

# B

## Corporate Governance

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# Corporate governance report

Corporate governance covers the whole system of managing and monitoring an enterprise, the principles and guidelines that shape its business policy and the system of internal and external control and monitoring mechanisms. The Executive Board and Supervisory Board of KION GROUP AG believe that an uncompromising commitment to the most ambitious standards of corporate governance is essential to the Company's long-term success. Compliance with these principles also promotes the trust that our investors, employees, business partners and the public have in the management and monitoring of the Company.

There is a close correlation between the corporate governance report required by section 3.10 of the German Corporate Governance Code as amended on 24 June 2014 (the Code) and the content of the corporate governance declaration required by section 289a German Commercial Code (HGB). For this reason, the Executive Board and the Supervisory Board of KION GROUP AG have combined the two statements.

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## DECLARATION PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

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The corporate governance declaration required by section 289a HGB includes the comply-or-explain statement in accordance with section 161 of the German Stock Corporation Act (AktG) (see 1. below), relevant disclosures on corporate management practices extending beyond statutory requirements (see 2. below), a description of the working methods of the Executive Board and the Supervisory Board, and a description of the working methods and composition of the Supervisory Board committees (see 3. below). The declaration on corporate governance pursuant to section 289a HGB is part of the management report. According to section 317 (2) sentence 3 HGB, the information provided in accordance with section 289a HGB does not have to be included in the audit of financial statements.

## 1. Comply-or-explain statement pursuant to section 161 (1) AktG

Section 161 (1) AktG requires the management board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, or intends to comply with, the recommendations of the Code and also stating the recommendations with which it has not complied or does not intend to comply, and the reasons why. Detailed reasons must be given for any departure from the recommendations of the Code. The comply-or-explain statement must be made permanently available to the public on the company's website.

Following KION GROUP AG's listing on the Regulated Market at Frankfurt Stock Exchange on 28 June 2013, the Executive Board and Supervisory Board issued the Company's first comply-or-explain statement on 19 December 2013.

Both decision-making bodies considered the recommendations of the amended Code in detail and on 17 December 2014 they issued the second comply-or-explain statement of KION GROUP AG as required by section 161 (1) AktG as follows:

1. Since the last comply-or-explain statement was issued in December 2013, KION GROUP AG has complied with all of the recommendations of the German Corporate Governance Code (the Code) as amended on 13 May 2013 with one exception.

In departure from section 3.8 (3) of the Code, the articles of incorporation of KION GROUP AG do not provide for an excess in the D&O insurance policies for members of the Supervisory Board. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany.

2. The Code as amended on 24 June 2014 was announced in the German Federal Gazette on 30 June 2014. Since then, KION GROUP AG has complied with all of the recommendations in the Code as amended on 24 June 2014 with the one exception described above, and intends to continue to do so in future.

Wiesbaden, 19 December 2014

For the Executive Board:

Gordon Riske

Dr Thomas Toepfer

For the Supervisory Board:

Dr John Feldmann

The comply-or-explain statement is available on the website of KION GROUP AG at [kiongroup.com/comply\\_statement](http://kiongroup.com/comply_statement)

## 2. Relevant disclosures on corporate governance

The corporate governance of KION GROUP AG is essentially, but not exclusively, determined by the provisions of the German Stock Corporation Act and those of the Codetermination Act (MitbestG) and also follows the recommendations of the German Corporate Governance Code. KION GROUP AG complies with all the Code's recommendations, with one exception. These fundamental principles are combined with a commitment to sustainable business, taking account of society's expectations in the markets in which the Company operates.

In 2014, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the

German Stock Corporation Act. For example, the Supervisory Board's Audit Committee, which was set up partly for this purpose, received regular reports on the accounting processes and the effectiveness of the internal monitoring and risk management systems and of the audit of financial statements, and then reported back to the full Supervisory Board on these matters.

### 2.1 Internal control system

KION GROUP AG has an internal control system designed to meet the specific needs of the Company. Its processes are intended to ensure the correctness of the internal and external accounting processes, the efficiency of the Company's business operations and compliance with key legal provisions and internal policies. These control processes also include the Company's strategic planning, where the underlying assumptions and plans are reviewed on an ongoing basis and refined as necessary.

The Supervisory Board and in particular the Supervisory Board's Audit Committee regularly obtain information on the processes put in place as part of the internal control system and have satisfied themselves as to their efficiency.

### 2.2 Accounting-related internal control system

For its accounting process, the KION Group has defined suitable structures and processes as part of its internal control and risk management system and implemented them throughout the Group. Besides defined control mechanisms, it includes, for example, system-based and manual reconciliation processes, clear separation of functions, strict compliance with the double-checking principle and written policies and procedures. The overarching aim is for the separate financial statements, consolidated financial statements, management report and group management report to be fully compliant with the relevant statutory and regulatory requirements and, in particular, the applicable financial reporting standards. Changes to these requirements and standards are analysed on an ongoing basis and taken into account as appropriate. Details can be found in the risk report, which is part of the group management report.

### 2.3 Risk management system

For the Company to be managed professionally and responsibly, the Executive Board must regularly obtain information about existing risks and whether they have changed from the risk-management system established in the Company, and then report on this to the Supervisory Board's Audit Committee. The KION Group's risk-management system is documented in a Group risk policy that defines tasks, processes and responsibilities and sets out the rules for identifying, assessing, reporting and managing risk. Specific individual risks are then reported by each Group entity using an online reporting tool. Reporting on cross-segment risks and groupwide risks is carried out by Controlling and the relevant departments. The risks that have been reported are reviewed on a quarterly basis and re-assessed until there is no longer any reason to report a risk.

### 2.4 Compliance management system

The Executive Board and Supervisory Board of KION GROUP AG consider that adhering uncompromisingly to broad-ranging compliance standards is essential to sustained financial success. That is why a comprehensive compliance programme, centring around the KION Group Code of Compliance, has been set up for KION GROUP AG and its Group companies worldwide.

The KION Group Code of Compliance, which is available in all of the main languages relevant to the Group companies of KION GROUP AG, provides every employee with clear guidance on how to conduct their business in accordance with sound values and ethics and in compliance with the law. The aim is that all employees should receive regular training on the most important compliance subjects (e.g. competition law, data protection, communication and anti-corruption). Desk-based employees can use e-learning tools to complete the mandatory training.

Compliance activities focus on anti-corruption, foreign trade/export controls, liability of senior management, directors' and officers' liability, capital markets compliance, IT security and data protection.

KION GROUP's compliance organisation is made up of the following committees, functions and duties:

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management

within the Group; the compliance department reports to the Chief Executive Officer of KION Group AG. Responsibility for implementing compliance management has been delegated to the Chief Compliance Officer, the CEOs of the STILL and LMH segments, and the heads of the KION regions. Responsibility for monitoring of course remains with the CEO of the Group. The KION compliance department, the KION compliance team and the KION compliance committee provide operational support to the aforementioned functions. The KION compliance department focuses mainly on preventing compliance violations by providing guidance, information, advice and training. It manages the KION compliance team, in which local and regional compliance officers of the Group are represented.

The members of the compliance team at KION GROUP AG are available to advise all Group employees and answer their questions at any time. They are also responsible for the implementation of the compliance programme, particularly for providing advice, information and training.

Actual or suspected incidents of non-compliance can be reported by post, email or fax. All employees can also report any cases of non-compliance via a compliance hotline and can choose to remain anonymous.

As part of its work, the compliance department at KION GROUP AG cooperates closely with the legal and internal audit departments. The KION compliance committee is staffed by the heads of these departments and the head of human resources, operating as a cross-functional committee that primarily advises on, examines and, if relevant, punishes incidents of non-compliance that are reported. While the KION compliance department is responsible for preventing compliance violations, the internal audit unit is tasked with checking the facts of reported non-compliance cases. On behalf of the Executive Board, the internal auditors also monitor subsidiaries for compliance with regulations. If their audits confirm cases of non-compliance, it is the task of HR or Legal to remedy the violations and sanction those responsible, if appropriate.

The Management Boards of the KION brand parent companies and their subsidiaries are responsible for ensuring compliance. The Local Compliance Representatives advise and support the directors and senior managers in ensuring compliance throughout the Group.

