

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 highest 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 13 May 2013 (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.

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

The corporate governance declaration required by section 289a HGB includes the comply-or-explain statement in accordance with section 161 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) of the German Stock Corporation Act (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 which recommendations it has not applied or does not intend to apply, 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.

KION GROUP AG has been a listed company on the regulated market of the Frankfurt Stock Exchange since 28 June 2013. It has not previously issued a comply-or-explain statement pursuant to section 161 (1) AktG. However, the Company has already stated in its IPO prospectus that with one exception, it complies, and will comply in future, with the recommendations in the Code.

The Executive Board and Supervisory Board have considered the recommendations of the Code in detail and on 19 December 2013 they issued the first comply-or-explain statement of KION GROUP AG as required by section 161 (1) AktG as follows:

1. KION GROUP AG complies, and will continue to comply in future, with all but one of the recommendations of the German Corporate Governance Code government commission (dated 13 May 2013) published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette.

In departure from section 3.8 (3) of the German Corporate Governance Code (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. KION GROUP AG has been a listed company since 28 June 2013 and has not previously issued a comply-or-explain statement pursuant to section 161 AktG. Since its initial public offering (IPO), KION GROUP AG has issued guidelines on diversity in the Company

in order to document its compliance with the recommendations in sections 4.1.5, 5.1.2 (1) and 5.4.1 (2) of the Code. Since the IPO, KION GROUP AG has complied with all of the recommendations of the government commission (dated 13 May 2013) except for the recommendation in section 3.8 (3) of the Code, as described above.

With respect to section 5.4.2 of the Code, the Supervisory Board believes that, taking account of the employee representatives on the Supervisory Board, it is appropriate to have two independent members of the Supervisory Board, who are elected by the shareholders.

Wiesbaden, 19 December 2013

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 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 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 2013 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 revised 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 are satisfied 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 com-

pliant 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

As part of professional and responsible corporate management, the Executive Board is required to regularly obtain information from the Company's risk management function about existing risks and changes to them and then to report on this to the Supervisory Board. The KION Group's risk management system is defined in groupwide risk guidelines, which contain a standardised catalogue of risks. Specific individual risks are then reported by the individual Group entities using an online reporting tool. Reporting on cross-segment risks and groupwide risks is carried out by the Accounting & Finance function and the relevant departments.

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 harmful to the Company. KION GROUP AG and its governing bodies therefore adhere strictly to the recommendations in the Code. 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 in view of the long-standing involvement of major shareholders Goldman Sachs and KKR, which 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, Weichai Power's significant investment in KION GROUP AG, and the representation of these shareholders on the Supervisory Board of KION GROUP AG. The Company achieves these aims by avoiding business scenarios or personnel scenarios that could give the impression of a conflict of interest and by taking transparent steps that effectively avoid 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. 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 will 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.

Executive Board member Ching Pong Quek received an incentive bonus of RMB 486,659.00 in the year under review from Siming District, Xiamen, China. Based on the average exchange rate in 2013, this is equivalent to €59,596.20. This payment was not related to Mr Quek's work on the Executive Board; it was paid exclusively in connection with his role as a member of the Management Team (Chief Executive Officer) of Linde (China) Forklift Trucks Corp., Ltd., Xiamen, China. Similar incentives in varying amounts were also paid to 23 other members of the management team of Linde (China) Forklift Trucks Corp., Ltd., Xiamen, China. The bonuses are awarded each year by the administrative district of Siming to management teams of local companies who have made a particular contribution to the regional economy over the past twelve months. Such payments are also common in other districts in China and serve to make these regions more attractive to talented managers and, in particular, employees from foreign companies who are seconded to China. The payment was disclosed to the Chief Executive Officer and the Supervisory Board.

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 that 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

The Executive Board of KION GROUP AG comprises 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

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

The working methods of the Executive Board are described in more detail in the rules of procedure laid down by the Supervisory Board for the Executive Board, which also set out the business allocation plan and the matters reserved to the full Executive Board. The Executive Board's rules of procedure reserve certain important transactions for the approval of the Supervisory Board. The budget planning requires the approval of the Supervisory Board, for example, as do major acquisitions or investments.

