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Chief Executive Officer of KION GROUP AG

Annual General Meeting  
KION GROUP AG

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- Check against delivery -

## I. Welcoming introduction

Dear shareholders,  
ladies and gentlemen,  
On behalf of the Executive Board, I would also like to welcome you here today.

This is KION GROUP AG's second Annual General Meeting since our successful IPO in June 2013. We are delighted that so many of you have taken up our invitation to today's meeting, which reaffirms the confidence that you have shown in our Company through your investment. We would like to offer you our sincere thanks for this. Our Strategy 2020 provides solid grounds for your confidence. It describes our path of long-term, profitable growth and focuses not only on innovation and quality but also on the satisfaction of our customers.

The short video that we have just showed you features some of these customers whose businesses rely on products from the KION brand companies.

Regardless of whether they are a small statue casting workshop in Hungary, a rapidly growing automotive glass manufacturer in China or the largest warehouse in South America, our customers are what motivates the brand companies in the KION Group to offer the best possible support in creating value and achieving business success – around the globe, 24 hours a day.

This work is carried out day after day in our fantastic Company – your Company – thanks to the tremendous energy and passion that fuels our almost 23,000 employees, managers and the Executive Board, including me.

Ladies and gentlemen,  
I will start by reporting on the financial year 2014, which was an excellent year all round for the KION Group.

I will then look ahead to the current year and beyond.  
Last year, we presented our KION Group Strategy 2020 to you. Today, I would like to tell you about the progress we have made for attaining our growth and profitability targets. And I will set out what we aim to tackle next.

## II. Review

Let us start by looking at last year and the milestones that we reached.

### **Milestones in 2014**

For the KION Group, 2014 was a year for setting records. We reached record highs in all of our key performance indicators. Our order intake, revenue, adjusted EBIT, profitability and net income all surpassed the excellent levels achieved in the previous year.

We continued to consolidate our position in what is the largest single market for our products worldwide, China. New truck orders were up by 13 per cent, so we easily outperformed overall market growth. One of the main factors was the success of our Baoli brand.

In 2014, we also reached an important strategic milestone in North America when Linde North America was renamed KION North America. This change highlights the fact that growth in this market is a project for the entire KION Group. A core element of our Strategy 2020 is to significantly increase market share in North America, including in the United States – the world's second-largest country market. As a global player in the material handling sector, we want to be appropriately represented there. To this end, we are adding to and expanding our portfolio of products and services so that we are optimally positioned to cater to the particular needs of this market. Although we started from a very low base level, our initiatives are already delivering results: while the North American market as a whole expanded by just over 9 per cent in 2014, KION North America generated growth of 23 per cent.

India is another important growth market where the KION Group has been raising its profile since 2014: Voltas Material Handling, which is one of the country's leading providers of forklift trucks and warehouse technology, is now called KION India. Here too, the KION Group is harnessing the vast potential of this emerging market by pooling its resources. This marks a further step forward in the integration of the Voltas brand into the Group and the intensification of local cooperation between our brands.

Moving on to our products: last year, we launched 20 new trucks and truck families. We began offering lithium-ion batteries as a shared module for our premium Linde and STILL brands, thereby underlining our leading technological position in our industry. For the global volume market, we introduced three new truck series based on a common platform. So you can see that we are well on track with our modular and platform concept – an important aspect of the Strategy 2020.

In November, we held a ground-breaking ceremony for our new plant in the Czech Republic. Production is due to start in early 2016. During the first phase, it will build a major warehouse truck that is currently manufactured at our main factory in Aschaffenburg.

We have also decided to invest a total of €83 million in our core Linde and STILL plants in Aschaffenburg and Hamburg by 2021 – and that despite the oft-repeated complaints about a lack of investment in Germany.

Another momentous occasion for us was when we joined the MDAX. This index for medium-sized companies is the right place for the KION Group. Inclusion in the MDAX has made our shares even more visible and thus attractive to investors, to you, ladies and gentlemen.

