

# WE KEEP THE WORLD MOVING



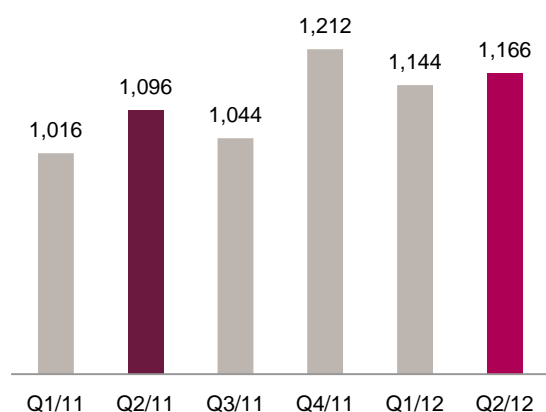
# SUMMARY

(Changes compared to prior year period)

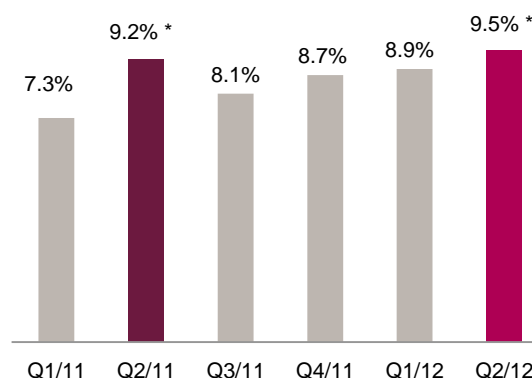
REVENUE Q2	+ 6.4%
REVENUE Q1-2	+ 9.4%
ADJUSTED EBIT Q2	+ 10.5%
ADJUSTED EBIT Q1-2	+ 21.3%

ORDER BOOK as of 30 June 2012      €1,008 million

Revenue (€ million)



Adjusted EBIT Margin



\* The Adjusted EBIT in Q2/2012 includes €4 million in profits from investments mainly related to participations in dealers (Q2/2011: €7 million). These profits represent 0.4%-points of EBIT margin in Q2/2012 (Q2/2011: 0.7%-points). Thus, the Adjusted EBIT margin in Q2/2012 amounts to 9.1% adjusted for profits from investments (Q2/2011: 8.5%).



We are a leading global supplier of industrial trucks and we are well-positioned to capture growth opportunities in our European home market as well as across global growth regions by leveraging our leading market positions, our global sales and service network, our comprehensive product and service offering, our technological leadership and our multi-brand offerings. We are the largest manufacturer of industrial trucks in Europe and the second largest manufacturer globally.

## KION Group key figures \*)

€ million	Q2	Q2	Change	Q1-Q2	Q1-Q2	Change
	2012	2011		2012	2011	2012/2011
Order intake (in €)	1,203	1,195	0.6%	2,410	2,353	2.4%
Order intake (in units)	36,400	37,700	-3.4%	75,500	74,300	1.6%
Revenue	1,166	1,096	6.4%	2,311	2,113	9.4%
EBITDA	190	179	6.6%	364	320	13.9%
Adjusted EBITDA <sup>1</sup>	188	173	8.3%	363	322	12.9%
Adjusted EBITDA Margin <sup>1</sup>	16.1%	15.8%	-	15.7%	15.2%	-
EBIT	105	98	6.6%	196	159	23.5%
Adjusted EBIT <sup>1</sup>	111	101	10.5%	213	175	21.3%
Adjusted EBIT Margin <sup>1</sup>	9.5%	9.2%	-	9.2%	8.3%	-
Net income (+) / loss (-) for the period	9	8	16.6%	26	4	>100%
Capital expenditures	34	29	14.9%	59	51	14.7%
Free cash flow <sup>2</sup>	82	-26	>100%	8	20	-59.6%
Total spending on R&D <sup>3</sup>	28	29	-6.2%	58	57	3.0%
R&D spending/revenue (%)	2.4%	2.7%	-	2.5%	2.7%	-
New trucks & hydraulics (%)	4.0%	4.6%	-	4.3%	4.7%	-

€ million	30/06/2012	31/12/2011	Change 2012/2011
Trade working capital	754	668	12.9%
Cash and cash equivalents	182	373	-51.3%
Equity	-532	-488	-9.2%
Net financial debt	2,735	2,657	3.0%
Number of employees incl. apprentices and trainees	22,250	21,862	1.8%

<sup>1</sup> Adjusted for KION acquisition items and one-off items

<sup>2</sup> Free cash flow is defined as Cash flow from operating activities less Cash flow used in investing activities

<sup>3</sup> Including amortization expense, depreciation and capitalization

\*) KION Group figures reflect financial data of KION Holding 1 GmbH as well as for certain respects figures of KION GROUP GmbH which acts as the management holding company for the Group.

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## DISCLAIMER

We have included in this Quarterly Report the unaudited condensed consolidated interim financial statements of KION Holding 1 GmbH. This financial data differs in certain respects from the financial data of KION GROUP GmbH: The financial statements of KION Holding 1 GmbH include the shareholder loan in the principal amount of €500 million (before capitalized interest) and certain fees including audit fees and annual fees to the supervisory board.

KION Holding 1 GmbH owns all the shares in KION Holding 2 GmbH, which in turn is the sole shareholder of KION GROUP GmbH. KION GROUP GmbH acts as our management holding company.

This report should be read in conjunction with the 2011 consolidated annual financial statements of KION Holding 1 GmbH available on our website. This report provides updated or additional information to the financial statements.

In this report, the accompanying unaudited condensed consolidated interim financial statements of KION Holding 1 GmbH as of and for the relevant period ended 30 June 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the EU. The financial information and financial statements included in this report are presented in Euro. Certain numerical figures included in this report have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed and between figures in tables and their respective analysis in the text of the report may occur due to such rounding. All changes in percentage and ratios were calculated using the underlying data in € thousands.

This report contains information, data and predictions about our markets and our competitive position. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. We believe that the information, data and predictions presented in this report provide fair and adequate estimates of the size of our markets and fairly reflect our competitive position within these markets. However, our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyse or compute market information and data would obtain or generate the same results. In addition, our competitors may define our and their markets differently than we do.

The discussion includes forward looking statements, which, although based on assumptions that we consider reasonable, are subject to risk and uncertainties, which could cause actual results, events or conditions to differ materially from those expressed or implied herein. Investors are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events. We provide a cautionary discussion of risks and uncertainties under "Risk Factors" contained elsewhere in this report. These are factors that we think would cause our actual results to differ materially from expected results. Other factors besides those, however, could also adversely affect us.

## BUSINESS

### Overview

We are a leading global supplier of industrial trucks and we are well-positioned to capture growth opportunities in our European home market as well as across global growth regions by leveraging our leading market positions, our global sales and service network, our comprehensive product and service offering, our technological leadership and our multi-brand offerings. We are the largest manufacturer of industrial trucks in Europe and the second largest manufacturer globally in terms of unit sales. Our European market share (including Russia) amounted to approximately 33% in 2011 with a global market share of approximately 15%, and we benefit from an installed fleet of over one million trucks. We are the overall number three competitor and the largest non-domestic player in China, as well as one of the leading industrial truck brands in other important growth markets such as Eastern Europe, Asia and South and Central America. We are the only major global manufacturer focused solely on industrial trucks, and we complement our new truck business with a broad service offering.

We operate through our two global brands, Linde and STILL, and through our four regional brands, Fenwick (France), OM STILL (Italy), Baoli (China and emerging markets) and Voltas (India), as well as 19 separate production sites, including our hydraulics and components business, and more than 1,200 distributors, dealers and other sales outlets in over 100 countries. We offer a full range of products including warehouse and counter-balance trucks with both electric and internal combustion engines, across the premium, value and economy segments.

We complement our products with a comprehensive service offering geared to our customers' specific needs, including after sales service, financial services, fleet management and software solutions. Our service activities are an essential sales support function for our new truck sales business and also generate higher margins as well as more stable revenue on a stand-alone basis. Our production and service activities are complemented by our Linde hydraulics business, which manufactures high-end hydraulic components for use within our products, as well as customized hydraulic components for external customers, across a variety of industries. In 2011, 54% of our revenue was generated from new truck sales, 42% from our service offering and 4% from hydraulics. In Q2/2012, 56% of our revenue was generated from new truck sales, 40% from our service offering and 4% from hydraulics.

### Our Strategy

#### **Maintain new truck market leadership and expand service offering in our European markets.**

We aim to maintain the strong market leadership positions that we have achieved in the European markets by leveraging our strong brands and remaining at the forefront of technological innovation, while increasing the benefits we provide to our customers by growing our service offering. We believe that we can differentiate our products through technological leadership that translates into superior customer benefits. To maintain our technological leadership position, we continue to invest significantly in research and development. Our research and development costs in 2011 were €120 million, or 5% of our new truck and hydraulics sales and 3% of our revenue. We believe this level of investment to be higher than what most of our competitors spent during that period. Our research and development pipeline includes innovations to address major technological trends, including fuel cell drive systems, hybrid trucks, lithium-ion technology and enhanced ergonomics. We strive to continuously broaden the range and increase the quality of the services we offer and develop for our customers, including solutions for fleet management, intra-logistics processes, efficient goods flow management and IT systems. We intend to increase our market share and coverage in our after sales business in particular by targeting our significant installed base. We believe that our full product and service offering increases our value proposition and helps to strengthen customer loyalty.

**Tap full market potential in growth regions.**

We intend to exploit our excellent position in important growth markets in order to benefit from the increasing demand in those markets. We plan to continue introducing more tailored products into specific markets including China, India, Brazil and Russia and to strengthen our local product distribution and manufacturing network. We strive to leverage our diverse product portfolio to cover the premium, value and economy segments as the emerging markets continue to grow. We seek to further increase our local product offerings and expand our sales and services network in key growth regions. We aim to achieve this through targeted investments in local manufacturing capacity, product research and development and sales presence. This also includes targeted acquisition of dealers in markets important to us, and, opportunistically, acquisitions of small local or regional manufacturers. Our joint venture with Voltas Material Handling, for example, gives us a good entry to the economy segment of the Indian material handling market, which holds a high growth potential.

**Further improve market penetration through our multi-brand strategy and sales and service networks.**

We leverage our multi-brand strategy, with our Linde, Fenwick, STILL, OM STILL, Baoli and Voltas brands, to reach a wide range of regions and customers as well as the economy, value and premium market segments. We believe that this results in increased sales due to our ability to better address customer needs in their specific locations. For example, in order to be able to realise the potential of the important growth markets of Asia and South and Central America, which generally have lower technological requirements and are more price sensitive, we added Baoli, a local Chinese manufacturer, to our group as a fifth brand in 2009, to focus on the economy segment in China and also to leverage this product offering in other markets. In 2011, we added the Voltas brand to increase our presence in the Indian market. We will continue to explore selected external growth opportunities and seek to maximize our growth potential by utilizing the different strengths of our six brands, allowing us to present multiple options to our competitors, thereby increasing our overall market share. This effort will be assisted by the continued exploitation of our existing service network in order to drive new truck sales and after sales revenue.

**Reduce costs by exploiting group-wide synergies and achieving operational excellence.**

We strive to approach the market through our separate brands, maximizing our potential market share, while simultaneously working across our brands to achieve synergies and reduce costs in operations by implementing best practices throughout our group. While historically the various entities were largely managed separately, we are now focused on exploiting group-wide synergies while maintaining the distinctive identities of our brands. For example, our quality and production controls and logistics units are now managed by a central operations team in order to create uniform standards and make expertise available across our group. In addition, we plan to continue improving our production footprint across the group. We are able to efficiently manage resources through a shared procurement organization and a joint research and development unit which enables the bundling of resources and more efficient capacity utilisation, while still maintaining independent brand support where appropriate. We will continue to optimize our systems and processes, and we are also in the process of implementing and running standardized IT systems and platforms in order to continue to improve margins.



## **Our Strengths**

### **Market leader in attractive European market.**

We are the leading European industrial truck manufacturer with a market share of approximately 33% in 2011. Our position is particularly strong in Western Europe, where, in 2011, we commanded market shares in excess of 40% in both Germany and France. We believe that our strong product offering, our customer relationships, our dense sales and service network, and our significant installed base of trucks provide us with an excellent platform to capture future demand in the European markets. The market in which we operate is large and has seen historic growth at rates exceeding world GDP growth rates. In general, much of the demand in our core European market is driven by replacement demand with underlying growth supported by globalization and world trade.

### **Established platform capturing emerging markets growth.**

We have a strong presence in many emerging markets. Approximately 30% of our new trucks were sold to growth markets in 2011, mainly in China, Brazil and Eastern Europe. We are in a leading market position in Eastern Europe and Brazil with approximately 21% and 23% market share in 2011, respectively, in these markets. Additionally, we are the largest non-domestic manufacturer of industrial trucks in China. In 2011, we significantly strengthened our position in India by establishing a joint venture with Voltas. This joint venture allows us to capture significant market share in an early stage of the development of the Indian market. We believe that our position in these emerging economies will allow us to capture additional sales volumes as these markets continue to grow. In addition, given our access to premium product offerings across all truck types and our service know-how derived from our strong market position in Europe, we believe that we are well positioned to benefit as these markets mature and demand shifts towards premium products and services that not all local players may be able to provide.

### **Global and regional brands with a loyal customer following.**

We operate our business through a multi-brand strategy, allowing us to strategically position ourselves across a wide range of products, geographies, regions and customer preferences. Our global Linde and STILL brands, as well as our regional Fenwick, OM STILL, Baoli and Voltas brands, benefit from significant customer recognition and loyalty. We leverage our multi-brand platform to reach a wide range of regions and customers, as well as the economy, value and premium market segments. We believe that this enhances our position by better addressing customer needs in their specific locations.