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 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 composition based on diversity must be the expertise of the individual members and a balanced mix of personal qualities, experience, skills, qualifications and knowledge of all members in line with the requirements of the business, and 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. Given that at present – as in the past – there are already two female members on the KION GROUP AG Supervisory Board, it believes that an appropriate proportion has already been achieved which takes account of the specifics of the enterprise and it will make efforts to retain this proportion of women. The Supervisory Board would also support the inclusion of other female Board members who meet the above criteria, but at present it does not see any need for further increasing the proportion of women on the KION GROUP AG Supervisory Board in the short term, or for introducing a mandatory quota for female members of the Supervisory Board. At the same time, it is following the debate in society and among politicians regarding a statutory minimum quota for women on supervisory boards and will take any measures that may be required.

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

On 29 May 2013, but with effect from the registration of the change of form to KION GROUP AG, the Supervisory Board of KION Holding 1 GmbH (known as KION GROUP AG (under formation) before the effective date of the change of legal form) resolved to create four committees, 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 his 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. Other documents prepared by the Executive Committee relate to any matter in connection with Executive Board remuneration. 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 2013, 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
 Kay Pietsch

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. If a majority of two thirds of votes as required by section 27 (3) and section 31 (3) 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 second vote on the candidates proposed.

In 2013, the members of the Mediation Committee were:

Dr John Feldmann (chairman)
 Joachim Hartig (deputy chairman)
 Johannes P. Huth (from 27 June 2013)
 Dr Alexander Dibelius (until 27 June 2013)
 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 2013, the members of the Audit Committee were:

Hans Peter Ring (chairman, from 27 June 2013)
 Dr Martin Hintze (chairman, until 27 June 2013)
 Kay Pietsch (deputy chairman)
 Dr John Feldmann (from 27 June 2013)
 Dr Roland Köstler (until 30 September 2013)
 Alexandra Schädler (from 2 October 2013)
 Silke Scheiber (until 27 June 2013)

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.

Members of the Nomination Committee:

Dr John Feldmann (chairman)
 Dr Martin Hintze (deputy chairman)
 Jiang Kui
 Silke Scheiber

Until 27 June 2013, when its tasks were taken over by the Executive Committee, the members of the Human Resources Committee were:

Johannes P. Huth (chairman)
 Joachim Hartig (deputy chairman)
 Dr Alexander Dibelius
 Thilo Kämmerer

EXECUTIVE BOARD AND SUPERVISORY BOARD SHAREHOLDINGS AND DIRECTORS' DEALINGS

1. Shareholdings

As at 31 December 2013, 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 if the value of these transactions reaches €5,000 or more within one calendar year. >> [TABLE 004](#)

Transactions pursuant to section 15a WpHG in 2013

>> [TABLE 004](#)

| Buyer/Seller | Type of transaction | Date of transaction | Share price (€) | Number of shares | Total value (€) |
|---------------|---------------------|--|-----------------|------------------|-----------------|
| Benita Riske | Purchase | 28 June 2013 | 23.81984 | 3,000 | 71,459.52 |
| Johannes Huth | Purchase | 1 July 2013 | 23.690525 | 50,000 | 1,184,526.25 |
| Holger Brandt | Sale | 22 November 2013/ 18 December 2013* | 29.5042 | 7,000 | 206,529.40 |

* The report dated 18 December 2013 refers to the report dated 22 November 2013, in which it was only possible to state a provisional sale price of €28.945 for the 7,000 shares. The report dated 22 November 2013 also stated that a second report concerning these 7,000 shares would be made once the final sale price had been determined. Mr Brandt has known the final sale price since 13 December 2013. It was determined by adjusting the provisional price of €28.945 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 €0.5592, 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 €29.5042.

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 €98,900,000 as at 31 December 2013. It is divided into 98,900,000 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 2013, the Company held 200,000 shares in treasury. The primary intention is to offer these treasury shares to staff as part of an employee share programme, the details of which are currently being prepared.

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 2013, KION Management Beteiligungs GmbH & Co. KG (KMB) held shares in the Company on behalf of managers in the Company and its subsidiaries. KMB has 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 has undertaken 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 includes 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 is 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.

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.