Moreover, our shareholder structure became more broad based last year, a trend that has continued in the first few months of this year. Following the exit of our long-standing private equity partners, the free float now stands at more than 61 per cent. This means our shares are now even more tradable. Accordingly, our trading volume has risen progressively since the last Annual General Meeting.

Our employee share ownership programme made a very successful debut in Germany in the autumn of last year. Almost one in four eligible employees took the opportunity to subscribe to shares. This is an outstanding result. The confidence of our employees is a clear sign of the potential that the KION Group has to offer. We are planning to roll out the programme internationally this year.

Finally, we streamlined our management structure at the start of this year. As well as being CEO of KION GROUP AG, I have now also taken charge at our largest brand companies, Linde and STILL. This means we can make decisions more quickly and more effectively. We are creating additional synergies between our brand companies and putting even greater effort into driving our innovations forward. And we are working to make our activities even more customer-focused. Market feedback is incorporated into product innovations and improvements with greater speed and efficiency, as are the many ideas that our employees produce.

On the agenda for today's Annual General Meeting, you will see another item that shows the importance to us of optimum organisational and decision-making structures. We are asking you to approve a domination agreement between KION GROUP AG and proplan Transport- und Lagersysteme GmbH. proplan is a wholly owned subsidiary of KION GROUP AG. It mainly manufactures explosion-proof trucks. There is already a profit-and-loss transfer agreement between proplan and KION GROUP AG. Then, on 17 February 2015, we signed a domination agreement with proplan in place. This new domination agreement does not become effective until it has been approved by the Annual General Meeting and entered in the commercial register of proplan. Under the domination agreement, KION GROUP AG will be entitled to issue proplan's Management Board with instructions on how proplan should be run. This arrangement will make the management of proplan more practical and efficient. In addition, the agreement will enable the subsidiaries of KION GROUP AG to be managed consistently. Entering into the domination agreement also reinforces the organisational integration of proplan into the KION Group that is required for VAT affiliation. The existing VAT group is financially advantageous for the KION Group.

Further details of the domination agreement can be found in a joint report prepared by the Executive Board of KION GROUP AG and the Management Board of proplan concerning the conclusion and content of the control agreement.

A few days ago, we announced an important strategic step that will considerably strengthen our expertise in the up-and-coming field of system solutions and automation. Automated logistic solutions will play a crucial role in what we call Industry 4.0 because it facilitates the way for the vision of smart warehouses and factories. Through the purchase of the Handling Automation division of Belgian automation specialist Egemin Group, we are looking to establish ourselves as a leading player in the fast-growing market for automated logistics and material flow systems. Industry 4.0 does not work without Logistics 4.0. This is where we come in. Together, Egemin Automation and the KION Group have vast potential for innovation that will enable us to provide the best possible solutions for our customers going forward. The KION Group has a clear idea of the possibilities that automation solutions will open up in intralogistics and is therefore taking decisive action to seize these opportunities. The arrival of Egemin Automation means that there will be seven brands in the KION Group portfolio in future.

In addition, our Linde brand company has formed a strategic alliance with French robotics specialist Balyo.

You can see that we have again made good progress. 2014 and the start of 2015 have been characterised by defining milestones and decisions for the KION Group. And: to crown it all, we achieved outstanding financial results: 2014 was another record year for the KION Group!

### **2014 financial year**

Let us move on to the numbers.

In 2014, we achieved record levels in all our key performance indicators – order intake, revenue, adjusted EBIT, profitability and net income – and clearly matched our forecasts.

Our new truck orders in units grew at a faster rate than the market as a whole last year. While the market's orders rose by 7.8 per cent to 1.1 million forklift trucks and warehouse trucks, the KION Group's new truck orders advanced by 8.5 per cent – so we clearly outstripped the market. This was particularly the case in China and eastern Europe.

A year ago, we were able to report the first encouraging signs in our home market of western Europe. And the dynamic growth of our core market did indeed prove to be another driving force for new business in 2014.

Our order intake increased in value by 8.6 per cent to €4.9 billion. The order book stood at approximately €787 million at the end of 2014, 13.5 per cent higher than at the end of 2013.

Our revenue increased by more than 4 per cent to €4.7 billion.

