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Annual General Meeting of  
KION GROUP AG

Wiesbaden, 19 May 2014

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## I. Welcoming introduction

Dear shareholders,  
ladies and gentlemen,

On behalf of the Executive Board, I would also like to welcome you here today.

The first Annual General Meeting of KION GROUP AG is a very special occasion for us. If it were not for our successful stock market flotation in June 2013, we would not be here at this meeting. So I would not only like to thank you for attending, I would also like to express our particular thanks for the trust that you have shown by investing in the KION Group. We do not intend to let you down.

The short film shows that we operate in a market that impacts on many aspects of day-to-day life and commerce. Whether it is filling the shelves in supermarkets, sending a parcel from an online retailer on its way, or getting a part to the assembly line 'just-in-time'..., there are few products that forklift trucks do not handle. Logistics processes are becoming increasingly sophisticated. Even in emerging markets, trucks and warehouse technology are replacing muscle power and barrows.

Our trucks are the backbone of the global economy.

It is something very special to be able to work for this great company – for your company. This applies day in, day out to our more than 22,000 employees – and equally to me and my colleagues on the Executive Board.

## II. Presentation of speech structure

Ladies and gentlemen,

I will start by reporting on 2013. A year whose financial results were able to build solidly on the previous years. I will then look ahead to the current year and beyond. And I will finish by presenting our Strategy 2020. This strategy indicates the route that the KION Group must take in order to remain successful in the future. The KION Group is starting out on this journey from an excellent position.

### III. Review

Let us start by taking a look back. 2013 was a year of major milestones for our company.

#### **Milestones in 2013**

The stand-out moment was our successful initial public offering on 28 June 2013 – all the more impressive because we managed to float on the stock market despite a highly challenging market environment. Since then, our share price has risen by more than 30 per cent. This is a clear indication of the confidence that people have in the potential of the KION Group. And it affirms the decision of those like you who have invested in our company.

The KION Group now has an even stronger financial base. The proceeds received from the capital increases carried out as part of the IPO were used to reduce debt and have provided us with a very sound and extensive capital base.

Another milestone: 35 per cent of all orders for new trucks placed with the KION Group originated in emerging markets in 2013 – a higher percentage than ever before. This underlines the success of our strategy of building up our presence in these markets early on – whether it be in China, Brazil or India.

In doing so, the KION Group is drawing on its long-standing experience. We were one of the first Germany companies to establish our own factory and our own sales and service structures in China, and in December we celebrated 20 years of the Linde brand in China. At the same time, the 100,000th truck to be built in China rolled off the assembly line. Almost 30 per cent of all our development engineers now work in our Chinese development centre.

We are also represented in Brazil through our STILL and Linde brands. Last year, we replaced our old factory in Rio de Janeiro with a new plant in the São Paulo region, where the economy is booming. It was built on a greenfield site and is the most modern production facility of all our factories worldwide. The new plant manufactures not only warehouse trucks but also STILL and Linde counterbalance trucks for our customers in South America.

Another highly promising market with a long-term future is India – in the same way that China was for us 20 years ago. Having acquired the Voltas brand company in its entirety, we ramped up production at the new factory in Pune in 2013. The Group's proven technology provides the basis for a new range of Voltas products that are tailored to the Indian market. They are proving very popular with our customers.

From a global perspective too, we expanded our product portfolio again last year, adding more than a dozen trucks and truck families. Our strong multi-brand strategy and worldwide footprint give us a key competitive edge. We adapt successful products to the specific requirements of our customers in each region. Our development centre in China is playing an increasingly important role in this aspect of our business. It develops new products and platforms, particularly for the fast-growing markets.

We are also expanding our global sales and service network, especially in emerging markets. STILL, for example, acquired a majority stake in the Turkish dealer Arser in mid-2013. Linde has opened new branches in Thailand and Malaysia. We are therefore applying our successful integrated business model with its substantial proportion of service business in growth markets, too.

