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Chief Executive Officer of KION GROUP AG

Annual General Meeting of
KION GROUP AG

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- Check against delivery -

I. Introduction

Dear shareholders,
ladies and gentlemen,

On behalf of the Executive Board and our more than 23,500 employees, I would like to welcome you here today to the third Annual General Meeting of KION GROUP AG.

Last year, standing exactly where I am now, I told you about how much our focus is trained on the satisfaction of our customers. We have a clear objective: no one should be more able or more willing than us to identify and even anticipate the needs of our customers – and, of course, to then go on and meet these needs.

That is why we have been able to earn our customers' trust. And it's the only way that we can repay the trust that you, as shareholders, have placed in our company through your investment. We would like to offer you our sincere thanks for this.

We want to fulfil the expectations of our customers like no one else. To achieve this, we are doing more than just relying on the high quality of our products and our global network of 1,400 sales and service outlets. A key part of our strategy is innovation: the continual search for the new, the better solution. Innovation is also the focus of our latest annual report.

The short film you have watched provides an insight into what innovation means for the KION Group. For us, an idea becomes an innovation when it benefits the customer. When it helps the customer to create value. Which, ultimately, will also create value for you, our shareholders. It has to be a new product, a new service, a new solution, that the customer really needs. We are not interested in innovation for innovation's sake.

Innovation in your company is not restricted merely to technology. At the KION Group it is omnipresent. Be it in production processes, in high-potential emerging markets, in sales or in HR management. Innovation is so important now because we are in the midst of a revolution – the fourth industrial revolution. The physical and digital worlds are merging. I'm talking about Industry 4.0, which is a concept that cannot work without Intralogistics 4.0. And Intralogistics 4.0 is where we are.

It's what drives us on. All around the world. It's what the employees of the KION Group, my colleagues on the Executive Board and I work so hard and so passionately on every single day. Last year, a fourth Executive Board role was created for a Chief Technology Officer, which speaks volumes about how important innovation is for us. And in the shape of Dr Eike Böhm we found an outstanding individual to fill this role.

Ladies and gentlemen,

I will start off today, at this Annual General Meeting, by giving you a report on 2015, which was another very successful year for the KION Group.

I will then look ahead to the current year and – in keeping with our focus on innovation – to the time beyond that. I will also be telling you about how the KION Group's offering is seamlessly adapting to the opportunities that Intralogistics 4.0 presents for our industry and for your company.

II. Review

Two years ago I introduced Strategy 2020 to you – our master plan for sustained profitable growth. Last year, we continued to take important steps towards its implementation. Let us take a look back at the milestones that we reached in 2015.

Milestones in 2015

- We achieved new highs for order intake, revenue, adjusted EBIT and net income.
- We delivered on our forecasts for all KPIs and continued along our trajectory of profitable growth.
- In August 2015 we acquired Egemin Automation. As a result, we now cover the full spectrum of automation solutions, from customised self-guided trucks to fully automated warehouse systems.
- Early this year we rounded off our portfolio of automated solutions in North America by acquiring Retrotech. The transaction was completed on 1 March. These acquisitions have put us in an even better position to capitalise on the opportunities offered by Intralogistics 4.0 and the Internet of Things.
- At the end of last year, work was completed on our new plant in Stříbro in the Czech Republic. Production commenced at the beginning of January. It is KION's most innovative plant yet – a true smart factory in which we are using state-of-the-art IT systems to control, monitor and document processes.
- The KION Group strengthened its groupwide research and development capability by completely restructuring it. Eike Böhm became the fourth member of the Executive Board, taking up the newly created post of Chief Technology Officer with responsibility for research and development activities, procurement, quality management and production processes. The creation of his role means that the key technical functions in the KION Group are now organised on a cross-brand basis.
- Our new and improved Group structure is sharpening our focus on the specific customer and market requirements in different parts of the world and on cross-brand synergies. By the end of the year, the Company will be organised around four operating units that are supported by groupwide functions. The four operating units are
 - Linde Material Handling EMEA,
 - STILL EMEA,
 - KION APAC,
 - and KION Americas.
- These four operating units will oversee marketing, sales and service, and the regional production plants and will have full individual responsibility for profit and loss.
- In February, we updated our funding structure, securing terms that are typical for large, established companies. We repaid the last remaining bond that dates from before the IPO and agreed far more favourable terms with investment-grade-style features for a bank loan from the same period. This means we have now taken the final step in overhauling the funding structure that was in place prior to the IPO in June 2013.