### **Full product offering, diversified across products, customers and geographic markets.**

We offer a complete product range of new industrial trucks, from small low-lift pallet trucks up to 46 ton container handlers, as well as maintenance and repair services, comprehensive fleet management solutions and financial solutions. This comprehensive product offering is important to our premium customers, who seek a full product line, including services, in selecting an industrial truck manufacturer. Our customers are highly diversified by end markets and by geography. China is our third biggest market behind Germany and France in terms of new trucks sold in units, and Brazil is our sixth biggest market. Our top ten customers for the KION Group only represented 6% of our total revenue in 2011.

### **Strong after sales business reducing revenues and earnings volatility.**

In 2011, we generated 42% of our revenue from our service offering, including 24% from our after sales business, which includes maintenance and spare parts. This revenue stream, which produces higher margins than our new truck sales, has historically been less volatile than new truck sales. Accordingly, our significant activities in this area somewhat reduce the overall volatility of our revenues. Our comprehensive after sales service offering benefits from our installed base of over a million trucks worldwide and is complemented by our network of over 1,200 sales and service locations in over 100 countries with more than 7,000 service employees globally, allowing us to remain close to our customers. Customer proximity is particularly important from a service perspective as many customers use our products in mission critical applications, in many instances for up to twenty-four hours a day, and require very short response times by service technicians. We believe that our dense network represents a significant competitive advantage over competitors that do not have such



networks and would need to invest heavily to develop them. This is particularly true for competitors who are focused on new truck sales.

**Competitive advantage through technological leadership.**

We are at the technological forefront of the IC truck and E truck segments, and have a leading technological position in warehouse trucks. LMH is a technological leader with its highly efficient and reliable hydrostatic drive, while STILL is well positioned in hybrid technology with its diesel-electric drive. We are committed to investing in products in line with major trends in the industry and are leading in hybrid technology, lithium-ion technology, fuel cells, ergonomics and safety. All of our brands benefit from our large research and development platform that allows us to make research results available across the group, while simultaneously addressing the specific needs of our brands in terms of technology and brand differentiation. We believe that as a result of our technological superiority, the total cost of ownership of specific Linde IC trucks is significantly lower than that of many other trucks.

**Operational excellence.**

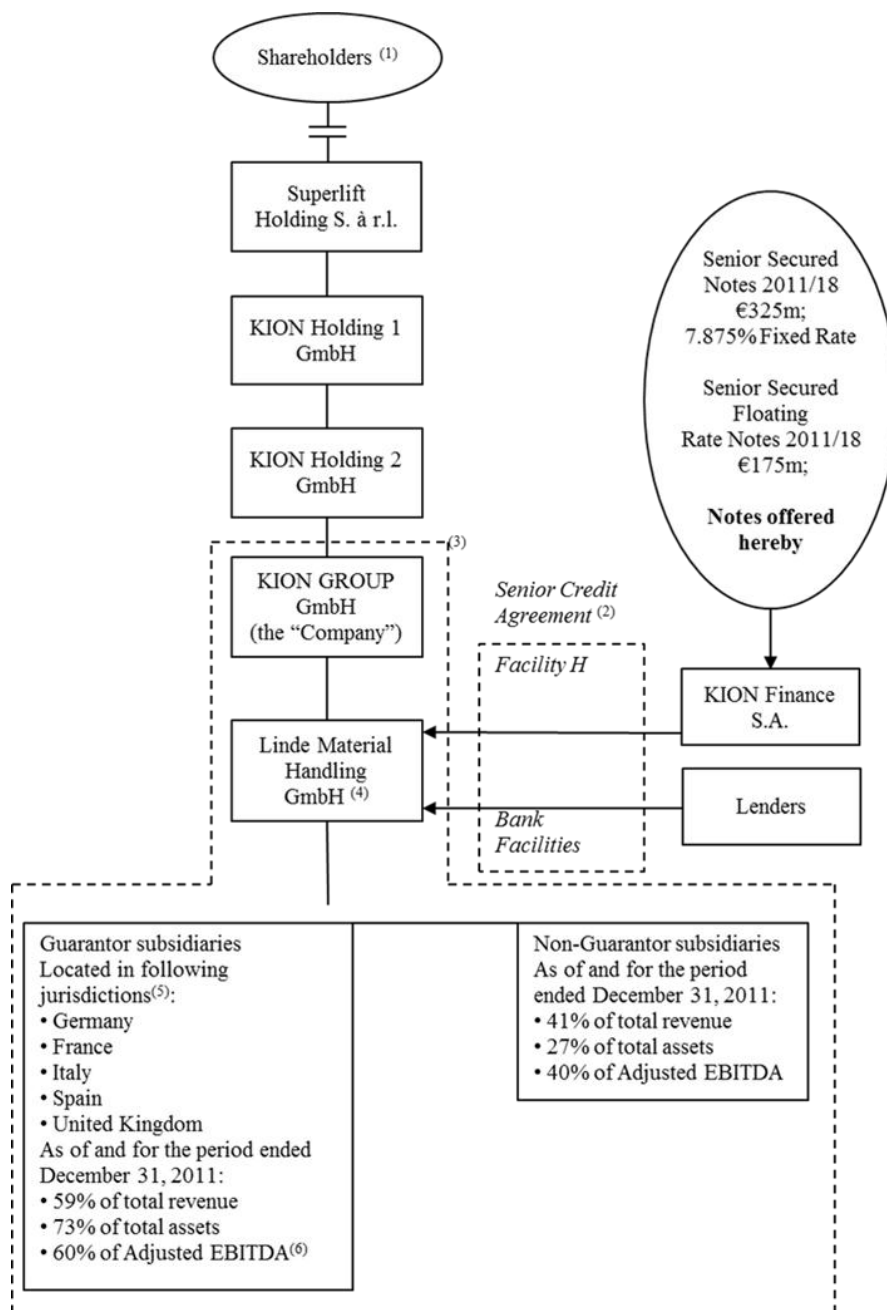
We constantly search for and implement programs to increase our efficiency and drive our margins. Since 2006, we have implemented a number of restructuring and cost savings measures, including temporary measures. Measures we have implemented include the closure of our former manufacturing site in Basingstoke and the downsizing of two further sites in Germany. In addition, we have strengthened our OM STILL brand and sales network in Italy by leveraging the existing STILL product portfolio. These measures have significantly improved our structural cost base. We continue to implement a number of further operational improvements, such as common production standards, consolidation of our product portfolio, design-to-cost initiatives and supplier management, and also continue to consider further relocation plans, such as the closure of our plants in Bari, Italy and Montataire, France. These measures, together with the inherent operating leverage, offer the potential for significant profit improvement as our revenues increase.

**Experienced management team.**

Our senior management team has extensive experience across our industry and has an excellent track record in the execution of our growth strategy, in restructuring and redesigning our business and in delivering efficiencies and significant synergies across our group. Through our optimized and streamlined structures and processes implemented by our senior management team, we believe we are in a strong position to compete in the market.

## Summary of Corporate Structure & Shareholders

The following diagram summarizes certain aspects of our corporate structure.



(1) For information regarding our ultimate shareholders please see "— Our Shareholders" below.

(2) The Existing Bank Facilities (including Facility H) under the Senior Credit Agreement rank equally in right of payment. Facility D under the Senior Credit Agreement is a second lien tranche which in certain circumstances will receive proceeds only after the other facilities under the Senior Credit Agreement.

(3) These entities are all members of the KION Group. Total revenue, total assets and Adjusted EBITDA presented have been prepared on a consolidated basis. While the Issuer is consolidated with the KION Group for accounting purposes, it is not affiliated with us and does not belong to the KION Group.

(4) The other borrowers under the Existing Bank Facilities are Superlift UK Limited, KION France Services S.A.S., Islavista Spain S.A.U. and Linde Holdings Limited.

(5) In 2011, we incorporated financial services subsidiaries in each of Germany, France, Italy, Spain and the United Kingdom, which all are Guarantor subsidiaries, other than KION Financial Services Ltd.

(6) Adjusted EBITDA for guarantor subsidiaries includes KION GROUP GmbH.

## **Our Shareholders**

Our principal shareholders include Goldman Sachs Capital Partners, investment partnerships controlled by Goldman, Sachs & Co. and certain of its affiliates, and investment partnerships controlled by KKR & Co. L.P. and certain of its affiliates. Since 1986, Goldman Sachs, through its Merchant Banking Division, has raised over \$82 billion of capital for corporate investments through 16 investment vehicles (including equity, mezzanine, senior secured loan and distressed funds) (together "GS Funds").

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global investment firm. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms. KKR is publicly traded on the New York Stock Exchange (NYSE: KKR). For additional information, please visit KKR's website at [www.kkr.com](http://www.kkr.com).

# **MANAGEMENT DISCUSSION & ANALYSIS**

## **Recent Developments**

### **Progress in consolidating European Production Facilities**

We have reached major milestones regarding the ongoing consolidation of our European production facilities and are nearing completion of two projects, which were initiated in 2011. The production of counterbalance trucks for our STILL and OM brands has been relocated from Bari, Italy, to Hamburg, Germany, during the first six months of 2012. Within the second half of 2012, the warehouse truck production of Montataire, France, will be integrated into the production plant in Luzzara, Italy. A metal processing company will reindustrialise the plant in Montataire and will start production in the former STILL production facility as of November 2012.

### **Amendment and Maturity Extension of Credit Facilities**

On 8 June 2012 we proposed an extension of our term loan facilities and our Revolving Credit Facility (RCF) to our lenders to improve our debt maturity profile. Additionally, we requested approval by our lenders of certain commercial and technical amendments and documentary changes. The amended facility agreement became effective on 31 July 2012. We have successfully extended in excess of €1 billion of existing credit facilities in total, including revolving credit facility commitments (together with approximately €113 million of new RCF commitments received) of €300 million from December 2013 to December 2016. Maturities of a substantial part of existing Term Loan B (TLB) and Term Loan C (TLC) commitments have been extended from December 2014 (TLB) and December 2015 (TLC) to December 2017. Through this amendment and extension of our senior debt facilities, we have provided the Group with significant additional long-term financial security. For further details please refer to "Factors affecting our Business" on page 29.

### **Ramp-up of new Plant in India**

In the second quarter of 2012 the new Voltas Material Handling production plant in Pune, India, continued to ramp up production. The range of vehicles produced in Pune has been extended systematically. Currently, smaller counterbalanced forklift trucks with a maximum load of 5 tons, electric trucks and warehousing equipment are being produced. During the second half of 2012, Voltas Material Handling is planning to complete its range with the production of forklift trucks having a maximum lift capacity of 16 tons and reach trucks.

### **Changes in the Group's Executive Board**

After four years as CFO of KION Group, Harald Pinger will leave the company at the end of August 2012 at his own request. He will be succeeded by Thomas Toepfer, the current CFO and Labour Relations Director of STILL GmbH in Hamburg.

## Market Development

Against the backdrop of a continuing challenging macro environment in Europe and in major emerging markets, economies are in transition as rebalancing and sovereign deleveraging is underway. Additionally, global growth has been losing momentum as the year has progressed, thus affecting material handling markets and business confidence. Although the global industrial truck market maintained a robust level of 490,000 units sold in the first six months of 2012, it posted a decline of 3% versus the high levels seen in the same period of the preceding year. On a quarterly basis, global demand for industrial trucks dropped by 6% in Q2/2012 compared to Q2/2011 and was 1% below the previous quarter. As differences persisted across regions, stronger regional markets of North America, Japan, and Southeast Asia were unable to cushion declines particularly seen in Western European and Chinese markets. At mid-year 2012, overall demand in Western Europe fell by 9% impacted by the ongoing weakness in Southern European markets. Industrial truck sales in Eastern Europe edged down by 3% in the first six months of 2012 on the back of weaker second quarter demand. The North American market grew by 9% in the first six months of 2012, while South & Central America remained 20% below the previous year's level. The market in China experienced a further slowdown in demand resulting in a decline of 10% in the first two quarters of 2012.

### Global Industrial Truck Market (order intake)

in thousand units	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change 2012/2011
WEU	65	74	-12%	137	150	-9%
EEU	13	15	-10%	27	28	-3%
China	57	67	-15%	118	131	-10%
Rest of Asia	40	35	13%	77	69	12%
North America	47	44	6%	89	81	9%
South & Central America	11	14	-18%	22	28	-20%
Rest of World	10	10	2%	20	19	7%
<b>Total</b>	<b>244</b>	<b>259</b>	<b>-6%</b>	<b>490</b>	<b>506</b>	<b>-3%</b>

Source: WITS / FEM

## Financial Highlights

### Overview Q2/2012

In the global industrial truck market, which declined by 6% year-on-year, KION Group was able to perform better than the market. The order intake of 36,400 units in Q2/2012 was only 3% below the level of the previous year's quarter (Q2/2011: 37,700 units). In the first six months of 2012, we managed to gain additional market share in Europe, especially in Germany, and to expand our market position in the Eastern European countries. Furthermore, we have been able to grow our sales volumes in China and to gain market share in Brazil, despite a heavy decline in overall demand in the two countries during the first six months of 2012. We increased our unit sales from 74,300 in Q1-2/2011 to 75,500 in Q1-2/2012.

Notwithstanding the decline in units in Q2/2012 compared to Q2/2011, the quarterly order intake on a value basis grew by 0.6% from €1,195 million in Q2/2011 to €1,203 million in Q2/2012. In the first six months of 2012, order intake totalled €2,410 million, an increase of 2.4% compared to €2,353 million in Q1-2/2011. Our order book as of 30 June 2012 amounted to €1,008 million and increased further from the high level at the end of Q1/2012, when it had been €984 million.

Group revenue rose strongly by 6% from €1,096 million in Q2/2011 to €1,166 million in Q2/2012. On a six month basis revenue grew from €2,113 million in Q1-2/2011 to €2,311 million in Q1-2/2012, an increase of 9%.

