KION GROUP

MOVING FORWARD

IN NOVA TION

ANNUAL REPORT
2015

KION Group
—— Key figures for 2015

KION Group overview

in € million	2015	2014	2013	Change 2015/2014
Order intake [1]	5,215.6	4,771.2	4,489.1	9.3%
Revenue	5,097.9	4,677.9	4,494.6	9.0%
Order book [1,2]	864.0	764.1	693.3	13.1%
Financial performance				
EBITDA	824.2	714.2	708.8	15.4%
Adjusted EBITDA [3]	850.0	780.4	721.5	8.9%
Adjusted EBITDA margin [3]	16.7%	16.7%	16.1%	–
EBIT	422.8	347.0	374.2	21.8%
Adjusted EBIT [3]	482.9	442.9	416.5	9.0%
Adjusted EBIT margin [3]	9.5%	9.5%	9.3%	–
Net income	221.1	178.2	138.4	24.0%
Financial position [2]				
Total assets	6,440.2	6,128.5	6,026.4	5.1%
Equity	1,848.7	1,647.1	1,610.0	12.2%
Net financial debt	573.5	810.7	979.3	–29.3%
ROCE [4]	11.9%	11.4%	–	–
Cash flow				
Free cash flow [5]	332.7	305.9	195.6	8.8%
Capital expenditures [6]	142.6	133.1	125.8	7.1%
Employees [7]	**23,506**	**22,669**	**22,273**	**3.7%**

1 Prior-year figures restated to reflect the change in the order intake calculation introduced in 2015.
2 Figures as at balance sheet date 31/12/
3 Adjusted for KION acquisition items and non-recurring items
4 ROCE is defined as the proportion of EBIT adjusted to capital employed.
5 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities.
6 Capital expenditure including capitalised development costs, excluding leased and rental assets
7 Number of employees (full-time equivalents) as at balance sheet date 31/12/

All amounts in this annual report are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in minor rounding differences. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

ANNUAL REPORT
2015

MOVING FORWARD

IN NOVA — — TION

The KION Group sells forklift trucks, warehouse technology and associated services from its seven brand companies around the world. It is the European market leader, number two in the world and a leading international supplier in China.

Linde and STILL serve the premium segment worldwide, while Baoli focuses on the economy segment. Fenwick is the material-handling market leader in France, OM STILL is a market leader in Italy and Voltas is one of the two market leaders in India. Egemin Automation is a leading Belgian logistics automation specialist.

Building on these strong foundations, the KION Group and its approximately 23,500 employees generated revenue of €5.1 billion in 2015, never losing sight of what is most important: our customers, innovation and quality. We give concrete illustrations of how this works in practice in the innovation section of the report. And because our passion for innovation extends to our annual reports too, we provide in-depth features on our website, where further stories will be added over the course of the year.

We keep the world moving.

MOVING FORWARD INNOVATION

How do we take full **advantage** of our global structure? — How is the fourth **industrial revolution** changing our sector? — How do we make **products & production** even more efficient? — How do we build on our success and that of **our customers?**

Features, background information and interviews:
We showcase how we are driving innovation worldwide in our web special at:

kiongroup.com/
innovation

KION Group
Investment Highlights

ATTRACTIVE MARKET ...

... with growth profile above GDP

GLOBAL LEADER ...

... strong home base and well positioned in growth markets

TECHNOLOGY LEADERSHIP ...

... drives premium positioning and customer value

INTEGRATED BUSINESS MODEL ...

... robust, with a high share of service revenue

PROFITABILITY BENCHMARK ...

... well prepared for future value creation

STRATEGY 2020 ...

... for profitable growth

KION Group
Segments

LINDE MATERIAL HANDLING

The Linde Material Handling segment encompasses the Linde, Fenwick, Baoli and Voltas brands.

€3,429.8 million
REVENUE

€383.9 million
ADJUSTED EBIT

14,486
EMPLOYEES

STILL

The STILL and OM STILL brands are grouped in the STILL segment.

€1,950.2 million
REVENUE

€144.0 million
ADJUSTED EBIT

8,103
EMPLOYEES

FINANCIAL SERVICES (FS)

The purpose of the Financial Services (FS) segment is to act as an internal funding partner for Linde Material Handling and STILL, providing finance solutions that promote sales.

€740.3 million
REVENUE

– €1.8 million
ADJUSTED EBIT

59
EMPLOYEES

OTHER

The Other segment comprises Egemin Automation as well as holding and service companies, that provide services across all segments.

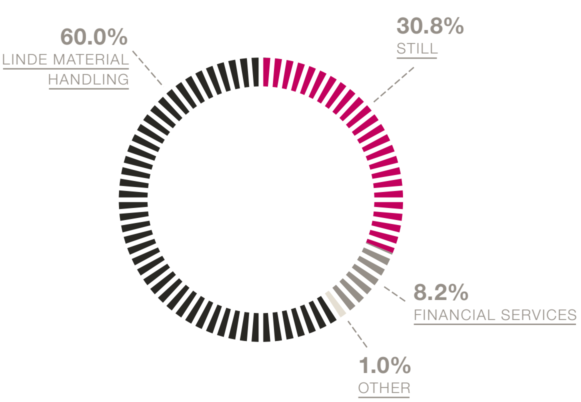
€252.8 million
REVENUE

€155.3 million
ADJUSTED EBIT [1]

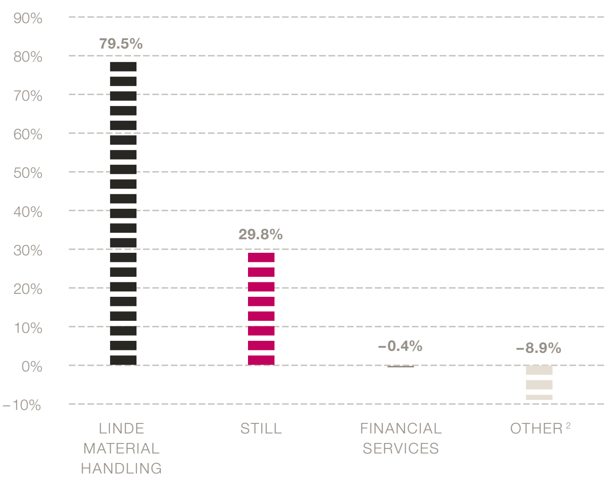
858
EMPLOYEES

1 before consolidation

BREAKDOWN OF TOTAL REVENUE IN 2015



BREAKDOWN OF ADJUSTED EBIT IN 2015



2 including effects of consolidation / reconciliation

KION Group
Company profile

Linde is a global premium brand and a technology leader that has many years' experience of hydrostatic drive technology. It has also been developing and manufacturing electric drive systems for decades and makes the resulting expertise available to external customers for use in a variety of applications.

STILL is predominantly a global premium provider of trucks with electric and diesel-electric drives. It mainly focuses on the European and Latin American markets. Its portfolio consists of forklift trucks and warehouse trucks plus associated services. STILL has also positioned itself as a leading provider of intelligent intralogistics solutions.

The Baoli brand covers the value and economy segments in China and other emerging markets in Asia, eastern Europe, the Middle East, Africa, and Central and South America.

Egemin Automation offers customized solutions for the automation of logistics in warehouses, distribution centres and factories. It delivers automated warehouse systems, automated guided vehicles and in-floor chain conveyors.

FENWICK

In France, Linde products are sold under the Fenwick brand. Fenwick is the biggest material-handling provider in France. Fenwick and Linde meet customers' most sophisticated requirements in terms of technology, efficiency, functionality and design.

In Italy, STILL products are sold under the OM STILL brand. OM STILL is a market leader in Italy and offers both trucks and fully integrated warehouse systems, including automation and fleet management solutions.

Voltas is a leading provider of industrial trucks in India. It manufactures diesel trucks, electric forklift trucks and warehouse trucks for the Indian market and can draw on a network of more than 50 dealers providing sales and service.

PRODUCTS AND SERVICES

PRODUCTS	SERVICE	SOLUTIONS	FINANCING
Diesel and LPG forklift trucks	Service contracts	Fleet data management	Direct sale
Electric forklift trucks	Ad hoc service	Automation	Leasing
Warehouse handling equipment	Spare parts	Stock management and transport control systems	KION leasing via Financial Services
Platform trucks and tractors	Rental	RFID systems	
	Used trucks	Racking systems	

ANNUAL REPORT
2015

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IN NOVA — — TION

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We keep the world moving.

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Facts, **figures** & key data

reports.kiongroup.com

Contents

MOVING FORWARD

IN NOVA— —TION

Whether in products, production, sales or human resources, innovation can be found throughout the KION Group. And it serves just one purpose: helping our customers to create value. Around the world and around the clock. Features, background information and interviews showcase how the KION Group is turning ideas into innovations. Online.

kiongroup.com/ innovation

Thinking globally —— for greater added value

Questioning the status quo —— for optimum solutions

Integrating machines and processes —— for intelligent systems

Understanding innovation —— for a 360° view of markets and customers

KION GROUP

MOVING FORWARD

IN NOVA— —TION

KION GROUP MAGAZINE
2015

Features,
—— background information & interviews

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MOVING FORWARD

IN NOVA— —TION

How do we take full **advantage** of our global structure? — P.04

How is the fourth **industrial revolution** changing our sector? — P.08

How do we make **products & production** even more efficient? — P.12

How do we build on our success and that of — P.16 — **our customers?**

Gordon Riske —— & Eike Böhm, **a dialogue**

Mr Riske, what does innovation mean to you?

—— GORDON RISKE: I would say an idea turns into innovation when it's useful for the customer. So you come up with a new product, a new service, a new solution that the customer really wants to use. And we don't innovate merely for the sake of innovating. We innovate so that our customers can increase their profitability and performance.

—— EIKE BÖHM: And in the end if the customer is willing to pay for this because it creates benefits, then it is a true innovation.

Mr Böhm, innovation is your day-to-day business, how do you tackle this issue?

—— EIKE BÖHM: When I talk about innovation in my daily job, I have to distinguish between two main areas. One is the pure technology side. There is innovation in the university and science community that we at KION have to watch very closely. We have to know and understand what's going on there and always ask ourselves: can we use these innovations for our customers?

—— GORDON RISKE: Monetising those technology trends that are out there is crucial for KION.

—— EIKE BÖHM: And the other area is our relationship with our customers. Understanding their business and how we can support them with our solutions is very important.

—— GORDON RISKE: Experience shows that customers are often very willing to pay even for simple, but incremental innovations. Innovations that improve their process and reduce costs.

But, ultimately, how does innovation at KION go beyond purely technological aspects?

—— GORDON RISKE: Innovation touches every part of our company. Every department, every function.

—— EIKE BÖHM: We pursue a very holistic approach to innovation at KION. We look to products, we look to processes, we look to organisational issues. Most importantly, we have a real innovative spirit throughout the entire organisation. Because at the end of the day the strength of an organisation's innovation depends on a healthy corporate culture that promotes and facilitates innovation.

kiongroup.com/
interview

How — do we take full **advantage** — of our global — structure?

Thinking globally — for greater added value

To achieve the full impact of our KION Strategy 2020, we have to think globally. We are a serious global player, represented in over 100 countries. Our 23,500-plus employees play their part each and every day to ensure that supermarket shelves are always fully stocked, that online bargains are delivered on schedule, and that components reach the assembly line just in time. Some 1,400 sales and service outlets with almost 14,000 service engineers around the world guarantee that the KION Group and its seven brands are always on track in their mission to create value for their customers.

And it is no different for our production operations, which consist of 13 facilities for the production of industrial trucks in 9 countries. From Hamburg in Germany, or Holland in the US state of Michigan all the way to Indaiatuba near São Paulo in Brazil, or Pune in India. From Summerville in South Carolina, USA, to Xiamen or Jingjiang in eastern China. From Châtellerault in France to Stříbro in the Czech Republic via Aschaffenburg in Germany. Our global structure gives us huge potential to work even more efficiently and strategically to meet our clients' requirements – no matter where in the world they will be using our equipment. Because the KION Group intelligently combines its expertise and its skills. No matter where.

BROOKFIELD, WI
USA

The demand: from the USA

After 25 years in the industry, Jerry Weidmann really knows his stuff. And he knows that with a wider range of Linde products – such as a vertical order picker – he can increase his sales.

kiongroup.com/opportunities

For instance, the vertical order picker that the KION Group is developing around the world for the North American market, where there is growing demand for a warehouse truck that can load high-bay storage racks. Seven thousand kilometres to the east, at KION Warehouse Systems in Reutlingen, south-west Germany, a wealth of product knowledge is being channelled into this project.

And another 9,000 kilometres further east, in the Chinese city of Xiamen where around a third of our 1,000-plus developers are based, engineers are taking it from series development through to production readiness – all to increase our market share in North America. And the vertical order picker will be made available in China too. This is just one example of how the KION Group uses platforms, and more importantly an example of how we can exploit the full potential of our Strategy 2020. Globally.

REUTLINGEN
GERMANY

The know-how: from Reutlingen

Jürgen Greiner: “KWS is the only site in the KION Group that has the necessary knowledge and expertise to develop and manufacture very narrow aisle trucks.”

XIAMEN
CHINA

Concept, design and implementation: from China

Udo Supp’s team in Xiamen acts as the bridge between the global sites.

How is the fourth **industrial revolution** changing our sector?

Integrating machines and processes
for intelligent systems

The physical and digital worlds are merging, things are starting to communicate with other things, the personalised product on the conveyor belt is no longer the stuff of fantasy. The magic words here are flexibility and efficiency. People are talking about the fourth industrial revolution. But there could be no Industry 4.0, no Industrial Internet of Things, without Intralogistics 4.0. This all revolves around automation, systems integration and fishing for information from an ocean of data, resulting in a seamless, flexible and efficient value creation process in the movement of goods. One of the major drivers behind this is the booming online retail sector, with its returns service and the trend towards same-day delivery of orders.

The KION Group is, of course, geared up for these changes. Intelligent and fully electronic control systems have long been a reality for us. We are networking machinery, products and processes, laying the foundations for Intralogistics 4.0, for intelligent supply chains in factories and warehouses. Fleet data management systems such as Linde's 'connect:' or STILL's FleetManager enable customers to make use of vast quantities of data about their trucks, including operating hours and energy consumption. The goal is higher efficiency and lower costs.

We already offered award-winning automation solutions such as the iGoEasy from STILL, but since Egemin Automation became KION's seventh brand, our portfolio now includes all-encompassing intralogistics systems. And in the huge market of North America, Egemin expanded its own automation offerings at the start of 2016 by acquiring the systems integrator Retrotech – major milestones on our journey to the very top of a highly attractive market for automated logistics and materials flow systems.

China's online boom

Business is booming at online retailers in China such as JD.com. This is presenting new logistical challenges. And so automation is the word on everybody's lips.

kiongroup.com/ industrial_ revolution

Fishing from an ocean of data

Fleet management solutions like the ones being used at Villeroy & Boch have only one objective: getting the best out of the trucks.

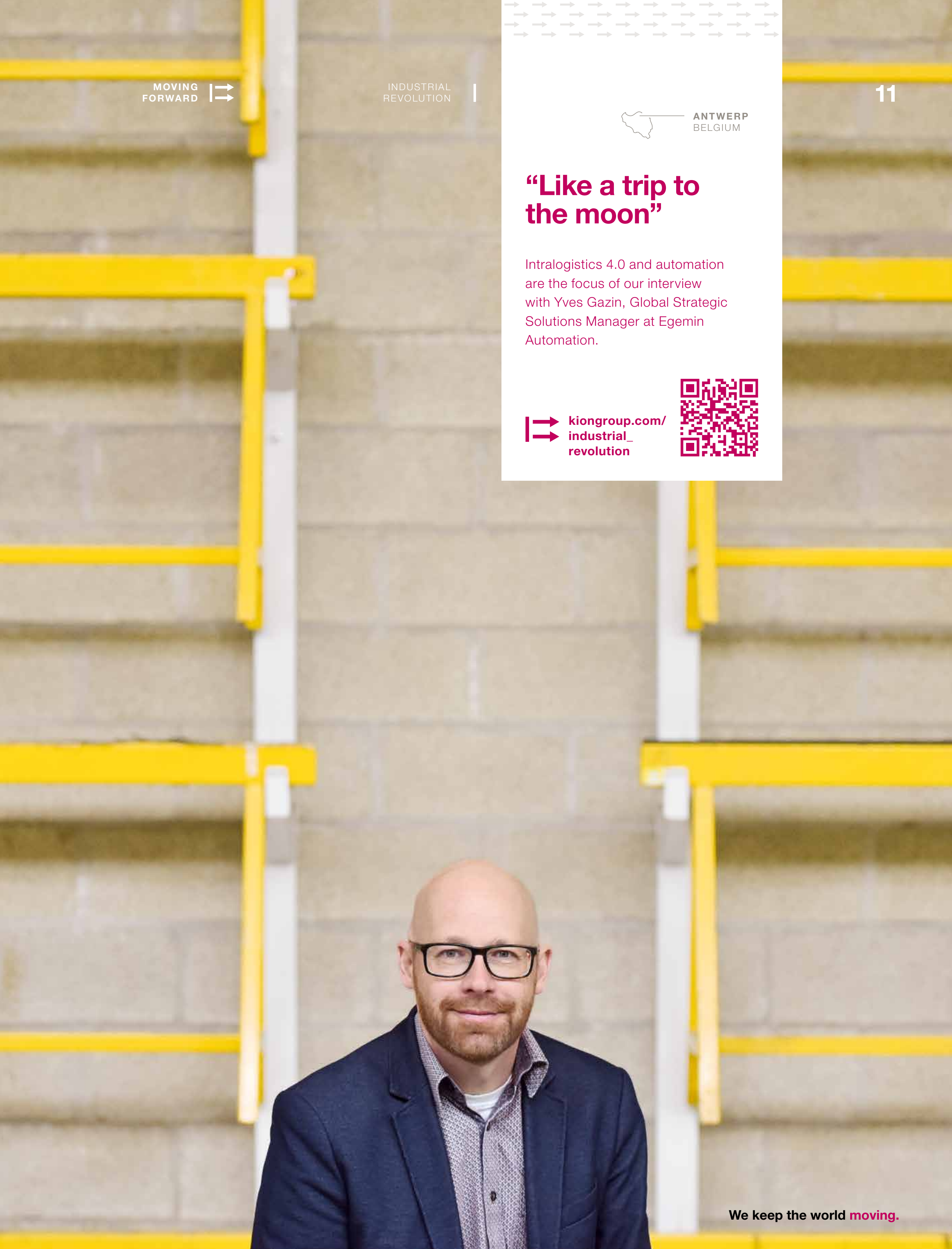
kiongroup.com/ industrial_ revolution

ANTWERP
BELGIUM

"Like a trip to the moon"

Intralogistics 4.0 and automation are the focus of our interview with Yves Gazin, Global Strategic Solutions Manager at Egemin Automation.

kiongroup.com/industrial_revolution



How do we make **products & production** even more efficient?

Questioning the status quo
for optimum solutions

It is not often that a company gets the chance to rethink everything, but that's precisely what we have done with the state-of-the-art KION plant in the Czech town of Stříbro. Existing processes were scrutinised and, where necessary, redefined and, most importantly, networked and made transparent. We use computer technology to control, monitor and document processes. The local workers are well-trained, the infrastructure is excellent. These factors, combined with the local cost benefits, ensure efficient production at the site.

We are also investing in our core Linde and STILL plants in Aschaffenburg and Hamburg to optimise processes and to further streamline production. By 2021 a total of €83 million will have been put into the two facilities over the course of seven years. The goal is to further improve the competitiveness and cost efficiency of the core plants and to create the capacity for medium-term growth.

Besides making our production more efficient, we are always focused on using innovation to make our products more efficient and increasing the benefit for our customers. Fuel cell technology is a case in point. A truck takes just three minutes to fully refuel with hydrogen and then it's ready to be used – for quiet, clean and efficient operation. KION's premium brands, Linde and STILL, are also using highly promising lithium-ion battery technology. What makes this technology so valuable to customers is that it gives them constant performance, high productivity and low energy consumption. Ultimately, it gives them efficiency.