The service business is growing in step with the fleet. This stable and high-margin business now contributes well in excess of 40 per cent of our consolidated revenue. 1.2 million trucks made by our brand companies are in operation worldwide. The effect of this can also be felt in growth markets, and service business already accounts for a quarter of our revenue in China.

There was also a milestone of particular strategic importance to us: Our strategic partnership with Weichai Power is coming to life. In China, Linde products are sold through our partner's branches. We are also starting to fit Baoli trucks with Weichai engines. Joint procurement projects are generating economies of scale for both of us, thereby securing improved purchase terms.

### **The 2013 financial year**

Let us move onto the numbers. 2013 was also a very solid year for the KION Group in financial terms.

The global market for trucks and warehouse technology grew by a substantial 7 per cent last year. The driving forces were China and the United States. Worldwide demand passed the threshold of one million trucks for the first time.

Our market share was more than 14 per cent in 2013. We expanded our service business. We defended our strong global market position. The KION Group achieved all of this in the face of difficult market conditions in western Europe. In the first nine months of last year, this market was characterised by our customers' marked reluctance to invest.

But our core western European market's performance has been more encouraging lately. In the last quarter of 2013, this market grew significantly, up by around 10 per cent on the corresponding prior-year period. And this positive trend is continuing.

Against this backdrop of mixed market conditions, the order intake and revenue that we generated in 2013 was close to the high level achieved in the previous year. The total value of the Group's order intake came to €4.490 billion, a figure that was affected by unfavourable currency effects. Excluding these effects, which totalled approximately €74 million, the KION Group's order intake would have been almost as high as in 2012.

Our revenue amounted to €4.495 billion, which – adjusted for the sale of the hydraulics business – represented a small year-on-year decrease. This figure was also significantly affected by currency effects of €75 million. Without them, revenue would have been higher than in 2012.

Our earnings before interest and tax, our EBIT, reached its highest ever level. Adjusted EBIT rose by 2 per cent to set a new record of approximately €417 million. Thanks to our technology leadership, we were able to implement price increases.

The added value that we create for customers also enables us to achieve attractive margins in growth markets. These margins are comparable to those in our home markets.

Despite headwinds in the European market, we reached our target of increasing our EBIT margin. It climbed from 9.0 per cent in 2012 to a record 9.3 per cent. We therefore made further significant progress towards achieving an EBIT margin in double figures.

Free cash flow of €202.6 million was also a strong result given the many non-recurring items in 2013. Our net income of €138.4 million was well into positive territory. The net income of €161 million in the previous year was predominantly attributable to a non-recurring item of around €155 million resulting from the Weichai transactions. So there is a highly encouraging trend here too.

In this first year after the IPO, we want you, our shareholders, to share in this positive trend by paying you a dividend: The Executive Board and Supervisory Board of the KION Group propose a dividend of €0.35 per share to the Annual General Meeting. This equates to 25 per cent of our net income. Over the coming years, we will pursue an income-focused dividend policy and plan to progressively increase the dividend payout rate to 35 per cent.

At the same time, we want to seize the highly promising growth opportunities presented by our global business and continue to reduce our gearing ratio.

We owe the success of the KION Group to the hard work and creativity of our employees, who are both the heart and the backbone of the KION Group. I would like to offer my heartfelt thanks – and those of the Supervisory Board and Executive Board of KION GROUP AG – to them for their outstanding efforts.

In future, we want our employees to become co-owners of the company. To this end, we are launching an employee share programme – starting with Germany in 2014 and rolling it out internationally from 2015.

We reduced our net financial debt to €979 million as a result of the IPO but also due to cash flow from operating activities. At the end of the year, our debt ratio stood at 1.4 times EBITDA. We have therefore made the transition to being a listed company in terms of our capital structure, too. In 2014 and subsequent years, we want to continue to lower our level of debt and leverage.

Just over a month ago, we repaid corporate bonds with a value of €525 million and made further improvements to our funding structure. This step will reduce our interest payments by €20 million per year and gives us greater leeway in increasing our profitability and forging ahead with the implementation of our growth strategy.