## 2.5 Audit-relevant processes

The KION Group's separate financial statements and management report, and the consolidated financial statements and group management report, which are prepared by the Executive Board of KION GROUP AG, are audited by an independent auditor, discussed by the Audit Committee and approved by the Supervisory Board.

The independent auditor reviews the condensed consolidated interim financial statements and the condensed interim group management report for the first half of the year. The Executive Board discusses all interim reports with the Audit Committee before they are published.

## 2.6 Avoiding conflicts of interest

Conflicts of interest between the governing bodies and other decision-makers in the Company or significant shareholders go against the principles of good corporate governance and are likely to be harmful to the Company. KION GROUP AG and its governing bodies therefore adhere strictly to the Code's recommendations on this subject. The employees of KION GROUP AG and its investees are made aware of the problem of conflicts of interest as part of compliance training and are bound by rules on how to behave in the event of actual or potential conflicts of interest.

The Company attaches high priority to preventing possible conflicts of interest from occurring in the first place and to dispelling any impression that they might exist. This is especially important given the involvement of Weichai Power, whose stake has risen to 33.3 per cent, and of long-standing shareholders Goldman Sachs and KKR, who exerted considerable influence over the Company's Executive Board in the years before KION GROUP AG's conversion to a public limited company and its IPO. As at 31 December 2014, they still held 18.8 per cent of the Company's shares via their joint equity investment company Superlift. The Company aims to avoid business scenarios or personnel scenarios that could give the impression of a conflict of interest and by taking transparent steps that effectively prevent concerns about conflicts of interest.

The Company's Chief Executive Officer, Mr Gordon Riske, was appointed a non-executive director of Weichai Power with effect from 24 June 2013, for which the Supervisory Board had previously given its consent. Appropriate precautions have been

taken to ensure that this role at a major shareholder of the Company does not create a conflict of interest relating personally to Mr Riske. Formal processes have been put in place to ensure that Mr Riske, in his role as a non-executive director of Weichai Power, will not be involved in transactions that could give rise to a conflict with the interests of the KION Group. Nor will Mr Riske be involved in transactions relating to the exercise of voting rights by Weichai Power or its subsidiaries at the Annual General Meeting of KION GROUP AG. It has been ensured that Mr Riske maintains a strict separation between his duties as a non-executive director of Weichai Power and his duties as Chief Executive Officer of KION GROUP AG and that he fulfils all of his legal obligations in the interests of the Company.

## 3. Working methods of the Executive Board and Supervisory Board and composition of the committees of the Supervisory Board

The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship. It focuses on ensuring the sustained success of the Company. The members of the Executive Board regularly attend Supervisory Board meetings, unless the Supervisory Board decides to meet without the Executive Board.

The Board of Management promptly, comprehensively and regularly reports to the Supervisory Board on the performance of the KION Group. Besides the reporting obligations defined by law, the rules of procedure for the Executive Board of KION GROUP AG set out further reporting requirements and reservations of approval in favour of the Supervisory Board.

### 3.1 Working methods of the Executive Board

Until the departure of Executive Board members Theodor Maurer and Bert-Jan Knoef on 15 January 2015, the Executive Board of KION GROUP AG comprised five members. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the Company's strategy, discusses it with the Supervisory Board and ensures that it is implemented.

Every Executive Board member is responsible for his or her own area of responsibility, and keeps his or her fellow board members informed of developments on an ongoing basis. > **TABLE 003**

**Responsibilities within the Executive Board** **TABLE 003**

<b>Executive Board</b>	<b>Responsibilities</b>
Gordon Riske	<b>CEO KION GROUP AG</b> <b>CEO STILL GmbH</b> (from 15 January 2015) <b>CEO Linde Material Handling GmbH</b> (from 15 January 2015) Strategy/Business Development Corporate Communications Corporate Office Internal Audit Compliance KION Warehouse Systems KION Synergies/Platforms North America Region South America Region Quality (from 15 January 2015)
Dr Thomas Toepfer	<b>CFO KION GROUP AG</b> Accounting, Tax & Financial Services Corporate Finance/Investor Relations/M&A Controlling HR/Labour Relations Director Legal IT Purchasing Data Protection Logistics/Urban (from 15 January 2015) Facility Management/Health Safety Environment (from 15 January 2015)
Bert-Jan Knoef (until 15 January 2015)	<b>Executive Board member KION GROUP AG</b> <b>CEO STILL GmbH</b> Logistics/Urban
Theodor Maurer (until 15 January 2015)	<b>Executive Board member KION GROUP AG</b> <b>CEO Linde Material Handling GmbH</b> Quality Facility Management/Health Safety Environment
Ching Pong Quek	<b>Executive Board member KION GROUP AG/</b> <b>Chief Asia Pacific Officer</b> Asia Pacific Region

Every Executive Board member must disclose potential conflicts of interest to the Supervisory Board immediately and must also inform the other Executive Board members. All transactions between KION GROUP AG and Executive Board members or parties or companies closely associated with them must be concluded on an arm's-length basis.

Rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and meetings are chaired by the CEO. Individual Executive Board members sometimes take part via video conference. At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, require the approval of the full Executive Board. Resolutions of the full Executive Board are passed by simple majority unless a greater majority is required by law. The chairman has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings. Taking account of the requirements of section 90 AktG, the Executive Board provides the Supervisory Board with regular, timely and comprehensive information on all matters of relevance to the business as a whole relating to operating policy, strategic planning, business performance, financial position, financial performance and business risks. The Chief Executive Officer meets regularly with the chairman of the Supervisory Board to discuss these matters.

The Executive Board's rules of procedure specify that important transactions are subject to approval by the Supervisory Board. Budget planning, major acquisitions or capital expenditure, for example, require the consent of the Supervisory Board.

The Company is represented by two members of the Executive Board, by one member of the Executive Board acting conjointly with a Prokurist (person with full commercial power of representation), or by two Prokurists.

### 3.2 Working methods of the Supervisory Board

The Supervisory Board of KION GROUP AG advises and monitors the Executive Board in its management of the Company and reviews its work. The Supervisory Board is fully involved from an early stage in all decisions that are fundamental to KION GROUP AG.

The Supervisory Board of KION GROUP AG consists of 16 members, eight of whom are employee representatives and eight are shareholder representatives. The shareholder representatives are elected individually by the Annual General Meeting by simple majority.

The Supervisory Board has drawn up rules of procedure for its work. These apply in addition to the requirements of the articles of incorporation and also define the Supervisory Board committees. According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs its meetings and represents it externally. The Supervisory Board meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. Between these meetings, resolutions may also be adopted in writing, by telephone or by other similar forms of voting, provided that the chairman of the Supervisory Board or, in his absence, his deputy, decides on this procedure for the individual case concerned. The Supervisory Board adopts resolutions by a simple majority of the votes cast unless a different procedure is prescribed by law. If a vote is tied, the matter will only be renegotiated if the majority of the Supervisory Board vote in favour of this option. Otherwise the Board must vote again without delay. If this new vote on the same matter also results in an equal number of votes for and against, the chairman of the Supervisory Board has a casting vote.

### 3.3 Objectives for the composition of the Supervisory Board

The Supervisory Board strives to ensure that its composition is appropriate to its responsibilities and obligations. In particular, this means considering members' individual qualities and skills as well as the specific requirements resulting from the global business activities of KION GROUP AG and its Group companies. The Supervisory Board is therefore of the opinion that the priority in aiming for a board composition based on diversity must be on the expertise of the individual members and on a balanced mix of personal qualities, experience, skills, qualifications and knowledge of all members in line with the requirements of the business. Consequently, it has agreed upon guidelines for the selection of Supervisory Board members in the form of a diversity statement. This also means that the Supervisory Board's aim is to have an appropriate number of women on the Supervisory Board and to comply with the new statutory

requirements for the proportion of female members of supervisory boards. Since the appointment of Ms Birgit Behrendt and Ms Xu Ping as members of the KION GROUP AG Supervisory Board with effect from 1 January 2015, there have been three female members. The Supervisory Board will also support the inclusion of other female Board members who meet the above criteria.

### 3.4 Working methods and composition of the committees of the Executive Board and Supervisory Board

In the year under review, there were four committees at KION GROUP AG whose tasks, responsibilities and work processes comply with the provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code. The chairman of each committee reports regularly to the full Supervisory Board on the committee's work. The committees have each drawn up rules of procedure that define their tasks and working methods.

#### Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also prepared by the Executive Committee. The Executive Committee is also responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions about any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory

Board members and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

**In 2014, the members of the Executive Committee were:**

Dr John Feldmann (chairman)  
 Joachim Hartig (deputy chairman)  
 Dr Alexander Dibelius  
 Denis Heljic  
 Johannes P. Huth  
 Jiang Kui  
 Thilo Kämmerer (until 31 August 2014)  
 Olaf Kunz (from 24 September 2014)  
 Kay Pietsch

**Mediation Committee**

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. If the two-thirds-of-votes majority required by section 27 (3) and section 31 (3) of the German Code-termination Act (MitbestG) is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a casting vote on the candidates proposed.

**In 2014, the members of the Mediation Committee were:**

Dr John Feldmann (chairman)  
 Joachim Hartig (deputy chairman)  
 Johannes P. Huth  
 Kay Pietsch

**Audit Committee**

The Audit Committee has four members, who are elected by the Supervisory Board. Its purpose is to assist the Supervisory Board in performing its task of monitoring accounting processes, compliance matters and reporting. These responsibilities encompass monitoring the quality and integrity of the consolidated and separate financial statements (as well as related disclosures), the internal control mechanisms, risk management and the internal audit system. The Audit Committee also reviews the work carried out by the independent auditor and checks that the independent auditor is qualified and independent. It is also responsible for engaging the independent auditor, determining the focus of the audit and agreeing the fee. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

**In 2014, the members of the Audit Committee were:**

Hans Peter Ring (chairman)  
 Kay Pietsch (deputy chairman)  
 Dr John Feldmann  
 Alexandra Schädler

As an independent member of the Audit Committee, the chairman, Hans Peter Ring, has the required expertise in the areas of accountancy and auditing specified in sections 100 (5) and 107 (4) AktG.

**Nomination Committee**

The Nomination Committee has four members, all of whom are shareholder representatives and are elected by the shareholder representatives on the Supervisory Board. The Nomination Committee's only task is to propose new candidates for the Supervisory Board to the Company's Annual General Meeting.

**In 2014, the members of the Nomination Committee were:**

Dr John Feldmann (chairman)  
 Dr Martin Hintze (deputy chairman, until 31 December 2014)  
 Dr Alexander Dibelius (from 1 January 2015)  
 Dr Johannes Huth (from 1 January 2015)  
 Jiang Kui  
 Silke Scheiber (until 31 December 2014)

## EXECUTIVE BOARD AND SUPERVISORY BOARD SHAREHOLDINGS AND DIRECTORS' DEALINGS

### 1. Shareholdings

As at 31 December 2014, the shares in KION GROUP AG or related financial instruments held directly or indirectly by all members of the Executive Board and Supervisory Board equated to less than 1 per cent of all the shares issued by the Company.

### 2. Directors' dealings

Pursuant to section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and the Supervisory Board and related parties are obliged to disclose transactions involving shares in the Company or related financial instruments (such as derivatives) if the value of these transactions reaches €5,000 or more within one calendar year. > **TABLE 004**

Transactions pursuant to section 15a (WpHG) in 2014

TABLE 004

Buyer/Seller	Type of transaction	Date of transaction	Share price (€)	Number of shares	Total value (€)
Holger Brandt	Sale	24 February 2014/ 24 March 2014*	35.1681	5,175	181,994.92
Theodor Maurer	Sale	13 August 2014	29.20	25,000	730,000.00
Bert-Jan Knoef	Sale	10 November 2014	30.702	24,350	747,593.70

\* The report dated 24 March 2014 refers to the report dated 26 February 2014, in which it was only possible to state a provisional sale price of €36.7250 for the 5,175 shares. The report dated 26 February 2014 also stated that a second report concerning these 5,175 shares would be made once the final sale price had been determined. Mr Brandt has known the final sale price since 19 March 2014. It was determined by adjusting the provisional price of €36.725 per share, which was set on the day the shares were transferred to the broker, when the sale of the shares was completed in such a way as to avoid disrupting the market (which required an extended selling period). The price was adjusted by the payment of a premium of €1.5569, which was equivalent to the weighted average sale price achieved on each trading day. At the end of the sale period, this produced a final sale price of €35.1681.

## Disclosures relevant to acquisitions, section 315 (4) HGB

The disclosures relevant to acquisitions pursuant to section 315 (4) HGB together with the explanatory report form an integral part of the group management report.

### 1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to €98.9 million as at 31 December 2014. It is divided into 98.9 million no-par-value bearer shares. The share capital is fully paid-up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions. As at 31 December 2014, the Company held 163,562 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Programme (KEEP).

### 2. Restrictions on voting rights or the transfer of shares

There are generally no restrictions with respect to voting rights or the transfer of shares in the Company. In accordance with the legal provisions applicable to bearer shares, all of the shares in the Company can be traded freely.

As at 31 December 2014, KION Management Beteiligungs GmbH & Co. KG (KMB) held shares in the Company on behalf of managers employed by the Company and its subsidiaries. KMB made an undertaking to the syndicate banks underwriting the IPO regarding the shares held by KMB for members of the Executive Board of the Company, the Executive Board of KION Material Handling GmbH and the Management Boards of Linde Material Handling GmbH and STILL GmbH at the time the underwriting agreement was signed as part of the IPO. It undertook not to dispose of these shares within a period of twelve months from the day after the Company's first day of trading on the stock exchange, i.e. until 29 June 2014. This obligation also included other securities of the Company, including securities that can be

converted into shares in the Company or options that can be exercised or exchanged to obtain shares in the Company. Under this agreement, KMB was not permitted to offer, pledge, allocate, sell or undertake to sell the shares concerned, sell call options or call contracts, buy put options, or grant call options, purchasing rights or subscription rights. It complied in full with this obligation until it lapsed on 29 June 2014.

The Executive Board understands that KION GROUP AG's two major shareholders, Superlift Holding S.à r.l. ('Superlift') and Weichai Power (Luxembourg) Holding S.à r.l. ('Weichai Power') have entered into a shareholder agreement in which they have both undertaken to coordinate their voting at the Annual General Meeting of the Company in respect of certain resolutions. Furthermore, the Executive Board understands that Superlift and Weichai Power have come to an arrangement in the shareholder agreement to grant each other a mutual right of first offer in respect of the shares held by the other shareholder, but this arrangement expired in the course of 2014.

KION GROUP AG has no rights arising from the treasury shares that it holds (section 71b AktG).

### 3. Direct or indirect shareholdings in the Company that represent more than 10 per cent of the voting rights

As far as the Company is aware, the following companies directly or indirectly held more than 10 per cent of the voting rights in KION GROUP AG as at 31 December 2014:

- Superlift with a direct shareholding of 18.8 per cent of the voting rights

Pursuant to the German Securities Trading Act (WpHG), the shareholding held by Superlift is deemed to belong to the following other companies:

> TABLE 005

## Companies to which Superlift is deemed to belong TABLE 005

Company	Registered office
KKR & Co. L.P.	Wilmington, USA
KKR 1996 Overseas, Limited	George Town, Cayman Islands
KKR 2006 Fund (Overseas), Limited Partnership	George Town, Cayman Islands
KKR 2006 Limited	George Town, Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	George Town, Cayman Islands
KKR Associates Europe II, Limited Partnership	Calgary, Canada
KKR Europe II Limited	George Town, Cayman Islands
KKR European Fund II, Limited Partnership	Calgary, Canada
KKR Fund Holdings GP Limited	George Town, Cayman Islands
KKR Fund Holdings L.P.	George Town, Cayman Islands
KKR Group Holdings L.P.	George Town, Cayman Islands
KKR Group Limited	George Town, Cayman Islands
KKR Management LLC	Wilmington, USA
KKR Partners (International), Limited Partnership	Calgary, Canada
KKR PEI Associates, L.P.	St. Peter Port, Guernsey
KKR PEI GP LIMITED	George Town, Cayman Islands
KKR PEI Investments, L.P.	St. Peter Port, Guernsey
GS Capital Partners V Employee Fund, L.P.	Wilmington, USA
GSCP V Institutional AIV, L.P.	George Town, Cayman Islands
GS Capital Partners V Offshore, L.P.	George Town, Cayman Islands
GS Capital Partners V GmbH & Co. KG	Frankfurt am Main, Germany
GS Advisors V, L.L.C.	Wilmington, USA