STŘÍBRO
CZECH REPUBLIC

As smart as they come

In 2016, in the Czech Republic, the KION Group opened its most modern factory to date. Linde COO Sabine Neuß talks about challenges and perspectives.

kiongroup.com/production

Future technology I

The market may still be hesitant. But electric forklift trucks powered by lithium-ion batteries offer a whole host of benefits. Just ask Danone.

kiongroup.com/production

Future technology II

The Mercedes-Benz plant in Düsseldorf is trialling fuel-cell trucks. Our visit was charged with excitement.

kiongroup.com/production

Synergy in action

Weichai Power is not just the KION Group's anchor shareholder. Its engines also power Baoli trucks.

kiongroup.com/production

How do we build on our success and that of **our customers?**

Understanding innovation — for a 360° view of markets and customers

For the KION Group, innovation is much more than just the technology in our products and in our production. You only have to look at sales and marketing. Potential customers of any of our brands no longer have to go to the dealer for an overview of the equipment available. Whether it's a new, pre-owned or rental truck – customers can now find what they're looking for using an app or the online product advisor. Or the truck itself comes to the customer – as with KION North America's Ranger project.

And the KION Group does not consider innovation to be the preserve of highly developed countries like those in western Europe. Our mission to fully understand our customers' problems and help them find the most effective and efficient solution is a mission shared by KION brands the world over – whether it's in the tropical heat of Malaysia, in the sugarcane fields of Brazil, or in the vast warehouses of India.

Innovation would not be possible without the highly motivated, highly trained employees who work for the KION Group – right across the planet. Young female apprentices in the male-dominated field of mechatronics, for example at STILL in Hamburg, are as fundamental to this progression as the development programmes for future talents in India, who aspire to escape the poverty of their villages through enthusiasm, skill and commitment at work. All this is focused on just one goal: helping to add value for KION Group customers.

Innovation...

... does not just take place in the high-tech R&D departments of the west. In Malaysia, dealer Dato Sri Lau Koo San can offer his customers exactly what they need to make their businesses a success.

kiongroup.com/
customers

Reaching new heights in India

In India, too, warehouses are getting taller and taller. KION India's innovative, low-cost solutions help to meet customers' ever-changing needs.

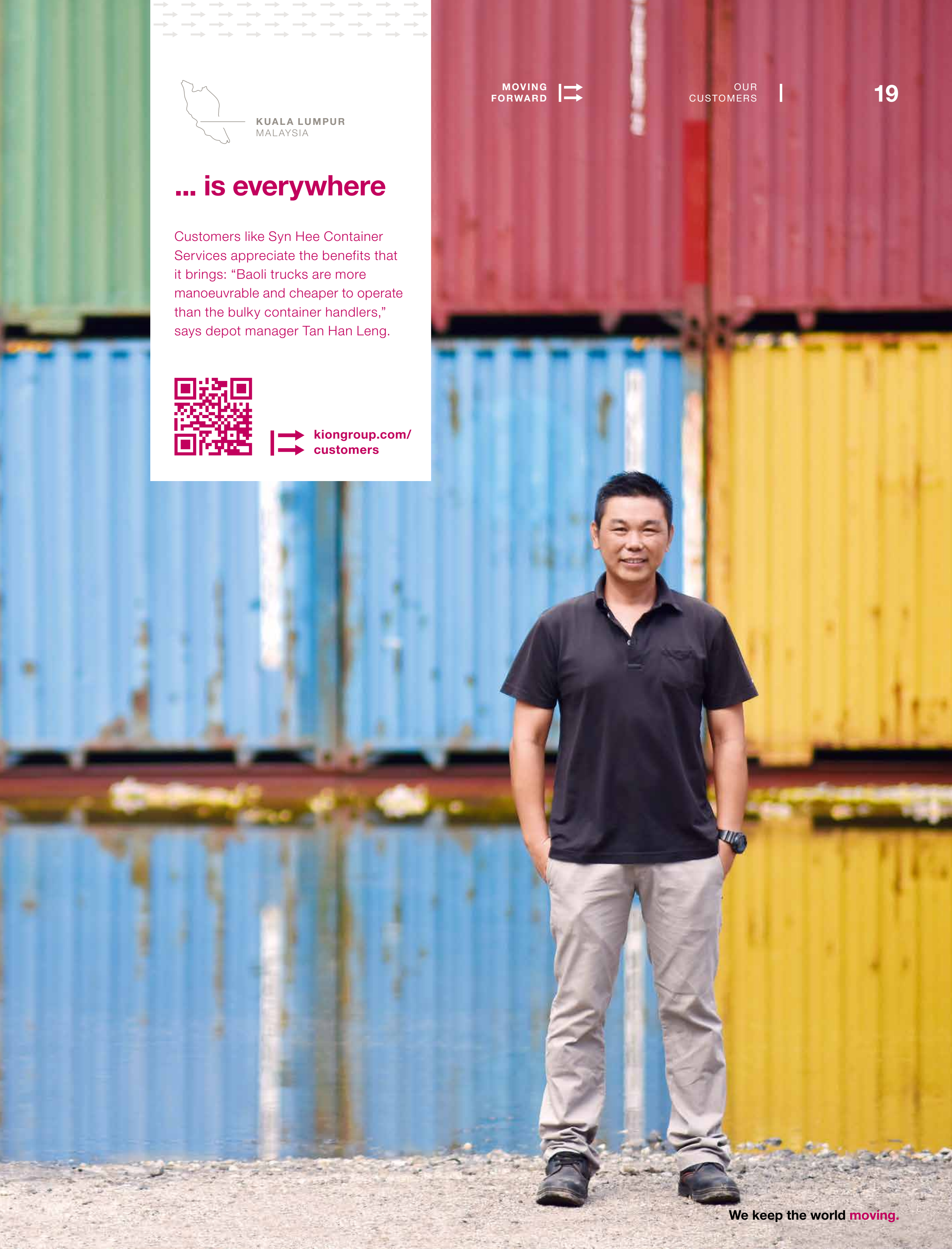
kiongroup.com/
customers

KUALA LUMPUR
MALAYSIA

... is everywhere

Customers like Syn Hee Container Services appreciate the benefits that it brings: “Baoli trucks are more manoeuvrable and cheaper to operate than the bulky container handlers,” says depot manager Tan Han Leng.

kiongroup.com/customers



Customer closeness

Innovation at the KION Group means being able to go in new directions in all parts of the business – including in sales. KION North America's 'rangers' help it to keep its finger on the pulse of the market.

kiongroup.com/customers

Upwardly mobile

Nurturing talent and rewarding performance are at the heart of the KION Group's success. No matter where. Shivaji Bajad is forging an impressive career, made possible by opportunities offered by Voltas.

kiongroup.com/customers

Challenging stereotypes

A traditionally male domain? Not a bit of it. For Maren Schwabe and Judith Henseler, training to become a mechatronics engineer is the most normal thing in the world. And an exciting one, too.

kiongroup.com/customers

We
keep
the
world
moving.

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A

To our Shareholders

»We are connecting machinery, products and processes, thereby laying the foundations for **Industry 4.0.**«

Gordon Riske
Chief Executive Officer

LETTER TO SHAREHOLDERS

Dear shareholders, customers, partners, employees and friends of the KION Group,

We are witnessing a revolution. Not one that sweeps aside governments but one that will fundamentally affect how all of us live and work. The distinction between goods and services in a digital world is becoming blurred. In factories, products and machines are starting to talk to each other. Racks determine for themselves when they need to be replenished, shipping containers place the order for their loading, forklift trucks organise themselves autonomously. I am, of course, referring to the fourth industrial revolution – known as the Industrial Internet of Things or, in Germany, Industrie 4.0.
A sea change that would be inconceivable without Intralogistics 4.0.

The ones who are benefiting are our customers as they can use their warehouses, production lines and distribution structures much more efficiently than in the past. However, it is not employees who are posting their status on social media, sharing their location or describing what they are currently doing. It is our trucks. These are genuine innovations that offer added value for our customers.

Intralogistics 4.0 is already a reality in the KION Group. Our trucks are controlled intelligently and completely electronically, with a broad range of assistance systems that mean better safety and efficiency for drivers. Sophisticated fleet data management solutions, such as 'connect:' from Linde and FleetManager from STILL, capture and analyse huge quantities of information, e.g. operating hours, distances covered, speeds and energy consumption, that can be used for preventive maintenance and other purposes. The overarching objective is always to optimise the deployment of trucks and reduce costs for customers. KION brand companies already offer award-winning automation solutions, such as STILL's iGoEasy. And since the acquisition of Egemin Automation, our portfolio has also included comprehensive intralogistics systems that combine warehouse management software with automated trucks. We are connecting machinery, products and processes, thereby laying the foundations for Industry 4.0, for intelligent supply chains in factories and warehouses.

Together, Egemin Automation – our seventh brand company – and the KION Group have vast potential for innovation that will enable us to provide the best possible solutions with which to satisfy future customer requirements around Intralogistics 4.0. The knowledge built up by our truck brands over the decades, combined with the almost as extensive experience of the automation experts at Egemin, opens up completely new opportunities – and is a major unique selling proposition for the KION Group. Welcoming Egemin as the new member of the KION family is a further milestone in the implementation of our Strategy 2020 and will help to secure our profitable growth in the years to come. To see Egemin's vision for the future of logistics, please visit kiongroup.com/industrial_revolution.

Focus on quality, customers and innovation

We have made good progress in turning our Strategy 2020 into reality. We are revamping our plants in Europe, Asia and the Americas so that they are even better able to meet future market requirements. Between now and 2021, we will optimise the efficiency of our core plants in Aschaffenburg and Hamburg as part of a seven-year project involving total capital expenditure of €83 million. Our new plant in Stříbro, Czech Republic, took around a year to build and is what is known today as a 'smart factory'. Manufacturing got under way at the plant in January 2016. Constructing it on a greenfield site provided a good opportunity to design the processes and structures from a completely new perspective. KION Stříbro is a factory where digitised manufacturing of the future can take place. Ultra-modern IT systems, such as Extended Warehouse Management and Manufacturing Execution System, provide support for the production processes at the new site, enabling us to monitor and control assembly digitally. The first elements, such as real-time process tracking and networking of all processes, are already up and running, and there are more steps to come. About 150 people are working in Stříbro for now. We have capacity to build around 12,000 trucks per year there. The innovation section of this annual report gives you an insight into our newest, most modern KION plant.

Just as important to our profitable growth is our global modular and platform strategy in which the brand companies use shared modules to build their own products for our core market of western Europe. These modules include cutting-edge drive technologies, such as lithium-ion batteries. In all other parts of the world, we deploy shared global platforms for the volume and economy segments. Last year, China was selected as the first market where we presented eleven new products based on these platforms. The necessary expertise is supplied by our developers in the southern Chinese city of Xiamen, where we have been represented by our Linde brand for more than 20 years. Our Chinese brand Baoli also unveiled the D Series, its first economy platform for global use. The KION Group's global product development is exemplified by our vertical order picker for the North American market, which features in the second article in the innovation section of this annual report.

All of these are far-reaching changes, and our own organisation too must adapt so that we can meet the needs of customers and markets even more effectively. The regions outside Europe now have more responsibility, enabling us to respond more flexibly to our customers' wishes. At the same time, the brand companies are collaborating even more closely. This is demonstrated by KION India: in India, we sell Baoli forklifts and build trucks for our main Indian brand, Voltas, partly using tried-and-tested technology from our Italian regional brand, OM STILL.

Specifically, the realignment of the organisational structure means that the Group is now managed as four operating units. Competition has become a lot tougher, especially in Europe. That is why the Linde Material Handling EMEA and STILL EMEA operating units are focusing their strengths on Europe, the Middle East and Africa. The KION APAC and KION Americas operating units hold cross-brand responsibility for the Asia-Pacific region and the Americas respectively. These four operating units oversee marketing, sales, services and the factories in their regions. They also hold P&L responsibility. The units are supported by overarching group functions and the KION technical functions, which are now managed centrally.

Synergies in product development

Since summer 2015, Chief Technology Officer Dr Eike Böhm has held groupwide responsibility for all research and development activities for counterbalance trucks, warehouse technology and products destined for the global markets. He is also in charge of module and component development, innovation, product strategy, groupwide procurement, quality management and the production system. Bringing our Group's technical functions together under one roof will play a valuable part in helping to fully harness the potential of cross-brand synergies in product development while we of course continue to pursue our successful multi-brand strategy. The areas of technology in which we want to take the innovative strength of the KION brands to a whole new level are described in the joint interview at the start of the innovation section of this annual report.

Order intake, revenue and EBIT at record levels

You can see that we undertook a great deal in 2015 – and, at the same time, continued to grow profitably and strengthen our market position. We benefited from our strong position as market leader in western Europe, where the market fared well. In China, we were able to outperform the weak market because we are well placed with regard to warehouse technology and have a high proportion of service business.

Our global order intake rose both in terms of units (165,823 trucks, up by 7.0 per cent) and in terms of value (€5,215.6 million, up by 9.3 per cent). We increased our revenue by 9.0 per cent to €5,097.9 million while the order book was up by 13.1 per cent to €864.0 as at 31 December 2015. And our profitability reached the same very high level as 2014. Adjusted EBIT of €482.9 million gave us an adjusted EBIT margin for 2015 of 9.5 per cent – one of the best ratios in our sector.

We owe this success to our around 23,500 extremely motivated, highly skilled and fully committed employees. I would like to take this opportunity, on behalf of the entire Executive Board, to offer them my sincere thanks for their fantastic efforts.

What challenges, opportunities and potential do our employees see in our Company? This was the question that we put to around 1,800 managers in mid-2015. The survey gave us a clearer picture of how we want to take our business and our corporate culture forward together.

KION Group turns ten

The KION Group will mark its tenth anniversary this year. We have come a long way in a decade, growing from a European supplier into a global player in the material handling industry – despite a severe economic crisis. Around 1.2 million trucks are in operation in our customers' companies around the world. These provide the basis for our profitable service business, from which we again generated approximately 45 per cent of our revenue last year.

We are looking to the future – to many new opportunities for adding value for our customers. That is why the theme of this annual report is 'Moving Forward – Innovation'. Always being able to take the next step means being on a firm footing, knowing which direction to take, always focusing on your destination.

After all, we do not want to simply witness the fourth industrial revolution. Through our forklift trucks, warehouse technologies and services, we touch the lives of millions and millions of people around the world every day. That is why we are seizing the opportunities to help shape this revolution and ensure it creates benefits for our customers.

With best wishes,

Gordon Riske
Chief Executive Officer
KION GROUP AG

Executive Board

GORDON RISKE

- Chief Executive Officer (CEO) of KION GROUP AG
- Born in 1957 in Detroit (USA)

DR EIKE BÖHM

- Chief Technology Officer (CTO) of KION GROUP AG
- Born in 1962 in Pforzheim (Germany)

CHING PONG QUEK

- Chief Asia Pacific Officer of KION GROUP AG
- Born in 1967 in Batu Pahat/Johor (Malaysia)

DR THOMAS TOEPFER

- Chief Financial Officer (CFO) and Labour Relations Director of KION GROUP AG
- Born in 1972 in Hamburg (Germany)

»We again grew profitably in 2015 and reached **record levels** of order intake, revenue and EBIT.«

Dr Thomas Toepfer
Chief Financial Officer

»We are shaping **Intralogistics 4.0** and have a real innovative spirit throughout the entire organisation.«

Dr Eike Böhm
Chief Technology Officer

»Our **cross-regional platforms** for the volume and economy segments are enabling us to leverage valuable synergies worldwide.«

Ching Pong Quek
Chief Asia Pacific Officer

»We are revamping our business in EMEA, Asia-Pacific and the Americas so that we are even better able to meet **future market** requirements.«

Gordon Riske
Chief Executive Officer

Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

KION GROUP AG can once again look back on a very successful year. It made some important strategic decisions in 2015. By purchasing the logistics automation business of Belgium's Egemin Group, the KION Group strengthened its expertise going forward in the design and management of complex automation projects. In addition, it created a new Executive Board role with central responsibility for research and development, procurement and quality management. It also announced that it would be comprehensively reorganising its Group structure from the beginning of 2016. The aim is to step up collaboration across all brands and regions and to make this collaboration even more efficient. In terms of business performance, the KION Group generated encouraging revenue and earnings growth and achieved all of its forecasts.

Last year, the Supervisory Board continued to fulfil the tasks and responsibilities imposed on it by the law, the Company's articles of incorporation and the German Corporate Governance Code with dedication and diligence. There were again many important decisions, transactions requiring approval and other matters to be discussed and resolved upon.

Monitoring and advisory role in dialogue with the Executive Board

The Supervisory Board advised the Executive Board on all significant matters relating to managing the Company and monitored the Executive Board's running of the Company. The Supervisory Board was fully involved in all major decisions affecting the Company from an early stage. The Executive Board always notified the Supervisory Board of every significant aspect of the decisions to be made promptly and in detail, providing both written and oral reports. Between meetings of the Supervisory Board and between those of its committees, the chairman of the Supervisory Board, who is also chairman of the Executive Committee, remained in close contact at all times with the Executive Board, particularly the Chief Executive Officer and the Chief Financial Officer. There was also regular contact between the chairman of the Audit

DR JOHN FELDMANN
Chairman

Committee and the Company's Chief Financial Officer. This ensured that the Supervisory Board was always kept up to date on the Company's performance and any significant transactions, even between meetings. The Supervisory Board satisfied itself at all times that the Company was being managed lawfully and diligently by the Executive Board. Giving the specified period of notice, the Executive Board presented to the Supervisory Board transactions that, according to the law, the Company's articles of incorporation or the rules of procedure for the Executive Board of KION GROUP AG, require the Supervisory Board's consent so that it could adopt resolutions. The Supervisory Board examined closely the resolutions proposed by the Executive Board and deliberated on them before adopting them.

Main focus areas discussed by the Supervisory Board

The deliberations of the Supervisory Board focused on the continued implementation of the Strategy 2020, which the Executive Board and Supervisory Board adopted in 2013. Particular attention was paid to generating growth and increasing efficiency in the reporting year.

The trends embodied by the Industrial Internet of Things, or Industry 4.0 – the opportunities and challenges for our customers' logistics systems and our own internal processes presented by digitisation, automation and connectivity – also featured heavily in the Supervisory Board's discussions last year. One prominent example was the acquisition of Egemin NV, a leader in the automation of logistics processes. The Supervisory Board advised and supported the Executive Board on this project, as it did on all other projects aimed at growth by acquisition, and where necessary adopted resolutions to give its consent, having weighed up the opportunities and risks. Issues relating to the Internet of Things were also on the agenda at the Supervisory Board's strategy meeting on 24 September 2015, where the main topics were integrated and automated logistics solutions and the importance of and prospects for 3D printing in manufacturing.

Other matters examined by the Supervisory Board were increasing profitability – in particular by improving the effectiveness and efficiency of the Company's core operating processes – and transitioning the organisational structure of the Company to a governance model that caters to changes in the requirements of customers and markets. Throughout the year, the Executive Board pushed for measures to boost efficiency, particularly at the large German sites, in its negotiations with workforce representatives. The Supervisory Board discussed the measures at every meeting in 2015. The Company is updating its organisational structure to reflect the changes resulting from the growing importance of markets outside Europe, the evolution of customer requirements and technological progress. The Executive Board discussed its ideas in this area with the Supervisory Board at the start of the year and fleshed out its plans as the year progressed. At its meeting on 24 September 2015, the Supervisory Board consented to the realignment of the organisational structure following in-depth discussions.

The core elements of this new structure are four decentralised, regional operating units, each with responsibility for their own profit and loss. These operating units are supported by a central R&D function and administrative departments. The CTO organisation, which is headed up by the Chief Technology Officer Dr Eike Böhm, assumed groupwide responsibility for product strategy, R&D, innovation, production system, quality assurance and procurement on 1 January 2016. Other administrative functions will be adapted to meet the requirements of the Group's new organisational structure during 2016, which will involve centralising and harmonising them. A Group Executive Committee (GEC) is being formed to advise the Executive Board in its decision-making and to coordinate matters at the uppermost level of management. The GEC will consist of the Presidents of the four regional operating units plus the four members of the Executive Board. Its purpose is to ensure the Executive Board's decisions are made on the basis of the widest possible range of technical and regional expertise and experience. There will be no changes to the Executive Board's decision-making powers, however. The Group Executive Committee does not release the individual Executive Board members or the Executive Board as a whole from their statutory duties or their responsibility for the day-to-day management of the Company. The Supervisory Board has safeguarded this allocation of roles by introducing a charter for the GEC.

