

**KION GROUP AG**

**Annual General Meeting on 9 May 2018**

**Report of the Executive Board on the utilization of the Authorized Capital 2017 under exclusion of the subscription right in May 2017**

The Executive Board of KION GROUP AG was authorized, by a resolution adopted by the General Meeting on 11 May 2017, to increase the Company's share capital with the consent of the Supervisory Board, once or repeatedly up to and including 10 May 2022, by up to a total of EUR 10,879,000.00 by issuing up to 10,879,000 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2017). One element of the Authorized Capital 2017 was the authorization of the Executive Board to exclude, with the consent of the Supervisory Board, the shareholders' subscription rights in the case of a capital increase against cash contributions, if the issue price of the new shares is not substantially below the price of the already listed shares of the Company on the stock exchange and the shares issued subject to the exclusion of subscription rights do not exceed a total of 10 % of the share capital, either when the authorization comes into effect or when it is exercised.

The Authorized Capital 2017 took effect upon its registration in the commercial register of the local court of Wiesbaden on 12 May 2017 under HRB 27060.

With the consent of the Supervisory Board granted that same day, the Executive Board of KION GROUP AG resolved on 22 May 2017 to use part of the existing Authorized Capital 2017 and to increase the Company's share capital by a nominal amount of EUR 9,300,000.00 to EUR 118,090,000.00 against the issue, against cash contributions, of 9,300,000 new no-par value bearer shares of the Company ("**New Shares 2017**") which are entitled to dividends as from 1 January 2017, thereby excluding the shareholders' subscription rights. This increase corresponds to an increase by 8.55% of the Company's share capital existing at the time when the Authorized Capital 2017 took effect and was utilized. The provision in the Authorized Capital 2017 restricting the volume of shares issued against cash contributions whilst excluding subscription rights has therefore been satisfied. The capital increase took effect upon the entry of its completion in the commercial register of the local court of Wiesbaden under HRB 27060 on 23 May 2017.

All 9,300,000 New Shares 2017 were placed at a price of EUR 64.83 each. The issue price of the New Shares 2017 corresponds to a reduction of 0.26% of the closing price of the shares of KION GROUP AG in the XETRA trading system of the Frankfurt Stock Exchange on 22 May 2017, which was EUR 65.00. Therefore the issue price was not substantially lower than the stock exchange price of shares of the Company carrying the same rights.

The New Shares 2017 were placed with institutional investors through a private placement by way of a so-called "accelerated book building" process. Weichai Power, KION GROUP AG's largest shareholder, acquired 4,023,275 of the New Shares 2017 in accordance with the percentage of Weichai Power's shareholding in the Company, i.e. 43.3%. The Company and Weichai Power agreed that the New Shares 2017 to be acquired by Weichai Power would be subject to a twelve-month lock-up as

from the time of admission of the residual New Shares 2017 to trading on the regulated market on 25 May 2017. Admission of the New Shares 2017 purchased by Weichai Power to trading on the regulated market will be sought at the earliest when the lock-up ends.

The right of the shareholders of KION GROUP AG to subscribe to the New Shares 2017 was excluded by the Executive Board, by a resolution of 22 May 2017, with the consent of the Supervisory Board on the same day. In the opinion of the Executive Board and the Supervisory Board, the requirements for excluding the subscription rights were satisfied since the New Shares 2017 were issued at a price that did not fall substantially short of the stock exchange price. By not granting subscription rights to the existing shareholders, it was possible to ensure the necessary level of transaction security and speedy handling. In the opinion of the Executive Board and the Supervisory Board, excluding subscription rights was necessary so as to be able to make use at short notice of a market situation that was favorable for a corporate action of this kind at the time of the utilization of the Authorized Capital 2017 and to generate maximum possible issue proceeds by setting a price that was as close as possible to the market price. The subscription period of at least two weeks that is required when subscription rights are granted would have made it impossible to respond quickly to the current market situation.

Moreover, if subscription rights are granted, the final subscription price has to be made public at least three days before the subscription period ends. Owing to the time that lapses between setting the price and carrying out the capital increase, and because of the volatility of the stock markets, the market risk and in particular the price change risk are greater than if subscription rights are excluded. For the placement in the context of a capital increase with subscription rights to be successful, it would therefore have been necessary to allow for a safety margin on the current stock market price, which would presumably have resulted in conditions that were not close to the market.

The costs of a capital increase with an exclusion of subscription rights and quick allocation of the New Shares 2017 are also significantly lower than the costs of a capital increase with proportional subscription rights for the existing shareholders.

For the reasons set out above, the exclusion of subscription rights was in the interest of the Company.

The net issue proceeds for the New Shares 2017 amounted to approx. EUR 602.9 million. The net issue proceeds remaining after deduction of the transaction costs were used for the partial refinancing of the purchase of Dematic, a specialist for automation and supply chain optimization, which was made with borrowed funds. Setting a price close to the market price and limiting the number of shares being issued while excluding subscription rights to 8.55% of the current share capital adequately protects the shareholders' interests. With a view to a liquid market, in principle the shareholders have the possibility to maintain their relative share in the Company by buying shares on the stock market on comparable conditions.

Based on the above, all in all excluding subscription rights when utilizing the Authorized Capital 2017, whilst observing the requirements imposed, was objectively justified.