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 2013:

- Superlift with a direct shareholding equivalent to 48.6 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 | St. Peter Port, Guernsey |
| KKR PEI International Holdings GP Ltd. | George Town, Cayman Islands |
| KKR PEI International Holdings L.P. | George Town, Cayman Islands |
| KKR PEI Investments, L.P. | St. Peter Port, Guernsey |
| GS Capital Partners V Employee Fund, L.P. | Wilmington, USA |
| GS Capital Partners V Employee Funds GP, L.L.C. | Wilmington, USA |
| 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 |
| GSCP V AIV, L.P. | George Town, Cayman Islands |
| GS Capital Partners V Institutional, L.P. | 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 equivalent to 30.0 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 |
| Other | Registered office |
| People's Republic of China | Beijing, People's Republic of China |

On 18 December 2013, Weichai Power exercised one of the call options granted to it by Superlift, acquiring with the completion of the purchase after the reporting date a further 3.3 per cent of the shares in KION GROUP AG from Superlift. Weichai Power therefore now holds 33.3 per cent of the shares in the Company. In addition, Superlift sold 10.7 million shares in KION GROUP AG to institutional investors in January 2014 as part of an accelerated bookbuilding process. Since then, it has held approximately 34.5 per cent of the shares. 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 participants (limited partners) in KMB are free to instruct the programme to sell their shares or to transfer them into their private investment accounts 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 Annual General 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.

So far, the Company has only exercised this right when it acquired 200,000 shares between 28 August and 26 September 2013. The intention is to offer these shares to staff at the Company and certain Group companies in 2014 as part of an employee share programme.

The Company did not have any conditional or authorised capital in 2013.

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 15 April 2011 in connection with the €325,000,000 7.875 per cent senior secured notes maturing in 2018, concluded between Deutsche Trustee Company as trustee, KION Finance S.A. and KION Group GmbH (now KION Material Handling GmbH).
- Covenant agreement dated 14 April 2013 in connection with the €450,000,000 6.75 per cent senior secured notes maturing in 2020 and the €200,000,000 senior secured floating rate notes maturing in 2020 of 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 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 13 May 2013 (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 2013. Remuneration disclosures also include remuneration received by members of the Company's Executive Board and Supervisory Board and third parties when they were members of the Executive Board or Supervisory Board of the former KION Holding 1 GmbH before new Executive Board service contracts were signed with KION GROUP AG for the performance of their duties at the Company and its subsidiaries in 2013.

EXECUTIVE BOARD REMUNERATION

Remuneration system

At its meeting held on 25 April 2013, the Supervisory Board of the former KION Holding 1 GmbH adopted a resolution as part of the conversion of the Company into a public limited company to approve the remuneration system for the future Executive Board of KION GROUP AG and fix the remuneration to be paid to the individual members of the Executive Board. This resolution was in line with the Human Resources Committee's recommendation. The Supervisory Board took care not only to ensure compliance with the requirements of the German Stock Corporation Act (AktG) and the DCGK, but also to ensure that the remuneration to be paid to the individual members of the Executive Board was harmonised. Although the Executive Board service contracts were to come into force on the effective date of the change in legal form, i.e. on 4 June 2013, the new remuneration system was conditional upon KION GROUP AG's successful IPO and therefore only came into force on the day after the first day of trading on the Frankfurt Stock Exchange on 28 June 2013. Up to that point, KION GROUP AG continued to use the remuneration arrangements applicable to the board members of the for-

mer KION Holding 1 GmbH and arising from their respective service contracts with the various subsidiaries. The following information therefore provides a brief description of the Executive Board remuneration arrangements initially in force in the period from 4 June to 28 June 2013 and then gives a detailed description of the Executive Board remuneration system applicable since 29 June 2013.

Essential features of the Executive Board remuneration system in the period 4 June 2013 to 28 June 2013

In the period between the effective date of the change in the legal form of the Company to a public limited company and the first day of trading in the Company's shares on the Frankfurt Stock Exchange on 28 June 2013, the arrangements applied for the remuneration of the members of the Executive Board remained the same as the arrangements that had applied prior to 4 June 2013 under the service contracts with the various subsidiaries relevant to the persons concerned. The total remuneration paid to the members of the Executive Board in this period comprised a non-performance-related salary and non-performance-related non-cash benefits, performance-related (variable) remuneration and pension entitlements.