Against this background, it was necessary to redistribute responsibility for the different aspects of the business among the Executive Board members and to update the list of transactions requiring consent by removing individual transactions from the list and raising the threshold values for transactions requiring approval.

The Supervisory Board emphatically welcomed the Executive Board's prompt and proactive decision to introduce a change management process to support the changes brought about by these measures. An important element of this change management was a survey conducted among around 1,800 of the Company's managers at the start of the summer. An Organizational Health Index (OHI) was used to gauge the current state, or 'health' of the organisation so that challenges and necessary action areas could be identified. The Supervisory Board encouraged the Executive Board to tackle the change issues raised by managers, and they will be targeted as part of the improvements to be made to the Company's management culture. The Supervisory Board firmly believes that the major changes that have been initiated and will now be implemented over the coming months will benefit in the long term if the issues identified by the OHI are successfully addressed and the management culture at KION is improved accordingly.

Corporate governance matters

Besides the usual governance matters, the Supervisory Board dealt with a number of individual issues in the year under review. These included implementing the new statutory requirements on gender diversity in managerial roles, introducing a sustainable fast close process for preparing the consolidated financial statements, examining the efficiency of the Supervisory Board's work and reviewing the remuneration of the Executive Board and Supervisory Board.

The Supervisory Board carefully studied the requirements of Germany's 'Act for the equal participation of women and men in managerial positions in the private and public sectors'. Despite its reservations about fixed quotas in this area, the Supervisory Board has an open and positive stance as far as the Act's socio-political objectives are concerned. The targets for the composition of the Executive Board and other management positions have been set within the realms of what is feasible and with a view to ensuring that the Company can attract the most suitable people with the right talents.

The Company intends to present its annual and quarterly financial statements more quickly than in previous years. To fulfil its core task of monitoring the Company's financial reporting systems, the Supervisory Board commissioned the Audit Committee, which in turn commissioned its chairman, to learn about the fast close process and its inherent risks. The independent auditors also got involved. The Supervisory Board was able to satisfy itself that the new structures and processes will enable the Company to continue preparing correct and reliable financial statements going forward.

The examination of efficiency confirmed that the Company's Supervisory Board has a robust structure and follows efficient processes. An external consultancy also scored the Supervisory Board and its committees highly in comparison with their industry peers. Suggestions for enhancing individual aspects of the Supervisory Board's work were identified with regard to committee size, the timing of when information is provided and the discussion of strategic matters by the full Supervisory Board. The consultants presented their report at the Supervisory Board's meeting in December. The Supervisory Board has already acted on a number of the suggestions and introduced or initiated changes. Where necessary, the Executive Board willingly provided its input.

Another area of focus was the remuneration of the Company's Executive Board and Supervisory Board. The structure of their remuneration had been revised ahead of the IPO in 2013. In late 2015, a consultancy reviewed it again, comparing it against the benchmark. Despite changes to economic conditions and the evolution of best practice, particularly regarding supervisory board remuneration, the Supervisory Board did not consider it appropriate to make changes to the structure and level of remuneration at the current time. However, adjustments will be required in the near future, including to the structure of the Executive Board's long-term variable remuneration and the acquisition of treasury shares by Executive Board members.

The topics on which the Executive Board and individual managers in the Company regularly submitted reports were the internal control system, risk management, internal audit and compliance in the Group. The focus was on the processes in place as well as on the content of the individual reports. As a result of these reports, the

Supervisory Board was able to gain an impression of the processes in place and to examine and comment on the proposed developments in these areas. It concluded that the systems and mechanisms at KION GROUP AG are adequate and suitable.

The Supervisory Board keeps a close eye on changes to the German Corporate Governance Code and to governance standards at international level. At its meeting on 17 December 2015, the Supervisory Board held its final discussion on the KION Group's compliance with the recommendations of the current version of the Code and issued an updated comply-or-explain statement pursuant to section 161 German Stock Corporation Act (AktG). It has been made permanently available to the public on the KION GROUP AG website. KION GROUP AG complies with all but one of the recommendations in the German Corporate Governance Code (version dated 5 May 2015) and intends to continue to do so in future. As in the previous year, the only recommendation of the Code with which KION GROUP AG does not comply is the recommendation in section 3.8 (3) of the Code for an excess in the D&O insurance policies for members of the Supervisory Board. KION GROUP AG's articles of incorporation do not provide for this type of excess. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates, in particular candidates from outside Germany.

In accordance with section 3.10 of the German Corporate Governance Code, the Executive Board and the Supervisory Board provide a detailed report on corporate governance in the KION Group in the corporate governance report. This is combined with the declaration on corporate governance pursuant to section 289a German Commercial Code (HGB) and can be found on pages 24 to 37 of this annual report and on the KION GROUP AG website at kiongroup.com/GovernanceReport. For details of the remuneration of the Executive Board and Supervisory Board for 2015, please refer to the remuneration report, which can be found on pages 38 to 51 of this annual report.

Work of the committees

Since the last report, there have not been any material changes to the established committees.

KION GROUP AG's Supervisory Board had four committees last year: the Mediation Committee pursuant to section 27 (3) German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee and the Nomination Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. In individual cases, the Supervisory Board's decision-making powers were delegated to committees within the scope permitted by law. The chairman of the Supervisory Board is also chairman of all committees except the Audit Committee. At the meetings of the full Supervisory Board, the committee chairmen report in detail on the discussions of the committees to ensure that the Supervisory Board as a whole is always fully informed.

In 2015, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 21 meetings (8 full Supervisory Board meetings and 13 committee meetings). There were also several informal conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information.

All members of the Supervisory Board attended the Supervisory Board meetings in 2015 apart from the exceptions below. At one meeting, five members sent their apologies, at three meetings, at each of which one member sent his apology and at two meetings, at each of which two members sent their apologies. With the exception of five committee meetings at each of which one member sent his apology, all committee meetings were attended by all members of the respective committee. Supervisory Board member Tan Xuguang participated in fewer than half of all Supervisory Board meetings.

Engagement of the auditors; audit of the separate and consolidated financial statements

The Company's independent auditors, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, Frankfurt am Main branch office (Deloitte & Touche), audited the Company's separate financial statements and management report and the consolidated financial statements and group management report for the year ended 31 December 2015 following their engagement by the Annual General Meeting on 12 May 2015. The corresponding proposal to the Annual General Meeting had been prepared in meetings held between the chairman of the Audit Committee and the auditors. They concerned the suitability and independence of the auditors and the fees. The proposal was discussed at the Audit Committee's meeting on 10 March 2015 and committee members were given the opportunity to speak to the auditors in person. The key audit issues were discussed and set out accordingly at the Audit Committee's meeting on 10 March 2015. The auditors were appointed by the chairman of the Supervisory Board on 24 November 2015.

The auditors submitted their report and the documents relating to the financial statements to the members of the Audit Committee on 2 March 2016 and to the members of the Supervisory Board on 9 March 2016. The report was discussed in depth at the Audit Committee meeting on 9 March 2016 and at the full Supervisory Board meeting on 16 March 2016, both of which were attended by the auditors. At both of those meetings, the auditors reported in detail on the main findings of the audit and provided comprehensive answers to all questions asked by members of the Audit Committee and Supervisory Board. The auditors issued an unqualified opinion for the separate financial statements, including the management report, for the year ended 31 December 2015 and the consolidated financial statements, including the group management report, for the year ended 31 December 2015 on 9 March 2016.

Having itself scrutinised the Company's separate financial statements, consolidated financial statements, management report and group management report for the year ended 31 December 2015, the Audit Committee then made a recommendation to the full Supervisory Board, which the chairman of the Audit Committee explained in more detail in his report to the meeting of the full Supervisory Board. On this basis and taking the auditors' opinion into consideration, the Supervisory Board held a further discussion of its own and then approved the results of the independent audit at its meeting on 16 March 2016. Based on the final outcome of the Supervisory Board's own review, no objections were raised. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended 31 December 2015 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on 16 March 2016, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €0.77 per no-par-value share. In doing so, the Supervisory Board took account of the Company's financial situation and performance, its medium-term financial and capital-expenditure planning and the interests of the shareholders. The Supervisory Board believes the proposed dividend is appropriate.

Review of the dependency report

Until 31 March 2015, the Company was controlled jointly by Superlift S.à r.l. and Weichai Power. This joint control ended on 31 March 2015 when the remaining KION GROUP AG shares held by Superlift S.à r.l. were sold. The Executive Board was therefore obliged to prepare a report on the Company's relationships with affiliated entities (dependency report) for that period. The report was examined by the Supervisory Board. The Company's auditors, Deloitte & Touche, reviewed the dependency report, prepared an auditors' report on it and issued the following unqualified opinion based on their completed audit on 9 March 2016:

Auditor's opinion

Based on our audit and evaluation conducted in accordance with our professional duties, we hereby confirm that the factual information presented in the report is accurate.

The dependency report and the auditors' report about it were submitted to all the members of the Supervisory Board in good time and were discussed in detail in the presence of the auditors at the Supervisory Board meeting on 16 March 2016. The auditors reported on the main findings of their audit. The Supervisory Board agreed with the findings of the audit. Based on the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's declaration at the end of the report concerning relationships with affiliated entities.

Personnel changes on the Executive Board and Supervisory Board

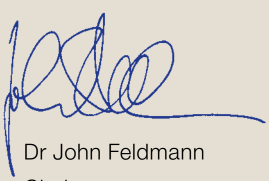
With effect from 15 January 2015, Theodor Maurer and Bert-Jan Knoef stepped down as members of the KION Group's Executive Board by mutual agreement with the Company.

At its meeting on 25 June 2015, the Supervisory Board appointed Dr Eike Böhm as Chief Technology Officer and as a further ordinary member of the Executive Board of KION GROUP AG. Dr Böhm is responsible for research and development, product strategy, production system, innovation, quality assurance and procurement.

There were several changes on the Supervisory Board in 2015. Mr Johannes P. Huth stepped down from the Supervisory Board on 31 July 2015. Mr Wolfgang Faden was appointed by the courts as a shareholder representative with effect from 1 August 2015 until the Company's next Annual General Meeting. In the further course of discussions regarding succession planning, the Supervisory Board resolved in December 2015, following the recommendation of the Nomination Committee, to propose to the Annual General Meeting on 12 May 2016 that Dr Christina Reuter be elected to the Supervisory Board as a shareholder representative to succeed Mr Faden. In addition, Mr Hans-Peter Weiß resigned from his position as an employee representative on the Company's Supervisory Board with effect from the end of 15 November 2015. The courts appointed Mr Jörg Milla as his successor with effect from 16 November 2015. The Supervisory Board would like to thank Mr Huth and Mr Weiß for the great dedication with which they always carried out their work in the interests of the Company.

The details of this report were discussed thoroughly at the Supervisory Board meeting on 16 March 2016 when it was adopted.

My colleagues on the Supervisory Board and I would like to thank the members of the Executive Board and the employees of KION GROUP AG and its Group companies in Germany and abroad for their commitment and outstanding achievements in 2015.



Dr John Feldmann
Chairman

KION shares

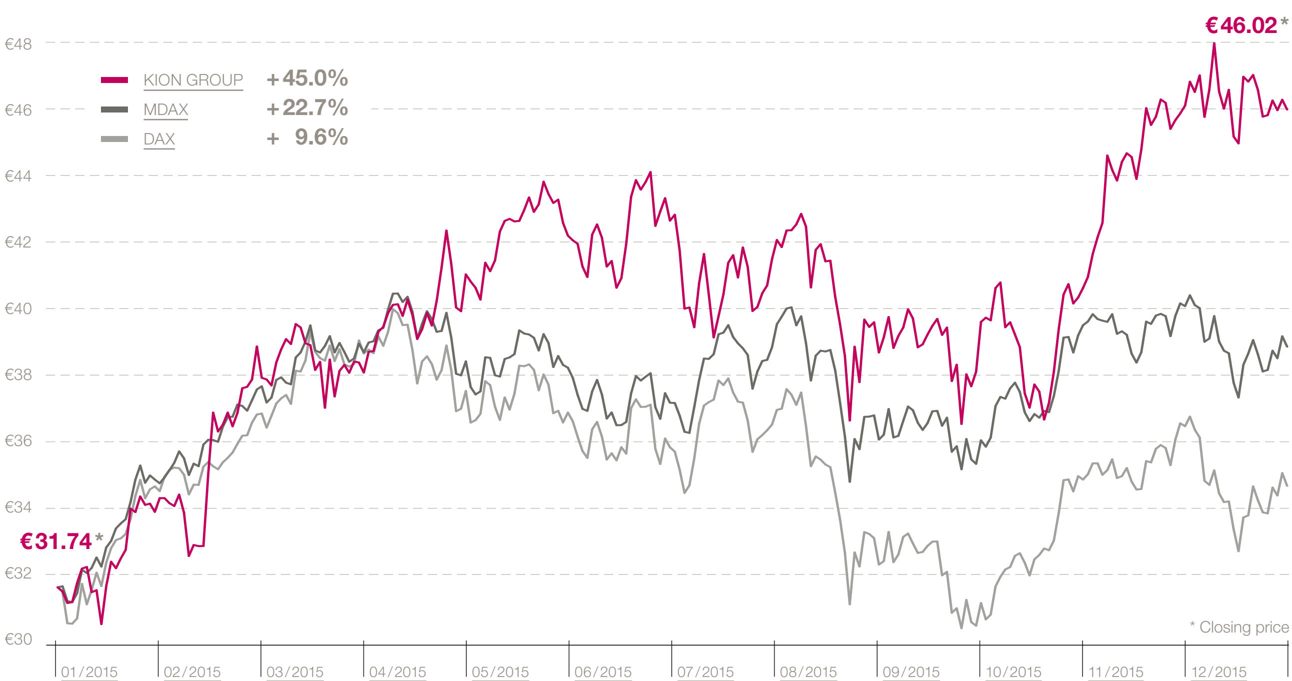
Highly volatile stock market environment

The world's stock markets were very nervous in 2015 and were characterised by strong volatility. Equities were a popular asset class as market interest rates remained very low, and this led to share price rises, especially in the first half of the year. However, the pricing level reached made the markets highly susceptible to external shocks. Slower growth in Asia and Latin America, turbulent capital markets in China, uncertainty about future monetary policy in the United States, geopolitical tension and, not least, the Volkswagen scandal resulted in a sharp price correction in the third quarter. The DAX, Germany's main index, ceded virtually all of the gains that it had made in the first six months. In the fourth quarter, however, most indices rose considerably on the back of persistently good growth figures from industrialised nations. The DAX closed the year at 10,743 points, representing an increase of 9.6 per cent. The MDAX climbed by an even more impressive 22.7 per cent to reach 20,775 points, thereby significantly outperforming the blue-chip index.

Strong growth for KION shares

KION shares finished 2015 considerably higher than where they had begun. They closed at €46.02 on 30 December 2015, which was 45.0 per cent higher than their 2014 year-end closing price of €31.74. Having reached the lowest price of the year of €30.64 on 14 January, the share price moved steadily upward in the first half of the year. Reflecting the trend in the market, the shares fell in the third quarter before beginning a steep uptrend in November to reach their highest price of the year of €48.00 on 7 December. Among the positive influencing factors were the inclusion in the

Share price performance between 30 December 2014 and 30 December 2015 DIAGRAM 001



STOXX Europe 600 and the release of good growth figures and strong results. Looking at the year as a whole, the KION Group comfortably outperformed both the MDAX and the DAX. > DIAGRAM 001

The KION Group's market capitalisation was €4.6 billion at the end of the reporting year. Of this total, 61.5 per cent or €2.8 billion was in free float. The average daily Xetra trading volume in 2015 was 206 thousand shares or €8.3 million, up considerably on the prior year. This can be attributed to KION GROUP AG's inclusion in the MDAX from September 2014 and the further increase in the free float. > TABLE 001

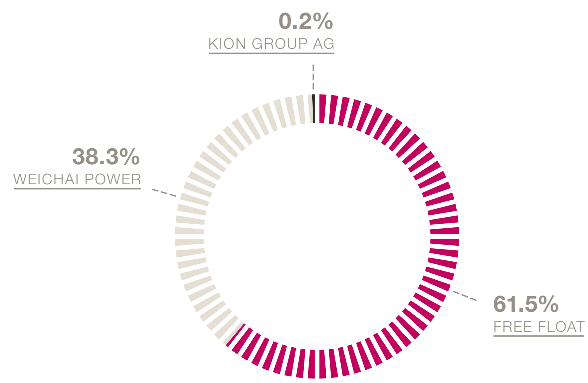
Basic information on KION shares TABLE 001

ISIN	DE000KGX8881
WKN	KGX888
Bloomberg	KGX:GR
Reuters	KGX.DE
Share type	No-par-value shares
Index	MDAX, STOXX Europe 600, MSCI Germany Small Cap

Further rise in free float and share repurchases

Superlift Holding S.à r.l. (Superlift Holding), through which The Goldman Sachs Group Inc. (Goldman Sachs) and Kohlberg Kravis Roberts & Co. L.P. (KKR) held their shares in KION, placed their remaining KION shareholding of 18.8 per cent in February and March 2015. With this the strategic investors Goldman Sachs and KKR ceased to be shareholders. As part of the final placement, a block of shares equivalent to around 5.0 per cent was sold to Weichai Power Co. Ltd. in March. Weichai Power, the biggest single shareholder of the KION Group, with its stake now at 38.3 per cent, has undertaken not to acquire more than 49.9 per cent of KION shares between now and 28 June 2018 (as part of a standstill agreement).

Shareholder structure as at 31 December 2015 DIAGRAM 002



KION GROUP AG launched another share buy-back programme on 10 September 2015 as part of its employee equity programme. In the period up to 30 September 2015, a total of 70,000 no-par-value shares (roughly 0.07 per cent of the share capital) had been purchased for this purpose. To do so, the KION GROUP AG used the authorisation granted at the Annual General Meeting on 13 June 2013.

The purchase of treasury shares left the proportion of shares held by KION GROUP AG unchanged at 0.2 per cent as at 31 December 2015. The free float accounted for 61.5 per cent at the end of the year. > DIAGRAM 002

KION shares predominantly recommended as a buy

17 brokerage houses published regular reports on KION Group in 2015. As at 31 December 2015, eleven analysts recommended KION shares as a buy and six rated them as neutral. The median target price specified for the shares was €48.50.

Share data

TABLE 002

Closing price at the end of 2014	€31.74
High for 2015	€48.00
Low for 2015	€30.64
Closing price at the end of 2015	€46.02
Market capitalisation at the end of 2015	€4,551.4 million
Performance in 2015	45.0%
Average daily trading volume in 2015 (no. of shares)	206.0 thousand
Average daily trading volume in 2015 (€)	€8.3 million
Share capital	€98,900,000
Number of shares	98,900,000
Earnings per share for 2015	€2.20
Dividend per share for 2015*	€0.77
Dividend payout rate*	35%
Total dividend payout*	€76.0 million
Equity ratio as at 31/12/2015	28.7%

* Proposed dividend for the fiscal year 2015

Dividend of €0.77 per share planned

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.77 per share to the Annual General Meeting on 12 May 2016. This equates to a dividend payout rate of around 35.0 per cent of net income. Earnings per share for 2015 came to €2.20. > TABLE 002

Refinancing and credit rating

The fixed-rate (6.75 per cent) tranche of the bond issued in February 2013, which has a volume of €450.0 million, was part of the Company's funding structure in 2015 and repaid early and to the full extent on 15 February 2016. This bond as well as the remaining pre-IPO credit facility have been refinanced with a €1.5 billion credit facility reflecting investment-grade-style features. The new financing significantly reduces interest expenses and strongly improves KION's flexibility to pursue its profitable growth. Two rating agencies publish corporate credit ratings on the KION Group and improved the ratings in April 2015. Rating agency Standard & Poor's now rates the KION Group as BB+ with a stable outlook, while the rating from Moody's is Ba2 with a positive outlook.

Services for shareholders

Active investor relations

The objective of investor relations is to ensure, through continuous dialogue, that the capital markets value the Company appropriately. The Executive Board and the KION Group's investor relations team continued their active dialogue with investors and analysts last year. Overall, the KION Group participated in 17 investor conferences in Germany and abroad, ran a multitude of roadshows and held a number of one-on-one meetings.