On that note, I would like to draw your attention to two items on the agenda of today's Annual General Meeting. Firstly, under agenda item eight we will ask you to consent to our creating authorised capital equating to 10 per cent of the share capital with the authorization to exclude subscription rights.

Secondly, under agenda item nine we will ask that you authorise us to issue bonds with conversion or option rights, also with the authorization to exclude subscription rights. Contingent capital is to be created in order to provide underlying shares for these bonds.

We are proposing these authorisations to you because they give us flexibility in how we raise capital. Our aim is to be able to use equity at short notice in order to seize opportunities for funding or acquisitions, for example taking advantage of business opportunities or strengthening our equity base. Such possible courses of action are common practice in listed companies. The details are explained in the Executive Board's reports on agenda items eight and nine, which can be found in the invitation to the Annual General Meeting.

### **Responsibility and sustainability**

Of course increasing our profitability has not been our only concern over the past year. Other matters of importance included responsibility and sustainability, which give our company strength and stability in the same way that a tree is supported by its roots.

As a newly listed company, we are focused on responsible corporate governance in accordance with ethical principles. We on the Executive Board and Supervisory Board firmly believe that our company's sustained commercial success has to be based on everyone in the company complying with the relevant rules without compromise.

The KION Group Code of Compliance gives all employees clear guidance on matters such as dealing with difficult issues of business ethics. We are providing comprehensive information and using state-of-the-art training methods to ensure that the code is communicated to our employees effectively and efficiently.

We endeavour to achieve a balance between environmental, economic and social considerations in our business activities. This is implicit for the KION Group and for its managers and employees.

To this end, we design our own production processes worldwide to be as sustainable and safe as possible. But our safe and eco-friendly products also help our customers to comply with high standards of workplace safety, save energy and reduce emissions.

## Innovation

Our customers know that our brand companies regularly set new standards with their innovations – in every market segment of our industry. That is why the KION Group invests heavily in new technologies. We are a leader in our sector, spending in excess of €114 million on research and development in 2013.

Let me mention one example. Our development teams work constantly to further reduce harmful emissions from our industrial trucks that are powered by internal combustion engines. Our products fall well within the maximum permitted limits, such as the limit for particulate emissions. Linde's diesel trucks in the H25 to H35 EVO series are more than 80 per cent below the limit.

In this way, we are setting new standards for our industry. At the same time, these developments reduce fuel consumption, making our products even more competitive.

In December 2013, Linde Material Handling began collaborating with BMW's factory in Leipzig. As part of a research project sponsored by the German Federal Ministry of Transport, BMW was given trucks and tow tractors with environmentally-friendly hydrogen drive systems to use in BMW i production. This represents a major step towards the production readiness of our industrial trucks fitted with this pioneering drive system.

## Conservation of resources

We are also responsible when it comes to conserving resources. The KION Group has long been committed to making better use of raw materials, deploying recyclable materials and reducing the amount of waste produced.

Last year, STILL obtained certification for its occupational health and safety management system and its environmental and energy management systems at its core plant in Hamburg. STILL intends to further reduce its energy consumption over the next few years by using energy efficiently and conserving resources.

## Social Standards

Another area in which we set the benchmark is social standards. The success of our company also relies on the responsibility that the KION Group assumes in respect of its employees. Uniform, mandatory employment standards apply at all of our sites worldwide. This underscores our commitment to fair and safe working conditions.

We offer our employees attractive working conditions and opportunities that are afforded by working for an international group of companies. In this context, it is becoming increasingly important to promote a good work-life balance. We help employees to achieve this with flexible working-time models. We organise health programmes and ensure working conditions are suited to employees' age-related requirements. In addition, we offer pensions with fixed benefit entitlements to almost all employees in Germany and a number of employees in other countries.

A safe working environment is of paramount importance. Analysis of accidents and detailed plans have helped us to reduce risks in the workplace and during journeys to and from work.