Non-performance-related remuneration consisted of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary was 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 contract ended. The additional benefits essentially included use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

The performance-related remuneration was a variable remuneration component based on performance measured over one year. It was structured differently for each individual Executive Board member. In the case of Mr Riske and Dr Toepfer, who were employed by KION GROUP GmbH (now KION Material Handling GmbH) prior to the change in legal form of KION Holding 1 GmbH, there was a combined performance and target-based bonus system based on two performance targets: adjusted earnings before interest, taxes and amortisation (EBITA) and unlevered free cash flow (UFCF). For Mr Knoef, Mr Maurer and Mr Quek, the relevant bonus system was that used by the Group companies in which they were a member of the management board up to their appointment to the Executive Board of the Company and that was based on annual financial performance targets of a varying nature weighted according to brand and

Group criteria. Achievement of the targets for EBIT (40 per cent weighting), UFCF (also 40 per cent weighting) and revenue (20 per cent weighting) was measured in 2013.

In all bonus systems, the possible range for target achievement was 0 per cent to 200 per cent. If the targets derived from the annual budget were achieved in full, target achievement was 100 per cent. The target achievement levels for each weighted Company target were added together to give the total target achievement.

The pension entitlements consisted of contributions for retirement, invalidity and surviving dependants' benefits. Specifically:

Mr Riske and Mr Knoef participated in a defined benefit scheme funded entirely by the Company. This scheme was a final salary scheme guaranteeing Mr Riske a retirement pension of up to 50 per cent of his final basic salary and Mr Knoef a retirement pension of up to 60 per cent of his final basic salary. Dr Toepfer and Mr Maurer also belonged to defined benefit schemes comprising two components fully funded by KION: a fixed basic pension to a maximum amount of €36,000 p.a. for Dr Toepfer and to a maximum amount of €30,000 p.a. for Mr Maurer (the final amount in each case being dependent on the duration of the service contract) and a variable top-up pension based on 12 per cent of basic salary for Dr Toepfer and 9 per cent of basic salary for Mr Maurer, from which a fixed pension component could be calculated by multiplying the amounts concerned by an age-related annuitisation factor each year. Subject to participation in the deferred compensation model offered by the KION Group (KION pension plan), both Dr Toepfer and Mr Maurer also receive a third component (referred to as the matching employer contribution): they were granted an additional Company contribution to be invested in the KION pension plan (up to a maximum of 6 per cent of basic salary for Dr Toepfer and up to a maximum of 5 per cent of basic salary for Mr Maurer, depending on the amount of deferred compensation); the amount concerned was converted into guaranteed pension capital by multiplying it by an age-dependent annuitisation factor each year. Mr Quek was not entitled to a company pension.

Essential features of the Executive Board remuneration system since 29 June 2013

Since the IPO, the remuneration of the Executive Board of KION GROUP AG has been determined in accordance with the requirements of the 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 converted with support from external consultants working independently of the Executive Board and the Company.

The total remuneration now paid to the Executive Board also 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 contract ends. The additional benefits essentially comprised 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 2013, this amount was €227,077. The additional benefits agreed with Mr Quek include 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 2013, the special additional benefits for Mr Quek amounted to a total of €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 contract 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 attainment 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 attainment 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 if the overall target attainment is 100 per cent. 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. As the conditional entitlements under the performance share plan were only granted for the first time in 2013, there are no comparative prior-year figures to disclose >> **TABLE 007**

Performance share plan

>> **TABLE 007**

| | Fair value of the performance share plan on the date of grant | Number of performance shares granted ¹ | Fair value per performance share on date of grant | Total expense for share-based remuneration in 2013 |
|-------------------|---|---|---|--|
| Gordon Riske | €1,500,000 | 73,710 | €20.35 | €349,975 |
| Bert-Jan Knoef | €1,000,000 | 49,140 | €20.35 | €233,317 |
| Theodor Maurer | €1,000,000 | 49,140 | €20.35 | €233,317 |
| Ching Pong Quek | €830,000 | 40,786 | €20.35 | €193,652 |
| Dr Thomas Toepfer | €1,000,000 | 49,140 | €20.35 | €233,317 |
| Total | €5,330,000 | 261,916 | | €1,243,578 |

¹ The target number of performance shares (PS) 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.

Prior to the planned IPO, 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. On the basis of the share price of €30.73 as at 31 December 2013, the fair value of the bonus as at the reporting date was approximately €1.5 million. The pro-rata expense for 2013 is €0.6 million. If, prior to the due dates for the payment of tranche 1 or tranche 2, Dr Toepfer dies, suffers permanent incapacity or is forced to leave the Company without good cause of his own making, he will remain entitled to payment of this bonus. 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 has deducted from the net amount of a bonus for 2012 due to be paid to Dr Toepfer in 2013.