## Companies to which Superlift is deemed to belong TABLE 005

Company	Registered office
GSCP V AIV, L.P.	George Town, Cayman Islands
GS Capital Partners V Employee Funds GP, L.L.L.	Wilmington, USA
GS Advisors V AIV, Ltd.	George Town, Cayman Islands
Goldman, Sachs & Co.	New York, USA
The Goldman Sachs Group, Inc.	Wilmington, USA

- Weichai Power with a direct shareholding of 33.3 per cent of the voting rights

Pursuant to WpHG, the shareholding held by Weichai Power is deemed to belong to the following other companies:

> TABLE 006

## Companies to which Weichai Power is deemed to belong TABLE 006

Company	Registered office
Shandong Heavy Industry Group Co., Ltd.	Jinan, People's Republic of China
Weichai Group Holdings Limited	Weifang, People's Republic of China
Weichai Power Co., Ltd.	Weifang, People's Republic of China
Weichai Power Hong Kong International Development Co., Ltd.	Hong Kong, People's Republic of China
<b>Other</b>	<b>Registered office</b>
People's Republic of China	Beijing, People's Republic of China

On 12 February 2015, KKR and Goldman Sachs placed a further 4.8 million shares (4.9 per cent of KION shares) in the market. As a result of this transaction, the free float increased again, from 47.7 per cent to 52.6 per cent. The proportion of shares held indirectly by KKR and Goldman Sachs via Superlift Holding therefore reduced from 18.8 per cent to 13.9 per cent.

Since the reporting date, there may have been further changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the Company only learns about changes to the size of shareholdings if they are notifiable pursuant to the WpHG or other regulations.

#### 4. Shares with special rights that confer authority to exert control over the Company

There are no shares with special rights that confer the authority to exert control over the Company.

#### 5. Type of voting right controls in cases where employees hold some of the Company's capital and do not exercise their control rights directly

In connection with the acquisition of the business of the current KION GROUP AG from Linde AG in 2006, a relatively large group of managers and executives in the KION Group were given the opportunity to indirectly acquire shares in KION GROUP AG's legal predecessor, the former KION Holding 1 GmbH, through a limited partnership in KMB (see under 2 above). When KION Holding 1 GmbH was transformed into KION GROUP AG, these holdings were exchanged for shares in the new Company. The shares are not subject to internal restrictions, unless lock-up provisions apply because the executives concerned are members of the Executive Board of KION GROUP AG or members of the management board of a consolidated German subsidiary (see under 2 above).

At the Annual General Meetings of KION GROUP AG, KMB is represented either by its general partner, KION Management Beteiligungs GmbH, or by its managing limited partners. Before

important resolutions of the Annual General Meeting, these partners must convene a partners' meeting of KMB and obtain the approval of the limited partners with regard to how to vote. The limited partners pass resolutions by simple majority when taking a decision on how they should vote at the Shareholders' Meeting of KION GROUP AG.

#### 6. Appointment and removal of members of the Executive Board; amendments to the articles of incorporation

Members of the Company's Executive Board are appointed and removed in accordance with the provisions of sections 84 and 85 AktG and section 31 MitbestG. Pursuant to article 6 (1) of the articles of incorporation of the Company, the Executive Board must have a minimum of two members. The Supervisory Board determines the number of Executive Board members. Pursuant to section 84 AktG and section 6 (3) of the Company's articles of incorporation, the Supervisory Board may appoint a Chief Executive Officer and a deputy.

Section 179 (1) sentence 1 AktG requires that amendments to the articles of incorporation be passed by resolution of the Annual General Meeting. In accordance with article 23 of the articles of incorporation in conjunction with section 179 (2) sentence 2 AktG, resolutions at the Annual General Meeting on amendments to the articles of incorporation are passed by simple majority of the votes cast and by simple majority of the share capital represented in the voting unless a greater majority is specified as a mandatory requirement under statutory provisions. The option to stipulate a larger majority than a simple majority in any other cases has not been exercised in the articles of incorporation.

The Supervisory Board is authorised in article 10 (3) of the articles of incorporation to amend the articles of incorporation provided that such amendments relate solely to the wording.

#### 7. Authority of the Executive Board to issue or buy back shares

The Extraordinary General Meeting on 13 June 2013 authorised the Company, in the period up to 12 June 2016, to acquire for

treasury up to 10 per cent of all the shares in issue at the time of the resolution or in issue on the date the authorisation is exercised, whichever is the lower. Together with other treasury shares in possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorisation must not exceed 10 per cent of the Company's share capital at any time. The Company may sell the purchased treasury shares through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business or equity investments. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership programme. The treasury shares can also be retired. Share buyback for trading purposes is prohibited. The authorisation may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by a subsidiary or by third parties for the account of the Company or the account of a subsidiary. At the choice of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders or by way of a public invitation to shareholders to tender their shares.

After acquiring 200,000 shares in 2013, the Company again made use of the authorisation in 2014 and purchased a further 51,000 shares in the period from 10 September to 15 October 2014. During the reporting year, 87,438 of the shares acquired were used as part of the KEEP employee share programme for the employees of the Company and certain Group companies in Germany.

Subject to the consent of the Supervisory Board, the Company's Annual General Meeting resolved on 19 May 2014 to authorise the Executive Board to increase the Company's share capital by up to €9.89 million by issuing up to 9.89 million new no-par-value ordinary bearer shares for cash and/or non-cash contributions on one or more occasions up to and including 18 May 2019 (2014 Authorised Capital).

On 19 May 2014, for the period up to and including 18 May 2019, the Company's Annual General Meeting also resolved to authorise the Executive Board to issue, on one or more occasions, bearer and/or registered convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with or without

conversion rights, warrants, mandatory conversion requirements or option obligations, or any combinations of these instruments, which can be perpetual and/or fixed-term (also referred to jointly as 'debt instruments') for a total par value of up to €800 million. To enable shares to be allocated to the holders/beneficial owners of the convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with conversion rights, warrants, mandatory conversion requirements or option obligations issued on the basis of this authorisation granted by the Executive Board of KION GROUP AG or of a German or non-German company in which KION GROUP AG directly or indirectly holds the majority of voting rights and capital, the share capital was increased by conditional capital of up to €9.89 million by issuing up to 9.89 million new, no-par-value bearer shares in KION GROUP AG (2014 Conditional Capital).

Restrictions were placed on the issuance of new shares and debt instruments in accordance with the resolutions adopted by the Company's Annual General Meeting on 19 May 2014. Together, the proportion of the Company's share capital attributable to the shares issued on the basis of the 2014 Authorised Capital and the total number of shares issued to service the debt instruments issued on the basis of the aforementioned authorisation must not exceed 10 per cent of the Company's share capital, either on the effective date of the authorisation or the date on which it is exercised. This 10 per cent limit includes shares that are issued during the term of the authorisation based on the 2014 Authorised Capital, those that are issued, are required to be issued or may be issued from the 2014 Conditional Capital to service debt instruments, or shares that have been or will be issued on the basis of a different authorisation, or are still required to be issued to service a debt instrument or may be issued to do so.

In accordance with the resolutions adopted by the Company's Annual General Meeting on 19 May 2014, new shares and debt instruments can be issued for cash or non-cash contributions. They must be offered for subscription to existing shareholders. Pursuant to section 186 (5) AktG, the new shares can also be acquired by one or more banks provided they undertake to offer them to existing shareholders for subscription (indirect rights issue). However, subject to the consent of the Supervisory Board, the Executive Board is authorised to disapply some or all of the pre-emptive rights of existing shareholders in the following cases:

- in order to remove fractional amounts from shareholders' subscription rights;
- where new shares are issued for cash during a capital increase and the price at which the new shares are issued is not significantly lower (as defined by section 186 (3) sentence 4 AktG) than the market price for shares in the Company with the same rights, or if debt instruments are issued for cash and the Executive Board reaches a view after due examination that the issue price is not significantly lower than their theoretical market value determined according to recognised principles of financial mathematics (section 186 (3) sentence 4 AktG states that subscription rights can be excluded provided the capital increase is less than 10 per cent of share capital);
- where necessary in order to grant the same pre-emption rights to holders/beneficial owners of conversion rights or warrants and/or holders/beneficial owners of mandatory convertible bonds issued or to be issued by KION GROUP AG or a company in which it has a majority shareholding as those to which they would be entitled after exercising conversion rights or warrants or meeting conversion obligations;
- where new shares are issued during capital increases in return for non-cash contributions, particularly for the acquisition of a business, parts of a business or equity investments or if debt instruments are issued in return for non-cash capital contributions and the exclusion of pre-emption rights is in the interest of the Company.