### Women in management positions

Another important matter for us is increasing the proportion of female employees. In the KION Group, 8 per cent of management positions are held by women. But we want and must make greater use of the potential that they offer for our business. One of our strategic objectives is to double the proportion of female managers by 2020.

Nevertheless, we do already have successful women on board, including at executive level. One of them is Sabine Neuß, who is Chief Operating Officer at Linde Material Handling and was elected to the Supervisory Board of Continental AG, one of our major suppliers, at the end of April. Another successful woman working for the KION Group is Andrea Neuroth, who heads up our Financial Services organisation.

## IV. Outlook for 2014

Let us now move on to the outlook for 2014.

Dear shareholders,  
ladies and gentlemen,  
We are optimistic about the current year and the years to come.

For 2014, we see continued momentum for the stabilisation of demand for industrial trucks in western Europe and for further growth in North America and Asia. As a result, we anticipate that the global market will grow at a moderate rate. Our longer-term expectations are also positive: We predict average annual market growth of approximately 4 per cent in the coming years.

This potential in the markets is something that we plan to fully harness. We are continuing along our path of growth. Our intention is to generate a slight increase in order intake and revenue this year, with the service business again expected to make a significant contribution.

Our EBIT is likely to rise substantially. We aim to increase our EBIT margin by maintaining appropriate prices, lowering costs, pursuing our modular and platform strategies and improving capacity utilisation in our plants.

We want to boost cash flow from operating activities in order to achieve a considerable increase in free cash flow compared with 2013. Our intention is to use cash flow from operating activities to further reduce net debt and thereby improve our capital structure and funding structure even more. To sum it up in a sentence: We want to generate profitable growth in 2014 and permanently improve our market position worldwide.

The first quarter of this year makes us confident that we can achieve our targets. That is why we reaffirmed our 2014 forecast the week before last. Orders were up substantially in the first quarter thanks to the economic recovery in western Europe and a robust business performance in growth markets. Our order book also improved considerably.

As expected, revenue and EBIT were affected by the mixed market situation in 2013 and the seasonal dip that is typical for the first three months of the year.



## Reasons for the positive outlook

Why are we looking ahead with so much optimism?

We operate in a growing market. Global megatrends are boosting demand for our products. And we have developed a strategy with which the KION Group can derive long-term benefits from these trends and grow as market leader.

We keep the world moving: The short film at the beginning of my speech shows what makes the KION Group attractive and strong – for you our shareholders, for our employees and for our customers. The film's message can be summarised in three points.

- Firstly, our market – the market for industrial trucks – is growing at a faster rate than the global economy and, since 1980, has grown around one and a half times faster. The main driving forces are industrialisation in emerging markets, globalisation of world trade and the increasing fragmentation of supply chains and value chains.
- Secondly, we are strong in our home market and well positioned in growth markets.
- Thirdly, we have a robust integrated business model with a high proportion of service business.

Our technology leadership underpins our premium positioning and creates unique added value for our customers that pays off for us. More than half of our new truck sales incorporate financing agreements that are linked to ongoing service agreements. Once the financing arrangements have ended, the trucks are added to our rental fleet or are sold as used trucks.

This completes a circle in which the KION Group generates profitable levels of revenue throughout a truck's lifecycle. Customer services, used trucks and financial services together contribute well in excess of 40 per cent of revenue.

## V. Strategy 2020

Ladies and gentlemen,

In recent years, the KION Group has delivered an excellent performance and did so again in 2013. This success is the starting point for our Strategy 2020. We want to generate further growth and become the market leader in our sector. As we strive to achieve these aims, we want to make even better use of the KION Group's strong global position and cross-brand synergies.

### Summary of the Strategy 2020

We want to measure ourselves against the very best capital goods manufacturers in all relevant areas of our business – including those that are not our direct competitors.

What does this objective mean at the detailed level?