### KION Group key figures

€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
Order intake	1,203	1,195	0.6%	2,410	2,353	2.4%
Revenue	1,166	1,096	6.4%	2,311	2,113	9.4%
EBIT	105	98	6.6%	196	159	23.5%
Adjusted EBIT	111	101	10.5%	213	175	21.3%
EBITDA	190	179	6.6%	364	320	13.9%
Adjusted EBITDA	188	173	8.3%	363	322	12.9%
Free cash flow	82	-26	>100%	8	20	-59.6%
EBIT Margin (Adj.)	9.5%	9.2%	-	9.2%	8.3%	-
EBITDA Margin (Adj.)	16.1%	15.8%	-	15.7%	15.2%	-

EBIT is defined as net profit (loss) before financial income, financial expense, and income taxes. EBITDA is defined as EBIT before depreciation, amortization and impairment charges. EBIT and EBITDA reflect the impact of earnings or charges resulting from matters that we do not consider to be indicative of our ongoing operations. Therefore, we also present Adjusted EBIT and Adjusted EBITDA. In calculating Adjusted EBIT and Adjusted EBITDA, we add back costs that we believe are not indicative of the ongoing operations or those that may impact the comparability of financial information year on year or do not impact our ability to service our debt (referred to as "Non-recurring items"). Adjusted EBIT is defined as EBIT after applying adjustments to eliminate certain Non-recurring items and KION acquisition items. Adjusted EBITDA is defined as EBITDA after applying adjustments to eliminate certain Non-recurring items and KION acquisition items. Additionally, since Q2/2011 we are adjusting the effects of the remeasurement of purchase price obligations in accordance with IAS 39 in connection with the acquisition of outstanding shares in UK dealers. EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA are not financial measures calculated in accordance with IFRS. Accordingly, they should not be considered as alternatives to net income or operating income as indicators of our performance, or as alternatives to operating cash flows as a measure of our liquidity. EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA are used by our management to make decisions about our operations unaffected by the above factors. In addition, we believe that EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA are measures commonly used by investors. EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA, as presented in this Quarterly Bond Report, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

## Condensed Statement of Income

Condensed income statement of the KION Group						
€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
Revenue	1,166	1,096	6.4%	2,311	2,113	9.4%
Cost of sales	-838	-796	-5.3%	-1,663	-1,539	-8.1%
<b>Gross profit</b>	<b>328</b>	<b>300</b>	<b>9.3%</b>	<b>648</b>	<b>574</b>	<b>12.9%</b>
Selling expenses	-138	-131	-5.2%	-275	-260	-5.4%
Research and development costs	-29	-29	0.7%	-62	-57	-9.7%
Administrative expenses	-76	-71	-7.4%	-147	-133	-10.1%
Other	20	30	-31.9%	31	35	-10.5%
<b>Earnings before interest and taxes (EBIT)</b>	<b>105</b>	<b>98</b>	<b>6.6%</b>	<b>196</b>	<b>159</b>	<b>23.5%</b>
Net finance cost	-74	-65	-13.8%	-126	-114	-10.4%
<b>Earnings before taxes</b>	<b>31</b>	<b>33</b>	<b>-7.6%</b>	<b>70</b>	<b>45</b>	<b>57.1%</b>
Income taxes	-21	-25	15.3%	-44	-40	-10.3%
<b>Net income (+) / loss (-) for the period</b>	<b>9</b>	<b>8</b>	<b>16.6%</b>	<b>26</b>	<b>4</b>	<b>&gt;100%</b>

Our revenue growth can be broken down by product category as follows:

Revenue by product category						
€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
New business	653	590	10.8%	1,277	1,130	13.0%
Hydraulics	44	44	-0.6%	93	83	11.2%
Service offering	469	462	1.4%	941	899	4.6%
- After sales	284	261	8.6%	568	520	9.1%
- Rental business	99	107	-7.8%	206	212	-2.9%
- Used trucks	57	72	-21.5%	110	122	-9.8%
- Other	30	21	37.6%	56	45	26.4%
<b>Total revenue</b>	<b>1,166</b>	<b>1,096</b>	<b>6.4%</b>	<b>2,311</b>	<b>2,113</b>	<b>9.4%</b>

### Q2/2012

#### Revenue

The overall higher order volume for new trucks had a positive effect on our revenue in Q2/2012, which in total grew by 6%, or €70 million, to €1,166 million, compared to €1,096 million in Q2/2011. We mainly benefited from growth in our home market of Germany which grew by 9%. China, which grew by 3%, is still one of our major growth drivers in the emerging markets.

The new truck business contributed revenues of €653 million in Q2/2012, which is an increase of €63 million, or 11%, from €590 million in Q2/2011. The new truck business remained our strongest absolute revenue driver in Q2/2012. Due to our continuously growing installed base of more than one million trucks, we were also able to slightly grow our service business from €462 million in Q2/2011 to €469 million in Q2/2012. Within the service business after sales business reported the highest revenue growth rate of 9% compared to Q2/2011. Revenue in the 'Other' category, which includes advisory services, IT solutions and warehouse technology systems, increased by 38% to €30 million in Q2/2012 compared to Q2/2011.

**Cost of Sales**

The cost of sales in Q2/2012 increased by 5% to €838 million, from €796 million in Q2/2011. Compared to our 6% revenue growth, cost of sales rose at a lower rate. This was due to further efficiency gains in the production process and a higher overall capacity utilisation.

**Gross Profit and Gross Margin**

Our gross profit rose by 9% to €328 million in Q2/2012, from €300 million in Q2/2011. This was due to the higher business volume and an under-proportional increase of cost of sales compared to our revenue growth due to economies of scale and further improved operating performance across the main product categories. Consequently, gross margin rose from 27.4% in Q2/2011 to 28.1% in Q2/2012.

**Selling Expenses**

Our selling expenses increased by €7 million, or 5%, to €138 million in Q2/2012, from €131 million in Q2/2011. The increase in selling expenses reflected the higher business volume and related direct selling expenses. As a percentage of revenue, selling expenses were further reduced from 12.0% in Q2/2011 to 11.8% in Q2/2012.

**Research and Development Costs**

In Q2/2012, our research and development expenses remained stable at €29 million compared to Q2/2011. The costs incurred mainly related to research and development of new products, facelifts of existing trucks as well as to research and development of new technologies, such as the hybrid IC technology.

**General and Administrative Expenses**

Our general and administrative expenses increased by 7% to €76 million in Q2/2012 compared to €71 million in Q2/2011. As a percentage of our revenue, our administrative expenses remained almost stable at 6.6% in Q2/2012.

**Other Income and Expense**

Other income and expense primarily consists of gains and losses related to foreign exchange rate differences resulting from the measurement of financial assets and receivables denominated in a foreign currency. Additionally, gains and losses related to the sale, disposal or impairment of long-lived assets are included. Our net other income decreased by €6 million to €13 million from €19 million in Q2/2011. In the prior year period, net other income had mainly been related to the remeasurement of purchase price obligations in connection with the acquisition of outstanding shares in UK dealers (mostly Linde Sterling) of €11 million. Similarly, in Q2/2012 we recognized a Non-recurring gain of €4 million for Linde Creighton.

**Profit from Equity Investments/Other Financial Result**

Profit from equity investments consists of all gains and losses that we realise on associates and joint ventures, which we account for under the equity method and for which we have no controlling interest. The profit from equity investments/other financial result amounted to €8 million in Q2/2012 compared to €11 million in the prior year period. The revaluation of our existing equity investment of 49% in our UK dealers due to the acquisition of the remaining 51% of outstanding shares resulted in a Non-recurring gain of €3 million in Q2/2012 (Linde Creighton) and of €4 million (Linde Sterling) in Q2/2011. The other financial result remained relatively stable at €1 million in Q2/2012 compared to the prior year period.



**Q1-2/2012****Revenue**

Notwithstanding the challenging macro environment, we experienced a high demand for our new trucks and service offerings during the first six months of 2012. We increased our order intake for new trucks, service offerings and hydraulics by 2% to €2,410 million for Q1-2/2012, compared to €2,353 million for Q1-2/2011. The strong demand, mainly from Germany, Eastern Europe and China, had a direct impact on our revenue in Q1-2/2012. Group revenue grew by 9%, or €198 million, to €2,311 million, compared to €2,113 million in Q1-2/2011. This increase was visible in both business segments, LMH and STILL, and across most product categories. The new truck business reported a strong growth of 13%, from €1,130 million in Q1-2/2011 to €1,277 million in Q1-2/2012, turning it into our biggest driver of revenue also in the first six months of 2012. Hydraulics reported a sustained development of 11% in the first six months of 2012. Our service offering accounted for revenue of €941 million in Q1-2/2012, compared to €899 million in Q1-2/2011, an increase of 5%. Highest absolute growth within the service business came from after sales with a contribution of €568 million in revenue in Q1-2/2012, which represents a plus of €48 million compared to Q1-2/2011.

**Cost of Sales**

The cost of sales increased to €1,663 million in Q1-2/2012, a plus of 8% compared to Q1-2/2011, when the cost of sales was €1,539 million. The growth in cost of sales was lower than the revenue growth of 9% in Q1-2/2012 as a result of efficiency gains in production and a higher overall capacity utilisation.

**Gross Profit and Gross Margin**

Our gross profit rose by 13%, or €74 million, to €648 million in Q1-2/2012, from €574 million in Q1-2/2011. Gross margin also rose from 27.2% in Q1-2/2011 to 28.0% in Q1-2/2012 due to a rise in our capacity utilization especially in the new truck and hydraulics business and better operating performances across all product categories.

**Selling Expenses**

Our selling expenses increased by €14 million, or 5%, to €275 million in Q1-2/2012, from €260 million in Q1-2/2011 due to the higher business volume and related direct selling expenses in Q1-2/2012 compared to Q1-2/2011. The selling expenses as a percentage of revenue decreased however from 12.3% in Q1-2/2011 to 11.9% in Q1-2/2012.

**Research and Development Costs**

In Q1-2/2012 our research and development expenses amounted to €62 million. In Q1-2/2011 research and development expenses amounted to €57 million. This increase was mainly related to research and development of new products, facelifts of existing trucks as well as to new technological developments, such as the hybrid IC technology. Our total research and development spending including amortization expense, depreciation and capitalization amounted to €58 million in Q1-2/2012. As a percentage of revenue our research and development spending amounted to 2.5% (4.3% as a percentage of new trucks & hydraulics revenue), compared to 2.7% in Q1-2/2011.

**General and Administrative Expenses**

Our general and administrative expenses increased by 10% and amounted to €147 million in Q1-2/2012, compared to €133 million in Q1-2/2011. As a percentage of revenue, our administrative expenses remained stable at 6.3% in Q1-2/2011 and Q1-2/2012.

**Other Income and Expense**

Other income and expense primarily consist of gains and losses related to foreign exchange rate differences resulting from the measurement of financial assets and receivables denominated in a foreign currency. Additionally, gains and losses related to the sale, disposal or impairment of long-lived assets are included. Our net other income and expense decreased from €24 million in Q1-2/2011 to €18 million in Q1-2/2012. The decrease was mainly due to the remeasurement of purchase price obligations in connection with the acquisition of outstanding shares in UK dealers. In Q1-2/2011 we

recognized a gain of €11 million, mainly in relation to Linde Sterling. In Q1-2/2012 we recognized a gain of €4 million for Linde Creighton.

### Profit from Equity Investments/Other Financial Result

Profit from equity investments consists of all gains and losses that we realise on associates and joint ventures that we account for under the equity method and for which we have no controlling interest. The profit from equity investments/other financial result increased from €11 million in Q1-2/2011 to €13 million in Q1-2/2012. The revaluation of the existing 49% equity investment in Linde Creighton and the acquisition of the remaining 51% of outstanding shares resulted in a Non-recurring gain of €8 million in Q1-2/2012 and of €4 million (Linde Sterling) in Q1-2/2011. The other financial result remained stable at €1 million in Q1-2/2012 compared to Q1-2/2011.

### Earnings before Interest and Taxes (EBIT), Adjusted EBIT, Adjusted EBITDA

The following tables show the adjustments to calculate Adjusted EBIT and Adjusted EBITDA:

Adjusted EBIT						
€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
Net income (+) / loss (-) for the period	9	8	16.6%	26	4	>100%
Income taxes	-21	-25	15.3%	-44	-40	-10.3%
Financial result	-74	-65	-13.8%	-126	-114	-10.4%
<b>EBIT</b>	<b>105</b>	<b>98</b>	<b>6.6%</b>	<b>196</b>	<b>159</b>	<b>23.5%</b>
+ Non-recurring items	-3	-7	54.2%	-1	-1	<-100%
+ KION acquisition items	9	9	6.2%	18	17	6.0%
<b>= Adjusted EBIT</b>	<b>111</b>	<b>101</b>	<b>10.5%</b>	<b>213</b>	<b>175</b>	<b>21.3%</b>

Adjusted EBITDA						
€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
EBIT	105	98	6.6%	196	159	23.5%
Amortization and depreciation <sup>1</sup>	85	80	6.6%	168	161	4.4%
<b>EBITDA</b>	<b>190</b>	<b>179</b>	<b>6.6%</b>	<b>364</b>	<b>320</b>	<b>13.9%</b>
+ Non-recurring items	-3	-3	-19.6%	-2	3	<-100%
+ KION acquisition items	0	1	-71.6%	1	3	-72.6%
<b>= Adjusted EBITDA</b>	<b>188</b>	<b>173</b>	<b>8.3%</b>	<b>363</b>	<b>322</b>	<b>12.9%</b>

<sup>1</sup> Amortization and depreciation includes amortization, depreciation and impairment of assets

### Q2/2012

In Q2/2012, our EBIT amounted to €105 million, compared to €98 million in Q2/2011. This increase of €7 million was primarily the result of the sustained growth in sales volume in our established regional markets as well as the steady demand from China and Eastern Europe. Moreover, further improved capacity utilisation levels, both in our new truck business and our hydraulic components business, also supported this earnings growth. In Q2/2012, we achieved an Adjusted EBIT of €111 million, which represents a growth of €11 million, or 11%, compared to Q2/2011. Adjusted EBIT, which excludes Non-recurring items and KION acquisition items, corresponds to an Adjusted EBIT margin of 9.5% in Q2/2012, which was above the Q2/2011 level of 9.2%.