If new shares are issued from the 2014 Authorised Capital, the Executive Board is also authorised, subject to the consent of the Supervisory Board, to exclude shareholders' pre-emption rights in order to allot shares to people who are employees or directors of the Company or its subsidiaries. This exclusion of pre-emption rights is limited to a maximum of 5 per cent of share capital, both on the effective date of this authorisation and at the time it is exercised.

When profit-sharing rights and/or income bonds with no conversion rights, warrants, mandatory conversion obligations or option obligations are issued in return for cash or non-cash capital contributions, the Executive Board is authorised, subject to the consent of the Supervisory Board, to exclude all pre-emption rights of shareholders, provided these profit-sharing rights and/or income bonds have a debt-like structure and do not give rise to rights to membership of the Company or entitle the holder to a share of the proceeds of any liquidation and the coupon rate is not based on levels of net income, distributable profit or dividends. In this case, the coupon rate and issue price of the profit-sharing rights and/or income bonds must also correspond to the market terms and conditions for comparable forms of finance prevailing at the time they are issued.

Subject to the consent of the Supervisory Board, the Executive Board is authorised to determine the further details of the capital increase relating to the 2014 Authorised Capital and its implementation, particularly the rights conferred by the shares and their terms and conditions of issue. In relation to debt instruments, it is authorised to determine further details about their issuance, terms of issue and the supply of shares or to determine them by mutual consent with the governing bodies of any majority-held company that is issuing the debt instruments.

## 8. Material agreements that the Company has signed and that are conditional upon a change of control resulting from a takeover bid, and the consequent effects

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following contracts concluded between Group companies of KION GROUP AG and third parties:

- Covenant agreement dated 14 February 2013 in connection with the €450,000,000, 6.75 per cent, senior secured notes maturing in 2020 issued by KION Finance S.A., concluded between Deutsche Trustee Company Limited as trustee, KION Finance S.A. and KION Group GmbH (now KION Material Handling GmbH).

In the event that a third party (with the exception of KKR and Goldman Sachs, companies affiliated with them or funds or limited partnerships/partnerships owned by them or that are advised or managed by them) acquires beneficial ownership of more than 50 per cent of all shares in KION GROUP AG, KION GROUP AG will be obliged to submit an offer to acquire the aforementioned debt instruments at a price of 101 per cent of their nominal value. This offer must remain valid for a minimum of 30 days from the date of the change of control.

- Senior facility agreement dated 23 December 2006 (and amended on several occasions thereafter), concluded between KION Group GmbH (now named KION Material Handling GmbH) and, among others, the London branch of UniCredit Bank AG.

In the event that a third party (with the exception of KKR and Goldman Sachs, companies affiliated with them or funds or limited partnerships/partnerships owned by them or that are advised or managed by them) acquires beneficial ownership of more than 50 per cent of all shares in KION GROUP AG, any loan facilities drawn down would be immediately repayable and any that had not been drawn down would be automatically cancelled.

- KION Material Handling GmbH has entered into an agreement with Volkswagen AG for the supply of internal combustion engines. This agreement includes a provision under which either party may terminate the agreement without notice if there is a change in ownership involving more than 50 per cent of the shares in either case.

## 9. Compensation agreements that the Company has signed with the Executive Board members or employees and that will be triggered in the event of a takeover bid

No such agreements have been concluded between the Company and its current Executive Board members or employees.

# Remuneration report

This remuneration report forms an integral part of the group management report for KION GROUP AG. In accordance with statutory requirements and the recommendations of the German Corporate Governance Code as amended 24 June 2014 (DCGK), it explains the main features of the remuneration system used for the Executive Board and the Supervisory Board of the Company and 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 2014.

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## EXECUTIVE BOARD REMUNERATION

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### Remuneration system

#### Essential features of the Executive Board remuneration system

The remuneration of the Executive Board of KION GROUP AG is determined in accordance with the requirements of the German Stock Corporation Act (AktG) and the DCGK. It 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. The Supervisory Board also took into account the relationship between the Executive Board remuneration and the remuneration paid to senior managers and the workforce of the Company as a whole, including increases over the course of time. 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 designed with support from external consultants working independently of the Executive Board and the Company.

The total remuneration paid to the Executive Board comprises a non-performance-related 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. The structure also takes into account both positive and negative performance.

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.

The pension entitlements consist of entitlements in respect of retirement, invalidity and surviving dependants' benefits. The Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

#### Non-performance-related remuneration

The Executive Board members of KION GROUP AG receive non-performance-related remuneration in the form of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary is paid at the end of each month in twelve equal instalments, the last payment being made for the full month in which the Executive Board service agreements ends. The additional non-cash benefits essentially comprises use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

Additional special benefits have been agreed for Mr Quek because he has been sent from Singapore to China on foreign assignment.

Mr Quek's remuneration is therefore structured as if he were liable for taxes and social security contributions in Singapore. KION GROUP AG pays the additional taxes and social security contributions that Mr Quek incurs in China and Germany. In 2014, the additional amount involved totalled €284,897 (2013: €316,045). The additional benefits agreed with Mr Quek include moreover the cost of trips home to Singapore for Mr Quek and his family, a company car, rental payments in Xiamen and private health insurance. In 2014, the special additional benefits for Mr Quek amounted to a total of €107,997 (2013: €117,161). These special benefits will be granted for as long as Mr Quek's designated place of work is Xiamen or until his service agreement with KION GROUP AG ends.

### Performance-related remuneration

The performance-related remuneration components consist of a variable remuneration component measured over one year and a variable remuneration component measured over several years in the form of a rolling performance share plan with a three-year term.

### One-year variable remuneration

The one-year variable remuneration is a remuneration component linked to the business profitability and productivity of the KION Group in the relevant financial year. Its amount is determined by the achievement of targets based on the following KPIs: earnings before interest, taxes and amortisation (EBITA), return on capital employed (ROCE), revenue and net debt. They are weighted as follows: 30 per cent for EBITA, 30 per cent for ROCE, 20 per cent for revenue and 20 per cent for net debt. The target values for the financial components are derived from the annual budget and specified by the Supervisory Board.

The possible range for target achievement is 0 per cent to 200 per cent. If the targets derived from the annual budget are achieved in full, target achievement is 100 per cent. The target achievement levels for the weighted Company targets (EBITA, ROCE, revenue and net debt) are added together to give the total target achievement.

The individual performance of the Executive Board members is rated using a discretionary performance multiple with a factor of between 0.8 and 1.2. The factor is determined by the Supervisory Board with reference to achievement of the individual targets defined by the Supervisory Board in a target agreement form at the start of the year. The factor is applied to total target achievement for the budget targets and results in payment of the individual target bonus. The amount paid as one-year variable remuneration is capped at 200 per cent of the target bonus.

In the event that an Executive Board member is not entitled to remuneration for the entire year on which the calculation is based, the remuneration is reduced pro rata temporis.

### Multiple-year variable remuneration

The multiple-year variable remuneration component is structured in the form of a performance share plan. At the start of the three-year performance period, a conditional entitlement to a certain target number of performance shares is granted. This number is calculated by dividing the allocation value (in euros) for the particular Executive Board member by the fair value of one performance share at the time of grant. The number of preliminary performance shares defined in this way is adjusted depending on achievement of the two target values – total shareholder return (TSR) for KION shares compared with the STOXX® Europe Total Market Index (TMI) Industrial Engineering index and return on capital employed (ROCE) – over the performance period. Each target has a 50 per cent weighting.

The possible range for target achievement for both elements is 0 per cent to 150 per cent. If KION shares outperform the STOXX® Europe TMI Industrial Engineering index by 10 per cent and the ROCE targets defined each year on the basis of the budget are achieved, total target achievement will be 100 per cent.