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. The defined benefit entitlement for Gordon Riske, the Company's Chief Executive Officer, which had been granted in his original service contract, was transferred to his Executive Board service contract. 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 contract. For the other members of the Executive Board, the present value of the previous defined benefit plan 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) will be 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 contracts 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 contract. If the Executive Board service contract was due to end within two years, the severance payment is calculated pro rata temporis. If a service contract 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 contracts 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 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 €252,000 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 will receive for a period of six months a full fixed salary 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 fixed salary, but only up to a point at which the service contract is terminated.

If an Executive Board member ceases to be employed by the Company as a result of death, he or his family members will be entitled to the fixed monthly remuneration for the month in which the service contract ends and for the three subsequent months, but only up to the point at which the service contract would otherwise have come to an end.

Remuneration of Executive Board members

| | Basic, non-performance-related pay | | Other, non-performance-related benefits ² | | One-year performance-related variable remuneration | |
|--|------------------------------------|-------------------|--|-----------------|--|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Gordon Riske ^{1,4} | €700,000 | €600,000 | €25,606 | €28,257 | €724,226 | €1,219,194 |
| Bert-Jan Knoef ¹ | €440,761 | €0 | €21,310 | €0 | €283,483 | €0 |
| Theodor Maurer ¹ | €440,761 | €0 | €23,495 | €0 | €319,880 | €0 |
| Ching Pong Quek ¹ | €480,566 | €0 | €123,502 | €0 | €350,520 | €0 |
| Dr Thomas Toepfer ^{1,4} | €462,520 | €141,680 | €26,605 | €11,724 | €472,131 | €290,718 |
| Former Executive Board members, 2012/2013 ^{4,5} | €10,145 | €1,075,000 | €1,226 | €74,464 | €7,023 | €2,109,515 |
| Total for 2013 | €2,534,753 | €1,816,680 | €221,744 | €114,445 | €2,157,263 | €3,619,427 |

¹ Mr Gordon Riske had been a member of the Executive Board of KION GROUP GmbH since 1 October 2007 and switched to the Executive Board of KION GROUP AG with effect from 4 June 2013.

Dr Thomas Toepfer had been a member of the Executive Board of KION GROUP GmbH since 1 September 2012 and switched to the Executive Board of KION GROUP AG with effect from 4 June 2013.

Mr Bert-Jan Knoef, Mr Theodor Maurer and Mr Ching Pong Quek had been members of the Executive Board of KION GROUP GmbH since 11 January 2013 and switched to the Executive Board of KION GROUP AG with effect from 4 June 2013.

² Other, non-performance-related benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.

³ Fair value on the date of grant.

⁴ The value for one-year variable remuneration for 2013 also includes the difference between the 2012 bonus reserve and the actual bonus paid for 2012.

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

Remuneration paid to members of the Executive Board in 2013

The total remuneration granted to Executive Board members for 2013, including the remuneration paid for the period when they were members of the Executive Board of KION Holding 1 GmbH was €11,114,473. Of this amount, €2,534,753 was attributable to fixed non-performance-related remuneration components, €8,357,976 to variable one-year and multiple-year performance-related remuneration components and €221,744 to other non-performance-related benefits. The figure shown for one-year variable remuneration is based on a preliminary total target achievement rate calculated using preliminary earnings figures at the beginning 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 performance of the Executive Board member. This adjustment

may vary by +/-20 per cent of the variable remuneration. For multiple-year variable remuneration, the fair value at the date of grant is shown as a preliminary notional variable. The first payment will be made in 2016, provided the Company's long-term targets are achieved.

Excluding the period in which they were members of the Executive Board of KION Holding 1 GmbH, i.e. for the period since the IPO on 28 June 2013 only, the total remuneration granted to Executive Board members for 2013 was €8,671,538. Of this amount, €1,412,752 was attributable to fixed non-performance-related remuneration components, €7,143,197 to variable one-year and multiple-year performance-related remuneration components and €115,589 to other non-performance-related benefits.