Adjusted EBIT was driven by a strong operating performance and better capacity utilisation levels due to our successful restructuring programme. In Q2/2012, Non-recurring items amounted to positive €3 million, impacted by the revaluation of our 49% equity investment in Linde Creighton and also by the remeasurement of purchase price obligations in connection with the remaining 51% of outstanding shares. In Q2/2011, EBIT had included Non-recurring items of positive €7 million, which were mainly due to restructuring costs and gains due to the remeasurement of shares in UK dealers.

The KION acquisition items had a negative impact of €9 million in Q2/2012, and remained unchanged compared to Q2/2011. The effects of the purchase price allocation in connection with the KION acquisition primarily include depreciation and amortization as well as impairment and administration charges for KION Holding 1 GmbH.

We achieved an Adjusted EBITDA of €188 million and an Adjusted EBITDA margin of 16.1%, compared to an Adjusted EBITDA of €173 million and an Adjusted EBITDA margin of 15.8% in Q2/2011. Depreciation and amortization increased from €80 million in Q2/2011 to €85 million in Q2/2012.

### **Financial Income and Expense**

Net finance costs increased by €9 million from €65 million in Q2/2011 to €74 million in Q2/2012 mainly due to an increase of net foreign exchange rate losses of €12 million. Interest expense from loans decreased by €4 million from €33 million in Q2/2011 to €28 million in Q2/2012. Interest expense from the corporate bond increased by €1 million and amounted to €9 million in Q2/2012.

### **Income Taxes**

In Q2/2012, we reported a net tax expense of €21 million, compared to €25 million in Q2/2011. The current income tax expense decreased by €6 million to €14 million in Q2/2012 (Q2/2011: €19 million). Despite the positive results of operations, management's previous estimate of the possibility to utilise unused tax losses in future profitable years has not changed and, thus, previously unrecognized deferred tax assets were also not recognized this time. Net deferred tax expense amounted to €8 million, compared to €6 million in the corresponding prior year period.

### **Net Income for the period**

In Q2/2012, we reported a net income of €9 million, compared to a net income of €8 million in Q2/2011. This was driven by the higher EBIT of €7 million and lower income tax expenses of €4 million. These positive effects were partially offset by higher net finance cost of €9 million.

### **Q1-2/2012**

In Q1-2/2012, our EBIT amounted to €196 million, compared to €159 million in Q1-2/2011. This growth of €37 million was primarily due to higher revenue levels in Q1-2/2012 reflected mainly in the new truck and after sales businesses. Demand from major developed countries and from China and Eastern European countries supported the positive development in the first six months of 2012. Our Adjusted EBIT, which excludes Non-recurring items and KION acquisition items, rose by €37 million to €213 million in Q1-2/2012. The increased Adjusted EBIT corresponds to an Adjusted EBIT margin of 9.2% in Q1-2/2012. Non-recurring items in Q1-2/2012 totalled a positive €1 million, primarily as a result of the share price remeasurement in Linde Creighton amounting to €12 million and due to a property sale in UK amounting to €3 million. These positive effects were largely offset by follow-up costs due to the footprint measures in Italy, France and UK and consulting fees. In Q1-2/2011, net Non-recurring items were also positive €1 million resulting from relocation costs, severance payments and general headcount reductions, which had been offset by positive income effects from our UK dealers amounting to 15 million.

The KION acquisition items had a negative impact of €18 million in Q1-2/2012, compared to €17 million in Q1-2/2011. The effects of the purchase price allocation in connection with the KION acquisition primarily include depreciation and amortization as well as impairment and administration charges for KION Holding 1 GmbH.

We achieved an Adjusted EBITDA of €363 million and an Adjusted EBITDA margin of 15.7% in Q1-2/2012, compared to an Adjusted EBITDA of €322 million and an Adjusted EBITDA margin of 15.2% in Q1-2/2011. Depreciation and amortization increased from €161 million in Q1-2/2011 to €168 million in Q1-2/2012.

### **Financial Income and Expense**

Net finance cost increased by €12 million from €114 million in Q1-2/2011 to €126 million in Q1-2/2012. Due to interest payments for the corporate bond issued in April 2011, the interest expense from loans declined by €10 million to €59 million in Q1-2/2012. Interest expense for the corporate bond was at €17 million in Q1-2/2012, compared to €7 million in Q1-2/2011. Net foreign currency exchange rate losses (including gains and losses on hedging instruments) amounted to €9 million in Q1-2/2012 compared to net foreign currency exchange rate gains of €2 million in Q1-2/2011.

### **Income Taxes**

In Q1-2/2012, we reported a net income tax expense of €44 million, compared to €40 million in Q1-2/2011. Driven by the increased earnings before taxes, the current income tax expense grew from €32 million in Q1-2/2011 by €1 million to €33 million in Q1-2/2012. Notwithstanding the positive results of operations, management's previous estimate of the possibility to utilise unused tax losses in future profitable years has not changed and, thus, previously unrecognized deferred tax assets were also not recognized this time. Net deferred tax expense amounted to €11 million in Q1-2/2012, compared to €8 million in Q1-2/2011.

### **Net Income for the period**

For Q1-2/2012 we reported a net income of €26 million, compared to €4 million in Q1-2/2011. The growth in net earnings of €21 million was mainly driven by the EBIT growth. Net finance cost increased by €12 million and income tax expenses increased by €4 million as described above.

## Condensed Consolidated Balance Sheet

### Condensed balance sheet, assets

€ million	30/06/2012	in (%)	31/12/2011	in (%)	Δ in %
<b>Non-current assets</b>	<b>4,187</b>	<b>69.4%</b>	<b>4,160</b>	<b>68.6%</b>	<b>0.6%</b>
thereof:					
Goodwill	1,551	25.7%	1,538	25.4%	0.8%
Brand names	594	9.8%	594	9.8%	0.0%
Deferred tax assets	248	4.1%	262	4.3%	-5.4%
Leased assets	559	9.3%	540	8.9%	3.5%
Lease receivables	250	4.1%	243	4.0%	2.9%
<b>Current assets</b>	<b>1,850</b>	<b>30.6%</b>	<b>1,906</b>	<b>31.4%</b>	<b>-2.9%</b>
thereof:					
Inventories	710	11.8%	625	10.3%	13.5%
Trade receivables	681	11.3%	677	11.2%	0.7%
Lease receivables	123	2.0%	118	2.0%	3.6%
Cash	182	3.0%	373	6.2%	-51.3%
<b>Total assets</b>	<b>6,038</b>		<b>6,066</b>		<b>-0.5%</b>

### Condensed balance sheet, equity and liabilities

€ million	30/06/2012	in (%)	31/12/2011	in (%)	Δ in %
<b>Equity</b>	<b>-532</b>	<b>-8.8%</b>	<b>-488</b>	<b>-8.0%</b>	<b>-9.2%</b>
<b>Non-current liabilities</b>	<b>4,983</b>	<b>82.5%</b>	<b>4,842</b>	<b>79.8%</b>	<b>2.9%</b>
thereof:					
Shareholder loan	657	10.9%	643	10.6%	2.2%
Corporate bond	489	8.1%	488	8.0%	0.2%
Financial liabilities	2,302	38.1%	2,290	37.7%	0.5%
Deferred tax liabilities	303	5.0%	339	5.6%	-10.7%
Lease liabilities	496	8.2%	471	7.8%	5.2%
<b>Current liabilities</b>	<b>1,587</b>	<b>26.3%</b>	<b>1,711</b>	<b>28.2%</b>	<b>-7.3%</b>
thereof:					
Financial liabilities	103	1.7%	227	3.7%	-54.8%
Trade payables	637	10.6%	634	10.5%	0.5%
Lease liabilities	230	3.8%	230	3.8%	-0.2%
<b>Total equity and liabilities</b>	<b>6,038</b>		<b>6,066</b>		<b>-0.5%</b>

### Total Assets

Total assets decreased by €29 million from €6,066 million as of 31 December 2011 to €6,038 million as of 30 June 2012. Non-current assets increased by €27 million to €4,187 million primarily as a result of an increase of €19 million in leased assets and a €7 million increase in lease receivables. Current assets decreased by €56 million from €1,906 million to €1,850 million as of 30 June 2012. Driven by the higher sales volumes, trade receivables increased by €4 million to €681 million and inventories increased by €85 million to €710 million as of 30 June 2012. Lease receivables increased by €4 million to €123 million and cash and cash equivalents decreased by €192 million to €182 million as of 30 June 2012 due to the repayment of €138 million of the Revolving Credit Facility and a repayment of €28 million of the Capex Facility in Q2/2012.

### Trade Working Capital

Corresponding to the increase in revenue in Q1-2/2012, trade working capital, defined as inventories and trade receivables less trade payables, increased from €668 million as of 31 December 2011 to €754 million as of 30 June 2012.

### Equity

Our equity decreased to negative €532 million as of 30 June 2012, a decrease of €45 million compared to negative €488 million as of 31 December 2011. This decrease was primarily due to a revaluation of the pension provisions caused by a change in the interest rate used by the actuary. The net income for the period amounted to €26 million.

### Liquidity

As of 30 June 2012 cash and cash equivalents amounted to €182 million. Compared to 31 December 2011 cash and cash equivalents had decreased by €192 million mainly related to the repayment of €138 million of the Revolving Credit Facility and the half-yearly repayment of €28 million of the Capex Facility in Q2/2012.

### Financial Debt

As of 30 June 2012 our financial debt amounted to €2,917 million, a decrease of €113 million compared to 31 December 2011. This change related mainly to the repayment of €138 million of the Revolving Credit Facility and a repayment of €28 million of the Capex Facility in Q2/2012. The repayment effects were partly compensated by the strengthening of the US Dollar.

From 31 December 2011 to 30 June 2012 the exchange rate between Euro and US Dollar fell by approximately 2.3% (from 1.2957 to 1.2658). For the US Dollar tranches under the Senior Facilities Agreement, this had a negative effect of €14 million. The PIK related portions of the loans under the Senior Facilities Agreement increased our financial debt. The amount for capitalised interests in Q1-2/2012 was €15 million. Net proceeds from borrowings under the Senior Facilities Agreement and other capital borrowings totalled €25 million between 31 December 2011 and 30 June 2012.

### Net Financial Debt

As of 30 June 2012 net financial debt amounted to €2,735 million, an increase of €79 million compared to the level on 31 December 2011. Total cash inflow from operating activities and from investments totalled €8 million. The foreign exchange rate impact on the US Dollar loan tranches in the first six months of 2012 was negative.

#### Net financial debt

€ million	30/06/2012	31/12/2011	Change
Corporate bond - fixed rate (2011/2018) - gross	325	325	-
Corporate bond - floating rate (2011/2018) - gross	175	175	-
Liabilities to banks (gross)	2,417	2,530	-4.5%
<b>Financial debt</b>	<b>2,917</b>	<b>3,030</b>	<b>-3.7%</b>
./. Cash and cash equivalents	182	373	-51.3%
<b>Net financial debt</b>	<b>2,735</b>	<b>2,657</b>	<b>3.0%</b>
./. Capitalized borrowing costs	29	33	-12.6%
<b>Net financial debt after borrowing costs</b>	<b>2,707</b>	<b>2,624</b>	<b>3.2%</b>
<b>Financial debt after borrowing costs</b>	<b>2,889</b>	<b>2,997</b>	<b>-3.6%</b>
<b>Shareholder loan</b>	<b>657</b>	<b>643</b>	<b>2.2%</b>

## Other Financial Position

The shareholder loan increased by €14 million reflecting accrued interest for the first six months of 2012. Our leased assets as well as our lease receivables and payables (current/non-current) mainly in connection with our Financial Services business grew slightly by €6 million from 31 December 2011 to 30 June 2012.

## Condensed Statement of Cash Flow

Condensed cash flow statement						
€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
EBIT	105	98	6.6%	196	159	23.5%
Cash flow from operating activities	114	25	>100%	69	91	-24.2%
Cash flow from investing activities	-33	-50	35.2%	-61	-71	14.3%
<b>Free cash flow</b>	<b>82</b>	<b>-26</b>	<b>&gt;100%</b>	<b>8</b>	<b>20</b>	<b>-59.6%</b>
Cash flow from financing activities	-203	-72	<-100%	-202	-113	-78.6%
Currency effects on cash	1	-0	>100%	2	-1	>100%
<b>Change in cash and cash equivalents</b>	<b>-120</b>	<b>-98</b>	<b>-22.3%</b>	<b>-192</b>	<b>-94</b>	<b>&lt;-100%</b>
Net financial debt <sup>1</sup>	2,735	2,688	1.8%	2,735	2,688	1.8%

<sup>1</sup> Before borrowing costs

## Q2/2012

### Cash Flow from Operating Activities

Cash flow from operating activities includes all cash generated from operations and also reflects cash paid for taxes. Due to the improved EBIT the cash inflow amounted to €114 million in Q2/2012, compared to a cash inflow of €25 million in Q2/2011. Income tax payments in Q2/2012 amounted to €15 million, up by €6 million compared to €9 million paid in Q2/2011.

### Cash Flow from Investing Activities

Our net cash outflow from investing activities amounted to €33 million in Q2/2012, compared to an outflow of €50 million in Q2/2011. Capital expenditures on non-current assets increased by €4 million to €34 million compared to Q2/2011. The higher outflow in Q2/2011 was mainly impacted by the acquisitions of Voltas Material Handling and Linde Sterling.