The amount paid for each tranche is determined by the final number of performance shares multiplied by the price of the Company's shares (average price over the preceding 60 trading days) at the end of the performance period. Depending on achievement of the individual targets defined by the Supervisory Board at the start of the performance period (three-year target agreement form), the Supervisory Board can use a discretionary factor to make a final adjustment to the calculation of the amount to be paid out at the end of the performance period by plus or minus 20 per cent, although the maximum payment may not exceed 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. The first payment under the plan will be made in 2016.

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. > TABLE 007

## Performance Share Plan 2014

TABLE 007

	Fair value of the performance share plan on the date of grant	Number of performance shares granted <sup>1</sup>	Fair value per performance share on date of grant	Expense for share-based remuneration in 2014
Gordon Riske	€1,500,000	54,427	€27.56	€486,033
Bert-Jan Knoef	€1,000,000	36,284	€27.56	€324,016
Theodor Maurer	€1,000,000	36,284	€27.56	€324,016
Ching Pong Quek	€830,000	30,116	€27.56	€268,936
Dr Thomas Toepfer	€1,000,000	36,284	€27.56	€324,016
<b>Total</b>	<b>€5,330,000</b>	<b>193,395</b>		<b>€1,727,017</b>

<sup>1</sup> The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

## Performance Share Plan 2013

	Fair value of the performance share plan on the date of grant	Number of performance shares granted <sup>1</sup>	Fair value per performance share on date of grant	Expense for share-based remuneration in 2013	Expense for share-based remuneration in 2014
Gordon Riske	€1,500,000	73,710	€20.35	€349,975	€859,620
Bert-Jan Knoef	€1,000,000	49,140	€20.35	€233,317	€573,080
Theodor Maurer	€1,000,000	49,140	€20.35	€233,317	€573,080
Ching Pong Quek	€830,000	40,786	€20.35	€193,652	€475,654
Dr Thomas Toepfer	€1,000,000	49,140	€20.35	€233,317	€573,080
<b>Total</b>	<b>€5,330,000</b>	<b>261,916</b>		<b>€1,243,578</b>	<b>€3,054,514</b>

<sup>1</sup> The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

The total expense in 2014 amounted to €4,781,531 (2013: €1,243,578).

Prior to the IPO in 2013, Executive Board member Dr Thomas Toepfer was granted a special bonus (to be payable in two tranches) dependent on a successful IPO and subject to the condition that Dr Toepfer remained employed by KION GROUP AG after the IPO for a period of twelve months (for tranche 1) and 18 months (for

tranche 2). The amount of the bonus depends on the weighted average price of KION shares in the four weeks immediately preceding the payment of each tranche. The pro-rata expense for 2014 was €0.8 million (2013: €0.6 million). In connection with the provision of this special bonus entitlement, Dr Toepfer paid a one-off capital contribution of €200,000 into the Company, which the Company deducted from the net amount of a bonus for 2012 that

was due to be paid to Dr Toepfer in 2013. The IPO bonus became payable in 2014. Besides the capital contribution repayment, Dr Toepfer was paid €755,285 for tranche 1 and €679,058 for tranche 2.

### Pension entitlements

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

When the Company was floated, the defined benefit entitlement for the Company's Chief Executive Officer that had been granted to Mr Riske in his original service agreement was transferred to his Executive Board service agreement. The benefit amounted to a maximum of 50 per cent of the most recent fixed annual salary after the end of the tenth year of service based on his original service agreement.

For the ordinary members of the Executive Board, the present value of the previous defined benefit plan at the time of the IPO was transferred as a starting contribution for new pension arrangements in the form of a defined-contribution plan. The new defined-contribution plan is structured as a cash balance plan. For each of the ordinary members of the Executive Board, a fixed annual contribution of €150,000 (€124,500 for Mr Quek) is paid into their pension accounts for the duration of the member's period of service on the Executive Board.

Interest is paid on the pension account at the prevailing statutory guaranteed return rate for the life insurance industry (applicable maximum interest rate for the calculation of the actuarial reserves of life insurers pursuant to section 2 (1) German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV)) until an insured event occurs. If higher interest is generated by investing the pension account, it will be credited to the pension account when an insured event occurs (surplus). The standard retirement age for the statutory pension applies. Once Executive Board members have reached their 62nd birthday, they are entitled to early payment of the pension. In the event of invalidity or death, the contributions that would have been made until the age of 60 are added to the pension account, although only a maximum of ten contributions will be added. When an insured event occurs, the pension is paid as a lump sum or, following a written request, in ten annual instalments.

### Termination benefits

In line with the DCGK, all Executive Board service agreements 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 amount of annual remuneration is defined as fixed salary plus the variable remuneration elements, assuming 100 per cent target achievement and excluding non-cash benefits and other additional benefits, for the last full financial year before the end of the Executive Board service agreement. If the Executive Board service agreement was due to end within two years, the severance payment is calculated pro rata temporis. If a service agreement is terminated for good cause for which the Executive Board member concerned is responsible, no payments are made to the Executive Board member in question. The Company does not have any commitments for the payment of benefits in the event of a premature termination of Executive Board agreements following a change of control.

Executive Board members are subject to a post-contractual non-compete agreement of one year. In return, the Company pays the Executive Board member compensation for the duration of the non-compete agreement amounting to 100 per cent of his or her final fixed salary. Other income of the Executive Board member is offset against the compensation.

In the event that Mr Riske's appointment is not extended for reasons for which he is not responsible and he has not reached the standard retirement age for the statutory pension or in the event that Mr Riske resigns for good cause before the end of his appointment or suffers permanent incapacity after his period of service as a result of sickness, he will receive transitional benefits of €264,000 per annum on the basis of previous contracts. During his current term of office, the amount of the transitional benefits will rise by €12,000 each year up to a maximum amount of €300,000 per annum. Severance payments in the event of early termination of his appointment without good cause, compensation for the post-contractual non-compete agreement, pension benefits that Mr Riske receives due to his previous work for other employers and income from other use of his working capacity (with the exception of remuneration for work as a member of a supervisory or advisory board or a board of directors) will be offset against these transitional benefits.

If an Executive Board member suffers temporary incapacity, he or she will receive their full fixed salary for a period of six months plus the one-year variable remuneration. In the event of temporary incapacity for a further six months, the Executive Board member will receive 80 per cent of his or her fixed salary, but only up to a point at which the service agreement is terminated.

If an Executive Board member ceases to be employed by the Company as a result of death, the Executive Board member or his/her family members will be entitled to the fixed monthly remuneration for the month in which the service agreement ends and

for the three subsequent months, but only up to the point at which the service agreement would otherwise have come to an end.

## Remuneration paid to members of the Executive Board in 2014

The total remuneration granted to Executive Board members for 2014 was €11,839,561 (minimum: €3,928,961, maximum: €19,750,161) (2013: €12,528,938). Of this amount, €2,839,850

### Benefits granted in 2014

Benefits granted		Gordon Riske CEO KION GROUP AG				
		2013	2014	2014 (min)	2014 (max)	
Non-performance-related components	Fixed remuneration	€700,000	€800,000	€800,000	€800,000	
	Non-cash remuneration and other benefits <sup>1</sup>	€25,606	€18,560	€18,560	€18,560	
	<b>Total</b>	<b>€725,606</b>	<b>€818,560</b>	<b>€818,560</b>	<b>€818,560</b>	
Performance-related components	Short-term incentive	One-year variable remuneration <sup>2,3</sup>	€877,303	€700,000	€0	€1,400,000
		<b>Multiple-year variable remuneration</b>	<b>€1,500,000</b>	<b>€1,500,000</b>	<b>€0</b>	<b>€3,000,000</b>
	Share-based long-term incentive <sup>4</sup>	Performance share plan <sup>2</sup> (29 Jun 2013 – 31 Dec 2015)	€1,500,000			
		Performance share plan <sup>2</sup> (1 Jan 2014 – 31 Dec 2016)		€1,500,000	€0	€3,000,000
		IPO bonus tranche 1 (29 Jun 2013 – 29 Jun 2014)				
		IPO bonus tranche 2 (29 Jun 2013 – 31 Dec 2014)				
	<b>Total</b>	<b>€3,102,909</b>	<b>€3,018,560</b>	<b>€818,560</b>	<b>€5,218,560</b>	
	Pension expense <sup>6</sup>	€422,727	€510,056	€510,056	€510,056	
	<b>Total remuneration</b>	<b>€3,525,636</b>	<b>€3,528,616</b>	<b>€1,328,616</b>	<b>€5,728,616</b>	

1 Other, non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.

2 The amount shown for Mr Quek includes a flat-rate allowance of 30 per cent as part of a tax equalisation agreement.

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement).