On 12 November 2015, the Executive Board of the KION Group welcomed around 20 equity analysts to the KION Analyst Day, which was held at Linde Material Handling's site in Basingstoke, United Kingdom. The brokerage houses, which regularly write reports on the KION Group, took this opportunity to find out at first hand about the Strategy 2020 and progress on its implementation.

Around 120 shareholders participated in the Annual General Meeting of KION GROUP AG on 12 May 2015. Those in attendance, representing 80.4 per cent of the voting share capital, approved all the draft resolutions put forward by the Company's management with a substantial majority, including the resolution to distribute a dividend of €0.55 per share. The total dividend payout of €54.3 million was equivalent to a dividend payout rate of roughly 31 per cent of net income. The speeches of the Chief Executive Officer and the chairman of the Supervisory Board were broadcast live at kiongroup.com/agm. A webcast of the Chief Executive Officer's speech is also available on the Company's website.

Each of the KION Group's financial reports was explained in detail. At publication of the 2014 annual report, the Executive Board of KION GROUP AG held a conference call where it presented the steps already taken to implement the Strategy 2020 as well as the planned future milestones. In addition, the Executive Board held update calls to report on each set of quarterly results. The transcripts of the conference call on the 2014 financial year and the quarterly update calls along with the presentations form part of the extensive information for investors which is available on the Company's website.

Detailed information on KION shares, press releases, reports and presentations as well as information about the Annual General Meeting and corporate governance in the Group can be found at kiongroup.com/ir. The KION Group's annual report is also available here, both as a PDF file and as an interactive online version. A printed copy of the annual report can be ordered under IR Contact & Services. The contact details of the IR team are also provided here.

kiongroup.com/ir

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Corporate Governance

Corporate governance report

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

There is a close correlation between the corporate governance report required by section 3.10 of the German Corporate Governance Code as amended on 5 May 2015 (the Code) and the content of the corporate governance declaration required by section 289a German Commercial Code (HGB). For this reason, the Executive Board and the Supervisory Board of KION GROUP AG have combined the two statements.

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

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

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

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

The Executive Board and Supervisory Board submitted the Company's previous comply-or-explain statement on 19 December 2014.

Both decision-making bodies considered the recommendations of the amended Code in detail and, on 14 December and 17 December 2015 respectively, issued the third comply-or-explain statement of KION GROUP AG as required by section 161 (1) AktG as follows:

1. Since the last comply-or-explain statement was issued in December 2014, KION GROUP AG has complied with all of the recommendations of the German Corporate Governance Code (the Code) as amended on 24 June 2014 with one exception.

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

2. The Code as amended on 5 May 2015 was announced in the German Federal Gazette on 12 June 2015. Since then, KION GROUP AG has complied with all of the recommendations in the Code as amended on 5 May 2015 with the one exception described above, and intends to continue to do so in future.

Wiesbaden, 14/17 December 2015

For the Executive Board:

Gordon Riske　　Dr Thomas Toepfer

For the Supervisory Board:

Dr John Feldmann

The comply-or-explain statement is available on the website of KION GROUP AG at kiongroup.com/comply_statement.

2. Relevant disclosures on corporate governance

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

In 2015, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the German Stock Corporation Act. For example, the Supervisory Board's Audit Committee, which was set up partly for this purpose, received regular reports on the accounting processes and the effectiveness of the internal monitoring and risk management systems and of the audit of financial statements, and then reported back to the full Supervisory Board on these matters.

2.1 Internal control system

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

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

2.2 Accounting-related internal control system

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

2.3 Risk management system

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

2.4 Compliance management system

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

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

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

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

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

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

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

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

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

2.5 Audit-relevant processes

The Company's independent auditors, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, Frankfurt am Main branch office ("Deloitte & Touche"), audited the separate financial statements and management report of KION GROUP AG and the consolidated financial statements and group management report for the year under review following their engagement by the Annual General Meeting on 12 May 2015. Since the audit of the 2014 separate and consolidated financial statements, the global lead service partner at Deloitte & Touche has been Ms Kirsten Gräbner-Vogel. The separate financial statements and management report and the consolidated financial statements and group management report are discussed by the Audit Committee and then approved by the Supervisory Board.

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

2.6 Avoiding conflicts of interest

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

The Company attaches high priority to preventing possible conflicts of interest from occurring in the first place and to dispelling any impression that they might exist. This is especially important given the involvement of Weichai Power, whose stake has risen to 38.3 per cent. The Company achieves these aims by avoiding business scenarios or personnel scenarios that could give the impression of a conflict of interest and by taking transparent steps that effectively prevent concerns about conflicts of interest.

The Company's Chief Executive Officer, Mr Gordon Riske, was appointed a non-executive director of Weichai Power with effect from 24 June 2013, for which the Supervisory Board had previously given its consent. Appropriate precautions have been taken to ensure that this role at a major shareholder of the Company does not create a conflict of interest relating personally to Mr Riske. Formal processes have been put in place to ensure that Mr Riske, in his role as a non-executive director of Weichai Power, is not involved in transactions that could give rise to a conflict with the interests of the KION Group. Nor is Mr Riske involved in transactions relating to the exercise of voting rights by Weichai Power or its subsidiaries at the Annual General Meeting of KION GROUP AG. It has been ensured that Mr Riske maintains a strict separation between his duties as a non-executive director of Weichai Power and his duties as Chief Executive Officer of KION GROUP AG and that he fulfils all of his legal obligations in the interests of the Company.

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

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

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

3.1 Working methods of the Executive Board

Since the appointment of Dr Eike Böhm with effect from 1 August 2015, the Executive Board of KION GROUP AG has comprised four members. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the

Company's strategy, discusses it with the Supervisory Board and ensures that it is implemented. Every Executive Board member is responsible for his own area of responsibility and keeps his fellow board members informed of developments on an ongoing basis.
> TABLE 003

Responsibilities of Executive Board members TABLE 003

Member	Responsibilities
Gordon Riske	**CEO of KION GROUP AG** **CEO of STILL GmbH** (since 15 January 2015) **CEO of Linde Material Handling GmbH** (since 15 January 2015) Strategy/Business Development Corporate Communications Corporate Office Internal Audit Compliance KION Warehouse Systems KION Synergies/Platforms (until 31 July 2015) North America Region South America Region Quality (from 15 January until 31 July 2015)
Dr Thomas Toepfer	**CFO of KION GROUP AG** Accounting/Tax/Financial Services Corporate Finance/Investor Relations/M&A Controlling HR/Labour Relations Director Legal IT Purchasing (until 31 July 2015) Data Protection Logistics/Urban (since 15 January 2015) Facility Management/Health Safety Environment (since 15 January 2015)
Dr Eike Böhm (since 1 August 2015)	**CTO of KION GROUP AG** R&D Product Strategy Innovation Production System Quality & Operations Purchasing

Responsibilities of Executive Board members TABLE 003

Member	Responsibilities
Ching Pong Quek	**Member of KION GROUP AG Executive Board/ Chief Asia Pacific Officer** Asia Pacific Region
Bert-Jan Knoef (until 14 January 2015)	**Member of KION GROUP AG Executive Board** **CEO of STILL GmbH** Logistics/Urban
Theodor Maurer (until 14 January 2015)	**Member of KION GROUP AG Executive Board** **CEO of Linde Material Handling GmbH** Quality Facility Management/Health Safety Environment

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

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

Officer discusses these matters regularly with the chairman of the Supervisory Board.

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

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

3.2 Working methods of the Supervisory Board

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

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

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

3.3 Objectives for the composition of the Supervisory Board

The Supervisory Board strives to ensure that its composition is appropriate to its responsibilities and obligations. In particular, this means considering members' individual qualities and skills as well as the specific requirements resulting from the global business activities of KION GROUP AG and its Group companies. The Supervisory Board is therefore of the opinion that the priority in aiming for a board composition based on diversity must be on the expertise of the individual members and on a balanced mix of personal qualities, experience, skills, qualifications and knowledge of all members in line with the requirements of the business. Consequently, it has agreed upon guidelines for the selection of Supervisory Board members in the form of a diversity statement. This also means that the Supervisory Board's aim is to have an appropriate number of women on the Supervisory Board and to comply with the new statutory requirements for the proportion of female members of supervisory boards. Since the appointment of Ms Birgit A. Behrendt and Ms Xu Ping as members of the KION GROUP AG Supervisory Board with effect from 1 January 2015, there have been three female members. The Supervisory Board will also support the inclusion of other female board members who meet the above criteria.

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

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

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the comply-or-explain statement pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the comply-or-explain statement. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also compiled by the Executive Committee. In addition, the Executive Committee is responsible for resolutions concerning the conclusion, amendment and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy and other matters and for resolutions on any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory Board members and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. The Executive Committee should – in consultation with the Executive Board – regularly deliberate on long-term succession planning for the Executive Board.

The Executive Committee met five times in 2015. The main topics discussed by the Executive Committee in 2015 were those concerning the Company's Annual General Meeting and the efficiency and governance initiatives. The Executive Committee also discussed the expansion of the Executive Board.

In 2015, the members of the Executive Committee were:

Dr John Feldmann (chairman)
Joachim Hartig (deputy chairman)
Dr Alexander Dibelius
Denis Heljic
Johannes P. Huth (until 31 July 2015)
Jiang Kui
Olaf Kunz
Kay Pietsch
Hans Peter Ring (from 1 August 2015)

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative and a shareholder representative. If the two-thirds-of-votes majority required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a casting vote on the candidates proposed. The Mediation Committee did not need to be convened in 2015.

In 2015, the members of the Mediation Committee were:

Dr John Feldmann (chairman)
Özcan Pancarci (deputy chairman from 1 January 2016)
Joachim Hartig (deputy chairman, until 31 December 2015)
Johannes P. Huth (until 31 July 2015)
Kay Pietsch
Hans Peter Ring (from 1 August 2015)

Audit Committee

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

The Audit Committee met seven times in 2015. The main topics discussed by the Audit Committee in 2015 were the 2015 annual financial statements, the quarterly financial statements, the budget and the regular subject of the key elements of corporate governance within the Company.

In 2015, the members of the Audit Committee were:
Hans Peter Ring (chairman)
Kay Pietsch (deputy chairman)
Dr John Feldmann
Alexandra Schädler

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

Nomination Committee
The Nomination Committee has four members, all of whom are shareholder representatives and are elected by the shareholder representatives on the Supervisory Board. The Nomination Committee's only task is to propose new candidates for the Supervisory Board to the Company's Annual General Meeting. Accordingly, the committee's activities in 2015 focused on the criteria and the selection process for finding suitable candidates to succeed Mr Johannes P. Huth as a member of the Supervisory Board. To this end, the Nomination Committee held a meeting and different members of the committee met potential candidates and then adopted resolutions at meetings or by way of written resolution. In accordance with the committee's recommendation, Mr Wolfgang Faden was appointed to the Supervisory Board as a new shareholder representative until the Company's next Annual General Meeting. In December 2015, following the recommendation of the Nomination Committee, the Supervisory Board resolved to propose to the Company's Annual General Meeting in May 2016 that Dr Christina Reuter be elected to succeed Mr Faden as a shareholder representative on the Company's Supervisory Board.

In 2015, the members of the Nomination Committee were:
Dr John Feldmann (chairman)
Dr Alexander Dibelius (deputy chairman from 1 August 2015)
Dr Johannes P. Huth (deputy chairman until 31 July 2015)
Birgit A. Behrendt (from 1 August 2015)
Jiang Kui

4. Targets for the proportion of women

Germany's 'Act for the equal participation of women and men in managerial positions in the private and public sectors' came into force on 24 April 2015. The Act requires the supervisory boards of companies that are listed or subject to equal shareholder/employee representation to define a target for the percentage of female executive board members. Also under the new legislation, executive boards must set the targets for increasing the proportion of women at the two management levels immediately below the executive board. Supervisory/executive boards must set time limits within which the targets are to be achieved. The time limits must not exceed five years. The first targets must be achieved by 30 June 2017.

The Executive Board and Supervisory Board of KION GROUP AG studied the new legal requirements carefully. As the Supervisory Board is not planning any changes to the composition of the KION GROUP AG Executive Board at present, the target for the proportion of female Executive Board members was set at 0 per cent and applies until 30 June 2017.

The Executive Board of KION GROUP AG has set the target for the proportion of women at 10 per cent for the first management level immediately below the Executive Board and at 30 per cent for the second level of management below the Executive Board. The targets for both levels are also to be achieved by 30 June 2017.

EXECUTIVE BOARD AND SUPERVISORY BOARD SHAREHOLDINGS AND DIRECTORS' DEALINGS

1. Shareholdings

As at 31 December 2015, the shares in KION GROUP AG or related financial instruments held directly or indirectly by all members of the Executive Board and Supervisory Board equated to less than 1 per cent of all the shares issued by the Company.

2. Directors' dealings

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

Transactions disclosed pursuant to section 15a WpHG in 2015 TABLE 004

Buyer/seller	Type of transaction	Share price (€)	Number of shares	Total value (€)
Gordon Riske	Sale	35.90	137,000	4,950,610.00

Disclosures relevant to acquisitions, section 315 (4) HGB

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

1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to €98.9 million as at 31 December 2015. It is divided into 98.9 million no-par-value bearer shares. The share capital is fully paid up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions. As at 31 December 2015, the Company held 160,050 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Programme (KEEP).

2. Restrictions on voting rights or the transfer of shares

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

The Executive Board understands that the two major shareholders of KION GROUP AG, Superlift Holding S.à r.l. ('Superlift') and Weichai Power (Luxembourg) Holding S.à r.l. ('Weichai Power') had entered into a shareholder agreement in which they both undertook to coordinate their voting at the Annual General Meeting of the Company in respect of certain resolutions. Furthermore, the Executive Board understands that Superlift and Weichai Power had come to an arrangement in the shareholder agreement to grant each other a mutual right of first offer in respect of the shares held by the other shareholder, but this arrangement expired in the course of 2014. These agreements have lapsed as Superlift sold all of its shares in the Company during 2015.

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

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

As far as the Company is aware, only Weichai Power directly or indirectly held more than 10 per cent of the voting rights in KION GROUP AG as at 31 December 2015 and its shareholding was 38.3 per cent.

- Pursuant to the German Securities Trading Act, the shareholding held by Weichai Power is deemed to belong to the following other companies: > TABLE 005

Companies and countries to which Weichai Power is deemed to belong TABLE 005

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

Other	Registered office
People's Republic of China	Beijing, People's Republic of China

Since the reporting date, there may have been further changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the

Company only learns about changes to the size of shareholdings if they are notifiable pursuant to the WpHG or other regulations.

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

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

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

There are no cases where employees hold some of the Company's capital and do not exercise their control rights directly themselves.

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

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

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

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

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

The Extraordinary General Meeting on 13 June 2013 authorised the Company, in the period up to 12 June 2016, to acquire for treasury up to 10 per cent of all the shares in issue at the time of the resolution or in issue on the date the authorisation is exercised, whichever is the lower. Together with other treasury shares in the possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorisation must not exceed 10 per cent of the Company's share capital at any time. The Company may sell the purchased treasury shares through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business or equity investments. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership programme. The treasury shares can also be retired. Share buyback for trading purposes is prohibited. The authorisation may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by a Group company or by third parties for the account of the Company or the account of a Group company. At the discretion of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders or by way of a public invitation to shareholders to tender their shares.

The Company again made use of this authorisation in 2015, purchasing 70,000 shares in the period 10 September to 30 September 2015. During the reporting year, 73,512 of the shares acquired that were still in treasury were used as part of the KEEP Employee Equity Programme for the employees of the Company and certain Group companies.

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

On the basis of a resolution of the Company's Annual General Meeting on 19 May 2014, the Executive Board is also authorised, to issue, on one or more occasions until 18 May 2019, bearer and/or registered convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with or without conversion rights, warrants, mandatory conversion requirements or option obligations, or any combinations of these instruments, which can be perpetual and/or fixed-term (also referred to jointly as 'debt instruments'), for a total par value of up to €800 million. To enable shares to be allocated to the holders/beneficial owners of the convertible bonds, warrant-linked bonds, profit-sharing rights and/or income bonds with conversion rights, warrants, mandatory conversion requirements or option obligations issued, on the basis of the Executive Board's authorisation, by KION GROUP AG or a German or non-German company in which KION GROUP AG directly or indirectly holds the majority of voting rights and capital, the share capital was conditionally increased by up to €9.89 million through the issue of up to 9.89 million new, no-par-value bearer shares in KION GROUP AG (2014 Conditional Capital).

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

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

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

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

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

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

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

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following contracts concluded between Group companies of KION GROUP AG and third parties (effective through 31 December 2015):

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

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

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

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

- Senior facilities agreement dated 28 October 2015, concluded between KION GROUP AG and, among others, the London branch of UniCredit Bank AG.

In the event that a person, companies affiliated with this person, or persons acting in concert within the meaning of section 2 (5) German Securities Acquisition and Takeover Act (WpÜG) acquire(s) control over more than 50 per cent of the Company's voting shares, the lenders may demand that the loans drawn down be repaid and may cancel the loan facilities under the senior facilities agreement.

On 15 February 2016, KION GROUP AG used funds from a syndicated loan agreement concluded on 28 October 2015 in order to repay both the corporate bond of €450.0 million and the remaining liabilities under the syndicated loan of 23 December 2006. This makes the provisions in relation to the eventuality of a change of control redundant.

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

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

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

Remuneration report

This remuneration report forms an integral part of the group management report for KION GROUP AG. In accordance with statutory requirements and the recommendations of the German Corporate Governance Code as amended 5 May 2015 (DCGK), the report explains the main features and structure of the remuneration system used for the Executive Board and Supervisory Board of KION GROUP AG and also discloses the remuneration of the individual members of the Executive Board and Supervisory Board for the work that they carried out on behalf of the Company and its subsidiaries in 2015. The report also reflects the requirements of German accounting standard (GAS) 17.

KION GROUP AG considers that transparency and clarity surrounding both the remuneration system itself and the remuneration of the individual members of the Executive Board and Supervisory Board are fundamental to good corporate governance.

EXECUTIVE BOARD REMUNERATION

Remuneration system

The Supervisory Board of KION GROUP AG is responsible for setting and regularly reviewing the total pay of the individual members of the Executive Board. According to the rules of procedure for the Supervisory Board, the Executive Committee prepares all Supervisory Board resolutions pertaining to remuneration.

The remuneration system described below has applied to the members of the KION GROUP AG Executive Board since 29 June 2013, the day after KION GROUP AG's successful IPO and listing on the Frankfurt Stock Exchange. It was approved by the Annual General Meeting of KION GROUP AG on 19 May 2014 with a majority of 98.77 per cent. The Supervisory Board of the former KION Holding 1 GmbH had approved this system by adopting a resolution at its meeting on 25 April 2013 in connection with the Company's conversion into a public limited company. This resolution was based on the recommendation of what was then the Human Resources Committee.

Essential features of the Executive Board remuneration system

The remuneration of the Executive Board of KION GROUP AG is determined in accordance with the requirements of the German Stock Corporation Act and the DCGK and is focused on the Company's long-term growth. It is determined so as to reflect the size and complexity of the KION Group, its business and financial situation, its performance and future prospects, the normal amount and structure of executive board remuneration in comparable companies and the internal salary structure. The Supervisory Board also takes into account the relationship between the Executive Board remuneration and the remuneration paid to senior managers and the German workforce of the Company as a whole, including changes over the course of time. To this end, the Supervisory Board has decided how the relevant benchmarks are to be defined. Other criteria used to determine remuneration are the individual responsibilities and personal performance of each member of the Executive Board. To review the Executive Board's remuneration, the Supervisory Board draws on remuneration comparisons, particularly comparisons with MDAX companies, and on recommendations from an external remuneration consultant who is independent both of the Executive Board and of the KION Group. The Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

The total remuneration of the Executive Board comprises a non-performance-related salary and non-performance-related non-cash benefits, performance-related (variable) remuneration and pension entitlements. When setting the variable remuneration, the emphasis is on creating a measurement basis covering a number of years, thus providing the members of the Executive Board with an incentive to contribute to the sustained and long-term growth of the Company. The system specifically allows for possible positive and negative developments.