- Our efforts are being recognised by the capital markets: in April 2016, rating agency Moody's raised its credit rating for the KION Group from Ba2 with a positive outlook to Ba1 with a stable outlook. It based its decision on the ongoing deleveraging and our strong operating performance. Standard & Poor's also improved its assessment from BB+ with a stable outlook to BB+ with a positive outlook.
- KEEP, our successful employee share plan, is to be rolled out in five other countries this year, bringing the total number of countries where it is available up to ten. This will give even more KION employees the opportunity to directly share in the Company's success. We are therefore asking you, as detailed in the agenda for this AGM, to renew our authorisation to acquire treasury shares for a further five years. The current mandate expires on 12 June 2016. This authorisation will enable more shares to be repurchased for our employee share plan, which is proving extremely popular.
- In personnel matters, we are delighted about the Supervisory Board's proposal to elect Dr Christina Reuter to the Supervisory Board of KION GROUP AG. You will have already heard about Dr Reuter in Dr Feldmann's speech.

As you can see, we are making excellent progress in the implementation of our Strategy 2020.

This applies both to our positioning in the age of Intralogistics 4.0 and to our internal structure.

The results from last year clearly demonstrate that we are on the right track. These results were made possible by more than 23,500 hard-working employees. I would like to take this opportunity to thank each and every one of them. And I am sure that I do so on your behalf, too.

2015

For the KION Group, 2015 was another year in which records were set, bucking the trend in a global market that performed poorly overall:

- In terms of revenue, adjusted EBIT, net income and the value of order intake, the KION Group did better than in any previous year.
- Our revenue exceeded the €5 billion mark for the very first time.
- Mainly thanks to the buoyancy of the core market in western Europe, the KION Group's new truck orders rose by 7 per cent in 2015. We comfortably beat the global market, which grew by only 1 per cent.
- And in the world's largest individual market – China – we fared significantly better than the market as a whole. Here our orders increased by nearly 6 per cent, thanks mainly to demand for warehouse trucks. The Chinese market as a whole, however, contracted by nearly 13 per cent due to weak sales of IC trucks.
- Overall, the KION Group received approximately 165,800 orders in 2015 – more than in any other previous year.
- In terms of our profitability we were on a par with the record set in the previous year, achieving an EBIT margin of 9.5 per cent as forecast.

- I would particularly like to highlight our net income, which improved by 24 per cent to around €221 million.
- Free cash flow rose by 8.8 per cent to around €333 million on the back of our strong operating performance.
- We want you, our shareholders, to share in this extremely encouraging growth by paying you an attractive dividend: the Executive Board and Supervisory Board of KION GROUP AG propose a dividend of €0.77 per share to today's Annual General Meeting. This is equivalent to dividend growth of 40 per cent year on year. The dividend payout rate is 35 per cent. We are thereby continuing with the dividend policy announced when the Company went public.
- The very good results for 2015 are an excellent basis on which to continue forging ahead with our Strategy 2020 and, above all, to make further progress in the highly promising fields of digitisation, automation and warehouse systems this year.
- At the same time, we remain firmly focused on our planned efficiency gains – especially in production and development – that will help us to thrive in an increasingly competitive market.

Responsibility and sustainability

Ladies and gentlemen,

Commercial success and efficiency are not the only focal points for our company. Special emphasis is also placed on responsibility and sustainability, which are much more than just buzzwords for us. Far from it: both are becoming increasingly important for the KION Group. KION always endeavours to achieve a balance between environmental, economic and social considerations in its business activities. Sustainability for the KION Group means taking responsibility.

The Company's sustainability strategy is enshrined in the KION Group Code of Compliance, which sets out clear rules. Among other things, these rules tell employees the correct way to interact with colleagues, customers, partners and the public. All other standards and initiatives related to health, safety and the environment are derived from this groupwide code.

Our focus on sustainability is directly reflected in the Group's eco-friendly and safe products that help our customers to conserve energy, reduce emissions and comply with strict workplace safety standards. Here, too, we are setting new standards for our industry.

Last year, the KION Group began to set up a groupwide sustainability management system. We will use this to manage sustainability matters across all brand companies and regions in future. To start with, a sustainability reporting procedure and system were introduced as a pilot project at Linde Material Handling. This has provided us with a basis from which to phase in sustainability management and reporting across the KION Group.

III. Outlook for 2016

Ladies and gentlemen,

Let us now turn our attention to 2016. The objective is clear: we want to build on last year's encouraging performance.

We are targeting further gains in our order intake, revenue, adjusted EBIT and adjusted EBIT margin.

- In terms of the market for our products, we are anticipating a slowdown in growth this year.
- Moreover, the trends seen last year are set to continue: the forecast is for further increases in orders in Europe and North America coupled with further contraction in Russia and Brazil.
- The KION Group believes that China will stabilise over the course of the year although conditions will remain challenging.

What specific implications will these market conditions have for the KION Group?

I would like to make you aware of a new development at this point: for the first time we are using target ranges instead of qualitative statements for our forecasting of all financial KPIs. The aim is to communicate our expectations in an even more transparent way than before.