In terms of company size and market share, our objective is to be at least on level terms with our most important competitor globally. We intend to further consolidate our position as the most profitable supplier in our industry. In the medium term, we aim to achieve a double-digit EBIT margin. This also means that we aim to further improve our capital efficiency. We have an additional objective of further strengthening our resilience in the event of decreases in revenue during periods of economic turbulence. We want to remain profitable even in times of crisis.

How do we intend to achieve these objectives?

### **Focus on fast-growing markets**

Our regional growth strategies focus on fast-growing regions. We want to extend the leading position we enjoy in the global market to individual markets such as the United States and China. To this end, we are developing appropriate brand strategies, competitive products, sales structures and new partnerships.

We are particularly focused on the United States. For us, the US has been a more or less blank space on the map to date, but we are currently developing new products for this particularly unique market based on global product platforms from our Chinese development centre.

We also intend to build up the service business. There is sufficient capacity at our plant in South Carolina, and we are able to draw on an existing network of dealers. Our Linde brand will specialise in counterbalance trucks in the North American market, while STILL will cover warehouse technology.

### **Aftersales and Service**

Aftersales and service are another fundamental aspect of our Strategy 2020. I have already explained the way our integrated business model works, and its benefits. Around 1.2 million trucks made by our brand companies are now in operation around the world. That is an excellent base from which to exploit further potential. And that is precisely what we intend to do.

### **Multi-brand strategy**

The KION Group with its proven multi-brand strategy has one decisive advantage: it combines six brands under one roof. This means we are able to optimally serve the wide range of markets and customer segments. On the one hand, we have the three brand companies Linde, STILL and Baoli operating at a global level in the context of the Strategy 2020. And on the other, we have our three regional brand companies: Voltas in India, Fenwick in France and OM STILL in Italy.

### **Global modular and platform strategy**

A global modular and platform strategy helps us to fully leverage synergies across all brands and regions. In the growth markets, our developers will in future work more closely than before across brand boundaries, using shared platforms. In Europe we will use common modules in different brand companies. At the same time, we will seek to strengthen the differentiation between our premium Linde and STILL brands in Europe. Any modules and platforms developed within the group will be at the disposal of all brand companies and all regions for use in their products.

### Production network

We are also devoting our attention to production. We are doing everything we can to further increase the capacity utilisation of our production sites and to optimise the degree of inhouse production.

### Support functions

Our strategy encompasses every area of the company – including support functions. We want to exploit economies of scale and efficiency gains anywhere we can – from production through to marketing, sales and service.

What are our specific plans for 2014 in the context of the KION Group Strategy 2020?

- We are adapting our global production structures to the expected increase in volume. Our key objective in this process is to locate our production even closer to the fast-growing sales markets.
- We are starting – as explained – the development of trucks for markets such as the United States on the basis of our existing product platforms.
- And we are continuing to build up our research and development activities in Asia.

### Vision 2020

Ladies and gentlemen,  
allow me to summarise the objectives of our Strategy 2020 and our route to achieving them:

- We are creating value through our global and regional brand companies by implementing our multi-brand strategy in all market segments.
- Our innovative products, customised solutions and first-rate services provide our customers with unique opportunities for value creation.
- We are Number 1 in the material handling sector – on the basis of our market leadership in Europe and Latin America and our strong position in China and North America.
- Our market position is characterised by especially innovative and competitive products and services, which we are able to achieve by exploiting our modular and platform strategy, backed up by our global production network.
- A profit margin well into two figures and a return on capital employed that is typical for the capital goods industry will make us structurally robust and a benchmark for the rest of the industry.
- Our workforce is turning this vision for 2020 into reality. Our employees are the ones who can drive our successful growth strategy forwards. That is why we want to continue attracting the world's most skilled and talented people to work for the KION Group. Customer focus, performance, innovation and the quest for industry leadership are the values embodied by our highly motivated, high-achieving team.

Ladies and gentlemen,  
2013 was a successful year for the KION Group.  
We have laid strong foundations for our future success. We are exceptionally well positioned to exploit the opportunities presented by an attractive growth market. This will allow us to create value for you, our shareholders and for our employees, customers and partners.

I look forward to talking to you.