The regular cash remuneration for a particular year, consisting of a non-performance-related fixed annual salary and performance-related (variable) remuneration, has a heavy emphasis on performance. If the targets set by the Supervisory Board are completely missed, only the fixed salary is paid. Taking account of the cap on one-year and multiple-year variable remuneration, the cash remuneration consists of the following components in the event that the targets are significantly exceeded and the share price goes up sufficiently:

- 15 per cent fixed annual salary,
- 24 to 27 per cent one-year variable remuneration,
- 58 to 61 per cent multiple-year variable remuneration.

The variable components of the cash remuneration make up no more than 85 per cent, of which approximately two-thirds are multiple-year components. Both the one-year and the multiple-year components are linked to key performance indicators used by the KION Group to measure its success. The remuneration system is thus closely tied to the success of the Company and, with a high proportion of multiple-year variable remuneration, has a long-term focus aimed at promoting the KION Group's growth.

The pension entitlements consist of entitlements in respect of retirement, invalidity and surviving dependants' benefits.

Non-performance-related remuneration

The Executive Board members of KION GROUP AG receive non-performance-related remuneration in the form of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary is paid at the end of each month in twelve equal instalments, the last payment being made for the full month in which the Executive Board service contract ends. The Supervisory Board reviews the basic remuneration at regular intervals and makes adjustments if appropriate.

The additional benefits essentially comprise use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

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

Under this arrangement, Mr Quek's remuneration is structured as if he were liable for taxes and social security contributions in Singapore. KION GROUP AG pays the taxes and social security contributions that Mr Quek incurs in China and Germany over and above the taxes that would theoretically apply in Singapore. In 2015, this additional amount totalled €1,167 thousand (2014: €404 thousand). The additional benefits also agreed with Mr Quek include the cost of trips home to Singapore for him and his family, a company car, rental payments in Xiamen, China, and private health insurance. In 2015, the additional benefits for Mr Quek amounted to a total of €158 thousand (2014: €108 thousand). These additional benefits will be granted for as long as Mr Quek's designated place of work is Xiamen or until his service contract with KION GROUP AG ends.

Performance-related remuneration

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

One-year variable remuneration

The one-year variable remuneration is a remuneration component linked to the business profitability and productivity of the KION Group in the relevant financial year. Its amount is determined by the achievement of the following targets:

- earnings before interest, tax and amortisation (EBITA), weighting of 30 per cent,
- return on capital employed (ROCE), weighting of 30 per cent,
- revenue, weighting of 20 per cent and
- net debt, weighting of 20 per cent.

The target values for the financial components are derived from the annual budget and specified by the Supervisory Board.

No bonus is paid if target achievement is 75 per cent or less (lower target limit). In cases where the targets are significantly exceeded, the bonus can be doubled at most (capped at 200 per cent). If the targets derived from the annual budget are achieved in full, target achievement is 100 per cent. The target achievement levels for the weighted targets (EBITA, ROCE, revenue and net debt) are added together to give the total target achievement.

The individual performance of the Executive Board members is assessed by the Supervisory Board, which applies a discretionary performance multiple with a factor of between 0.8 and 1.2. When deciding what factor to apply, the Supervisory Board looks at the extent to which the Executive Board members have achieved the individual targets set by the Supervisory Board at the start of the year. This factor enables the Supervisory Board to increase or reduce the bonus, calculated on the basis of the total target achievement for the financial targets derived from the budget, by a maximum of 20 per cent depending on the assessment of individual performance. The one-year variable remuneration is capped at 200 per cent of the contractual target bonus and is paid after the Annual General Meeting relating to the year in question.

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

Multiple-year variable remuneration

For the members of the Executive Board, multiple-year variable remuneration has been agreed in the form of a performance share plan. A very similar plan is offered to the Group's senior managers. The basis of measurement has been defined as the total shareholder return (TSR) for KION shares compared with the STOXX® Europe Total Market Index (TMI) Industrial Engineering Index and return on capital employed (ROCE). Each has a weighting of 50 per cent. The annual tranches granted under the plan have a term (performance period) of three years and are paid at the end of the term, provided the defined targets have been achieved.

At the start of a performance period, a conditional entitlement to a certain target number of performance shares is granted. This preliminary number is calculated by dividing the allocation value set out (in euros) in the service contract for the particular Executive Board member by the fair value of one performance share at the time of grant. At the end of the performance period, the preliminary number of performance shares is adjusted depending on achievement of the two targets (relative TSR and ROCE) to give the final number of performance shares.

In respect of the ROCE target, there is no entitlement if target achievement is 75 per cent or less. If the target is significantly exceeded (target achievement of 135 per cent or more), the entitlement is capped at 150 per cent. Regarding the relative TSR target, there is no entitlement if KION shares do not outperform the STOXX® Europe TMI Industrial Engineering Index. If the KION shares outperform this index by 15 per cent or more, the entitlement is capped at 150 per cent. If KION shares outperform the STOXX® Europe TMI Industrial Engineering index by 10 per cent and the ROCE targets defined each year on the basis of the budget are achieved, total target achievement will be 100 per cent.

The amount paid for each tranche is determined by the final number of performance shares multiplied by the price of KION shares (average price over the preceding 60 trading days) at the end of the performance period.

Executive Board members' individual performance is also taken into account in the multiple-year variable remuneration. At the start of the performance period, the Supervisory Board defines individual targets for the three-year period. Depending on achievement of these targets, the Supervisory Board can apply a discretionary factor to make a final adjustment to the calculation of the amount to be paid out at the end of the performance period by plus or minus 20 per cent, although the maximum payment may not exceed 200 per cent of the allocation value.

The plan is a cash-settled long-term incentive plan that does not include the right to receive any actual shares. Under the requirements of German accounting standard (GAS) 17 and IFRS 2, the total expense arising from share-based payments and the fair value of the performance share plan on the date of granting must be disclosed. > TABLE 006

The total expense in 2015 amounted to €11,203 thousand (2014: €4,782 thousand). This does not include an amount of €531 thousand already recognised as an expense in 2014 in connection with the termination agreements of Mr Knoef and Mr Maurer.

Upper limits on remuneration

In accordance with the DCGK, remuneration is subject to upper limits on the amounts payable, both overall and also in terms of the variable components. The upper limit on the total cash remuneration to be paid, consisting of the fixed annual salary plus the one-year and multiple-year variable remuneration, equals 1.7 times the target remuneration (2014: 1.7 times) – excluding the non-performance-related non-cash remuneration and other benefits paid in that financial year. Both the one-year and multiple-year variable remuneration are capped at 200 per cent of the target value.

Pension entitlements

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

Performance Share Plan 2013

TABLE 006

	Fair value of the performance share plan on the date of grant (in thousand €)	Number of performance shares granted[1]	Fair value per performance share on date of grant (in €)	Expense for share-based remuneration in 2014 (in thousand €)	Expense for share-based remuneration in 2015[2] (in thousand €)
Gordon Riske	1,500	73,710	20.35	860	1,790
Bert-Jan Knoef[3]	1,000	49,140	20.35	573	613
Theodor Maurer[3]	1,000	49,140	20.35	573	613
Ching Pong Quek	830	40,786	20.35	476	1,821
Dr Thomas Toepfer	1,000	49,140	20.35	573	1,194
Total	**5,330**	**261,916**		**3,055**	**6,031**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.
2 The amount shown for Mr Quek includes a flat-rate allowance of 50 per cent as part of a tax equalisation agreement. The amounts for Mr Knoef and Mr Maurer include the expenses recognised in the 2014 figure in connection with their departure.
3 Resigned from office on 14 January 2015; Executive Board service contract ended on 31 March 2015

Performance Share Plan 2014

	Fair value of the performance share plan on the date of grant (in thousand €)	Number of performance shares granted[1]	Fair value per performance share on date of grant (in €)	Expense for share-based remuneration in 2014 (in thousand €)	Expense for share-based remuneration in 2015[2] (in thousand €)
Gordon Riske	1,500	54,427	27.56	486	1,095
Bert-Jan Knoef[3]	1,000	36,284	27.56	324	335
Theodor Maurer[3]	1,000	36,284	27.56	324	335
Ching Pong Quek	830	30,116	27.56	269	1,044
Dr Thomas Toepfer	1,000	36,284	27.56	324	730
Total	**5,330**	**193,395**		**1,727**	**3,539**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.
2 The amount shown for Mr Quek includes a flat-rate allowance of 50 per cent as part of a tax equalisation agreement. The amounts for Mr Knoef and Mr Maurer include the expenses recognised in the 2014 figure in connection with their departure.
3 Resigned from office on 14 January 2015; Executive Board service contract ended on 31 March 2015

Performance Share Plan 2015

TABLE 006

	Fair value of the performance share plan on the date of grant (in thousand €)	Number of performance shares granted[1]	Fair value per performance share on date of grant (in €)	Expense for share-based remuneration in 2015[2] (in thousand €)
Gordon Riske	1,500	53,210	28.19	696
Dr Eike Böhm	806	28,576	28.19	193
Bert-Jan Knoef[3]	83	2,956	28.19	116
Theodor Maurer[3]	83	2,956	28.19	116
Ching Pong Quek	830	29,443	28.19	578
Dr Thomas Toepfer	1,000	35,474	28.19	464
Total	**4,302**	**152,615**		**2,164**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.
2 The amount shown for Mr Quek includes a flat-rate allowance of 50 per cent as part of a tax equalisation agreement. The amounts for Mr Knoef and Mr Maurer include the expenses recognised in the 2014 figure in connection with their departure.
3 Resigned from office on 14 January 2015; Executive Board service contract ended on 31 March 2015. The fair value of the performance share plan on the date of grant was recognised pro rata temporis up to 31 March 2015.

The Chief Executive Officer has a defined benefit entitlement that was granted in his original service contract and was transferred to his Executive Board service contract when the Company changed its legal form. The amount of the entitlement is dependent on the number of years of service and amounts to a maximum of 50 per cent of the most recent fixed annual salary awarded in the original service contract after the end of the tenth year of service.

The present value of the previous defined benefit plan for the ordinary members of the Executive Board was transferred as a starting contribution for a new defined contribution pension plan when the Company changed its legal form. The new plan is structured as a cash balance plan and is also applied to new Executive Board members.

For each of the other ordinary members of the Executive Board, a fixed annual contribution of €150 thousand (€124.5 thousand for Mr Quek) is paid into their pension accounts for the duration of the member's period of service on the Executive Board. Interest is paid on the pension account at the prevailing statutory guaranteed return rate for the life insurance industry (applicable maximum interest rate for the calculation of the actuarial reserves of life insurers pursuant to section 2 (1) German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV)) until an insured event occurs. If higher interest is generated by investing the pension account, it will be credited to the pension account when an insured event occurs (surplus). The standard retirement age for the statutory pension applies. Executive Board members are entitled to early payment of the pension no earlier than their 62nd birthday. In the event of invalidity or death while the Executive Board member has an active service contract, the contributions that would have been made until the age of 60 are added to the pension account, although only a maximum of ten annual contributions will be added. When an insured event occurs, the pension is paid as a lump sum or, following a written request, in ten annual instalments.

Termination benefits

In line with the DCGK, all Executive Board service contracts provide for a severance payment equivalent to no more than two years' annual remuneration payable in the event of the contract being terminated prematurely without good cause. The amount of annual remuneration is defined as fixed salary plus the variable remuneration elements, assuming 100 per cent target achievement and excluding non-cash benefits and other additional benefits, for the last full financial year before the end of the Executive Board service contract. If the Executive Board service contract was due to end within two years, the severance payment is calculated pro rata temporis. If a service contract is terminated for good cause for which the Executive Board member concerned is responsible, no payments are made to the Executive Board member in question. The Company does not have any commitments for the payment of benefits in the event of a premature termination of Executive Board contracts following a change of control.

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

In the event that Mr Riske's appointment is not extended for reasons for which he is not responsible and he has not reached the standard retirement age for the statutory pension or in the event that Mr Riske resigns for good cause before the end of his appointment or suffers permanent incapacity after his period of service as a result of sickness, he will receive transitional benefits of €276 thousand per annum on the basis of previous contracts. During his current term of office, the amount of the transitional benefits will rise by €12 thousand each year up to a maximum amount of €300 thousand per annum. Severance payments in the event of early termination of his appointment without good cause, compensation for the post-contractual non-compete agreement, pension benefits that Mr Riske receives due to his previous work for other employers and income from other use of his working capacity (with the exception of remuneration for work as a member of a supervisory or advisory board or a board of directors) will be offset against these transitional benefits.

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

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

Remuneration for members of the Executive Board in 2015

In accordance with the recommendations of the DCGK, as amended on 5 May 2015, the remuneration of Executive Board members is presented in two separate tables. Firstly, the benefits granted for the year under review, including the additional benefits and – in the case of variable remuneration components – the maximum and minimum remuneration achievable are shown. > TABLE 007

Secondly, > TABLE 008 shows the total remuneration allocated/ earned, comprising fixed remuneration, short-term variable remuneration and long-term variable remuneration, broken down by reference year.

Benefits granted pursuant to the DCGK

The total remuneration granted to Executive Board members for 2015 was €9,535 thousand (minimum: €3,194 thousand, maximum: €15,877 thousand) (2014: €11,840 thousand). Of this amount, €2,098 thousand (2014: €2,840 thousand) was attributable to fixed non-performance-related remuneration components, €6,372 thousand (minimum: €31 thousand, maximum: €12,713 thousand) (2014: €7,911 thousand) to variable one-year and multiple-year performance-related remuneration components, €211 thousand (2014: €175 thousand) to non-performance-related non-cash remuneration and other non-performance-related benefits, and €854 thousand (2014: €914 thousand) to the pension expense. The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 75 per cent or less, maximum: 200 per cent for target achievement of 135 per cent or more). The figure shown for multiple-year variable remuneration is the fair value of the performance share plans at the date of grant, representing full target achievement (minimum: zero payment, maximum: 200 per cent of the contractual allocation value).

The additional benefits were measured at the value calculated for tax purposes. > TABLE 007

Benefits granted in 2015

in thousand €			Gordon Riske CEO of KION GROUP AG 2014	2015	2015 (min.)	2015 (max.)
Non-performance-related components		Fixed remuneration	800	800	800	800
		Non-cash remuneration and other benefits [1]	19	21	21	21
		Total	**819**	**821**	**821**	**821**
Performance-related components	Short-term incentive	One-year variable remuneration [2,3]	700	700	0	1,400
	Share-based long-term incentive	**Multiple-year variable remuneration [2,4]**	**1,500**	**1,500**	**0**	**3,000**
		Performance share plan (1 Jan 2014 – 31 Dec 2016)	1,500			
		Performance share plan (1 Jan 2015 – 31 Dec 2017)		1,500	0	3,000
		Total	**3,019**	**3,021**	**821**	**5,221**
		Pension expense [5]	510	622	622	622
		Total remuneration	**3,529**	**3,643**	**1,443**	**5,843**
Reconciliation to total remuneration as defined by section 314 (1) no. 6a HGB in conjunction with GAS 17						
		Minus the one-year variable remuneration granted	–700	–700		
		Plus the expected one-year variable remuneration (allocation)	700	795		
		Minus the pension expense	–510	–622		
		Plus the adjustment of the one-year variable remuneration for the previous year	53	159		
		Total remuneration as defined by section 314 (1) no. 6a HGB in conjunction with GAS 17	**3,072**	**3,275**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.
2 The amount shown for Mr Quek includes a flat-rate allowance of 50 per cent (2014: 30 per cent) as part of a tax equalisation agreement.
3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 75 per cent or less, maximum: 200 per cent for target achievement of 135 per cent or more). The value for Mr Knoef and Mr Maurer is the value defined in their termination agreements.
4 Fair value on the date of grant
5 Service cost (IAS)

TABLE 007

	Dr Eike Böhm				Bert-Jan Knoef			
	CTO of KION GROUP AG				Member of KION GROUP AG Executive Board			
	Since 1 August 2015				Until 14 January 2015			
	2014	**2015**	**2015 (min.)**	**2015 (max.)**	**2014**	**2015**	**2015 (min.)**	**2015 (max.)**
	–	208	208	208	500	19	19	19
	–	14	14	14	19	1	1	1
	–	**223**	**223**	**223**	**519**	**20**	**20**	**20**
	–	167	0	333	400	16	16	16
	–	**806**	**0**	**1,611**	**1,000**	**13**	**0**	**26**
	–				1,000			
	–	806	0	1,611		13	0	26
	–	**1,195**	**223**	**2,167**	**1,919**	**48**	**35**	**61**
	–				102	4	4	4
	–	**1,195**	**223**	**2,167**	**2,021**	**52**	**39**	**65**
	–	–167			–400	–16		
	–	189			400	16		
	–				–102	–4		
	–				71	9		
	–	**1,217**			**1,990**	**57**		

Benefits granted in 2015 (continued)

			Theodor Maurer			
			Member of KION GROUP AG Executive Board			
			Until 14 January 2015			
in thousand €			**2014**	**2015**	**2015 (min.)**	**2015 (max.)**
Non-performance-related components		Fixed remuneration	500	19	19	19
		Non-cash remuneration and other benefits [1]	18	1	1	1
		Total	**518**	**20**	**20**	**20**
Performance-related components	Short-term incentive	One-year variable remuneration [2,3]	400	16	16	16
	Share-based long-term incentive	**Multiple-year variable remuneration [2,4]**	**1,000**	**13**	**0**	**26**
		Performance share plan (1 Jan 2014 – 31 Dec 2016)	1,000			
		Performance share plan (1 Jan 2015 – 31 Dec 2017)		13	0	26
		Total	**1,918**	**48**	**35**	**61**
		Pension expense [5]	104	4	4	4
		Total remuneration	**2,022**	**52**	**39**	**65**
Reconciliation to total remuneration as defined by section 314 (1) no. 6a HGB in conjunction with GAS 17						
		Minus the one-year variable remuneration granted	–400	–16		
		Plus the expected one-year variable remuneration (allocation)	400	16		
		Minus the pension expense	–104	–4		
		Plus the adjustment of the one-year variable remuneration for the previous year	53	9		
		Total remuneration as defined by section 314 (1) no. 6a HGB in conjunction with GAS 17	**1,970**	**57**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and/or benefits in kind, such as the use of a company car and housing costs.
2 The amount shown for Mr Quek includes a flat-rate allowance of 50 per cent (2014: 30 per cent) as part of a tax equalisation agreement.
3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 per cent (minimum: 0 per cent for target achievement of 75 per cent or less, maximum: 200 per cent for target achievement of 135 per cent or more). The value for Mr Knoef and Mr Maurer is the value defined in their termination agreements.
4 Fair value on the date of grant
5 Service cost (IAS)

TABLE 007

Ching Pong Quek				Dr Thomas Toepfer			
Member of KION GROUP AG Executive Board / Chief Asia Pacific Officer				CFO of KION GROUP AG			
2014	**2015**	**2015 (min.)**	**2015 (max.)**	**2014**	**2015**	**2015 (min.)**	**2015 (max.)**
540	552	552	552	500	500	500	500
108	158	158	158	12	17	17	17
648	**710**	**710**	**710**	**512**	**517**	**517**	**517**
432	498	0	996	400	400	0	800
1,079	**1,245**	**0**	**2,490**	**1,000**	**1,000**	**0**	**2,000**
1,079				1,000			
	1,245	0	2,490		1,000	0	2,000
2,158	**2,453**	**710**	**4,196**	**1,912**	**1,917**	**517**	**3,317**
97	107	107	107	101	117	117	117
2,255	**2,560**	**817**	**4,303**	**2,013**	**2,034**	**634**	**3,434**
–432	–498			–400	–400		
432	566			400	455		
–97	–107			–101	–117		
109	195			32	91		
2,268	**2,716**			**1,944**	**2,062**		

Allocation pursuant to the DCGK

The total remuneration allocated to / earned by Executive Board members for 2015 was €15,199 thousand (2014: €8,156 thousand). Of this amount, €2,098 thousand (2014: €2,840 thousand) was attributable to fixed non-performance-related remuneration components, €12,036 thousand (2014: €4,227 thousand) to variable one-year and multiple-year performance-related remuneration components, €211 thousand (2014: €175 thousand) to non-performance-related non-cash remuneration and other non-performance-related benefits, and €854 thousand (2014: €914 thousand) to the pension expense.