### Free Cash Flow

In Q2/2012, our free cash flow, defined as cash flow from operating activities less cash flow from investing activities, amounted to a cash inflow of €82 million, compared to a cash outflow of €26 million in Q2/2011.

### Cash Flow from Financing Activities

Cash flow from financing activities amounted to a total net cash outflow of €203 million in Q2/2012, compared to a net cash outflow of €72 million in Q2/2011. In Q2/2011, we had a cash inflow from financing activities of €500 million from the corporate bond issue in April, which we had used to refinance our SFA loan amounting to €510 million. In Q2/2012, the repayment of borrowings amounted to €166 million due to a €138 million repayment of our Revolving Credit Facility and the half-yearly repayment of €28 million of our Capex Facility. Interest payments amounted to €34 million in Q2/2012 and remained on the same level as in Q2/2011.



**Q1-2/2012****Cash Flow from Operating Activities**

Cash flow from operating activities includes all cash generated from operations and also reflects cash paid for taxes. In Q1-2/2012, cash inflow from operating activities amounted to €69 million compared to €91 million in Q1-2/2011. Although our EBIT increased by €37 million in Q1-2/2012 the temporary increase in trade working capital in Q1/2012 could not be fully reduced in the first six months of 2012.

**Cash Flow from Investing Activities**

In Q1-2/2012 our cash outflow from investing activities amounted to €61 million net and decreased by 14% compared to a net outflow of €71 million in Q1-2/2011. Capital expenditures on non-current assets increased to €59 million in Q1-2/2012, compared to €51 million in Q1-2/2011. Cash inflows of €8 million were generated in Q1-2/2012 from the disposal of non-current assets, compared to €2 million in Q1-2/2011. In Q1-2/2012 major cash outflow was related to the acquisition of the remaining shares of Linde Creighton Ltd. in February 2012 amounting to €10 million. In Q1-2/2011 €27 million of cash had been used for the acquisition of Voltas Material Handling Private Ltd. and the full acquisition of Linde Sterling Ltd.

**Free Cash Flow**

In Q1-2/2012, free cash flow, defined as cash flow from operating activities less cash flow from investing activities, amounted to a cash inflow of €8 million, compared to a cash inflow of €20 million in Q1-2/2011.

**Cash Flow from Financing Activities**

Cash flow from financing activities amounted to a total net cash outflow of €202 million in Q1-2/2012, compared to a net cash outflow of €113 million in Q1-2/2011. In Q2/2012, the repayment of borrowings amounting to €166 million consisting of a €138 million repayment of our Revolving Credit Facility and the half-yearly repayment of €28 million of our Capex Facility was the main cause for the higher cash outflow in the first six months of 2012. Interest payments amounted to €57 million in Q1-2/2012 compared to €63 million in Q1-2/2011. In addition, we received €8 million as previously unfunded commitments under the Multi-Currency Revolving Credit Facility and proceeds from additional credit lines with local banks amounting to €17 million in Q1-2/2012.

**Segment Results**

All segment data provided is before consolidation effects which reflect cross-segment revenue, internal deliveries of inventories, income from investments and other cost transfer.

**Overview**

In Q2/2012, both segments showed a solid performance in the current market environment. The LMH segment, which includes the brands Linde, Fenwick and Baoli, generated a slightly higher order intake of 24,100 units compared to an order intake of 23,900 units in Q2/2011. The order intake in the STILL segment, which also includes the OM STILL brand, amounted to 11,800 units (Q2/2011: 13,500 units). Total order intake on a value basis, which includes all lines of business, grew for LMH by 2% to €821 million from €802 million in Q2/2011. The order intake for STILL fell from €438 million in Q1/2011 to €422 million in Q2/2012.

In Q1-2/2012, the LMH segment generated a total order volume of 49,600 units, which is an increase of 5% or 2,300 units compared to Q1-2/2011. In the LMH segment, the IC-trucks generated the highest growth rates. Along with a decrease in market demand for warehouse trucks, order intake in the STILL segment was 7% lower at 24,900 units in Q1-2/2012 than in Q1-2/2011. On a value basis, LMH generated orders worth €1,633 million in Q1-2/2012 compared to €1,571 million in Q1-2/2011. The order intake for STILL amounted to €852 million, down from €885 million in Q1-2/2011.

The following table shows all major key figures by segments as a percentage of the KION Group in total:

Overview segments on a quarterly basis								
€ million	Q2 2012 % of total		Q2 2011 % of total		Q1-Q2 2012 % of total		Q1-Q2 2011 % of total	
<b>Order intake</b>								
LMH	821	68.2%	802	67.1%	1,633	67.8%	1,571	66.8%
STILL	422	35.1%	438	36.6%	852	35.3%	885	37.6%
Other/Consolidation	-40	-3.4%	-45	-3.7%	-75	-3.1%	-102	-4.4%
<b>Total order intake</b>	<b>1,203</b>	<b>100.0%</b>	<b>1,195</b>	<b>100.0%</b>	<b>2,410</b>	<b>100.0%</b>	<b>2,353</b>	<b>100.0%</b>
<b>Revenue</b>								
LMH	786	67.4%	726	66.2%	1,560	67.5%	1,387	65.7%
STILL	417	35.7%	416	37.9%	829	35.9%	816	38.6%
Other/Consolidation	-36	-3.1%	-45	-4.1%	-78	-3.4%	-90	-4.3%
<b>Total revenue</b>	<b>1,166</b>	<b>100.0%</b>	<b>1,096</b>	<b>100.0%</b>	<b>2,311</b>	<b>100.0%</b>	<b>2,113</b>	<b>100.0%</b>
<b>EBIT</b>								
LMH	88	83.9%	89	90.0%	167	85.3%	141	89.0%
STILL	28	26.4%	22	22.4%	48	24.4%	37	23.3%
Other/Consolidation	-11	-10.3%	-12	-12.4%	-19	-9.8%	-19	-12.3%
<b>Total EBIT</b>	<b>105</b>	<b>100.0%</b>	<b>98</b>	<b>100.0%</b>	<b>196</b>	<b>100.0%</b>	<b>159</b>	<b>100.0%</b>
<b>EBITDA</b>								
LMH	140	73.4%	137	76.6%	269	73.9%	238	74.5%
STILL	57	29.9%	50	28.0%	106	29.0%	93	29.1%
Other/Consolidation	-6	-3.3%	-8	-4.6%	-11	-2.9%	-12	-3.7%
<b>Total EBITDA</b>	<b>190</b>	<b>100.0%</b>	<b>179</b>	<b>100.0%</b>	<b>364</b>	<b>100.0%</b>	<b>320</b>	<b>100.0%</b>
<b>Adjusted EBIT</b>								
LMH	89	79.8%	81	80.7%	170	79.7%	142	80.9%
STILL	27	24.5%	26	25.5%	53	25.0%	45	25.4%
Other/Consolidation	-5	-4.4%	-6	-6.2%	-10	-4.7%	-11	-6.4%
<b>Total adjusted EBIT</b>	<b>111</b>	<b>100.0%</b>	<b>101</b>	<b>100.0%</b>	<b>213</b>	<b>100.0%</b>	<b>175</b>	<b>100.0%</b>
<b>Adjusted EBITDA</b>								
LMH	134	71.1%	123	71.2%	257	70.8%	227	70.5%
STILL	55	29.1%	52	30.1%	108	29.6%	98	30.5%
Other/Consolidation	-0	-0.2%	-2	-1.3%	-1	-0.4%	-3	-1.1%
<b>Total adjusted EBITDA</b>	<b>188</b>	<b>100.0%</b>	<b>173</b>	<b>100.0%</b>	<b>363</b>	<b>100.0%</b>	<b>322</b>	<b>100.0%</b>

## Q2/2012

### LMH Segment: Revenue

Due to the high demand in the new truck business and the services business from Germany as well as from China and the Eastern European countries, the LMH segment increased its revenue by 8%, from €726 million in Q2/2011 to €786 million in Q2/2012.

### LMH Segment: EBIT, Adjusted EBIT and Adjusted EBITDA

In Q2/2012, EBIT for the LMH segment decreased by €1 million to €88 million compared to €89 million in Q2/2011. In Q2/2012, Non-recurring items amounted to positive €6 million primarily resulting from the revaluation of our 49% equity investment in Linde Creighton and the remeasurement of the purchase price obligations in connection with the remaining 51% of outstanding shares. In Q2/2011, EBIT had included Non-recurring items of positive €14 million, net, which were also related to

remeasurements of shares in UK dealers and partly being offset by relocation costs and severance payments. KION acquisition items in Q2/2012 remained stable at €7 million compared to Q2/2011.

Adjusted EBIT grew by €8 million to €89 million, compared to €81 million in Q2/2011. Adjusted EBIT margin grew correspondingly from 11.2% in Q2/2011 to 11.3% in Q2/2012. Including depreciation and amortization, the LMH segment achieved an Adjusted EBITDA of €134 million and an Adjusted EBITDA margin of 17.0%, compared to an Adjusted EBITDA of €123 million and an Adjusted EBITDA margin of 17.0% in Q2/2011.

#### Quarterly information - LMH -

€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
Order intake	821	802	2.3%	1,633	1,571	4.0%
Revenue	786	726	8.3%	1,560	1,387	12.4%
EBIT	88	89	-0.7%	167	141	18.4%
Adjusted EBIT	89	81	9.3%	170	142	19.5%
EBITDA	140	137	2.1%	269	238	12.9%
Adjusted EBITDA	134	123	8.2%	257	227	13.4%
EBIT Margin (Adj.)	11.3%	11.2%	-	10.9%	10.2%	-
EBITDA Margin (Adj.)	17.0%	17.0%	-	16.5%	16.4%	-

#### Q1-2/2012

##### LMH Segment: Revenue

Due to the strong first quarter, the LMH segment increased its revenue by 12% in Q1-2/2012 from €1,387 million in Q1-2/2011 to €1,560 million in Q1-2/2012. The segment considerably benefited from the high demand for LMH's product and service offerings, especially from Germany, Eastern Europe and China.

##### LMH Segment: EBIT, Adjusted EBIT and Adjusted EBITDA

The LMH segment's EBIT increased from €141 million in Q1-2/2011 by €26 million to €167 million in Q1-2/2012. In Q1-2/2012, EBIT was affected by Non-recurring items of positive €12 million, primarily as a result of a €12 million one-time profit from the revaluation of the equity investment in Linde Creighton and the remeasurement of the purchase price obligations in connection with the remaining 51% of outstanding shares. A €3 million profit generated through property sales in Basingstoke was largely offset by follow-up costs due to footprint measures. In Q1-2/2011, Non-recurring gains had been at €12 million and related to positive effects from remeasurements of shares in UK dealers, mainly in Linde Sterling, as well. KION acquisition items in Q1-2/2012 amounted to €14 million after €13 million in the prior year period.

Adjusted EBIT increased by €28 million to €170 million in Q1-2/2012, compared to €142 million in Q1-2/2011. Adjusted EBIT margin rose correspondingly from 10.2% in Q1-2/2011 to 10.9% in Q1-2/2012. The Adjusted EBITDA in the LMH segment amounted to €257 million and the Adjusted EBITDA margin was 16.5% in Q1-2/2012, compared to an Adjusted EBITDA of €227 million and an Adjusted EBITDA margin of 16.4% in Q1-2/2011.

**Q2/2012****STILL Segment: Revenue**

Due to the stable demand for new trucks and services in Germany, Western and Eastern Europe in Q2/2012, STILL generated revenue of €417 million compared to €416 million in Q2/2011.

**STILL Segment: EBIT, Adjusted EBIT and Adjusted EBITDA**

The STILL segment's EBIT increased by €6 million to €28 million in Q2/2012 due to efficiency gains and cost savings. In Q2/2012, EBIT was impacted by Non-recurring items of positive €2 million, mainly due to an adjustment of provisions for restructuring expenses and relocation costs in connection with the closure of our production plants in Montataire, France, and Bari, Italy. Non-recurring items for Q2/2011 totalling negative €2 million had been related to the relocation of product lines within Germany, severance payments and expenses with respect to the combination of STILL and OM. In addition, KION acquisition items remained stable at €2 million in Q2/2012 and in Q2/2011.

Adjusted EBIT increased by €2 million to €27 million, compared to €26 million in Q2/2011. Adjusted EBIT margin grew from 6.2% in Q2/2011 to 6.5% in Q2/2012. Including amortization and depreciation, the STILL segment achieved an Adjusted EBITDA of €55 million and an Adjusted EBITDA margin of 13.1%, compared to an Adjusted EBITDA of €52 million and an Adjusted EBITDA margin of 12.5% in Q2/2011.

**Quarterly information - STILL -**

€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
Order intake	422	438	-3.5%	852	885	-3.7%
Revenue	417	416	0.2%	829	816	1.7%
EBIT	28	22	25.8%	48	37	29.5%
Adjusted EBIT	27	26	6.3%	53	45	19.4%
EBITDA	57	50	14.1%	106	93	13.4%
Adjusted EBITDA	55	52	4.6%	108	98	9.5%
EBIT Margin (Adj.)	6.5%	6.2%	-	6.4%	5.5%	-
EBITDA Margin (Adj.)	13.1%	12.5%	-	13.0%	12.0%	-

**Q1-2/2012****STILL Segment: Revenue**

The segment's performance in its German, Eastern European and Brazilian markets in Q1-2/2012 led to a slight increase in the STILL segment's revenue by 2% to €829 million, compared to €816 million in Q1-2/2011.

**STILL Segment: EBIT, Adjusted EBIT and Adjusted EBITDA**

Backed by growing revenue and driven by efficiency gains and cost savings, the EBIT of the STILL segment increased by 29% or €11 million to €48 million in Q1-2/2012 from €37 million in Q1-2/2011. In Q1-2/2012, EBIT was impacted by Non-recurring items of negative €2 million, mainly relating to the concentration of production facilities in Europe and the closure of our plants in Montataire, France, and Bari, Italy. Non-recurring items for Q1-2/2011 totalling negative €4 million had mainly been related to relocation costs, severance payments and expenses for the combination of the STILL and OM brands. In addition, KION acquisition items amounted to negative €3 million in Q1-2/2012 and remained unchanged compared to Q1-2/2011.

