Script

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Chairman of the Supervisory Board KION GROUP AG

Annual General Meeting of
KION GROUP AG

Wiesbaden, 19 May 2014

Report by the Chairman of the Supervisory Board at the Annual General Meeting on 19 May 2014, including an explanation of the remuneration system for the Executive Board

- Check against delivery -

Dear shareholders,

Item 1 on the agenda includes the Supervisory Board's report, which informs shareholders about the work of the Supervisory Board. I would firstly like to refer you to this report, which forms part of the annual report (pages 26-35) and has also been available on the Company's website since this Annual General Meeting was called. I would also like to add a few additional comments to the written report:

The preparations for the successful stock market flotation on 28 June 2013 dominated the work of the Supervisory Board in the first half of 2013. The Board's discussions and deliberations focused on the strategic and economic circumstances surrounding the IPO, as well as the issues of corporate governance relating to the new KION GROUP public limited company.

In the second half of the year, the work of the Supervisory Board focused on the discussion and approval of the next stage of the Company's strategy, which is encapsulated in the KION Group Strategy 2020. The Supervisory Board discussed this matter at several of its meetings. As a result of all this intensive debate the Supervisory Board was able to closely follow the corporate governance considerations relating to the KION Group Strategy 2020 and provide constructive support.

Although the Supervisory Board had approved the KION Group Strategy 2020 in principle, it was agreed that, pursuant to the rules of procedure, specific measures for implementing the Strategy still require the separate approval of the Supervisory Board.

The regular reports by the Executive Board and some of the Company's managers on corporate governance matters were a further important aspect of the work of the Supervisory Board and its committees. Topics such as the internal control system, risk management, internal audit and compliance within the Group were reported and discussed. As well as reviewing the processes put in place, the Board discussed individual aspects of the work in these areas. As a result of these reviews the Supervisory Board was able to satisfy itself as to the efficiency and effectiveness of the processes put in place, and to discuss and comment upon individual aspects.

At its meeting on 19 December 2013, the Supervisory Board discussed the KION Group's compliance with the recommendations of the current version of the German Corporate Governance Code, having already discussed this issue at the start of the year. The Supervisory Board keeps a close eye on changes to the Code and to corporate governance standards at national and international level. The Executive Board and Supervisory Board submitted a comply-or-explain statement pursuant to section 161 of the German Stock Corporation Act (AktG) on 19 December 2013. This statement is also reproduced in the annual report

The Supervisory Board also considered the dependency report compiled by the Executive Board of KION GROUP AG concerning the Company's relationships with affiliated entities. The Company's independent auditors reviewed the dependency report and issued an auditors' report. No objections were raised as a result of the review, and an audit certificate was issued.

The full Supervisory Board and the Audit Committee also discussed the preparation of this report on several occasions and heard reports from the auditor. Based on its own review and the discussions by the full Board and by the Audit Committee, the Supervisory Board did not raise any objections to the Executive Board's declaration concerning relationships with affiliated entities.

In addition to these special matters arising in connection with the IPO, the Supervisory Board also dealt with the usual issues, which I would like to briefly touch upon.

The first is the preparation of the annual financial statements, and all related matters that this involves for a listed company. After extensive consultation and discussion, and having itself scrutinised the Company's separate financial statements, consolidated financial statements, management report and group management report for the year ended 31 December 2013, the Audit Committee made its recommendation to the full Supervisory Board regarding the annual financial statements. The Supervisory Board and its Audit Committee have discussed the preparation and auditing of the annual financial statements a total of six times since the end of the reporting year.

The independent auditors took part in all meetings at which the financial statements were discussed, and reported to the Supervisory Board and its Audit Committee. Based on the final findings of its own review, the Supervisory Board then adopted the relevant resolutions at its meeting on 20 March 2014.

The Audit Committee – and particularly its chairman – examined the proposals for the election of the independent auditors for the separate and the consolidated financial statements as part of their preparations. This included obtaining a declaration from the proposed auditor concerning their independence from the Company. The Audit Committee was responsible for determining the scope of the audit and the appropriate fee. Both these issues were discussed by the full Supervisory Board and respective resolutions were adopted.

I would now like to turn to the internal organisation of the Supervisory Board. Four committees were formed: the Mediation Committee pursuant to section 27 (3) 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.

In individual cases, the Supervisory Board's decision-making powers were delegated to committees within the scope permitted by law. In my role as chairman of the Supervisory Board, I am also chairman of all committees except the Audit Committee. The Audit Committee is chaired by Mr Ring as independent Supervisory Board member and financial expert. At the meetings of the full Supervisory Board, the committee chairmen report in detail on the discussions of the committees to ensure that the Supervisory Board as a whole is always fully informed.

The Supervisory Board and its committee met 18 times in total during the last financial year (eight full Supervisory Board meetings and ten committee meetings). The Supervisory Board made use of the right granted in its constitution to hold teleconferences or take part in meetings via telephone links.

All members of the Supervisory Board took part in the Supervisory Board meetings in 2013, with the following exceptions: at one meeting, three members did not participate, at four meetings, two members were absent and at two meetings, one member could not participate. With the exception of three committee meetings where one member was absent, all members of the committees attended the meetings of each committee. The Supervisory Board members Mr Huth and Mr Tan took part in fewer than half of the Supervisory Board's meetings.