The figure shown for one-year variable remuneration is based on a preliminary total target achievement rate of about 114 per cent calculated using preliminary earnings figures at the beginning of 2016. In departure from this, the value for Mr Knoef and Mr Maurer was the value defined in their termination agreements. This preliminary variable remuneration for each Executive Board member is also subject to adjustment by the Supervisory Board in line with the individual performance of the Executive Board member. This adjustment may vary by plus or minus 20 per cent of the variable remuneration.

As part of the multiple-year remuneration, the first payment from the 2013 tranche of the performance share plan will

Allocation in 2015

			Gordon Riske		Dr Eike Böhm	
			CEO of KION GROUP AG		CTO of KION GROUP AG	
					Since 1 August 2015	
in thousand €			**2014**	**2015**	**2014**	**2015**
Non-performance-related components		Fixed remuneration	800	800	–	208
		Non-cash remuneration and other benefits [1]	19	21	–	14
		Total	**819**	**821**	**–**	**223**
Performance-related components	Short-term incentive	One-year variable remuneration [2]	859	795	–	189
	Share-based long-term incentive	**Multiple-year variable remuneration**	**0**	**3,000**	**–**	**0**
		Performance share plan (29 Jun 2013 – 31 Dec 2015)		3,000	–	
		IPO bonus tranche 1 (29 Jun 2013 – 29 Jun 2014)			–	
		IPO bonus tranche 2 (29 Jun 2013 – 31 Dec 2014)			–	
		Total	**1,677**	**4,616**	**–**	**412**
		Pension expense [3]	510	622	–	
		Total remuneration	**2,187**	**5,238**	**–**	**412**

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs.
2 The figure shown for one-year variable remuneration for 2014 is the actual amount paid out, which differs from the estimated value listed in the 2014 consolidated financial statements.
3 Service cost (IAS)

be made in spring 2016 on the basis of the achievement of the long-term targets that were defined in 2013 at the start of the performance period. The value shown for 2015 is also calculated on the basis of a preliminary total target achievement rate of 122 per cent and is subject to the performance-based adjustment by a discretionary performance multiple made by the Supervisory Board for individual Executive Board members. As is the case for the one-year variable remuneration, this performance-based adjustment may vary by plus or minus 20 per cent.

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

The total payments made to former members of the Executive Board in 2015 in connection with the termination of their Executive Board service contracts amounted to €8,423 thousand. An appropriate provision was recognised for these payments in 2014.

These payments consisted of a non-performance-related salary and non-performance-related non-cash benefits, performance-related remuneration and pension entitlements.

Mr Knoef's total amount of €4,381 thousand breaks down into a non-performance-related component of €4,031 thousand, a performance-related component without a long-term incentive of €84 thousand, a performance-related component with a long-term incentive – for the 2013 tranche based on a preliminary

TABLE 008

	Bert-Jan Knoef		Theodor Maurer		Ching Pong Quek		Dr Thomas Toepfer	
	Member of KION GROUP AG Executive Board		Member of KION GROUP AG Executive Board		Member of KION GROUP AG Executive Board / Chief Asia Pacific Officer		CFO of KION GROUP AG	
	Until 14 January 2015		Until 14 January 2015					
	2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
	500	19	500	19	540	552	500	500
	19	1	18	1	108	158	12	17
	519	**20**	**518**	**20**	**648**	**710**	**512**	**517**
	409	16	409	16	626	566	491	455
	0	**1,255**	**0**	**1,255**	**0**	**2,490**	**1,434**	**2,000**
		1,255		1,255		2,490		2,000
							755	
							679	
	928	**1,290**	**926**	**1,290**	**1,274**	**3,766**	**2,437**	**2,971**
	102	4	104	4	97	107	101	117
	1,029	**1,294**	**1,031**	**1,294**	**1,371**	**3,873**	**2,538**	**3,088**

total target achievement – of €164 thousand and pension expenses of €101 thousand.

Mr Maurer's total amount of €4,042 thousand breaks down into a non-performance-related component of €3,686 thousand, a performance-related component without a long-term incentive of €84 thousand, a performance-related component with a long-term incentive – for the 2013 tranche based on a preliminary total target achievement – of €164 thousand and pension expenses of €107 thousand.

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

In addition to the remuneration described above for Mr Knoef and Mr Maurer, the total remuneration paid to former members of the Executive Board amounted to €230 thousand in 2015 (2014: €210 thousand). Provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €8,758 thousand (2014: €6,082 thousand) were recognised in accordance with IAS 19.

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

Pensions TABLE 009

in thousand €	Service cost 2015	Service cost 2014	Present value (DBO) 31 Dec 2015	Present value (DBO) 31 Dec 2014
Gordon Riske	622	510	5,308	4,562
Dr Eike Böhm			76	
Bert-Jan Knoef [1]	4	102		1,906
Theodor Maurer [1]	4	104		638
Ching Pong Quek	107	97	317	427
Dr Thomas Toepfer	117	101	436	523

1 Resigned from office on 14 January 2015; the present value (DBO) as at 31 December 2015 was recognised under provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants in accordance with IAS 19.

SUPERVISORY BOARD REMUNERATION

Remuneration system

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

Additional remuneration is paid for being a member or chairman of a committee, although this does not apply in the case of the Nomination Committee or the Mediation Committee pursuant to section 27 (3) German Codetermination Act (MitbestG). The annual remuneration for members of a committee is €8,000, while the chairman of a committee receives double this amount.

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

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

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

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

Remuneration paid to members of the Supervisory Board in 2015

The total remuneration paid to the Supervisory Board in 2015 was €1,209,342. Of this amount, €1,056,325 was attributable to remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work (including attendance fees) totalled €153,017. The following table shows the breakdown of remuneration paid to each Supervisory Board member for 2015: > TABLE 010

In 2015, no company in the KION Group paid or granted any remuneration or other benefits to members of the Supervisory Board for services provided as individuals, such as consulting or brokerage activities. Nor were any advances or loans granted to members of the Supervisory Board.

Supervisory Board remuneration TABLE 010

	Fixed remuneration	Committee remuneration	Attendance fee	Total remuneration
Dr John Feldmann (chairman)	€105,000	€24,000	€16,250	€145,250
Joachim Hartig (deputy chairman)	€75,000	€8,000	€12,500	€95,500
Birgit Behrendt	€45,000	–	€7,500	€52,500
Holger Brandt	€45,000	–	€13,750	€58,750
Dr Alexander Dibelius	€45,000	€8,000	€10,000	€63,000
Wolfgang Faden	€18,863	–	€2,500	€21,363
Denis Heljic	€45,000	€8,000	€15,000	€68,000
Johannes P. Huth	€38,240	€6,798	€7,315	€52,353
Jiang Kui	€65,838	€11,704	€14,631	€92,173
Olaf Kunz	€45,000	€2,674	€15,000	€62,674
Jörg Milla	€7,521	–	€1,250	€8,771
Özcan Pancarci	€45,000	–	€13,750	€58,750
Kay Pietsch	€45,000	€16,000	€21,250	€82,250
Hans Peter Ring	€45,000	€19,353	€13,750	€78,103
Alexandra Schädler	€45,000	€8,000	€20,000	€73,000
Tan Xuguang	€65,838	–	€1,829	€67,666
Hans-Peter Weiß	€41,178	–	€11,250	€52,428
Xu Ping	€65,838	–	€10,973	€76,811
Total	**€888,316**	**€112,529**	**€208,498**	**€1,209,342**

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Group Management Report

Fundamentals of the KION Group

PROFILE OF THE KION GROUP

Organisational structure

The KION Group is the world's second-largest supplier of forklift trucks, warehouse trucks and associated services and solutions for logistics, warehouse management and automation. It employs around 23,500 people, operates in over 100 countries and fulfils the needs of customers through some 1,400 sales and service outlets. With four international brands – Linde, STILL, Baoli and Egemin Automation – and three national brands, the KION Group is represented in all of the major sales markets and price segments.

The KION Group's strategic management holding company, KION GROUP AG, is listed on the Frankfurt Stock Exchange and is part of the MDAX and the STOXX Europe 600.

The strategic anchor shareholder of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, a subsidiary of Weichai Power Co. Ltd., which held 38.3 per cent of the shares at the end of 2015 as far as the Company is aware. The free float accounted for 61.5 per cent of the shares, while the remaining 0.2 per cent were treasury shares.

Management and control

Corporate governance

The KION Group follows generally accepted standards of sound, responsible corporate governance. The German Corporate Governance Code (DCGK) provides the framework for management and control. As required by section 289a of the German Commercial Code (HGB), the corporate governance standards that the Group applies are set out in the declaration on corporate governance. This declaration also contains the comply-or-explain statement pursuant to section 161 of the German Stock Corporation Act (AktG), which was issued by the Executive Board and Supervisory Board of KION GROUP AG on 14/17 December 2015, and the corporate governance report pursuant to section 3.10 of the German Corporate Governance Code, which also provides information about the compliance standards in the Group. The declaration on corporate governance can be viewed and downloaded on the Company's website (kiongroup.com/governancereport). It also forms part of this annual report.

The essential features of the remuneration system are described in the remuneration report, which is part of the 2015 group management report and can be found in the 'Remuneration report' section of this annual report. The total amounts for Executive Board remuneration and Supervisory Board remuneration are reported in the notes to the consolidated financial statements (note [45]).

Disclosures relevant to acquisitions

The disclosures relevant to acquisitions (pursuant to section 315 (4) HGB) together with the explanatory report form an integral part of the group management report and can be found in the 'Disclosures relevant to acquisitions' section of this annual report.

Executive Board

The Executive Board of KION GROUP AG is responsible for the operational management of the KION Group. At the end of 2015 it had four members. There were a number of personnel changes in the year under review. With effect from 15 January 2015, Gordon Riske, in addition to his role as KION Group CEO, took over as CEO of the two brand companies Linde Material Handling GmbH and STILL GmbH from the two departing Executive Board members Bert-Jan Knoef and Theodor Maurer and also assumed responsibility for quality. At the same time, CFO Dr Thomas Toepfer took charge of facility management/health, safety & environment and logistics/Urban. Dr Eike Böhm was appointed to the Executive Board with effect from 1 August 2015, where he holds the newly created post of Chief Technology Officer (CTO).

As at 31 December 2015 the responsibilities of the Executive Board members were as follows:

- Gordon Riske is Chief Executive Officer (CEO) and his responsibilities include strategy/business development, corporate communications, the corporate office, internal audit, compliance, KION Warehouse Systems, the North America region and the South America region. He is also CEO of the two brand companies Linde Material Handling GmbH and STILL GmbH.

- Dr Thomas Toepfer is Chief Financial Officer (CFO) and his responsibilities include accounting, tax, financial services, corporate finance, investor relations, M&A, controlling, HR/Labour Relations Director, legal affairs, IT, data protection, facility management/health, safety & environment and logistics/Urban.
- Ching Pong Quek is Chief Asia Pacific Officer and heads up the KION Group's entire Asia business.
- Dr Eike Böhm, in his role as Chief Technology Officer (CTO), has groupwide responsibility for research and development (R&D), product strategy, innovation, production system, quality & operations and procurement.

In November 2015 the KION Group announced that it would be comprehensively reorganising its Group structure from 2016, with the aim of doing even more to meet the specific customer and market requirements of the world's key regions while at the same time sharpening its focus on cross-brand synergies. This will result in changes in responsibilities at Executive Board level. CEO Gordon Riske will take charge of the Linde Material Handling EMEA, STILL EMEA and KION Americas units, while Chief Asia-Pacific Officer Ching Pong Quek is responsible for the KION APAC unit. Product strategy, R&D, innovation, production system, quality assurance and procurement have now been brought together in the newly created CTO organisation headed by Chief Technology Officer Dr Eike Böhm. Dr Thomas Toepfer will continue to be in charge of among other things accounting, financial services, corporate finance, investor relations, M&A, controlling and HR, IT and legal affairs. The new Group Executive Committee (GEC) will advise the Executive Board of KION GROUP AG and will integrate input from the operating units. The committee comprises the Executive Board members as well as the presidents of the operating units.

The Executive Board maintains a relationship of trust with, and is monitored by, the Company's Supervisory Board.

Supervisory Board

The Supervisory Board, which was formed in accordance with the German Codetermination Act (MitbestG), comprises 16 people. It advises the Executive Board in its handling of significant matters and business transactions. To increase the efficiency of its work, the Supervisory Board is supported by four committees: the Nomination Committee, the Executive Committee, the Audit Committee and the Mediation Committee.

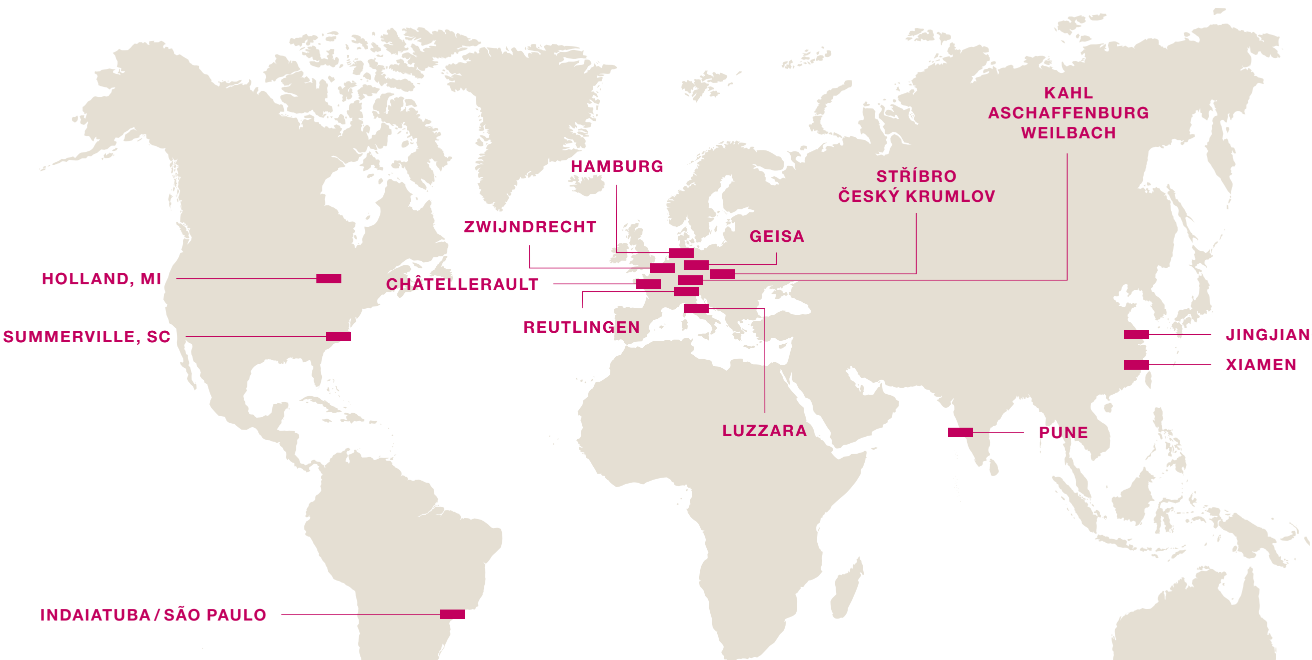
With effect from 1 January 2015 Silke Scheiber and Dr Martin Hintze stepped down from the Supervisory Board. At the Annual General Meeting on 12 May 2015, Birgit Behrendt and Xu Ping were elected in their place as new members of the Supervisory Board for the period up to the 2017 Annual General Meeting. Wolfgang Faden has been a shareholder representative on the Supervisory Board of KION GROUP AG since 1 August 2015. Johannes Huth stepped down from the Supervisory Board with effect from 31 July 2015. Hans-Peter Weiß resigned as a member of the Company's Supervisory Board with effect from the end of 15 November 2015. The courts appointed Jörg Milla as his successor with effect from 16 November 2015. At its meeting in December, the Supervisory Board resolved to propose to the Annual General Meeting on 12 May 2016 that Dr Christina Reuter be elected to succeed Mr Faden on the Supervisory Board.

Business model

So that it can fully cater to the needs of material handling customers worldwide, the KION Group's business model covers every step of the value chain: product development, manufacturing, sales and logistics, spare parts business, truck rental and used trucks, system and software solutions, plus financial services that support the Group's core industrial business. The KION Group operates a multi-brand strategy involving the four international brands Linde, STILL, Baoli and Egemin Automation plus the three national brands Fenwick, OM STILL and Voltas.

The KION Group earns most of its consolidated revenue – 54.5 per cent in the year under review – from the sale of industrial trucks. The product portfolio includes counterbalance trucks powered by an internal combustion engine or electric drive, warehouse trucks (ride-on and hand-operated) and towing vehicles for industrial applications. It covers all load capacities, from one to 18 tonnes.

Production sites of the KION Group DIAGRAM 003



Linde Material Handling

Germany
Aschaffenburg: Counterbalance trucks with IC engine or electric drive, warehouse technology
Weilbach: Component production
Kahl: Spare parts warehouse, component production
France
Châtellerault: Warehouse technology
Czech Republic
Český Krumlov: Component production
Stříbro: Warehouse technology
United States
Summerville, SC: Counterbalance trucks with IC engine or electric drive, warehouse technology
China
Xiamen: Counterbalance trucks with IC engine or electric drive, heavy trucks, warehouse technology
Jingjiang: Counterbalance trucks with IC engine or electric drive, warehouse technology
India
Pune: Counterbalance trucks with IC engine or electric drive, warehouse technology

STILL

Germany
Hamburg: Counterbalance trucks with IC engine or electric drive, warehouse technology, components
Reutlingen: Very narrow aisle trucks
Geisa: Component production
Italy
Luzzara: Warehouse technology
Brazil
Indaiatuba / São Paulo: Counterbalance trucks with IC engine, warehouse technology

Other (Egemin Automation)

Belgium
Zwijndrecht: Warehouse technology (Automated guided vehicles)
United States
Holland, MI: Warehouse technology (Automated guided vehicles)

Worldwide research and development activities (R&D) enable the KION Group to consolidate and extend its technology leadership. The Company plays a pioneering role in hydrostatic and diesel-electric drive systems and in innovative energy-efficient and low-emission drive technologies. As at the end of 2015, the KION Group employed a total of 1,056 developers, of whom 299 worked in Asia. Details of the Group's R&D activities can be found in the 'Research and development' section.

The KION Group operates a total of 17 production facilities for industrial trucks and components in nine countries. These include the new plant in Stříbro (near Plzeň in the Czech Republic), where production commenced in January 2016, and the two Egemin Automation production sites in Belgium and the USA. Owing to the particular requirements of its business, the KION Group manufactures major components itself – notably lift masts, axles, counterweights and safety equipment – in order to ensure security of supply and the availability of spare parts for important components. Other components – such as hydraulic components, electronic components, rechargeable batteries, engine components and industrial tyres – are purchased through the KION Group's global procurement organisation. > DIAGRAM 003

The KION Group offers customers tailor-made solutions and makes trucks specifically to order. More than a third of new trucks are fitted with technical components developed especially for a particular order. Advantages for customers in terms of total cost of ownership (TCO) underpin the Linde and STILL brands' premium positioning. The trucks' hallmarks are cost-efficiency, high productivity, comparatively low maintenance and high residual values.

The KION brand companies have an extensive sales and service network comprising around 1,400 outlets staffed by approximately 14,000 service employees in over 100 countries. Approximately half of them are employed by the KION Group. In other cases, the Company relies on external dealers. The sales network in western Europe consists of exclusive dealers and Company-owned dealerships. In China, Linde has built up a broad network of more than 100 proprietary sales and service outlets. By contrast, distribution partners in Asia and South America usually offer more than one brand of truck.

The worldwide vehicle fleet, which comprised around 1.2 million industrial trucks at the end of 2015 and continues to grow, provides a stable basis for the spare parts, maintenance and repair business within the KION Group's integrated business model.

The service business – spare parts, rental and used trucks, system and software solutions, and financial services – helps to smooth out fluctuations in consolidated revenue and reduces dependency on market cycles. In the reporting year, it contributed 45.5 per cent of consolidated revenue. This business also strengthens customer relationships, thereby helping to generate sales of new trucks. Extensive supplementary services are mainly offered for premium products. However, the proportion of service business is continually increasing in the other price segments too.

Financial services support new truck business in many markets, forming another pillar of the service business within the integrated business model. Approximately 50 per cent of new trucks are financed via the KION Group itself or via external banks and dealers. Offering financial services is therefore part of the truck sales process, and end customer finance is generally linked to a service contract throughout the term of the finance agreement. In the main sales markets with a high volume of financing and leasing, financial activities are handled by legally independent financial services companies. These activities include long-term leasing to customers and internal financing of the brand companies' short-term rental fleets.