Adjusted EBIT grew to €53 million, compared to €45 million in Q1-2/2011. Adjusted EBIT margin grew correspondingly from 5.5% in Q1-2/2011 to 6.4% in Q1-2/2012. Including amortization and depreciation, the STILL segment generated an Adjusted EBITDA of €108 million and an Adjusted

EBITDA margin of 13.0% in Q1-2/2012, compared to an Adjusted EBITDA of €98 million in Q1-2/2011 and an Adjusted EBITDA margin of 12.0%.

## Q2/2012

### Segment Other

The segment Other includes our KION Group IT services, logistics services, our head office and financing companies or financing functions in Germany, France, Spain and the United Kingdom as well as our regional brand, Voltas, in India. The consolidation effects reflect cross-segment revenue, inter-segment sales of inventories, income from investments and other internal cost transfers. Starting in May 2011 our new brand Voltas in India has been included in the segment Other.

### Segment Other: Revenue

The segment Other increased its order intake and revenues by €6 million to €59 million in Q2/2012 from €53 million in Q2/2011. The vast majority of both order intake and revenue was driven by internal services as described above. Additionally, since May 2011 Voltas Material Handling in India has contributed to the rise in the segment's order intake and revenue.

### Segment Other: EBIT, Adjusted EBIT and Adjusted EBITDA

EBIT amounted to €8 million in Q2/2012, compared to €10 million in Q2/2011. Non-recurring items in Q2/2012 amounted to negative €6 million and remained stable compared to Q2/2011, in both periods driven by consulting expenses. Adjusted EBIT amounted to €14 million in Q2/2012 compared to €16 million in Q2/2011. The segment Other achieved an Adjusted EBITDA of €18 million in Q2/2012, down from €20 million in Q2/2011.

#### Quarterly information - Other -

€ million	Q2 2012	Q2 2011	Change	Q1-Q2 2012	Q1-Q2 2011	Change
Order intake	59	53	11.7%	118	100	18.1%
Revenue	59	53	11.7%	118	100	18.1%
EBIT	8	10	-24.8%	-0	3	<-100%
Adjusted EBIT	14	16	-15.6%	9	12	-26.5%
EBITDA	12	14	-14.5%	8	11	-26.7%
Adjusted EBITDA	18	20	-10.2%	17	20	-11.7%

## Q1-2/2012

### Segment Other: Revenue

The segment Other increased its order intake and revenues by €18 million to €118 million in Q1-2/2012 from €100 million in Q1-2/2011. The vast majority of both order intake and revenue for the six month periods has still been driven by internal services, however, our brand Voltas in India has increasingly contributed to segment growth.

### Segment Other: EBIT, Adjusted EBIT and Adjusted EBITDA

In Q1-2/2012, EBIT was approximately nil, compared to €3 million in Q1-2/2011. Non-recurring items in Q1-2/2012 amounted to negative €8 million compared to negative €7 million in Q1-2/2011, in both cases driven by consulting expenses. Adjusted EBIT amounted to €9 million in Q1-2/2012 compared to €12 million in Q1-2/2011. The segment Other achieved an Adjusted EBITDA of €17 million in Q1-2/2012. In Q1-2/2011 the segment Other achieved an Adjusted EBITDA of €20 million.

## Consolidation Effects

### Q2/2012

#### Consolidation Effects: Revenue, EBIT and Adjusted EBIT

The consolidation of cross-segment revenues amounted to €95 million in Q2/2012, compared to €98 million in Q2/2011. The elimination of the cross-segment order intake amounted to €99 million in Q2/2012, compared to €97 million in Q2/2011.

### Q1-2/2012

#### Consolidation Effects: Revenue, EBIT and Adjusted EBIT

The consolidation of cross-segment revenues amounted to €196 million in Q1-2/2012, compared to €190 million in Q1-2/2011. The elimination of the cross-segment order intake amounted to €193 million in Q1-2/2012, compared to €202 million in Q1-2/2011.

## Factors affecting our Business

### Amendment and Extension of Credit Facilities

On 31 July 2012 the amended and restated Senior Facilities Agreement became effective. Lenders strongly supported the commercial, technical and documentary changes which the Company had proposed on 8 June 2012.

KION Group has successfully extended a substantial portion of its Senior Facilities, including extending Revolving Credit Facility (RCF) commitments from December 2013 to December 2016 in an amount which (together with approximately €113 million of new RCF commitments received) totals €300 million, and extending approximately €800 million and approximately \$200 million of Term Loan B (TLB) and Terms Loan C (TLC) from December 2014 (TLB) and December 2015 (TLC) to December 2017. The extended TLB, TLC and RCF will each carry an all cash margin, the level of which will vary depending on the leverage ratio from time to time. At the current leverage ratio the extended TLB and TLC margin will be 4.75% and the extended RCF margin will be 3.75%.

The documentary changes include a moderate increase in the acquisitions basket and increased flexibility to repay the existing second lien loan when leverage is below 4:1. In addition, the changes provide that following an IPO, KION Group will have additional flexibility to pay dividends in accordance with the current restrictions under the corporate bond and that certain financial covenants will cease to apply while a 3:1 leverage ratio is maintained.

Maturity profile after "Amend to Extend" and including new RCF commitments in €m									
	Maturities of total outstanding financial debt in €m							Margin	
	2012	2013	2014	2015	2016	2017 <sup>1)</sup>	2018	Cash <sup>5)</sup>	PIK <sup>5)</sup>
Term Loan B1 (€)			285					E + Margin	Margin
Term Loan B2 (€)						411		E + Margin	-
Term Loan B1 (\$301m)			244 <sup>2)</sup>					L + Margin	Margin
Term Loan B2 (\$105m)						85 <sup>2)</sup>		L + Margin	-
Term Loan C1 (€)				285				E + Margin	Margin
Term Loan C2 (€)						383		E + Margin	-
Term Loan C1 (\$298m)				242 <sup>2)</sup>				L + Margin	Margin
Term Loan C2 (\$108m)						88 <sup>2)</sup>		L + Margin	-
Term Loan D (2 <sup>nd</sup> Lien)					202			E + Margin	Margin
Term Loan G (Shareholder Loan)							114	-	E + Margin
Capex Facility	28	18						E + Margin	-
Term Loan H1a (Fixed) <sup>3)</sup>							325	7.875%	-
Term Loan H1a (Floating) <sup>4)</sup>							175	4.25%	-
<b>Total outstanding financial debt</b>	<b>28</b>	<b>18</b>	<b>529</b>	<b>527</b>	<b>202</b>	<b>967</b>	<b>614</b>		
Revolving Credit Facility 1 <sup>6)</sup>		113						E + Margin	-
Revolving Credit Facility 2 <sup>6)</sup>					300			E + Margin	-

<sup>1)</sup> While 2<sup>nd</sup> lien is outstanding, maturities of TLB, TLC and RCF to be 3 months prior to the maturity date of the 2<sup>nd</sup> lien from time to time.

<sup>2)</sup> FX rate 1€ = 1.23035 USD as at 31/07/2012

<sup>3)</sup> Senior Secured Notes (Fixed)

<sup>4)</sup> Senior Secured Notes (Floating)

<sup>5)</sup> E=EURIBOR; L=USD-LIBOR

<sup>6)</sup> Committed line



**Business Restructuring and Redesign**

In Q2/2012, we continued to implement long-term structural and efficiency measures. The closing of our plants in Bari, Italy, and in Montataire, France, provide for additional consolidation of our European production facilities. The production capacity of these plants has already been partially integrated into our other existing facilities, which we expect will increase our capacity utilisation levels in our remaining European production facilities.

**Financial Services Segmentation**

In Q1-2/2012, we have pursued the roll-out of our financial services segmentation. In addition to our current reporting structure, we will continue to include selected voluntary information regarding the results of our financial services segment as an annex to our quarterly reports. This additional reporting excludes our financial services activities from our reporting segments of LMH, STILL and Other, and presents such activities as a separate segment. The new reporting model which has been extended to include the financial services segment is based on the current reporting methodology for our leasing and rental business. Under this reporting framework, our financial services segment acts as an internal finance partner for our operating segments. The financial services segment generates its income from an agreed interest margin resulting from the leasing contracts. Any surplus achieved by the financial services segment above the agreed interest margin is allocated to the operating profit generated by the LMH and STILL segments. The LMH and STILL segments and the financial services segment are reported separately. Transactions between each of the segments are presented on an arm's-length basis. For more information, see section 4.3 of the 2011 Management Report and the respective Note [36].

**Procurement Price Volatility**

In Q2/2012, commodity prices evolved in different directions. Whereas oil prices were higher by 9.6% compared to the average price in 2011, steel prices were lower by 6.1%, steel bars were lower by 6.6%, and aluminium was lower by 9.3%. Scrap and copper prices remained flat on the 2011 level. In general, approximately 26% of the cost of materials required to manufacture our industrial trucks is directly impacted by commodity price movements, including steel, scrap and copper. Raw material price changes become effective with a time delay and will gradually impact our cost of materials going forward.

**Procurement, Suppliers and Purchasing**

In Q2/2012, we experienced certain supply limitations due to operational and financial problems of very few suppliers in Europe. Those are closely managed by our purchasing organisation with our own staff at those suppliers in order to ensure continued supply to KION Group.

**Employees**

In connection with the strong business growth and the acquisitions of international dealers during the past 12 months, the number of employees increased by 8.5% to 22,250 employees as of 30 June 2012 compared to 20,515 as of 30 June 2011. Due to first time consolidations of international dealers in the second half of 2011 and the first six months of 2012, the number of employees has increased by 783 full-time employees.

**FINANCIAL STATEMENTS (UNAUDITED)****Consolidated Statement of Income (unaudited)**

<b>Consolidated statement of income</b>				
€ thousand	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011
Revenue	1,166,147	1,096,338	2,310,546	2,112,528
Cost of sales	-838,367	-796,451	-1,662,978	-1,538,857
<b>Gross profit</b>	<b>327,780</b>	<b>299,887</b>	<b>647,568</b>	<b>573,671</b>
Selling expenses	-137,905	-131,127	-274,511	-260,492
Research and development costs	-28,936	-29,151	-62,054	-56,573
Administrative expenses	-76,432	-71,185	-146,543	-133,130
Other income	22,521	29,168	39,326	43,909
Other expenses	-9,673	-10,281	-20,862	-20,272
Profit from equity investments	6,853	10,488	11,696	10,488
Other financial result	740	644	1,252	987
<b>Earnings before interest and taxes</b>	<b>104,948</b>	<b>98,443</b>	<b>195,872</b>	<b>158,588</b>
Financial income	3,061	25,656	37,254	77,243
Financial expense	-77,385	-90,953	-163,177	-191,294
<b>Earnings before taxes</b>	<b>30,624</b>	<b>33,146</b>	<b>69,949</b>	<b>44,537</b>
<b>Income taxes</b>	<b>-21,297</b>	<b>-25,149</b>	<b>-44,208</b>	<b>-40,090</b>
Current taxes	-13,508	-19,165	-33,415	-31,986
Deferred taxes	-7,789	-5,984	-10,793	-8,104
<b>Net income (+) / loss (-) for the period</b>	<b>9,327</b>	<b>7,997</b>	<b>25,741</b>	<b>4,447</b>
Attributable to shareholders of KION Holding 1 GmbH	8,813	7,442	24,755	3,455
Attributable to non-controlling interests	514	555	986	992

## Consolidated Statement of Comprehensive Income (unaudited)

Consolidated statement of comprehensive income				
€ thousand	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011
<b>Net income (+) / loss (-) for the period</b>	<b>9,327</b>	<b>7,997</b>	<b>25,741</b>	<b>4,447</b>
Impact of exchange differences	10,703	-1,866	9,891	-16,697
thereof changes in unrealised gains and losses	10,703	-1,866	9,891	-16,697
Gains/losses on employee benefits	-60,608	-26	-73,970	-403
thereof changes in unrealised gains and losses	-86,227	629	-105,296	-575
thereof tax effect	25,619	-655	31,326	172
Gains/losses on cash flow hedges	-2,789	-4,259	-3,160	16,779
thereof changes in unrealised gains and losses	1,397	-2,138	3,829	32,576
thereof realised gains and losses	-4,823	-4,757	-8,312	-9,804
thereof tax effect	637	2,636	1,323	-5,993
Gains/losses from equity investments	0	559	0	559
thereof changes in unrealised gains and losses	0	559	0	559
<b>Other comprehensive income (+) / loss (-)</b>	<b>-52,694</b>	<b>-5,592</b>	<b>-67,239</b>	<b>238</b>
<b>Total comprehensive income (+) / loss (-)</b>	<b>-43,367</b>	<b>2,405</b>	<b>-41,498</b>	<b>4,685</b>
Comprehensive income (+) / loss (-)				
Attributable to shareholders of KION Holding 1 GmbH	-43,884	1,850	-42,487	3,693
Attributable to non-controlling interests	517	555	989	992