Adjusted earnings before interest and tax, or EBIT, improved by 6.3 per cent to €443 million. The EBIT margin was 9.5 per cent, compared with 9.3 per cent in the previous year. One of the main contributing factors was the very strong fourth quarter of 2014, when the adjusted margin reached 10.3 per cent – the highest that the KION Group has ever achieved in a quarter.

The encouraging trend in net financial expenses reflects the much improved funding structure resulting not only from the IPO but also from the redemption of liabilities. In spring 2014, we repaid corporate bonds with a total volume of €535 million. This will lower our interest payments by more than €20 million per year – and give us greater flexibility as we forge ahead with our growth strategy.

I would particularly like to highlight our net income, which increased by almost 29 per cent to €178.2 million. This is proof positive of our strong operating performance and a reflection of our optimised funding structure and improved level of net financial expenses.

The KION Group succeeded in again significantly exceeding the sizeable forecast gain in free cash flow, which increased by more than 56 per cent to €306 million.

Thanks to this good cash flow, the KION Group's net financial debt was around €811 million at the end of 2014, compared with roughly €979 million a year earlier. Net debt is therefore now just over 1.0 times adjusted EBITDA.

We want you – our shareholders – to share in this very impressive performance by paying you an attractive dividend: The Executive Board and Supervisory Board of the KION Group are therefore proposing a dividend of €0.55 per share at today's Annual General Meeting. This equates to a year-on-year increase of 57 per cent! The dividend payout rate is therefore approximately 31 per cent of our net income, compared with 25 per cent last year. You can see that we are not wasting any time in acting on our announced plan to progressively increase the dividend payout rate to 35 per cent by pursuing an income-focused dividend policy.

Thanks to our employees, a coherent strategy and excellent financial results, we are ideally positioned to maintain our profitable growth trajectory over the coming years!

However: irrespective of our record results, competition in the market is becoming increasingly intense. In order to continue improving our key performance indicators, we will step up our efforts to become even more competitive in 2015. This is a particular aim in our home market of Europe, where we constantly face the highest cost increases.

### **Responsibility and sustainability**

There are of course other things besides our business performance that shape our ideas and actions. The KION Group pays more than just lip service to responsibility and sustainability. Last year, we reported in detail to you on the guiding principles that we follow, namely:

A balance between environmental, economic and social considerations.

Responsible corporate governance in accordance with ethical principles.

Sustainable production processes that save energy, reduce emissions and meet high standards of health and safety. We want to help our customers achieve these same goals with our eco-friendly and safe products.

We continued to make improvements in this area last year.

### **Code of Compliance**

A good example is the KION Code of Compliance, which lays down binding rules of conduct for all companies in the Group and their employees. It sets out easy-to-understand guidelines, for example on how to deal with difficult ethical issues in business. All other standards and initiatives relating to health, safety and the environment are derived from the Code of Compliance.

The code has been updated, and a new version is now available. Cutting-edge training methods are being used to familiarise KION Group employees with its content.

### **Innovation**

The KION Group is proud of its leading technological role, which is why we invest heavily in research and development. Our R&D spending in 2014 was up by almost 5 per cent on 2013 and totalled just short of €120 million, making us an industry leader in this respect.

Tighter emissions standards for diesel trucks and the trend towards e-mobility are pushing up demand for electric forklift trucks, including those with large load capacities. New products from both Linde and STILL cater to these market requirements. STILL, for example, has made its RX 60 series of electric forklift trucks even more powerful. The cost of energy, maintenance and servicing is considerably lower than for diesel and LPG trucks with the same load capacities. Just a few days ago, our STILL brand company won in two of the four categories of the coveted International Forklift Truck of the Year prize, which is awarded to the best industrial trucks and systems solutions: firstly for the RX 60-80 and secondly for a system solution for an automated raw materials warehouse. Linde has introduced new 1.2 to 2 tonne electric counterbalance truck models that consume up to 17 per cent less energy than their predecessors.

In the development of new drive technologies, the focus remains firmly on lithium-ion batteries. In October, Linde and STILL added warehouse trucks fitted with this highly efficient drive technology to their product ranges for the first time. The target for the coming years is to equip three quarters of all electric trucks with this technology.