4 Fair value on the date of grant.

5 Former members of the Executive Board of KION Holding 1 GmbH.

6 Service cost (IAS).

(2013: €2,534,753) was attributable to fixed non-performance-related remuneration components, €7,910,600 (minimum: €0, maximum: €15,821,200) (2013: €9,141,827) to variable one-year and multiple-year performance-related remuneration components, €175,254 (2013: €221,744) to non-performance-related non-cash remuneration and other non-performance-related benefits, and €913,857 (2013: €630,614) to the pension expense. The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement). The

figure shown for multiple-year variable remuneration is the fair value of the performance share plans at the date of grant, which is equivalent to a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement). The first payment will be made in 2016, provided the Company's long-term targets are achieved.

The additional benefits were measured at the value calculated for tax purposes. > TABLE 008

TABLE 008

Bert-Jan Knoef				Theodor Maurer			
Executive Board member KION GROUP AG				Executive Board member KION GROUP AG			
Since 11 Jan 2013				Since 11 Jan 2013			
2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
€440,761	€500,000	€500,000	€500,000	€440,761	€500,000	€500,000	€500,000
€21,310	€18,898	€18,898	€18,898	€23,495	€17,547	€17,547	€17,547
<b>€462,071</b>	<b>€518,898</b>	<b>€518,898</b>	<b>€518,898</b>	<b>€464,256</b>	<b>€517,547</b>	<b>€517,547</b>	<b>€517,547</b>
€391,356	€400,000	€0	€800,000	€391,356	€400,000	€0	€800,000
<b>€1,000,000</b>	<b>€1,000,000</b>	<b>€0</b>	<b>€2,000,000</b>	<b>€1,000,000</b>	<b>€1,000,000</b>	<b>€0</b>	<b>€2,000,000</b>
€1,000,000				€1,000,000			
	€1,000,000	€0	€2,000,000		€1,000,000	€0	€2,000,000
<b>€1,853,427</b>	<b>€1,918,898</b>	<b>€518,898</b>	<b>€3,318,898</b>	<b>€1,855,612</b>	<b>€1,917,547</b>	<b>€517,547</b>	<b>€3,317,547</b>
€89,965	€101,631	€101,631	€101,631	€56,967	€104,401	€104,401	€104,401
<b>€1,943,392</b>	<b>€2,020,529</b>	<b>€620,529</b>	<b>€3,420,529</b>	<b>€1,912,579</b>	<b>€2,021,948</b>	<b>€621,948</b>	<b>€3,421,948</b>

## Benefits granted in 2014 (continued)

Benefits granted		Ching Pong Quek				
		Executive Board member KION GROUP AG/ Chief Asia Pacific Officer				
		Since 11 Jan 2013				
		2013	2014	2014 (min)	2014 (max)	
Non-performance-related components		Fixed remuneration	€480,566	€539,850	€539,850	€539,850
		Non-cash remuneration and other benefits <sup>1</sup>	€123,502	€107,997	€107,997	€107,997
		<b>Total</b>	<b>€604,068</b>	<b>€647,847</b>	<b>€647,847</b>	<b>€647,847</b>
Performance-related components	Short-term incentive	One-year variable remuneration <sup>2,3</sup>	€438,989	€431,600	€0	€863,200
		<b>Multiple-year variable remuneration</b>	<b>€1,079,000</b>	<b>€1,079,000</b>	<b>€0</b>	<b>€2,158,000</b>
	Share-based long-term incentive <sup>4</sup>	Performance share plan <sup>2</sup> (29 Jun 2013 – 31 Dec 2015)	€1,079,000			
		Performance share plan <sup>2</sup> (1 Jan 2014 – 31 Dec 2016)		€1,079,000	€0	€2,158,000
		IPO bonus tranche 1 (29 Jun 2013 – 29 Jun 2014)				
		IPO bonus tranche 2 (29 Jun 2013 – 31 Dec 2014)				
		<b>Total</b>	<b>€2,122,057</b>	<b>€2,158,447</b>	<b>€647,847</b>	<b>€3,669,047</b>
		Pension expense <sup>6</sup>		€96,836	€96,836	€96,836
	<b>Total remuneration</b>	<b>€2,122,057</b>	<b>€2,255,283</b>	<b>€744,683</b>	<b>€3,765,883</b>	

1 Other, non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.

2 The amount shown for Mr Quek includes a flat-rate allowance of 30 per cent as part of a tax equalisation agreement.

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent target achievement, maximum: 200 per cent target achievement).

4 Fair value on the date of grant.

5 Former members of the Executive Board of KION Holding 1 GmbH.

6 Service cost (IAS).

The total remuneration allotted to/earned by Executive Board members for 2014 was €7,694,904 (2013: €5,851,985). Of this amount, €2,839,850 (2013: €2,534,753) was attributable to fixed non-performance-related remuneration components, €3,765,943 (2013: €2,464,874) to variable one-year and multiple-year performance-related remuneration components, €175,254 (2013: €221,744) to non-performance-related non-cash remuneration

and other non-performance-related benefits, and €913,857 (2013: €630,614) to the pension expense. The figure shown for one-year variable remuneration is based on a preliminary total target achievement rate of 100 per cent calculated using preliminary earnings figures at the end of 2014. This preliminary variable remuneration for each Executive Board member is also subject to adjustment by the Supervisory Board in line with the individual

TABLE 008

Dr Thomas Toepfer				Former Executive Board members <sup>5</sup>			
CFO KION GROUP AG							
2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
€462,520	€500,000	€500,000	€500,000	€10,145	€0	€0	€0
€26,605	€12,252	€12,252	€12,252	€1,226	€0	€0	€0
<b>€489,125</b>	<b>€512,252</b>	<b>€512,252</b>	<b>€512,252</b>	<b>€11,371</b>	<b>€0</b>	<b>€0</b>	<b>€0</b>
€577,362	€400,000	€0	€800,000	€15,748			
<b>€1,870,713</b>	<b>€1,000,000</b>	<b>€0</b>	<b>€2,000,000</b>	<b>€0</b>	<b>€0</b>	<b>€0</b>	<b>€0</b>
€1,000,000							
	€1,000,000	€0	€2,000,000				
€433,141							
€437,572							
<b>€2,937,200</b>	<b>€1,912,252</b>	<b>€512,252</b>	<b>€3,312,252</b>	<b>€27,119</b>	<b>€0</b>	<b>€0</b>	<b>€0</b>
€58,758	€100,933	€100,933	€100,933	€2,197			
<b>€2,995,958</b>	<b>€2,013,185</b>	<b>€613,185</b>	<b>€3,413,185</b>	<b>€29,316</b>	<b>€0</b>	<b>€0</b>	<b>€0</b>

performance of the Executive Board member. This adjustment may vary by +/- 20 per cent of the variable remuneration.