There are also individual orders for repairs and maintenance work as well as for spare parts. In addition, the KION Group looks after entire customer fleets, using special fleet management software to monitor the trucks in the fleets and to enable customers to efficiently manage their fleets.

The brand companies also have extensive used truck and rental truck businesses, allowing peaks in capacity requirements to be met and customers to be supported after their leases have expired. Once a lease has expired, the used truck is serviced at a reconditioning centre and can then be rented on a flexible, short-term basis, for example. The used and rental truck business is integrated into the Linde Material Handling (LMH) and STILL segments in terms of its operations, and its fleet of well in excess of 50,000 trucks is financed internally by Financial Services.

Market and influencing factors

Industrial trucks are deployed for a wide variety of applications. Material handling products are used for tasks such as loading and unloading, linking production steps and moving pallets in logistics centres or in retail/wholesale operations. They therefore form part of the production processes and supply chains of many different industries around the world.

Measured in terms of unit sales of new trucks, the growth of the market for industrial trucks has exceeded global economic growth over the past ten years (2005–2015), rising at an average of 3.9 per cent per year. However, it should be noted that these statistics do not include price effects or the contribution from the service business. Nevertheless, the industry is subject to cylical fluctuations. Economic conditions in the different regions and the rates of growth in global trade are therefore key influencing factors for the KION Group, whose financial situation is also affected by competition levels, exchange rates and changes in commodity prices.

The main growth driver across all regions is the advancing interconnectivity of the global economy, which requires additional transport services between what are becoming increasingly fragmented value chains and supply chains. In addition, the increasing specialisation of companies is making logistics processes more segmented and more complex. The growth of e-commerce is also having an ever greater impact. Independent market analyses indicate that in western Europe alone revenue generated by e-commerce companies will double in the next five years. This will bring a need for new warehouse and logistics capacity and thereby raise demand for industrial trucks and automation solutions.

Measured in terms of units ordered, 39.7 per cent of the global market was attributable to diesel trucks in 2015, while electric forklift trucks accounted for 17.5 per cent and warehouse trucks for 42.8 per cent. Due to increasingly stringent emissions regulations and the continued march of e-commerce, the KION Group expects the segmentation of the market to shift towards electric forklift trucks and warehouse trucks, partly because these are suitable for use in buildings. This trend benefits the KION Group with its particularly strong position in these two product categories. In the developed economies, electric forklift trucks and warehouse trucks already account for the bulk of the market volume, whereas in growth regions simple counterbalance trucks with an internal combustion engine (diesel trucks) still make up a comparatively high proportion of the total volume.

In regional terms, emerging markets such as China, eastern Europe, Central America and South America are – despite a temporary slump in 2015 – the major sources of market growth. Demand for logistics services on the back of increasing consumer spending is being fuelled by expansion of industrial and public infrastructure as well as rising living standards. In mature markets, where supply chains are highly sophisticated, the large number of trucks in use provides a strong base for replacement business. The KION Group estimates that the majority of sales in western Europe are currently accounted for by replacement investments.

In the long term, due to rising customer expectations in terms of quality, efficiency and eco-friendliness of industrial trucks, the middle (volume) price segment is likely to become increasingly important for the growth markets in particular. At the same time, there is mounting competitive pressure as some manufacturers in the economy segment based in emerging markets are pursuing an international expansion strategy. In the premium segment, customers are much more focused than before on optimising total cost of ownership and on the integration of fully automated intralogistics solutions. In 2015, according to the KION Group's estimates, the premium price segment and the economy price segment each accounted for between 25 and 30 per cent of units ordered. The remainder was attributable to the volume price segment, making it the largest in terms of units sold.

Regulatory frameworks, which include mandatory emissions limits for trucks, have a major impact on the business model. The products and services of companies in the KION Group have to comply with the specific legal requirements in their respective markets. Compliance with the different requirements has to be verified or certified. Many of the legal requirements are enshrined in product-specific standards and other norms (e.g. EN, ISO and DIN).

Legal requirements also apply to the construction and operation of production facilities, including in relation to air pollution avoidance, noise reduction, waste production & disposal and health & safety. Furthermore, the KION Group fulfils all of the legal requirements pertaining to exports and financing business.

Market position

Last year, in terms of unit sales, the KION Group increased its global market share from 14.2 per cent to 15.0 per cent, thereby consolidating its position as the world's second-largest manufacturer of industrial trucks. Moreover, the Group is the world's leading producer of electric forklift trucks. It also maintained its leading position in western Europe across all product categories. In eastern Europe, too, the KION Group is the top manufacturer, while in Brazil it is no. 1 for electric forklift trucks and warehouse technology systems. The KION Group is also one of the leading players in India, where more than one in four trucks sold now bears the name of a KION brand. In China, it is the leading foreign manufacturer and number three overall. In the USA, the KION Group is looking to move from being a niche provider to a major market player as part of its Strategy 2020.

The segments and their products and services

The KION Group is represented in the market by four international brands – Linde, STILL, Baoli and Egemin Automation – and three national brands, Fenwick (France), OM STILL (Italy) and Voltas (India). While the brand companies have full operational and commercial responsibility within their markets, KION GROUP AG is the strategic management holding company and is responsible for the groupwide strategy and groupwide business standards. > TABLE 011

Segments 2015 TABLE 011

	Revenue		Adjusted EBIT[1]		Employees[2]	
in € million	2015	2014	2015	2014	2015	2014
LMH	3,429.8	3,077.2	383.9	339.6	14,486	13,945
STILL	1,950.2	1,850.7	144.0	133.6	8,103	7,976
Financial Services	740.3	620.9	–1.8	2.1	59	60
Other	252.8	235.7	155.3	135.5	858	688
Consolidation/reconciliation	–1,275.2	–1,106.6	–198.5	–167.9	–	–
Total	**5,097.9**	**4,677.9**	**482.9**	**442.9**	**23,506**	**22,669**

1 Adjusted for KION acquisition items and non-recurring items
2 Number of employees (full-time equivalents) as at balance sheet date 31/12/

For internal management purposes, the KION Group has divided its business into operating segments that correspond to the reportable segments, as required by international financial reporting standards (IFRS 8).

Linde Material Handling (LMH) segment

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick, Baoli and Voltas brands.

Linde is an international premium brand and a technology leader. Among its other selling points, it has decades of experience with hydrostatic drive technology and meets customers' highest requirements regarding technology, efficiency, functionality and design. The product portfolio ranges from warehouse trucks to heavy trucks and caters to all of the major application areas. Linde has been developing and manufacturing electric drive systems for decades and uses the resulting expertise in a variety of applications. In France, Linde products are sold under the Fenwick brand.

Baoli is the international brand for the economy segment. Building on its base in China and other growth markets in Asia, it has established sales structures in Europe as well as in Central America and South America. Since the fourth quarter of 2015, Baoli has also been represented in North America with a small but growing product portfolio.

Voltas is the national brand company for the Indian market through which the KION India Pvt. Ltd. subsidiary sells electric and IC forklift trucks and warehouse trucks. The company was integrated into the LMH segment with effect from 1 January 2015. Previously the entity was in the Other segment.

STILL segment

The STILL and OM STILL brands are grouped in the STILL segment. STILL is predominantly an international premium provider of trucks with electric and diesel-electric drives. It mainly focuses on the European and Latin American markets, with the national brand OM STILL serving the Italian market.

The segment's portfolio consists of forklift trucks and warehouse trucks plus associated services. STILL has also positioned itself as a leading provider of intelligent intralogistics solutions, offering trucks and fully integrated warehouse systems, including automation and fleet management solutions.

Financial Services (FS) segment

The Financial Services (FS) segment is an internal funding partner for LMH and STILL, providing finance solutions that promote sales. Its activities comprise the financing of long-term leasing business for external customers of the KION Group, the internal financing of the short-term rental business of the LMH and STILL operating segments, and the related risk management. In the large sales markets with a high volume of financing and leasing, legally independent FS companies handle this business.

When long-term leasing business is being conducted, FS itself acts as the contractual partner to external customers and offers various leasing models.

Operational responsibility for the short-term rental business (short-term rental fleet) lies with the LMH and STILL brand segments. FS acts as the contractual partner to the brand segments, providing the internal financing for this short-term rental fleet.

FS refinances both long-term leasing with end customers and the short-term rental fleet, mostly on the basis of sale and leaseback agreements.

In addition, a substantial portion of sales financing for external customers is offered indirectly, with an external leasing company to which the business is referred by the KION Group acting as lessor rather than the KION Group. The financial services provider purchases the truck from the KION Group and provides the finance to the end customer. The KION Group carries out the majority of the servicing for the truck and, once the financing has expired, may also take on its reconditioning and remarketing.

Other segment

The Other segment comprises holding companies and service companies that provide services such as IT and logistics across all segments. Also in this segment is Egemin NV, the subsidiary acquired in August 2015. Based in Zwijndrecht, Belgium, Egemin NV is a leading provider of automation solutions that specialises in optimising intralogistics processes in warehouses, production facilities and distribution centres. As well as turnkey project solutions using proprietary software, its portfolio also includes automatic guided vehicle systems and in-floor chain conveyors. Egemin Automation has sites in Europe, the USA and China. In 2014, the Other segment had also included the KION India subsidiary, which since the beginning of 2015 has been part of the LMH segment.

STRATEGY OF THE KION GROUP

Objectives of the Strategy 2020

The KION Group has clearly outlined its objectives for the next few years in its Strategy 2020.

- Growth: The KION Group wants to accelerate its growth and close the gap on the global market leader by 2020. To this end, it is strengthening its leading position in Europe and Brazil so that it can go on to capture additional market share in growth markets, particularly those in Asia and North America. This growth is to be accompanied by a far greater presence in the largest price segment (volume).
- Profitability: The KION Group aims to further improve its EBIT margin in order to entrench its position as the most profitable supplier in the market. In doing so, it aims to improve its EBIT margin so it is permanently in the double digits range – a target that remains unchanged in communications since the IPO. This requires not only an increase in the gross margin but also strict control of fixed costs.
- Efficient use of capital: The KION Group is working steadfastly to optimise the return on capital employed (ROCE). Besides increasing earnings, the focus here is on how assets and finance are to be managed going forward.
- Resilience: The KION Group aims to improve its ability to cope with economic downturns. It is therefore also diversifying its business in terms of regions and customer sectors alongside its efforts to optimise the production network and expand the service business.

Strategic focus areas of the Strategy 2020

The Strategy 2020 essentially encompasses six closely related areas of focus.

Multi-brand strategy

The starting point is the further development of the successful multi-brand strategy. The premium brands, Linde and STILL, are consolidating their presence at the upper end of the volume segment on the basis of the platform strategy (see below), particularly in North America and Asia as well as South America. This means that Linde, after successful market launches, now covers all product categories in the middle price segment as well. As the international brand for the economy segment, Baoli will gain a foothold at the lower end of the volume segment with a product and sales strategy that is tailored to regional requirements. The KION Group will therefore be represented in all these regions and in all price segments through its four international brands – Linde, STILL, Baoli and Egemin Automation. Especially in the premium segment and at the upper end of the volume segment, the seamless integration of material handling products and solutions into customer processes is playing an increasingly important role. IT-based assistance systems, such as fleet data management and truck control systems, look set to bolster sales of trucks in the premium segment in particular. The wide-ranging offering of the new international brand company Egemin Automation and the Linde Robotics and STILL iGo products give the KION Group a solid base of expertise in automated industrial trucks and warehouse logistics. As such, it is able to offer its customers along the entire supply chain solutions that are compatible with Industry 4.0, or the fourth industrial revolution. The KION Group is aiming to lever this expertise to become a leading provider of material handling solutions.

Global modular and platform strategy

Further development of the multi-brand strategy requires the product portfolio to be managed end to end on the basis of a global modular and platform strategy. For this reason, a Product & Module Committee was formed in 2014 as a cross-brand steering unit. In 2015 the Company also stepped up the level of cross-brand collaboration in procurement and coordination with the research and development centres. From 2016 the KION Group will then be bringing together the technology functions that are critical for the Company's success going forward into a central KION organisation under the new CTO Executive Board role, held by Dr Eike Böhm.

In the volume and economy segments outside western Europe, the KION Group is working with cross-brand, cost-efficient platforms for product development and production that are also allowing a strong degree of regional differentiation in the industrial trucks. The new diesel truck with mature converter technology, for example, which was launched in the fourth quarter of 2015 on the basis of the Baoli platform in China, is being localised for use in numerous other markets. There were also new platforms created and products brought to market for electric forklift trucks and warehouse trucks. In western Europe, the premium brands, Linde and STILL, will continue to use different platforms in order to maintain the defining characteristics of their brands, but will increasingly deploy shared modules. Innovation underpins the premium positioning of the two brands.

Global production network

The KION Group wants to build its industrial trucks close to the markets in which they will be sold. To this end, production facilities worldwide are being efficiently integrated – harnessing economies of scale and ensuring a high level of capacity utilisation. A programme of capital expenditure is aimed not only at updating and expanding existing plants but also at establishing factories in new locations.

The core element in western Europe is the modernisation of the plants in Aschaffenburg (Linde) and Hamburg (STILL), with a clear focus on increasing capacity, improving processes and containing costs. A total of around €83 million has been allocated for this between 2014 and 2021. Both sites are also working closely with the new plant in Stříbro (near Plzeň in the Czech Republic). In January 2016 the plant commenced production of warehouse trucks that had previously been made in Aschaffenburg. Capital expenditure on this undertaking amounted to approximately €12 million. The Aschaffenburg plant is now able to focus on making electric and diesel trucks and structuring its production processes more efficiently. Again in response to growth in regional sales markets, capacity is being significantly increased and processes optimised at sites in China (Xiamen and Jingjiang), the USA (Summerville) and Brazil (Indaiatuba / São Paulo).

Regional growth strategies

Having enhanced its multi-brand strategy and its modular and platform strategy, as well as increasing integration between the sites in its production network, the KION Group has put everything in place to increase its market share in strategically important regions. The main focus is on China and North America.

In North America, one of the largest markets for industrial trucks, the KION Group aims to move from being a niche provider to a major market player offering a full portfolio of products by 2020. This will enable it to capture an increasing share of this growing market. In order to achieve this goal, the KION Group is pursuing a multi-brand approach. A Baoli diesel truck was launched in North America in 2015 – the brand's debut in this market, where it will cater to the lower price segment; other products will follow in the second half of 2016. In addition, the KION North America plant in Summerville is being expanded for the production of IC and electric forklift trucks as well as warehouse trucks in order to close gaps in the portfolio; the various platforms are being adapted specially for the American market.

As well as expanding the range of products, KION North America is also strengthening its sales and service network, which encompasses over 70 partners at almost 150 sites. In 2015, for example, a new sales app was introduced and collaboration with sales partners was intensified. The KION Group is also looking to gain additional market share in the high-growth markets of Asia, including through new products for the volume segment that have been developed on the basis of Baoli's economy platform. China's fast-growing e-commerce sector is driving demand for electric forklift trucks and warehouse trucks such as LMH's newly developed pallet stacker.

Aftersales and service business

The strategy for the aftersales business is designed to unlock more of the potential offered by the installed base, which is expanding worldwide. This will help to boost revenue. To this end, the KION Group is continually extending its portfolio of services and improving their quality at every stage of the product lifecycle. For example, the KION Group is progressively extending its comprehensive service offering to also cover the volume and economy segments in high-growth markets. As part of this, the rental fleet in China was substantially enlarged in 2015, turning the KION Group into the country's biggest provider of rental trucks.

Financial services are also a key component of the service portfolio as they support the KION Group's core industrial business. The Company intends to further increase its market share by opening additional service outlets in attractive growth markets and stepping up the short-term rental business.

Back-office functions

In addition, the KION Group is aligning its groupwide back-office services to the growing requirements of the global organisation in order to leverage economies of scale and synergies. For example, KION Group IT – a global shared services organisation with four functions: IT governance, key account management, application services and infrastructure services – is focusing even more on increasing its contribution to the success of the Company and on providing cost-efficient and reliable IT services. In order to keep the costs of the expanded service offering low, the KION brand companies will be integrating their administrative tasks more closely.

Reorganisation of the Group structure

In November 2015 the KION Group announced that it would be comprehensively reorganising its Group structure from the beginning of 2016. The aim is to step up collaboration across all brands and regions and make this collaboration even more efficient. The creation of four operating units will sharpen focus on the specific customer and market requirements of the world's key regions and on cross-brand synergies, enabling the Strategy 2020 to be implemented in a more rigorous way. The Linde Material Handling EMEA and STILL EMEA operating units will concentrate on Europe, the Middle East and Africa, while KION APAC and KION Americas will hold cross-brand responsibility for the Asia-Pacific region and the Americas respectively. In the new organisation, the operating units will oversee marketing, sales and service and the production plants in their regions and will have individual profit and loss responsibility.

MANAGEMENT SYSTEM

Core key performance indicators

The KION Group's strategy, which centres on value and growth, is reflected in how the Company is managed. It uses five core key performance indicators (KPIs) to continuously monitor market success, profitability, financial strength and liquidity. The performance targets of the Group and the segments are based on selected financial KPIs, as is the performance-based remuneration paid to managers. In principle, each month, the KPIs are measured and made available to the Executive Board in a comprehensive report. This enables the management team to take prompt corrective action in the event of variances compared with target figures. > TABLE 012

KPIs related to business volume

Order intake and revenue

Order intake and revenue are broken down by segment, region and product category in the KION Group's management reporting so that growth drivers and pertinent trends can be identified and analysed at an early stage. Order intake is a leading indicator for revenue. The length of time between receipt and invoicing of an order varies between business units and product groups.

Earnings-related KPI

Adjusted EBIT

The key figure used for operational management and analysis of the KION Group's financial performance is adjusted earnings before interest and tax (EBIT). It is calculated in the same way as EBIT, except that it does not take account of the KION Group purchase price allocation or any non-recurring items.

Key performance indicators TABLE 012

in € million	Order intake[1]	Revenue	Adjusted EBIT[2]	Free cash flow	ROCE
2015	**5,215.6**	**5,097.9**	**482.9**	**332.7**	**11.9%**
2014	4,771.2	4,677.9	442.9	305.9	11.4%
2013	4,489.1	4,494.6	416.5	195.6	–

1 Prior-year figures restated to reflect the change in the order intake calculation introduced in 2015
2 Adjusted for KION acquisition items and non-recurring items

Liquidity-related KPI

Free cash flow

Free cash flow is the main KPI for managing leverage and liquidity. It is determined by the KION Group's operating activities and investing activities. Free cash flow does not include interest arising from financing activities. Carefully targeted management of working capital and detailed planning of capital expenditure are used to help in controlling the level of free cash flow.

Profitability-related KPI

ROCE

Return on capital employed (ROCE) has been used since 2015 as an additional core KPI. It is the ratio of adjusted EBIT to capital employed. ROCE is measured annually and reported to the Executive Board. > TABLE 013

Other key performance indicators

Besides the aforementioned core KPIs, the KION Group uses a variety of additional financial KPIs. The main ones are net debt, which is used to manage the capital structure, and the EBIT margin, which together with ROCE is relevant as a component of remuneration and as a target in the Strategy 2020. There are also non-financial KPIs, which primarily relate to customers, employees, sustainability and technology. Some of them are used operationally as leading indicators for the financial KPIs.

The KPIs used to manage the brand segments are order intake, revenue and adjusted EBIT. Earnings before tax (EBT) and return on equity (ROE) are the KPIs used to manage the Financial Services segment.

ROCE TABLE 013

in € million	2015	2014
Total assets	6,440.2	6,128.5
– less selected assets [1]	–1,126.7	–1,034.3
– less selected liabilities [2]	–1,261.9	–1,218.2
Capital employed	**4,051.6**	**3,876.0**
Adjusted EBIT	**482.9**	**442.9**
ROCE	**11.9%**	**11.4%**

1 Lease receivables, income tax receivables, cash and cash equivalents, KION acquisition effects and several items of other financial assets respectively other assets
2 Sundry other provisions, trade payables, a major part of other liabilities as well as several items of other financial liabilities

Report on the economic position

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Macroeconomic conditions

In 2015 the global economy expanded at a slower rate than in the previous year. This was mainly due to weak growth in key emerging markets such as China, Russia and Brazil. By contrast, the developed countries generally bolstered the global economy.