### **Conservation of resources**

We also fulfil our responsibilities when it comes to conserving resources. All KION Group plants capture data about their energy consumption, volumes of waste and recycling, water consumption and emissions of CO<sub>2</sub>. This data is included in an annual internal environmental report.

In addition, Linde Material Handling is working on implementing a system for analysing environmental impact using lifecycle assessments. At the end of 2014, certified lifecycle assessment studies were available for seven product groups, such as electric forklift trucks and IC trucks. A project was also launched to implement a sustainability reporting system and an internal sustainability policy was issued.

### Social standards

Social standards are also a high priority for the KION Group. In the year under review, new minimum standards for working conditions were established at Group level. Checking compliance with minimum social standards and human rights also plays a central role in the purchasing function, which is why we closely monitor our supply chain. A safe working environment is of paramount importance. All production sites are therefore audited regularly in order to increase awareness of workplace safety. Launched in 2014, the KION Safety Championship rewards departments whose efforts in this area have been particularly successful.

### III. Outlook for 2015

I would now like to talk about the outlook for 2015.

Dear shareholders,  
ladies and gentlemen,

Following on from our record year in 2014, we have made a good start to 2015. That is why we are optimistic about the KION Group's future – as we were a year ago.

This year, we expect to see:

- Further stabilisation of unit sales in western Europe, as replacement and catch-up investment continues
- Further growth in the emerging markets of Asia
- And healthy market conditions in North America.

Consequently, we expect global market volumes to continue growing moderately in 2015.

Our longer-term expectations also remain positive. We predict annual market growth of approximately 4 per cent in the coming years.

What do these positive market conditions mean for the KION Group?

We will continue to forge ahead with implementing our Strategy 2020 so that we can achieve yet another record-breaking year.

Based on expected market performance, we predict slight increases in both order intake and consolidated revenue compared with 2014. The service business in western Europe and the emerging markets will continue to make a strong contribution.

We also anticipate that adjusted EBIT will rise slightly from its 2014 level. Costs relating to implementation of the Strategy 2020 will have to be factored in.. One of the aims of our Strategy 2020 is to generate a sustained improvement in the adjusted EBIT margin.

For this reason, we expect to achieve a stable adjusted EBIT margin in 2015 that matches last year's record level.

We believe free cash flow in 2015 will be slightly below the very high level achieved in 2014. This is due to increased capital expenditure in connection with the Strategy 2020 and to higher anticipated tax payments.

In a nutshell: we expect to generate further profitable growth while striving to attain lasting improvements in our competitiveness and global market position. At the same time, we are pushing ahead with implementing our Strategy 2020.

The KION Group has got off to a dynamic start this year.

In the first quarter of 2015, order intake rose by 7 per cent thanks to a strong upturn in western Europe. Our revenue improved by around 7 per cent too, reaching €1.164 billion. Adjusted EBIT also advanced by roughly 7 per cent year on year, climbing to €93 million. At 8 per cent, the adjusted EBIT margin remained at the prior-year level.

All of these numbers enable us to be confident of achieving our targets for the current year. That is why we confirmed our forecast for 2015 last week.

### **Reasons for the positive outlook**

Why are we, why is the KION Group, looking to the future with such confidence? Let me briefly remind you of the basic principles that make our Company strong and attractive:

- The market for industrial trucks is growing at a faster rate than the global economy.
- We are strong in our home market and well positioned in growth markets.
- Our technology leadership underpins our strong positioning and creates unique added value for our customers that pays off for us.
- We have a robust, integrated business model with a high proportion of service business.

There is one key point I would like to explain in more detail: Our market benefits from three global megatrends that are driving further expansion:

- The first of these is the increasing industrialisation of emerging markets.
- Another is the increasing importance of logistics due to the advancing globalisation of world trade and the movement of goods and services.
- And the third is the increasing fragmentation of supply chains and value chains, because our products are used at every step along the way.

#### IV. The KION business model – KION Group Strategy 2020

We benefit from this attractive market environment thanks to our integrated business model, in which products and services are closely interlinked.