The Executive Board and Supervisory Board remained in regular contact between the meetings, particularly via me, as chairman of the Supervisory Board. Based on the detailed reports from the Executive Board, we have no doubts that the Company and the Group are being run correctly, lawfully and efficiently.

No members of the Supervisory Board experienced any conflicts of interest between their Supervisory Board role and their other activities during 2013.

Nor have we ascertained any conflicts of interest at Executive Board level. There were two matters that we looked at more closely: the appointment of Mr Riske as a non-executive member of Weichai Power's Board of Directors, and the payment of an incentive bonus by a third party to Mr Quek. We took action in respect of these matters to rule out any possible conflict of interest. We also ensured the necessary degree of transparency by disclosing the information in the corporate governance report.

Finally, I would like to explain the main features of the remuneration system used for the Executive Board.

The Company has published a detailed remuneration report as part of the Group management report for KION GROUP AG. In accordance with the statutory requirements and the recommendations of the German Corporate Governance Code, the report explains the remuneration system used for the Company's Executive Board and Supervisory Board. It also discloses the remuneration paid to the individual members of the Executive Board and the Supervisory Board in return for the work that they carried out on behalf of the Company and its subsidiaries in 2013.

At its meeting held on 25 April 2013, the Supervisory Board adopted a resolution as part of the conversion of the Company into a public limited company to approve the remuneration system for the future Executive Board of KION GROUP AG and fix the remuneration to be paid to the individual members of the Executive Board. This resolution was in line with the then existing Personnel Committee's recommendation.

The Supervisory Board ensured that its decision was compliant with the requirements of stock company law and of the German Corporate Governance Code.

The remuneration was set at a level that takes account of vertical and horizontal comparability and appropriateness. The remuneration reflects 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. Other criteria used to determine remuneration included the remit and work to be carried out by the individual members of the Executive Board.

The remuneration system was developed with support from an external consultant working independently of the Executive Board and the Company.

The total remuneration now paid to the Executive Board comprises a non-performance-related fix salary and non-performance-related non-cash benefits, performance-related (variable) remuneration and pension entitlements. When the variable remuneration structure was defined, the emphasis was on creating a measurement basis covering a number of years, thus providing the members of the Executive Board with an incentive to contribute to the sustained and long-term growth of the Company. Variable remuneration is only paid where demanding targets for the Company have been met, and the amount of such remuneration is dependent upon the degree to which the targets have been attained.

In addition, the remuneration for all members of the Executive Board is subject to upper limits on the amounts payable, both overall and also in terms of the variable components.

Performance-related pay is made up of two components: a variable remuneration component measured over one year and a variable remuneration component measured over several years.

The one-year variable remuneration is based on the financial results or the productivity of the KION Group in the financial year concerned. Target variables that determine the level of the resulting remuneration include earnings before interest, tax and amortisation (EBITA), return on capital employed (ROCE), revenue, and net liabilities.

The possible range for target achievement is 0 per cent to 200 per cent.

The individual performance of the Executive Board members is rated on the basis of individual targets in the form of a discretionary assessment by the Supervisory Board using a performance factor of between 0.8 and 1.2.

The amount paid as one-year variable remuneration is capped at 200 per cent of the target bonus, i.e. once the individual performance factor is applied, the payment cannot exceed 200 per cent of the contractually agreed target bonus.

The variable remuneration measured over several years is based on a rolling performance share plan with a three-year term. At the start of the relevant three-year performance period, a conditional entitlement to a certain target number of performance shares is granted which will be calculated based on a contractually agreed allocation value.

The variables by which target attainment is measured for the multiple-year bonus plan are ROCE and relative shareholder return. The latter is determined by comparing the movement in the KION share price against an agreed stock market index of an industrial peer group. The possible range for target attainment for these two targets is 0 per cent to 150 per cent.

The degree of target attainment determines the final number of performance shares available to the individual Executive Board member. The final number of performance shares is multiplied by the average share price over a reference period. The provisional amount to be paid out, calculated in this way, can be adjusted by up to 20 per cent upwards or downwards by the Supervisory Board using a performance factor that is based on the attainment of individual goals. The maximum amount that can be paid out is 200 per cent of the allocation value.

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 German accounting standard (GAS) 17 and IFRS 2, 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.

Personally, I think the stipulated form of disclosing remuneration is systematically wrong and that the end result is unfortunate. The disclosed remuneration shows sums actually received during the year in question plus notionally calculated future payments of multiple-year bonus components for the reporting year, even though it is entirely unclear whether the multiple-year targets will be achieved and – if they are – what payment the Executive Board member may actually receive at the end of the performance period. This gives a distorted picture of pay, and does not bring about the transparency it is intended to create.

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

In line with the German Corporate Governance Code, 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 Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

And after all this rather technical explanation, allow me to conclude my report.
The Supervisory Board believes the Company is on track to meet the objectives laid down in the KION Group Strategy 2020 and, in a volatile business climate, to offer products of high value for customers in our many markets around the world.

My colleagues on the Supervisory Board and I would like to thank the members of the Executive Board, the employees of KION GROUP AG and the Group companies in Germany and abroad for their commitment and outstanding achievements in 2013.