The additional benefits were measured at the value calculated for tax purposes. > TABLE 009

## Allocation in 2014

			Gordon Riske		Bert-Jan Knoef		
			CEO KION GROUP AG		Executive Board member KION GROUP AG		
Allocation					Since 11 Jan 2013		
			2013	2014	2013	2014	
Non-performance-related components	Fixed remuneration		€700,000	€800,000	€440,761	€500,000	
	Non-cash remuneration and other benefits <sup>1</sup>		€25,606	€18,560	€21,310	€18,898	
	<b>Total</b>		<b>€725,606</b>	<b>€818,560</b>	<b>€462,071</b>	<b>€518,898</b>	
Performance-related components	Short-term incentive	One-year variable remuneration <sup>2</sup>	€763,744	€700,000	€354,701	€400,000	
		<b>Multiple-year variable remuneration</b>	<b>€0</b>	<b>€0</b>	<b>€0</b>	<b>€0</b>	
	Share-based long-term incentive	Performance share plan (29 Jun 2013 – 31 Dec 2015)					
		Performance share plan (1 Jan 2014 – 31 Dec 2016)					
		IPO bonus tranche 1 (29 Jun 2013 – 29 Jun 2014)					
		IPO bonus tranche 2 (29 Jun 2013 – 31 Dec 2014)					
		<b>Total</b>		<b>€1,489,350</b>	<b>€1,518,560</b>	<b>€816,772</b>	<b>€918,898</b>
		Pension expense <sup>4</sup>		€422,727	€510,056	€89,965	€101,631
	<b>Total remuneration</b>		<b>€1,912,077</b>	<b>€2,028,616</b>	<b>€906,737</b>	<b>€1,020,529</b>	

1 Other, non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.

2 The figure shown for one-year variable remuneration for 2013 is the actual amount paid out, which differs from the estimated value listed in the 2013 consolidated financial statements.

3 Former members of the Executive Board of KION Holding 1 GmbH.

4 Service cost (IAS).

At its meeting on 17 December 2014, the Supervisory Board authorised the chairman of the Supervisory Board to hold talks with Mr Bert-Jan Knoef and Mr Theodor Maurer about the early termination of their appointment as members of the KION GROUP AG's Executive Board, about the termination of their Executive Board service agreements and about the conclusion of appropriate termination agreements. The Supervisory Board also authorised its chairman to conclude the necessary agreements in accordance with contractual and statutory require-

ments. Subsequently, agreement was reached with Mr Knoef and Mr Maurer that they would resign from office with effect from 14 January 2015 and that their Executive Board service agreements would end on 31 March 2015.

As is the case with the remuneration paid to the Executive Board, the benefits granted to the two men comprise a non-performance-related salary and non-performance-related non-cash benefits, performance-related remuneration and pension entitlements.

TABLE 009

Theodor Maurer		Ching Pong Quek		Dr Thomas Toepfer		Former Executive Board members <sup>3</sup>	
Executive Board member KION GROUP AG		Executive Board member KION GROUP AG/ Chief Asia Pacific Officer		CFO KION GROUP AG			
Since 11 Jan 2013		Since 11 Jan 2013					
2013	2014	2013	2014	2013	2014	2013	2014
€440,761	€500,000	€480,566	€539,850	€462,520	€500,000	€10,145	
€23,495	€17,547	€123,502	€107,997	€26,605	€12,252	€1,226	
<b>€464,256</b>	<b>€517,547</b>	<b>€604,068</b>	<b>€647,847</b>	<b>€489,125</b>	<b>€512,252</b>	<b>€11,371</b>	<b>€0</b>
€372,773	€400,000	€459,925	€431,600	€500,355	€400,000	€13,376	
€0	€0	€0	€0	€0	€1,434,343	€0	€0
					€755,285		
					€679,058		
<b>€837,029</b>	<b>€917,547</b>	<b>€1,063,993</b>	<b>€1,079,447</b>	<b>€989,480</b>	<b>€2,346,595</b>	<b>€24,747</b>	<b>€0</b>
€56,967	€104,401		€96,836	€58,758	€100,933	€2,197	
<b>€893,996</b>	<b>€1,021,948</b>	<b>€1,063,993</b>	<b>€1,176,283</b>	<b>€1,048,238</b>	<b>€2,447,528</b>	<b>€26,944</b>	<b>€0</b>

Mr Knoef's total amount of €4,546,755 breaks down into a non-performance-related component of €4,070,712, a performance-related component without a long-term incentive of €84,444, a performance-related component with a long-term incentive – at the fair value for the 2013 and 2014 tranches pursuant to the terms of the performance share plan as at 31 December 2014 – of €194,562, plus the pro-rata value for 2015 of the shares allotted of €70,370 and pension expenses of €126,667.

Mr Maurer's total amount of €4,248,034 breaks down into a non-performance-related component of €3,771,991, a performance-related component without a long-term incentive of €84,444, a performance-related component with a long-term incentive – at the fair value for the 2013 and 2014 tranches pursuant to the terms of the performance share plan as at 31 December 2014 – of €194,562, plus the pro-rata value for 2015 of the shares allotted of €70,370 and pension expenses of €126,667.

The table below shows the pension contributions (additions to the plan) attributable to each individual Executive Board member and their separate present values. > **TABLE 010**

The total remuneration paid to former members of the Executive Board amounted to €209,616 (2013: €207,561). Provisions for

defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €6,082,485 (2013: €5,171,114) were recognised in accordance with IAS 19.

In the year under review, no advances were made to members of the Executive Board, and there were no loans.

## Pensions

TABLE 010

	2014 service cost	2013 service cost	Present value (DBO) 31 Dec 2014	Present value (DBO) 31 Dec 2013
Gordon Riske	€510,056	€422,727	€4,562,340	€3,180,565
Bert-Jan Knoef	€101,631	€89,965	€1,905,632	€1,642,647
Theodor Maurer	€104,401	€56,967	€637,569	€492,380
Ching Pong Quek	€96,836	€0	€426,727	€265,443
Dr Thomas Toepfer	€100,933	€58,758	€523,314	€341,416

## SUPERVISORY BOARD REMUNERATION

### Remuneration system

The Supervisory Board's remuneration is defined in article 18 of KION GROUP AG's articles of incorporation. Members of the Supervisory Board receive fixed remuneration plus reimbursement of out-of-pocket expenses. The annual remuneration amounts to €45,000 for ordinary members of the Supervisory Board, €75,000 for the deputy chairman of the Supervisory Board and €105,000 for the chairman of the Supervisory Board.

Additional remuneration is paid for being a member or chairman of a committee, although this does not apply in the case of the Nomination Committee or the Mediation Committee pursuant to section 27 (3) German Codetermination Act (MitbestG). The

annual remuneration for members of a committee is €8,000, while the chairman of a committee receives double this amount.

If a member of the Supervisory Board or one of its committees does not hold their position for a full financial year, remuneration is reduced pro rata temporis.

The members of the Supervisory Board receive an attendance fee of €1,250 per day for meetings of the Supervisory Board and its committees, although they only receive this amount once if they attend more than one meeting on the same day.

The Company reimburses each member for any VAT incurred in connection with his or her remuneration.

A D&O insurance policy without an excess has been taken out for the members of the Supervisory Board.

## Remuneration paid to members of the Supervisory Board in 2014

The total remuneration paid to the Supervisory Board in 2014 was €1,183,555. Of this amount, €1,019,927 was attributable to remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work totalled €163,628. The following table shows the breakdown of remuneration paid to each Supervisory Board member for 2014. > **TABLE 011**

In 2014, no company in the KION Group paid or granted any remuneration or other benefits to members of the Supervisory Board for services provided as individuals, such as consulting or brokerage activities. Nor were any advances or loans granted to members of the Supervisory Board.

Supervisory Board remuneration

TABLE 011

	Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
Dr John Feldmann (chairman)	€105,000	€24,000	€18,750	€147,750
Joachim Hartig (deputy chairman)	€75,000	€8,000	€15,000	€98,000
Holger Brandt	€45,000	–	€13,750	€58,750
Dr Alexander Dibelius	€45,000	€8,000	€10,000	€63,000
Denis Heljic	€45,000	€8,000	€15,000	€68,000
Dr Martin Hintze	–	–	–	–
Johannes P. Huth	€65,838	€11,704	€10,973	€88,515
Thilo Kämmerer	€29,959	€5,326	€7,500	€42,785
Olaf Kunz	€15,041	€2,170	€6,250	€23,461
Jiang Kui	€65,838	€11,704	€18,288	€95,830
Özcan Pancarci	€45,000	–	€13,750	€58,750
Kay Pietsch	€45,000	€16,000	€21,250	€82,250
Hans Peter Ring	€45,000	€16,000	€15,000	€76,000
Alexandra Schädler	€45,000	€8,000	€18,750	€71,750
Silke Scheiber	€65,838	–	€16,459	€82,297
Tan Xuguang	€65,838	–	€1,829	€67,667
Hans-Peter Weiß	€45,000	–	€13,750	€58,750
<b>Total</b>	<b>€848,352</b>	<b>€118,904</b>	<b>€216,299</b>	<b>€1,183,555</b>