- Our business model is based on an integrated cycle of products and services. Each part of the cycle generates revenue for us. It begins with the sale of new trucks. These then generate service business for a period of up to ten years.
- Around half of all new trucks are bought using a finance package. This boosts not only the sale of new trucks but also the service business, for example due to contractual servicing arrangements.
- Our global service network means that our customers all over the world can rely on an efficient supply of spare parts and rapid service on the ground. This is crucial to maintaining a high level of availability for our trucks.
- The trucks are transferred to our rental and used truck business at the end of the financing agreement, thereby completing the cycle in the KION Group's integrated business model.

This is the successful basis on which we want to generate further growth with our KION Group Strategy 2020.

In doing so, we are making use of the KION Group's strong global position and cross-brand synergies.

#### **The KION Group Strategy 2020**

The objectives that we have set ourselves with our Strategy 2020 are ambitious but realistic:

- In terms of company size and market share, our objective is to be on level terms with our most important competitor globally.
- We intend to further expand our position as the most profitable supplier in our industry.
- We aim to improve our capital efficiency and close the gap to the leading companies in the capital goods industry.
- We want to remain highly profitable, even in the event of any future crises.

In short, we want to become one of the best capital goods manufacturers in every relevant area. So that we can achieve these objectives, every area of the Company is involved in implementing the strategy.

Our goal is for every KION Group stakeholder to benefit from a sustained increase in profitability – for us to create value for our business partners, customers, employees and of course you, our shareholders.

- The advantages for our business partners lie in the reliable business relations that are made possible by profitable growth for our partners and for us.
- We offer our employees secure jobs that open up opportunities for personal development and a higher standard of living.
- And you, our investors, benefit from the increase in the value of your KION Group shares and from the dividends that we pay.

### **Strategy 2020 – what we have already achieved and what is still to be done**

Allow me to briefly summarise the progress we made in implementing our Strategy 2020 last year and the steps we have taken so far this year:

- By acquiring Egemin and entering into a new international partnership with Balyo, we have further strengthened our expertise in automation and logistics solutions.
- We have initiated a programme of capital expenditure at the core Linde and STILL plants so that we can increase their efficiency and competitiveness.
- Construction has begun of a new plant in the Czech Republic that will give us greater proximity to important markets and allows us to produce at lower costs.
- We now have lithium-ion batteries, providing an innovative drive technology that we can use as a cross-brand module in our trucks.
- A whole host of models based on a shared global platform has been launched in Asia. This year, we are planning to go to market with around a dozen new trucks in China.
- In the first quarter of 2015, our Linde brand company opened a new spare parts centre in China in order to offer an even better quality of service in the Asia-Pacific region.
- We have continued to push ahead with our regional growth strategies, one example being the renamed KION North America and its new management structures. Moreover, our STILL brand company launched its first products on the North American market in the first quarter.

All of these steps are designed to achieve clear objectives: we are placing greater emphasis on profitable growth, customer satisfaction, quality and innovation than ever before.

The Strategy 2020 also involves transforming the culture of the KION Group. If almost 23,000 employees can work together effectively and share their knowledge and skills

with each other, then the KION Group will be far more than the sum of its parts, i.e. its brand companies.

In 2016, you will see us take the next key steps in implementing our Strategy 2020 that will help us to further boost our profitability.

- Our new plant in the Czech Republic will commence production in 2016.
- Following on from the lithium-ion battery, the next major modules will be unveiled in 2016. They include lithium-ion batteries for counterbalance trucks and the necessary chargers.
- We will launch more trucks that are based on global platforms and will be tailored to the local requirements of the various growth markets.

Ladies and gentlemen,  
dear shareholders,

You can see that, here at the KION Group, we have a great deal in the pipeline that will enable us to continue along our trajectory of profitable growth.

Our Company finished 2014 on a very positive note, and we have again strengthened the foundations for our future success. We are ideally positioned to exploit the opportunities presented by an attractive growth market. This will allow us to create sustained value for you, our shareholders, for our employees and partners and, above all, for our customers.

I now look forward to talking to you!