We anticipate:

- the value of our order intake to be between €5.350 billion and €5.500 billion.
- The target figure for consolidated revenue is in the range of €5.200 billion to €5.350 billion. The KION Group predicts higher volumes of revenue and orders, particularly in western Europe.
- The target range for adjusted EBIT is €510 million to €535 million.
- To come up with a prediction for our adjusted EBIT margin, we compare the highest and lowest figures in the EBIT and revenue target ranges. On this basis, we expect our adjusted EBIT margin to increase from last year's 9.5 per cent to between 9.8 and 10.0 per cent this year.
- Free cash flow is expected to be in a range between €280 million and €320 million after taking account of the acquisition of Retrotech Inc. We will therefore continue to reduce our net debt in 2016.

In summary, despite markets being subdued worldwide, we are expecting to maintain our path of profitable growth in 2016. We want to become yet more efficient in our production and development processes, make even greater progress on digitisation and connectivity under our Strategy 2020 and thus further consolidate and strengthen our global market position.

The figures for the first quarter of 2016 show that we have seamlessly maintained our prior-year growth trajectory.

- Mainly thanks to sustained demand in the core market of western Europe, the total value of order intake went up by 3.9 per cent year on year to reach €1.297 billion in the first three months.

- The order book stood at €921.5 million, which was 6.6 per cent higher than at the end of 2015.
- Group revenue increased by 4.8 per cent to reach to €1.221 billion.
- Adjusted EBIT advanced by 5.6 per cent to €98.6 million. As a result, our adjusted EBIT margin rose to 8.1 per cent in the first quarter.

These encouraging results for the first quarter give us reason to be confident about achieving our targets this year. We therefore confirmed our forecast for 2016 when presenting the figures on 27 April.

IV. Basic principles and Strategy 2020

There are reasons for these strengths, the strengths of your KION GROUP AG. Let me briefly remind you of what they are.

- Reason number 1: the market for industrial trucks is growing at a faster rate than the global economy.
- Reason number 2: we are leading the way in our home market of Europe and are well positioned in growth markets.
- Reason number 3: we are the technology leader in our industry, which underpins our strong positioning and creates significant added value for our customers that pays off for us.
- Reason number 4: we have a robust, integrated business model with a high proportion of service business, whose attractive margins make us less susceptible to economic fluctuations.

Five growth drivers are fuelling the expansion of our market.

- The first is the increasing fragmentation of supply chains and value chains. Our products are used at every interface along these chains.
- The second factor driving demand is the increasing industrialisation and economic development in emerging markets.
- The third is the increasing importance of logistics and intralogistics due to the advancing globalisation of world trade and the resulting exchange of goods and services.
- The fourth major growth driver for our industry is online retail. Take a moment to think about how your own shopping habits have changed in recent years. Studies indicate that in western Europe alone revenue generated by e-commerce companies will double in the next five years. This will create demand for new warehouse and logistics capacity. The choice of products is growing at an explosive rate, and the degree to which these products can be customised is growing all the time.
What's more, customers are increasingly seeing same-day delivery as the norm. For e-

commerce companies, the only way to meet these challenges is to add to the number of decentralised warehouses, which in turn will need to be equipped with industrial trucks.

- Demand for automation solutions is the fifth growth driver. This reflects the wider trend in industry and logistics towards increased productivity, more efficient processes and smarter systems.

Ladies and gentlemen,

When we talk about Intralogistics 4.0, automation is one of four key areas. The other three are

- customization,
- digitisation and
- energy efficiency.

Let's take a closer look at these.

Automation is as old as industrial mass production – you need only think of the legendary Model T that rolled off the production lines at the Ford Motor Company. The primary goals of automation are the same today as they were then: to save time and make gains in efficiency and quality.

Automation makes processes more stable and reliable. Productivity as a whole increases dramatically. However, this all relies on one thing: the processes for moving goods in and out of warehouses and across the production chain must be highly standardised.

But inflexible automated systems requiring large amounts of capital investment are coming up against conflicting demands for increasing customisation. A recent Bloomberg article attracted a lot of attention. It described how Mercedes Benz was removing some robots from its production plant in Sindelfingen and replacing them with people. Why? Because the robots were no longer able to handle the complexity of customisation required for the Company's new models.

We are also seeing this trend towards customisation with our own products: around half of our counterbalance trucks are delivered with customer options, for example. In many cases, these options are specially developed for a specific customer.

