-owned subsidiary 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 further bonds with conversion or option rights or with conversion or option obligations with subscription rights being granted to the shareholders would typically lead to such a dilution of value in the absence of dilution protection. This is because in order to make the subscription rights attractive to the shareholders and ensure that these are taken up, the relevant convertible bonds or bonds with warrants are, in cases in which subscription rights are granted, generally issued under more favourable conditions than would be in line with their market value. This leads to a corresponding dilution of the value of the shares. 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 subsequently issued convertible bonds and/or bonds with warrants 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 where bonds are issued for cash consideration

The Executive Board is also to be authorized, with the Supervisory Board's consent, to exclude the subscription rights if, where bonds are issued in return for cash payment, the issue price of the bonds is not substantially below the theoretical market value of the bonds determined using recognised financial calculation principles.

It may be expedient to make use of this statutory possibility of excluding subscription rights to enable the Company to respond swiftly to favourable market situations and place bonds on the market quickly and flexibly with attractive conditions. The two week subscription period required when granting subscription rights to the shareholders (in analogous application of 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 or, in the case of bonds with conversion and option rights or conversion or option obligations, the final conditions for the bonds must be announced no later than three days before the end of the subscription period. There is therefore 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 when laying down the bond conditions; this usually leads to less favourable conditions for the Company than in the case of the placement of the bonds subject to the exclusion of subscription rights. 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.

In the case of such an exclusion of subscription rights, the interests of the shareholders are protected by the fact that the bonds may not be issued at a price that is substantially below their theoretical market value, which means that the mathematical value of the subscription rights will fall to almost zero. The resolution therefore provides that the Executive Board must, prior to issuing the bonds, take the view that the intended issue price will not lead to any significant dilution of the value of the shares. Should the Executive Board consider it appropriate to obtain expert advice in the respective situation, it may consult experts, for example the syndicate banks assisting with the bond issue, an independent investment bank or a private expert to confirm, in a suitable form, that no significant dilution of the share value is to be expected. Regardless of the assessment by the Executive Board, the setting of conditions in line with general market conditions is guaranteed if a book building process is carried out. This means that there will be no significant dilution of the value of the shares as a result of the exclusion of subscription rights.

The total pro rata amount of the share capital attributable to the shares to be issued on the basis of bonds issued pursuant to this authorization 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 amount of their shareholdings by buying shares on the market. Any shares of the Company will be counted towards this 10 % limit insofar as such shares are issued or sold by the Company during the term of this authorization subject to the exclusion of the shareholders' subscription rights pursuant to or in analogous application of section 186(3), sentence 4 German Stock Corporation Act. Furthermore, any shares that are issued, are to be issued or can be issued for servicing conversion or option rights or conversion or option obligations will be counted towards this limit insofar as the bonds conveying a corresponding conversion or option right or a conversion or option obligation are issued during the term of this authorization on the basis of another authorization and subject to the exclusion of the shareholders' subscription rights in accordance with 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.

Exclusion of subscription rights where bonds are issued for non-cash consideration

The Executive Board is also to be authorized, with the Supervisory Board's consent, to exclude the shareholders' subscription rights if bonds are issued for non-cash consideration and the exclusion of subscription rights is in the interest of the Company.

The aim of this stipulation is to ensure that the bonds can be used as acquisition currency to selectively acquire specific assets, enterprises, or parts of or interests in enterprises. This will enable the Company, especially in combination with other financing instruments or the issuing of bonds for cash consideration, to act flexibly and to respond to corresponding demands by the sellers. A prerequisite for issuing bonds for non-cash consideration is that the value of the non-cash consideration at least corresponds to the issue price of the bonds. This means that the Company does not suffer any disadvantage as a result of issuing bonds for non-cash consideration; instead, this possibility creates additional flexibility and improves the Company's competitive position in terms of making acquisitions. The Executive Board will carefully consider, on a case-by-case basis, whether it will make use of the option of issuing bonds for non-cash consideration. It will only make use of this option if this is in the best interest of the Company and therefore of its shareholders.

Use of the authorization

Currently, there are no specific plans to make use of the authorization to issue bonds proposed in agenda item 9. 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 authorization to issue bonds proposed in agenda item 9; 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