## Statement of Consolidated Financial Position (unaudited)

ASSETS		
€ thousand	30/06/2012	31/12/2011
Goodwill	1,551,039	1,537,996
Other intangible assets	972,491	977,555
Leased assets	558,857	539,731
Other property, plant and equipment	540,865	538,121
Equity investments	34,996	36,545
Lease receivables	249,976	242,840
Other non-current financial assets	31,427	25,732
Deferred taxes	247,747	261,963
<b>Non-current assets</b>	<b>4,187,398</b>	<b>4,160,483</b>
Inventories	710,071	625,369
Trade receivables	681,039	676,553
Lease receivables	122,698	118,381
Current income tax receivables	5,027	4,953
Other current financial assets	149,677	107,096
Cash and cash equivalents	181,689	373,451
<b>Current assets</b>	<b>1,850,201</b>	<b>1,905,803</b>
<b>Total assets</b>	<b>6,037,599</b>	<b>6,066,286</b>
EQUITY AND LIABILITIES		
€ thousand	30/06/2012	31/12/2011
Subscribed capital	500	500
Capital reserve	348,483	348,483
Retained earnings	-781,940	-806,429
Accumulated other comprehensive income (+) / loss (-)	-104,460	-37,218
Non-controlling interests	5,112	7,077
<b>Equity</b>	<b>-532,305</b>	<b>-487,587</b>
Shareholder loan	657,035	643,132
Retirement benefit obligation	498,803	382,914
Non-current financial liabilities	2,790,528	2,777,354
Lease liabilities	495,797	471,131
Other non-current provisions	97,956	96,168
Other non-current financial liabilities	139,852	132,719
Deferred taxes	302,770	339,054
<b>Non-current liabilities</b>	<b>4,982,741</b>	<b>4,842,472</b>
Current financial liabilities	102,730	227,376
Trade payables	637,022	634,092
Lease liabilities	230,006	230,381
Current income tax liabilities	23,898	15,439
Other current provisions	141,923	183,678
Other current financial liabilities	451,584	420,435
<b>Current liabilities</b>	<b>1,587,163</b>	<b>1,711,401</b>
<b>Total equity and liabilities</b>	<b>6,037,599</b>	<b>6,066,286</b>

## Consolidated Statement of Changes in Equity (unaudited)

### Consolidated statement of changes in equity

€ thousand

	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income (+) / loss (-)			Total equity attributable to shareholders of KION Holding 1 GmbH	Non-controlling interests	Total	
				Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on Cash Flow Hedges				Gains/losses from equity investments
<b>Balance as at 1/1/2011</b>	<b>500</b>	<b>348,483</b>	<b>-711,504</b>	<b>-42,025</b>	<b>12,498</b>	<b>-14,819</b>	<b>-125</b>	<b>-406,992</b>	<b>7,070</b>	<b>-399,922</b>
Net income (+) / loss (-) for the period			3,455					3,455	992	4,447
Other comprehensive income (+) / loss (-)				-16,697	-403	16,779	559	238		238
Total comprehensive income (+) / loss (-)			3,455	-16,697	-403	16,779	559	3,693	992	4,685
Dividends									-1,963	-1,963
Other Changes			148					148		148
<b>Balance as at 30/06/2011</b>	<b>500</b>	<b>348,483</b>	<b>-707,901</b>	<b>-58,722</b>	<b>12,095</b>	<b>1,960</b>	<b>434</b>	<b>-403,151</b>	<b>6,099</b>	<b>-397,052</b>
<b>Balance as at 1/1/2012</b>	<b>500</b>	<b>348,483</b>	<b>-806,429</b>	<b>-35,549</b>	<b>20,892</b>	<b>-22,968</b>	<b>407</b>	<b>-494,664</b>	<b>7,077</b>	<b>-487,587</b>
Net income (+) / loss (-) for the period			24,755					24,755	986	25,741
Other comprehensive income (+) / loss (-)				9,888	-73,970	-3,160		-67,242	3	-67,239
Total comprehensive income (+) / loss (-)			24,755	9,888	-73,970	-3,160		-42,487	989	-41,498
Dividends									-2,405	-2,405
Effects on the acquisition of non-controlling interests			-425					-425	-687	-1,112
Other Changes			159					159	138	297
<b>Balance as at 30/06/2012</b>	<b>500</b>	<b>348,483</b>	<b>-781,940</b>	<b>-25,661</b>	<b>-53,078</b>	<b>-26,128</b>	<b>407</b>	<b>-537,417</b>	<b>5,112</b>	<b>-532,305</b>

## Consolidated Statement of Cash Flows (unaudited)

Consolidated statement of cash flows				
€ thousand	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011
Net income (+) / loss (-)	9,327	7,997	25,741	4,447
+ income taxes	21,297	25,149	44,208	40,090
+ net financial income (-) / expenses (+)	74,324	65,297	125,923	114,051
<b>= Earnings before interest and taxes</b>	<b>104,948</b>	<b>98,443</b>	<b>195,872</b>	<b>158,588</b>
Depreciation/Impairment of non-current assets (excl. leased assets)	39,080	39,432	77,420	78,250
Depreciation/Impairment of leased assets	46,317	40,693	90,928	82,946
Other non-cash income (-) and expenses (+)	-8,003	-2,439	-9,069	1,472
Gain (-) / loss (+) on disposal of non-current assets	348	3,313	-1,887	4,018
Change in leased assets	-65,183	-55,207	-106,708	-85,425
Change in lease receivables and lease liabilities	21,375	2,936	-38	-9,275
Change in inventories	-13,292	-39,457	-78,102	-97,480
Change in trade receivables	26,503	6,072	6,487	-17,121
Change in trade payables	11,798	-24	-10,551	41,567
Cash payments for defined benefit obligations	-7,060	-4,336	-11,864	-9,241
Change in other provisions	-16,358	-12,874	-41,155	-28,935
Change in other operating assets	-6,404	-12,799	-39,354	-18,149
Change in other operating liabilities	-4,458	-29,605	23,273	4,661
Taxes paid	-15,174	-9,459	-26,592	-15,263
<b>= Cash flow from operating activities</b>	<b>114,437</b>	<b>24,689</b>	<b>68,660</b>	<b>90,613</b>
Cash receipts from disposal of non-current assets	704	1,072	7,626	1,999
Cash payments for purchase of non-current assets	-33,672	-29,312	-58,878	-51,352
Deposits from other loan claims	-1,613	-464	-1,954	925
Dividends received	2,273	3,677	2,485	4,020
Interest income received	633	861	1,980	1,770
Acquisitions of subsidiaries, net of cash acquired	0	-26,513	-9,703	-26,513
Cash receipts (+) / cash payments (-) for sundry assets	-1,032	203	-2,150	-1,517
<b>= Cash flow from investing activities</b>	<b>-32,707</b>	<b>-50,476</b>	<b>-60,594</b>	<b>-70,668</b>
Dividends paid to non-controlling interests	-2,050	-1,963	-2,405	-1,963
Cash paid for increased ownership interests (after control)	0	0	-1,112	-712
Cash receipts from decreased ownership interests (after control)	138	0	138	0
Proceeds from borrowings	0	500,000	7,676	500,000
Loan financing costs paid	-385	-21,461	-592	-21,689
Repayment of borrowings	-165,675	-510,009	-165,675	-510,009
Proceeds (+) / Repayment (-) of other capital borrowings	-493	-4,968	17,194	-15,496
Interest paid	-34,424	-33,859	-57,161	-63,182
<b>= Cash flow from financing activities</b>	<b>-202,889</b>	<b>-72,260</b>	<b>-201,937</b>	<b>-113,051</b>
Effect of foreign exchange rate changes on cash and cash equivalents	1,230	-49	2,109	-1,133
<b>= Change in cash and cash equivalents</b>	<b>-119,929</b>	<b>-98,096</b>	<b>-191,762</b>	<b>-94,239</b>
Cash and cash equivalents at the beginning of the period	301,618	256,741	373,451	252,884
Cash and cash equivalents at the end of the period	181,689	158,645	181,689	158,645

**Segment Report (unaudited)****Q2/2012**

Segment report					
	LMH	STILL	Other	Consolidation/ Reconciliation	Total
€ thousand	Q2 2012				
Revenue from external customers	769,587	386,961	9,599	-	1,166,147
Intersegment revenue	16,141	29,907	49,184	-95,232	-
Total revenue	785,728	416,868	58,783	-95,232	1,166,147
Earnings before taxes	83,812	20,483	-55,099	-18,572	30,624
Financial income	13,448	3,909	-10,439	-3,857	3,061
Financial expense	-17,657	-11,169	-52,416	3,857	-77,385
= Financial result	-4,209	-7,260	-62,855	-	-74,324
EBIT	88,021	27,743	7,756	-18,572	104,948
+ Non-recurring items	-6,173	-2,419	5,598	-	-2,994
+ KION acquisition items	6,965	1,971	368	-	9,304
= Adjusted EBIT	88,813	27,295	13,722	-18,572	111,258
Depreciation*	24,790	10,204	4,086	-	39,080
Order intake	820,641	422,369	58,783	-99,212	1,202,581

\* Excluding leased assets



## Q2/2011

## Segment report

	LMH	STILL	Other	Consolidation/ Reconciliation	Total
€ thousand					
	Q2 2011				
Revenue from external customers	705,917	383,661	6,760	-	1,096,338
Intersegment revenue	19,672	32,391	45,844	-97,907	-
Total revenue	725,589	416,052	52,604	-97,907	1,096,338
Earnings before taxes	86,292	15,713	-46,342	-22,517	33,146
Financial income	12,025	3,272	15,397	-5,038	25,656
Financial expense	-14,337	-9,606	-72,048	5,038	-90,953
= Financial result	-2,312	-6,334	-56,651	-	-65,297
EBIT	88,604	22,047	10,309	-22,517	98,443
+ Non-recurring items	-13,887	1,825	5,519	-	-6,543
+ KION acquisition items	6,511	1,810	436	-	8,757
= Adjusted EBIT	81,228	25,682	16,264	-22,517	100,657
Depreciation*	23,885	12,043	3,504	-	39,432
Order intake	802,427	437,570	52,604	-97,167	1,195,434

\* Excluding leased assets

## Q1-2/2012

## Segment report

	LMH	STILL	Other	Consolidation/ Reconciliation	Total
€ thousand					
	Q1-Q2 2012				
Revenue from external customers	1,525,913	764,276	20,357	-	2,310,546
Intersegment revenue	33,625	64,984	97,431	-196,040	-
Total revenue	1,559,538	829,260	117,788	-196,040	2,310,546
Earnings before taxes	159,476	34,648	-105,454	-18,721	69,949
Financial income	26,409	8,428	10,768	-8,351	37,254
Financial expense	-34,059	-21,625	-115,844	8,351	-163,177
= Financial result	-7,650	-13,197	-105,076	-	-125,923
EBIT	167,126	47,845	-378	-18,721	195,872
+ Non-recurring items	-11,860	2,019	8,383	-	-1,458
+ KION acquisition items	14,252	3,388	638	-	18,278
= Adjusted EBIT	169,518	53,252	8,643	-18,721	212,692
Carrying amount of equity investments	30,209	4,787	-	-	34,996
Capital expenditures*	32,308	20,120	6,450	-	58,878
Depreciation*	49,218	20,333	7,869	-	77,420
Order intake	1,633,009	851,824	117,788	-192,867	2,409,754
Number of employees**	14,315	7,234	701	-	22,250

\* Excluding leased assets

\*\* Number of employees in full-time equivalents as at 30 June

## Q1-2/2011

## Segment report

	LMH	STILL	Other	Consolidation/ Reconciliation	Total
€ thousand					
	Q1-Q2 2011				
Revenue from external customers	1,348,325	753,764	10,439	-	2,112,528
Intersegment revenue	38,640	61,853	89,260	-189,753	-
Total revenue	1,386,965	815,617	99,699	-189,753	2,112,528
Earnings before taxes	135,751	23,955	-92,259	-22,910	44,537
Financial income	23,459	6,597	56,021	-8,834	77,243
Financial expense	-28,813	-19,594	-151,721	8,834	-191,294
= Financial result	-5,354	-12,997	-95,700	-	-114,051
EBIT	141,105	36,952	3,441	-22,910	158,588
+ Non-recurring items	-12,351	4,342	7,456	-	-553
+ KION acquisition items	13,064	3,309	869	-	17,242
= Adjusted EBIT	141,818	44,603	11,766	-22,910	175,277
Carrying amount of equity investments	33,044	5,366	-	-	38,410
Capital expenditures*	28,952	14,856	7,544	-	51,352
Depreciation*	48,253	23,201	6,796	-	78,250
Order intake	1,570,588	884,628	99,699	-202,098	2,352,817
Number of employees**	12,635	7,236	644	-	20,515

\* Excluding leased assets

\*\* Number of employees in full-time equivalents as at 30 June

## BASIS OF PRESENTATION

The condensed consolidated interim financial statements of the KION Group as of 30 June 2012 and for Q2/2012 have been prepared in line with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and other International Financial Reporting Standards (IFRSs) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council concerning the application of international accounting standards for interim financial statements. A condensed scope of interim reporting has been prepared in accordance with IAS 34.

All of the IFRSs and the associated interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) that were issued by the reporting date and that were required to be applied for financial years commencing on or after 1 January 2012 have been applied in preparing these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not contain all the information and disclosures required of a set of consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements prepared for the year ended 31 December 2011. With the exception of the new IFRS standards and interpretations described below, the accounting policies used to prepare these condensed consolidated interim financial statements were the same as those used to prepare the consolidated financial statements for the year ended 31 December 2011.

### **Financial reporting standards to be adopted for the first time in the current financial year:**

The following financial reporting standards and interpretations were adopted for the first time in the condensed consolidated interim financial statements as of 30 June 2012 and for Q2/2012:

- Amendments to IFRS 7 'Financial Instruments: Disclosures', disclosures relating to transfers of financial assets.

The first-time adoption of these standards and interpretations had no significant effect on the presentation of the financial position and financial performance of the KION Group.