In the coming years, the introduction of autonomous vehicles will bring about a radical change – and will usher in a new era. These vehicles will be able to overcome the limits on customisation imposed by automated processes. Autonomous vehicles no longer have to follow a rigidly defined pattern. In autonomous systems, devices negotiate incoming transport instructions among themselves without a central point of control. They can interpret their environment, avoid obstacles, agree on right-of-way priorities and exchange data on their current location. Each machine processes the information locally. The control system for these cellular transport systems is widely distributed. If there is a malfunction, the vehicles can react autonomously to solve the problem. You could compare these machines and how they work to a colony of ants.

Our brand company Linde has taken an important step in this direction with its Matic series. These are driverless, robot-controlled industrial trucks developed by Linde Robotics. They use reference points such as walls, racks and pillars to navigate around the warehouse without any human intervention. The Matic models do not need the wall reflectors that are commonly used in other systems for orientation. Outside, in front of the hall, you can see a Linde Matic model for yourself.

You can also cast your eye over another exciting piece of equipment there – the iGo neo, which we presented to the industry several weeks ago to show how autonomous solutions could be applied to order picking operations.

This new production-ready truck from our brand company STILL is designed in such a way that the operator no longer has to climb off and on the truck more than a thousand times per shift and no longer needs to move the truck with the pallets to be loaded. Instead, the intelligent truck follows the operator at every turn like an autonomous colleague, always remaining at a safe distance and even avoiding obstacles.

This truck achieves a 30 percent increase in order picking efficiency – and it does so with far less physical strain on the operator. This is nothing short of revolutionary: if you have ever optimised warehouse operations, you will know all too well how difficult it is to achieve even a 2 percent increase in efficiency. This short film shows you exactly what the iGo neo looks like and what it can do:

At the recent LogiMAT trade fair, the iGo neo won the award for best product. It was even referred to as the Google truck by the German newspaper *Frankfurter Allgemeine*.

In the age of digitisation big data is the new raw material of the 21st century. We can turn data into information, and information into know-how.

IT systems are already at the heart of production systems. In the future they will be integrated to an even greater extent – into sub-systems, processes, internal and external equipment, suppliers and customer networks.

Material handling solutions have to provide customers with access to all the relevant data about individual trucks and fleets. Industrial trucks will be able to communicate with us.

They will provide valuable information, for example about who was using a truck at what time and for how long, or on the utilisation rate of the truck, its energy consumption, its service condition and so forth. Driver assistance systems will help to prevent accidents and damage, and to restrict speeds. It will be vitally important to seamlessly integrate these trucks into digitally controlled processes such as warehouse management and enterprise resource planning systems.

I now come to the last key area:

Energy efficiency.

Due to climate change and scarcity of resources, sustainability and carbon neutrality are becoming increasingly important. Renewable energies are becoming more and more financially attractive for companies.

Because of the more stringent emissions standards, manufacturers and customers are looking for alternatives to traditional vehicles with internal combustion engines. We are seeing this trend not only in established industrial nations but also in emerging markets, which are increasingly suffering from the ecological consequences of their rapid growth. The emissions standards in the Chinese capital Beijing, for example, are now comparable with those in western Europe. What's more, with the boom in e-commerce, we are seeing an increasing number of warehouses that almost exclusively use emission-free trucks.

The logistics and material handling industry is therefore moving away from combustion engines towards more efficient electric drives and alternative drive systems. And this is not because of any artificial incentives to buy, such as bonuses or tax benefits. Electrically powered trucks already account for more than 80 percent of the KION Group's current annual production. There are currently around one million electric trucks manufactured by KION in daily use at customer sites around the world.

Lithium-ion batteries together with new technologies for battery management are making electric drives much more efficient. We can already operate a truck continuously for two consecutive shifts amounting to 16 hours overall.

But KION has taken this a step further. Fuel cells also represent an interesting alternative drive system. In this short film, I would like to show you how one of our customers is testing our fuel cell truck in continuous operation.

But where is the KION Group in all these exciting developments? The answer, I am pleased to report, is at the cutting edge. Intralogistics 4.0 is already a reality in the KION Group.

By bringing on board the automation specialist Egemin Automation and the US systems integrator Retrotech, we now have a comprehensive portfolio of intralogistics systems. We can offer our customers exactly the right solution to suit their needs: from traditional hand-powered equipment to fully automated warehouses and self-driving trucks that are controlled by warehouse management software.

A wide range of assistance systems are making drivers' work safer and more efficient. Sophisticated fleet data management systems such as 'connect' from Linde and FleetManager from STILL are capturing and analysing vast amounts of data. The overarching objective is always to optimise the deployment of trucks and reduce costs for our customers.

By networking machines, products, processes and logistics, we are creating the foundations for Industry 4.0. Digitisation is blurring the lines between internal and external logistics. The end result is intelligent supply chains and value chains. Our trucks are becoming like spiders in the intralogistics data web.

There is so much potential here that will benefit our customers, the KION Group and, ultimately, you our shareholders.