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

>> **TABLE 008**

| Multiple-year, performance-related, share-based remuneration (long-term incentive) ³ | | | | Total | |
|--|-----------|---------------------------|-----------|-------------|------------|
| Performance share plan | IPO bonus | Performance share plan | IPO bonus | | |
| 2013 | 2013 | 2012 | 2012 | 2013 | 2012 |
| €1,500,000 | €0 | €0 | €0 | €2,949,832 | €1,847,451 |
| €1,000,000 | €0 | €0 | €0 | €1,745,554 | €0 |
| €1,000,000 | €0 | €0 | €0 | €1,784,136 | €0 |
| €830,000 | €0 | €0 | €0 | €1,784,588 | €0 |
| €1,000,000 | €870,713 | €0 | €0 | €2,831,969 | €444,122 |
| €0 | €0 | €0 | €0 | €18,394 | €3,258,979 |
| €5,330,000 | €870,713 | €0 | €0 | €11,114,473 | €5,550,552 |

There were also termination benefits of €6,001,370 and share-based remuneration of €39,050 for members of the Executive Board in 2012, which were not included in the table above.

The table below shows the contributions (additions to the plan) attributable to each individual Executive Board member and the corresponding present values. >> **TABLE 009**

The total remuneration paid to former members of the Executive Board in 2013 amounted to €207,561 (2012: €165,396). Provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €5,171,114 (2012: €3,635,970) were recognised in accordance with IAS 19.

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

Pensions

>> **TABLE 009**

| | 2013 service cost | 2012 service cost | Present value (DBO) 31 Dec 2013 | Present value (DBO) 31 Dec 2012 |
|-------------------|-------------------|-------------------|------------------------------------|------------------------------------|
| Gordon Riske | €422,727 | €299,605 | €3,180,565 | €2,225,444 |
| Bert-Jan Knoef | €89,965 | €0 | €1,642,647 | €0 |
| Theodor Maurer | €56,967 | €0 | €492,380 | €0 |
| Ching Pong Quek | €0 | €0 | €265,443 | €0 |
| Dr Thomas Toepfer | €58,758 | €5,714 | €341,416 | €89,670 |

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 the 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 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 2013

The total remuneration paid to Supervisory Board members for 2013, including the remuneration paid for the period when they were members of the Supervisory Board of KION Holding 1 GmbH, was €1,207,018. Excluding the remuneration for the period in which they were members of the Supervisory Board of KION Holding 1 GmbH, i.e. for the period since the effective date of the change of legal form

on 4 June 2013 only, the total remuneration paid to the Supervisory Board members for 2013 was €745,826. Of this amount, €649,703 was attributable to remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work totalled €96,123. The table below shows the remuneration paid to each Supervisory Board member for 2013, including the remuneration paid for the period when they were members of the Supervisory Board of KION Holding 1 GmbH. >> **TABLE 010**

In 2013, 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. No advances or loans were granted to members of the Supervisory Board either.

Supervisory Board remuneration

>> **TABLE 010**

| | Fixed remuneration | Committee remuneration | Attendance fees | Total remuneration |
|----------------------------------|--------------------|------------------------|-----------------|--------------------|
| Dr John Feldmann (Chairman) | €102,356 | €14,710 | €48,493 | €165,559 |
| Joachim Hartig (Deputy Chairman) | €74,188 | €5,503 | €46,117 | €125,808 |
| Holger Brandt | €38,671 | | €23,500 | €62,171 |
| Dr Alexander Dibelius | €46,019 | €5,503 | €31,240 | €82,762 |
| Denis Heljic | €29,783 | €4,903 | €10,413 | €45,099 |
| Dr Martin Hintze | – | – | – | – |
| Johannes P. Huth | €56,578 | €1,539 | €21,220 | €79,338 |
| Thilo Kämmerer | €46,019 | €5,503 | €34,215 | €85,737 |
| Dr Roland Köstler | €32,522 | €3,104 | €31,240 | €66,865 |
| Jiang Kui | €56,578 | €6,029 | €26,701 | €89,308 |
| Özcan Pancarci | €29,783 | – | €8,925 | €38,708 |
| Kay Pietsch | €46,019 | €10,407 | €41,060 | €97,485 |
| Hans Peter Ring | €30,810 | €9,807 | €8,925 | €49,542 |
| Alexandra Schädler | €13,351 | €2,373 | €2,975 | €18,699 |
| Silke Scheiber | €56,578 | €770 | €28,898 | €86,246 |
| Tan Xuguang | €37,879 | – | €1,829 | €39,708 |
| Hans-Peter Weiß | €46,019 | – | €27,965 | €73,984 |
| Total | €743,151 | €70,152 | €393,715 | €1,207,018 |