### **Financial reporting standards released but not yet adopted**

In its condensed consolidated interim financial statements as of 30 June 2012 and for Q2/2012, the KION Group has not applied the following standards and interpretations, which have been issued by the IASB but are not yet required to be applied in 2012:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', amendments relating to fixed transition dates and severe hyperinflation
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', amendments relating to loans received from governments at a below market rate of interest
- Amendments to IFRS 7 'Financial Instruments: Disclosures', offsetting of financial assets and financial liabilities
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- Amendments to IAS 1 'Presentation of Financial Statements', amendments relating to the presentation of items of other comprehensive income
- Amendments to IAS 12 'Income Taxes', limited amendment to IAS 12 relating to the recovery of underlying assets
- Amendments to IAS 19 'Employee Benefits', elimination of the use of the 'corridor' approach and amendments relating to the presentation of items of pension expense
- IAS 27R 'Separate Financial Statements'
- IAS 28R 'Investments in Associates and Joint Ventures'
- Amendments to IAS 32 'Financial Instruments: Presentation', offsetting of financial assets and financial liabilities
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'
- Improvements to IFRSs (2009-2011).

These standards and interpretations will only be applied by the companies included in the KION Group from the date at which they must be adopted for the first time. Their effects on the financial position and financial performance of the KION Group are expected to be insignificant.

The reporting currency is the euro. All amounts are disclosed in thousands of euros (€ thousand) unless stated otherwise. The rounding of amounts added together may result in rounding differences of +/- €1 thousand in the corresponding totals.

### **Segment Reporting**

The basis for internal reporting is a presentation of the financial position and financial performance based on data from continuing operations, excluding items relating to the KION Group in December 2006 and excluding Non-recurring items. In addition to the above items, other net financial income/expenses and the share of profit (loss) of equity investments were also excluded from the performance indicator known as 'EBIT Management Reporting'. Segment reporting therefore included a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) including KION acquisition items and Non-recurring items with the Adjusted EBIT for the segments ('EBIT Management Reporting').

Management reporting EBIT differed from Adjusted EBIT for the last time in 2011 such that it did not take into account the share of profit (loss) of equity investments or other net financial income/expenses. Since 2012 EBIT Management Reporting corresponds to the Adjusted EBIT.

## **RISK FACTORS**

Our Annual Bond Report 2011 contains a description of certain risks that could materially adversely affect our business, financial condition, results of operations or cash flows.

You should carefully consider the risks described in our Annual Bond Report 2011 before making an investment decision. Any of the risks mentioned therein could materially adversely affect our business, financial condition, results of operations or cash flows, and as a result you may lose all or part of your original investment. These risks are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, results of operations or cash flows.

This Quarterly Report contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward looking statements. Factors that might cause such differences are discussed in the Annual Bond Report 2011 and elsewhere in this Quarterly Report.

In Q2/2012, there have been no material changes to the risk assessment made in our Annual Bond Report 2011. However, we have updated the following risk factors to reflect recent developments:

### **Market Risks**

Cyclical fluctuations in macroeconomic activity affect the market for industrial trucks. A downturn or stagnation in the industries and regions relevant to the KION Group represents a risk. Customers' decisions on whether to invest, particularly in new trucks, depend to a large degree on the economic situation. The KION Group mitigates this risk with its multi-brand strategy, comprehensive product portfolio and a diverse customer base consisting of companies of different sizes in different industries and regions. Market risk is also reduced by close monitoring of markets and competitors as well as any resulting necessary adjustments to production capacities. The KION Group takes measures to boost its sales and further expand less cyclical business activities such as services in order to counteract economic downturns.

Global economic prospects have been very varied in recent times, and the markets therefore remain fragile. The International Monetary Fund (IMF) believes the global economic situation is still at risk due to the decline in the pace of growth in all regions of the world and owing to uncertainties regarding the funding position of public finances and financial institutions. In particular, the following factors pose a risk to the global economic development as a whole: any worsening of the Eurozone crisis, a sharp

slowdown in the United States and ongoing slower growth trajectory in major emerging market economies. Current developments, above all in Europe, are making it increasingly difficult to gauge demand patterns reliably. The precise timing and even the extent of any change in the markets remains uncertain. The KION Group therefore closely monitors macroeconomic and market conditions so that it is ready to promptly accelerate action already implemented or initiate additional measures if required.

### Financial Risks

The main types of financial risk managed by Group Treasury, including risks from funding instruments, are liquidity, exchange rate, interest rate and counterparty risks. Credit risk consists solely of counterparty risks attaching to financial institutions. Risk management procedures issued by Group Treasury stipulate how to deal with the aforementioned risks. In contrast, the individual Group companies directly manage counterparty risks involving customers.

The restructuring of the existing acquisition finance during 2009 continued to provide the Group with the flexibility needed to meet the requirements of the lending covenants. Accordingly, the KION Group has secured acquisition finance in the form of committed credit lines. The individual tranches have varying maturities. KION has extended a substantial portion of its Senior Facilities, including extending Revolving Credit Facility (RCF) commitments from December 2013 to December 2016 in an amount which (together with approximately €113 million of new RCF commitments received) totals €300 million, and extending approximately €800 million and approximately \$200 million of Term Loan B (TLB) and Term Loan C from December 2014 (TLB) and December 2015 (TLC) to December 2017. On 31 July 2012 the amended and restated Senior Facilities Agreement became effective (details under "Factors affecting our Business"). In addition, €483 million of the original acquisition financing have already been repaid through the corporate bond of €500 million with maturity in 2018 and issued in April 2011. Further measures to ensure long-term financing are actively and continuously pursued by the Company

On 7 November 2011, the KION Group drew down €133 million from the Revolving Credit Facility. Although sufficient liquidity was available for operational business, capital expenditure and debt servicing, a stronger cash position was considered prudent in light of the volatility of the financial markets. In May 2012 we repaid this drawing as we considered the financial markets to be stabilising. As contractually agreed, the Capex Facility was reduced by approximately €28 million over the course of 2012.

The KION Group generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution. Deposits are also restricted to the limits covered by the deposit protection fund run by the Federal Association of German Banks.

The KION Group only uses derivatives to hedge underlying operational transactions; they are not used for speculative purposes. Records are kept of the type of financial instruments used, the limits governing their use and the group of banks acting as counterparties. Group Treasury rigorously complies with and monitors the strict separation of functions between the front, middle and back offices.

Each Group company's liquidity planning is broken down by currency and incorporated into the KION Group's financial planning and reporting process. Group Treasury checks the liquidity planning and uses it to determine the funding requirements of each company. Normally, at least 50 per cent of the exchange-rate risk related to the planned operating cash flows based on liquidity planning is hedged by currency forwards in accordance with the relevant guideline.

The KION Group uses interest-rate and currency-related derivatives – primarily interest-rate swaps and currency swaps, but also interest-rate and currency options – to hedge the interest-rate and currency risks arising in connection with the acquisition finance. Approximately 50 per cent of the currency risk arising from the US dollar tranche is hedged by currency forwards with an average €-US\$ exchange rate of around 1.38. These derivative contracts expire in November 2012. When the currency hedges expire, there may be a material outflow of funds, depending on the US dollar exchange rate. At the end of June 2012, around 60 per cent of the interest-rate risk was hedged by interest-rate swaps or was subject to a fixed rate of interest. The need to add new hedging instruments or replace ones that expire is reviewed on an ongoing basis.

The funds raised for acquisitions also give rise to risks for the KION Group in terms of compliance with certain financial covenants specified in the relevant loan agreement. This risk continues to apply in view of the current uncertain economic and financial market environment. However, the Company is mitigating it by continuing to increase efficiency and by ensuring sufficient flexibility when entering into new lending agreements. The KION Group complied with all the lending covenants in the reporting year.

## ANNEX 1: KPIs FINANCIAL SERVICES BUSINESS

Q2/2012

### Segment report - Voluntary Additional Information

	LMH	STILL	FS	Other	Consolidation/ Reconciliation	Total
€ thousand	Q2 2012					
Revenue from external customers	719,400	356,914	80,234	9,599	-	1,166,147
Intersegment revenue	69,831	105,871	45,525	49,184	-270,411	-
Total revenue	789,231	462,785	125,759	58,783	-270,411	1,166,147
Earnings before taxes	82,039	20,824	1,224	-54,899	-18,564	30,624
Financial income	8,630	2,649	8,688	-10,439	-6,467	3,061
Financial expense	-13,348	-9,393	-7,975	-52,415	5,746	-77,385
= Financial result	-4,718	-6,744	713	-62,854	-721	-74,324
EBIT	86,757	27,568	511	7,955	-17,843	104,948
+ Non-recurring items	-6,173	-2,419	-	5,598	-	-2,994
+ KION acquisition items	6,965	1,971	-	368	-	9,304
= Adjusted EBIT	87,549	27,120	511	13,921	-17,843	111,258
Depreciation*	43,693	24,856	15,429	4,457	-3,038	85,397

\* Including leased assets

Q2/2011

### Segment report - Voluntary Additional Information

	LMH	STILL	FS	Other	Consolidation/ Reconciliation	Total
€ thousand	Q2 2011					
Revenue from external customers	661,401	356,332	71,845	6,760	-	1,096,338
Intersegment revenue	64,519	57,613	54,394	45,851	-222,377	-
Total revenue	725,920	413,945	126,239	52,611	-222,377	1,096,338
Earnings before taxes	84,484	15,437	1,488	-46,146	-22,117	33,146
Financial income	7,794	1,394	10,794	15,397	-9,723	25,656
Financial expense	-10,219	-7,597	-9,970	-72,050	8,883	-90,953
= Financial result	-2,425	-6,203	824	-56,653	-840	-65,297
EBIT	86,909	21,640	664	10,507	-21,277	98,443
+ Non-recurring items	-13,887	1,825	-	5,519	-	-6,543
+ KION acquisition items	6,511	1,810	-	436	-	8,757
= Adjusted EBIT	79,533	25,275	664	16,462	-21,277	100,657
Depreciation*	40,333	23,836	17,600	3,969	-5,613	80,125

\* Including leased assets



## Q1-2/2012

## Segment report - Voluntary Additional Information

	LMH	STILL	FS	Other	Consolidation/ Reconciliation	Total
Q1-Q2 2012						
€ thousand						
Revenue from external customers	1,435,882	714,626	139,681	20,357	-	2,310,546
Intersegment revenue	124,112	134,097	81,958	97,431	-437,598	-
Total revenue	1,559,994	848,723	221,639	117,788	-437,598	2,310,546
Earnings before taxes	156,549	34,698	2,772	-105,059	-19,011	69,949
Financial income	17,695	5,926	16,653	10,768	-13,788	37,254
Financial expense	-25,818	-18,152	-15,376	-115,844	12,013	-163,177
= Financial result	-8,123	-12,226	1,277	-105,076	-1,775	-125,923
EBIT	164,672	46,924	1,495	17	-17,236	195,872
+ Non-recurring items	-11,860	2,019	-	8,383	-	-1,458
+ KION acquisition items	14,252	3,388	-	638	-	18,278
= Adjusted EBIT	167,064	52,331	1,495	9,038	-17,236	212,692
Segment assets	4,496,277	1,892,246	940,648	545,447	-1,837,019	6,037,599
Segment liabilities	1,502,835	992,239	903,312	4,990,019	-1,818,501	6,569,904
Carrying amount of equity investments	30,209	4,787	-	-	-	34,996
Capital expenditures*	32,308	20,120	-	6,450	-	58,878
Depreciation**	86,773	48,837	30,982	8,588	-6,832	168,348

\* Excluding leased assets

\*\* Including leased assets

## Q1-2/2011

## Segment report - Voluntary Additional Information

	LMH	STILL	FS	Other	Consolidation/ Reconciliation	Total
Q1-Q2 2011						
€ thousand						
Revenue from external customers	1,261,603	709,498	130,988	10,439	-	2,112,528
Intersegment revenue	124,255	102,890	93,421	89,260	-409,826	-
Total revenue	1,385,858	812,388	224,409	99,699	-409,826	2,112,528
Earnings before taxes	133,103	23,563	2,744	-91,875	-22,998	44,537
Financial income	15,029	2,822	21,325	56,021	-17,954	77,243
Financial expense	-20,607	-15,450	-19,686	-151,721	16,170	-191,294
= Financial result	-5,578	-12,628	1,639	-95,700	-1,784	-114,051
EBIT	138,681	36,191	1,105	3,825	-21,214	158,588
+ Non-recurring items	-12,351	4,342	-	7,456	-	-553
+ KION acquisition items	13,064	3,309	-	869	-	17,242
= Adjusted EBIT	139,394	43,842	1,105	12,150	-21,214	175,277
Segment assets	4,197,951	1,983,968	794,401	528,068	-1,723,039	5,781,349
Segment liabilities	1,378,185	960,436	756,657	4,779,821	-1,696,698	6,178,401
Carrying amount of equity investments	33,044	5,366	-	-	-	38,410
Capital expenditures*	28,952	14,856	-	7,544	-	51,352
Depreciation**	81,416	47,967	32,685	7,759	-8,631	161,196

\* Excluding leased assets

\*\* Including leased assets

## ANNEX 2: QUARTERLY FINANCIAL INFORMATION

Unaudited quarterly information								
€ thousand	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Order intake	952,017	1,064,386	1,157,383	1,195,434	1,111,663	1,217,376	1,207,173	1,202,581
Revenue	879,804	1,042,510	1,016,190	1,096,338	1,044,137	1,211,730	1,144,399	1,166,147
EBIT	31,797	28,821	60,145	98,443	63,422	-8,850	90,924	104,948
Adj. EBIT	52,637	62,683	74,620	100,657	84,326	105,005	101,434	111,258
Adj. EBIT margin	6.0%	6.0%	7.3%	9.2%	8.1%	8.7%	8.9%	9.5%
Adj. EBITDA	131,202	148,764	148,536	173,239	160,059	183,431	175,670	187,675
Adj. EBITDA margin	14.9%	14.3%	14.6%	15.8%	15.3%	15.1%	15.4%	16.1%
Free cash flow	17,533	76,978	45,732	-25,787	30,162	184,123	-73,664	81,730
Net financial debt	2,659,077	2,640,829	2,600,205	2,687,633	2,748,619	2,656,613	2,741,282	2,735,482