Besides GDP growth demand for industrial trucks is driven by industry's investment confidence and world trade volumes. Here, too, there was a marked slowdown in global growth in 2015. The main factors in the cooling of global trade were the greatly reduced demand for imports in China and the resulting decline in commodity prices. In particular China's major trading partners and the commodity-exporting countries were negatively affected. An increase in consumer spending and growth in the service sector had a positive effect, however, particularly on e-commerce and the demand for additional warehouse space.

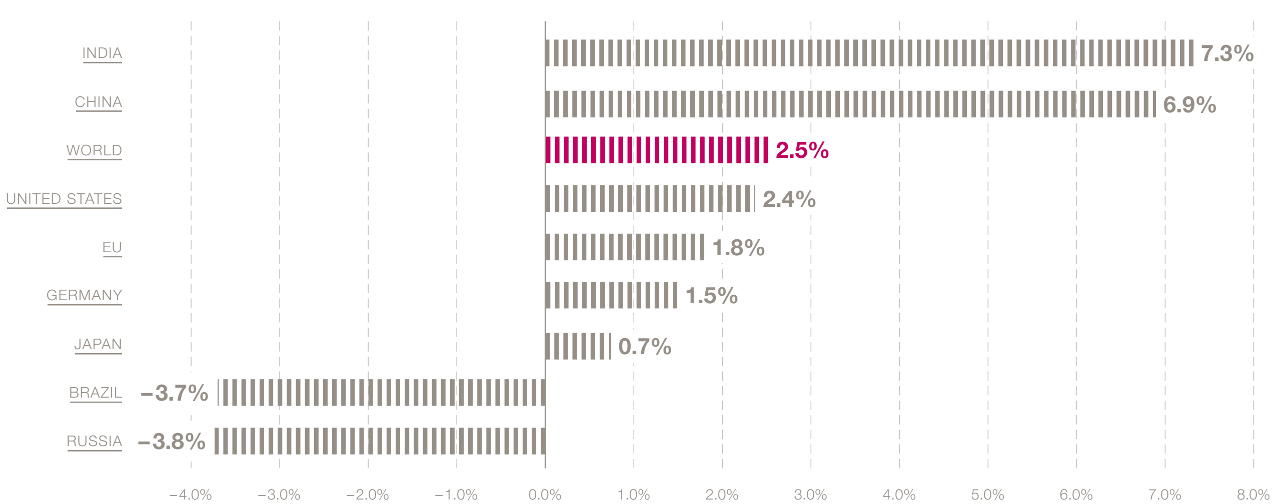
In 2015, the Chinese economy saw its weakest growth in a quarter of a century. As the economy in China is transformed into one that is driven by consumption and services, it has been accompanied by a further slowdown in growth. The pace of growth also tailed off in the other Asian countries. An exception was India, where the economy continued to rally. Both consumer spending and industrial output increased visibly here.

Growth in Brazil and Russia continued to be strongly negative in 2015, in line with expectations, with domestic economic problems and low commodity prices having a negative impact. The eastern European EU states, however, recorded healthy growth. The region benefited from low oil prices and high levels of consumer spending and from the ongoing recovery in western Europe.

Alongside the USA, western and central Europe proved to be a pillar of the global economy. A solid performance from Germany and the recovery in southern Europe were the main drivers of growth in the eurozone. Most of the momentum came from consumer spending; global uncertainties meant that companies remained cautious in their investment decisions.

The USA benefited from an upturn in the labour and housing market. After a weak first quarter, its economy substantially picked up the pace as the year progressed. > DIAGRAM 004

Gross domestic product in 2015 – real year-on-year change DIAGRAM 004



Source: Oxford Economics (as at 15 January 2016)

Sectoral conditions

Sales markets

In 2015 the global market for industrial trucks grew visibly slower than in the prior year, expanding by 1.0 per cent (2014: 7.8 per cent). A total of 1.1 million trucks were ordered across all regions and product types.

In line with the long-term trends identified by the KION Group, sales in the overall market were easily outstripped by sales of warehouse trucks (up by 11.0 per cent) and electric forklift trucks (up by 6.0 per cent). Demand for these, in combination with automation solutions, is being driven by the growing e-commerce sector. Electric forklift trucks are also benefiting from increasingly strict emissions regulations across all regions as well as major advances in battery-charging technology. Unit sales of IC trucks fell by 9.6 per cent, however, which was primarily due to the sharp decline in unit sales in China.

Western Europe (up by 11.3 per cent) and North America (up by 7.1 per cent) were the main contributors to the moderate rise in global unit sales. In western Europe, there was another substantial release of pent-up demand in the southern European countries in 2015. Growth in the United Kingdom (up by 14.5 per cent), Spain (up by 26.4 per cent) and Italy (up by 21.1 per cent) was above the market average, while Germany lagged behind the market with a growth rate of 8.4 per cent. France expanded by 12.3 per cent.

Orders in eastern Europe (excluding Russia) rose by 9.7 per cent. Higher sales figures were recorded in Poland, the Czech Republic and Hungary in particular but also in the smaller markets of Romania and Slovakia. The Russian market continued on its steep downward trajectory from 2014, contracting by 39.3 per cent.

In China there was a significant decline in orders in 2015 (down by 12.8 per cent), after the market had grown by a double-digit percentage amount in the prior year. Only growth in warehouse trucks was on a par with 2014. Brazil, the largest single market in South America, contracted by 44.2 per cent, with sales falling heavily in all product categories, while Chile and Argentina posted increases. > TABLE 014

Global industrial truck market (order intake) TABLE 014

in thousand units	2015	2014	Change
Western Europe	321.9	289.2	11.3%
Eastern Europe	53.5	57.6	–7.0%
North America	235.2	219.5	7.1%
Central & South America	42.5	48.5	–12.3%
Asia (excl. Japan)	331.0	357.5	–7.4%
Rest of world	118.2	119.0	–0.7%
World	**1,102.4**	**1,091.3**	**1.0%**

Source: WITS / FEM

Procurement markets

Commodity prices continue to have a direct impact on approximately one quarter of the cost of the materials needed to manufacture an industrial truck in the KION Group.

The average price over the year for steel, the most important commodity, fell compared with 2014 owing to the slowdown in growth, particularly in China. Manufacturing costs are also influenced – albeit it to a lesser extent – by the prices for copper and rubber, which were also down year on year. The price of oil, a useful price indicator for plastic products, was well below the 2014 average.

On the other hand, however, higher payroll and ancillary wage costs had an adverse impact on unit costs. In overall terms, and with the euro weakening even further, producer prices for input goods in the eurozone fell by only a negligible amount.

Financial markets

The KION Group bills the bulk of its revenue in euros. In 2015 the proportion was 62.1 per cent, which was slightly below the prior-year level (2014: 62.8 per cent). The remaining 37.9 per cent of revenue was billed in foreign currencies, most notably China's renminbi and pound sterling in the year under review.

The currency markets were characterised by strong fluctuations. The value of the euro generally remained at a low level, which impacted positively on the KION Group's order intake and revenue but also pushed up costs. Against the Chinese renminbi, the euro was approximately 15 per cent lower on average than in 2014. Pound sterling appreciated by 10 per cent on average against the euro, whereas the Brazilian real fell by 19 per cent. > TABLE 015

Currencies TABLE 015

Average rate per Euro	2015	2014
Australia (AUD)	1.48	1.47
Brazil (BRL)	3.70	3.12
Switzerland (CHF)	1.07	1.21
China (CNY)	6.98	8.19
United Kingdom (GBP)	0.73	0.81
Russia (RUB)	68.02	50.92
U.S.A. (USD)	1.11	1.33

Source: Reuters / Bloomberg

Business performance

In 2015 the KION Group further strengthened its market position in the automation sector by acquiring companies and entering into partnerships. On 7 August 2015 the KION Group paid €72.5 million to acquire all the shares in Egemin NV, based in Zwijndrecht (Belgium), which is the logistics automation division of the Belgian automation specialist Agidens International NV (formerly the Egemin Group). Egemin Automation has become the seventh brand in the KION Group and is included in the Other segment. With a strong customer focus, it works together with its sister companies on complex automation projects. Since the beginning of August 2015, Egemin Automation has been included in the consolidated financial statements of the KION Group.

Back in February 2015, LMH acquired 10.0 per cent of the shares in robotics specialist Balyo and entered into a strategic partnership with the company. STILL built on its leading market position in lean logistics by taking over LR Intralogistik GmbH in October 2015. LR Intralogistik specialises in intralogistics concepts that eschew forklift trucks in favour of tugger trains, which can also be used in automated material flow concepts.

On 20 July 2015, the KION Group exercised the put option vis-à-vis Weichai Power that it holds via Linde Material Handling GmbH on 20.0 per cent of the shares in Linde Hydraulics. This has reduced LMH's stake in Linde Hydraulics to 10.0 per cent and resulted in a cash inflow of €77.4 million on 16 December 2015.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Overall assessment of the economic situation

In 2015 the KION Group achieved encouraging growth in revenue and earnings. Consolidated revenue rose above the €5 billion mark for the first time, climbing by 9.0 per cent year on year to reach €5,097.9 million. A strong increase in new truck business meant that the KION Group and its brand companies largely avoided the effects of the general slowdown in the global market. The KION Group expanded its global market share thanks to gains in Europe and Asia. The service business also made a significant contribution to the growth in revenue.

Higher demand for electric forklift trucks and warehouse trucks resulting from ever more sophisticated intralogistics solutions and the growing requirements of the e-commerce sector helped to push up revenue. Revenue also improved because of positive exchange rate effects and the first-time consolidation of Egemin Automation in August 2015.

The rise in order intake by 9.3 per cent, like the increase in revenue, was due primarily to a continuation of the favourable situation in the core European markets. This was also the main driver for the 13.1 per cent rise in the order book, which was valued at €864.0 million at the end of the year and thereby provides a solid basis for 2016.

EBIT, adjusted for non-recurring items, came to €482.9 million, a year-on-year increase of 9.0 per cent. The strong growth in earnings was helped by the fact that commodity costs only increased slightly. At 9.5 per cent, the adjusted EBIT margin remained at the same high level as in 2014.

In total, the KION Group generated net income for the year of €221.1 million. The earnings per share attributable to the shareholders in the KION Group amounted to €2.20. KION GROUP AG will propose a dividend of €0.77 per share to the Annual General Meeting, €0.22 per share more than in 2014.

In the coming years, as the Strategy 2020 continues to be implemented as planned, the KION Group will be well placed to take advantage of opportunities in the market. In key growth areas, such as automation and intralogistics solutions, the Group once again substantially improved its position last year.

Comparison between actual and forecast growth

In the past year, the KION Group was consistently able to fulfil the forecasts for 2015 specified in the outlook section of the 2014 group management report. Order intake, for example, did not rise moderately as forecast, but climbed by 9.3 per cent, partly because of positive exchange rate effects. At 9.0 per cent, the increase in consolidated revenue was also higher than anticipated, again due in part to currency effects. The slight rise in adjusted EBIT expected for the year was exceeded. Contrary to the prediction of a slight decline in free cash flow, a high level of incoming payments at the end of the year resulted in an increase in free cash flow. Free cash flow actually improved by 8.8 per cent compared with the previous year. The funds generated from free cash flow were used, as announced, to further bring down borrowing, enabling the Group to markedly reduce its net debt in the year under review.

Business situation and financial performance of the KION Group

Level of orders

Order intake totalled €5,215.6 million, up by 9.3 per cent on the prior-year level (2014: €4,771.2 million). The KION Group's growth thus significantly outstripped that of the global market as a whole. The two operating segments LMH and STILL contributed equally to this growth. In addition, positive currency effects raised the value of the order volume by €114.1 million.

Orders for new trucks received by the KION Group brand companies rose by 7.0 per cent to 165.8 thousand units, exceeding the previous record level achieved in 2007. The brand companies benefited here from the growing demand for electric forklift trucks and warehouse trucks. Orders for diesel trucks only just fell short of the previous year's level and as such performed much better than the market as a whole, which was badly affected by falling sales in China and Brazil.

In the reporting year, high-growth markets accounted for around 33.5 per cent of new truck orders (2014: 34.7 per cent).

Factors contributing to the rise in the value of the order intake included, in addition to higher truck sales, the further slight increase in the proportion of customised equipment and the expansion of the service business. Over the course of 2015, the order book swelled by 13.1 per cent to €864.0 million (2014: €764.1 million).

Revenue

Revenue in the KION Group amounted to €5,097.9 million, an increase of 9.0 per cent on the 2014 figure of €4,677.9 million. Positive currency effects amounting to €108.7 million were contributory factors in addition to higher unit sales and moderate price effects.

Revenue by product category

Revenue from new trucks increased by 9.7 per cent to €2,779.9 million (2014: €2,533.0 million). There were year-on-year gains in all product categories – even the revenue from diesel trucks was higher than in 2014. The growth in revenue from electric forklift trucks and warehouse trucks was particularly strong.

Revenue from the service business advanced by 8.1 per cent to reach €2,318.0 million (2014: €2,144.9 million). This growth was attributable both to the rising volume of servicing and maintenance work under service agreements and to an increase in the amount of ad-hoc work. Revenue from the rental and used truck business was also up year on year. Revenue from other business areas rose by 23.6 per cent, mainly because of the first-time consolidation of Egemin Automation in August 2015. In total, the service business contributed 45.5 per cent (2014: 45.9 per cent) of the KION Group's total revenue. > TABLE 016

Revenue by product category

TABLE 016

in € million	2015	2014	Change
New business	2,779.9	2,533.0	9.7%
Service business	2,318.0	2,144.9	8.1%
– Aftersales	1,347.0	1,250.4	7.7%
– Rental business	524.1	486.9	7.7%
– Used trucks	270.4	264.9	2.1%
– Other	176.4	142.7	23.6%
Total revenue	**5,097.9**	**4,677.9**	**9.0%**

Revenue by customer location

The LMH and STILL brand segments increased their revenue compared with 2014 in virtually all of the KION Group's core markets. Western Europe was the main contributor: in addition to an encouraging level of growth in Germany, there were particularly strong increases in the volume of business in France, Italy, Spain and the United Kingdom. The KION Group generated strong growth in eastern Europe, too, despite the current weakness of the market. Overall revenue was also up in the Americas. The decline in revenue in South America was offset by revenue gains in North America.

The growth markets outside western Europe together accounted for 24.7 per cent of consolidated revenue (2014: 24.8 per cent). The proportion of revenue generated outside Germany rose to 75.0 per cent (2014: 73.9 per cent). > TABLE 017

Revenue by customer location

TABLE 017

in € million	2015	2014	Change
Western Europe	3,724.1	3,411.0	9.2%
Eastern Europe	432.5	403.3	7.2%
Americas	263.0	245.3	7.2%
Asia	524.6	470.7	11.4%
Rest of world	153.7	147.5	4.2%
Total revenue	**5,097.9**	**4,677.9**	**9.0%**

Earnings and profitability

EBIT, EBITDA and ROCE

Earnings before interest and tax (EBIT) advanced by 21.8 per cent to €422.8 million. The prior-year figure of €347.0 million had included an impairment loss of €13.5 million relating to the equity investment in Linde Hydraulics. This had led to a substantial increase in non-recurring items, which amounted to a net expense of €57.0 million in 2014, compared with a net expense of only €33.0 million in 2015. This mainly comprised expenses and impairment losses in connection with the efficiency measures initiated under the Strategy 2020.

Earnings before interest and tax, adjusted for non-recurring items and KION acquisition items (adjusted EBIT), rose to €482.9 million, an increase of 9.0 per cent compared with the previous year (2014: €442.9 million) and the highest ever figure in the history of the Company. The adjusted EBIT margin was unchanged year on year at 9.5 per cent. Most of the significant improvement in gross profit (up by 11.6 per cent) was offset by higher expenses in the individual functional divisions resulting from currency effects, changes to collective bargaining agreements and other factors.

At 11.9 per cent, return on capital employed (ROCE) was slightly above the prior-year figure (2014: 11.4 per cent). The increase in adjusted EBIT was partly offset by a moderate rise in the capital employed. > TABLE 018

EBIT TABLE 018

in € million	2015	2014	Change
Net income	221.1	178.2	24.0%
Income taxes	–109.2	–80.0	–36.4%
Net financial expenses	–92.6	–88.8	–4.3%
EBIT	**422.8**	**347.0**	**21.8%**
+ Non-recurring items	33.0	57.0	–42.1%
+ KION acquisition items	27.0	38.9	–30.4%
Adjusted EBIT	**482.9**	**442.9**	**9.0%**

EBITDA TABLE 019

in € million	2015	2014	Change
EBIT	422.8	347.0	21.8%
Amortisation and depreciation	401.4	367.2	9.3%
EBITDA	**824.2**	**714.2**	**15.4%**
+ Non-recurring items	25.8	55.6	–53.6%
+ KION acquisition items	0.0	10.7	–99.7%
Adjusted EBITDA	**850.0**	**780.4**	**8.9%**

Earnings before interest, tax, depreciation and amortisation (EBITDA) reached €824.2 million, compared with €714.2 million in the prior year. Adjusted EBITDA rose to €850.0 million (2014: €780.4 million). This equates to an adjusted EBITDA margin of 16.7 per cent, the same as it had been in 2014. > TABLE 019

Key influencing factors for earnings

Compared with the rise in revenue, there was a disproportionately low increase of 7.9 per cent in the cost of sales to €3,601.7 million (2014: €3,337.4 million). Gross profit therefore climbed by 11.6 per cent to €1,496.2 million (2014: €1,340.5 million) and the gross margin improved from 28.7 per cent to 29.3 per cent. One of the factors in this improvement was the higher margin in the new truck business, which resulted in part from a relatively low increase in the cost of materials and higher proportion of customised equipment.

Selling expenses grew by 8.3 per cent to €618.0 million (2014: €570.5 million) and thus rose at a slightly lower rate than revenue. The increase in research and development costs to €143.0 million (2014: €125.7 million) was attributable, among other factors, to expenses in connection with implementing the Strategy 2020. The higher personnel expenses and other administrative expenses for innovations in drive technology and the further development of the global product platforms were partly offset by savings that have already been generated through measures to increase efficiency. General administrative expenses, which went up by 10.0 per cent to €355.9 million in 2015 (2014: €323.6 million), were also affected by implementation of the Strategy 2020. Furthermore, currency effects and changes to collective bargaining agreements pushed up costs across all functional divisions.

The 'other' item of €43.6 million was higher than the previous year's figure of €26.4 million. This increase was mainly due to the total net income from equity investments of €20.3 million, which is recognised under this item. This includes a share of profit of equity-accounted investments amounting to €10.6 million. In 2014, the total loss of €33.9 million from the equity-accounted Linde Hydraulics resulted in an overall net loss from equity investments of €23.4 million. In addition to net income (loss) from equity investments and other income and expenses, the 'other' item also contains income and expenses resulting from exchange differences. The net figure was down by €14.5 million compared with 2014. > TABLE 020

(Condensed) income statement TABLE 020

in € million	2015	2014	Change
Revenue	5,097.9	4,677.9	9.0%
Cost of sales	–3,601.7	–3,337.4	–7.9%
Gross profit	**1,496.2**	**1,340.5**	**11.6%**
Selling expenses	–618.0	–570.5	–8.3%
Research and development costs	–143.0	–125.7	–13.8%
Administrative expenses	–355.9	–323.6	–10.0%
Other	43.6	26.4	65.5%
Earnings before interest and taxes (EBIT)	**422.8**	**347.0**	**21.8%**
Net financial expenses	–92.6	–88.8	–4.3%
Earnings before taxes	**330.2**	**258.3**	**27.9%**
Income taxes	–109.2	–80.0	–36.4%
Net income	**221.1**	**178.2**	**24.0%**

Net financial income/expenses

There was a significant improvement in the balance of financial income and financial expenses, leading to net financial expenses of €92.6 million compared with a prior-year figure (adjusted for non-recurring items) of €108.8 million. The main factor here was the optimisation of the funding structure in 2014 resulting from the early repayment of two tranches of the corporate bonds. This resulted in one-off financial expenses of €23.2 million, which were also included in the financial expenses of €88.8 million reported in 2014 as well as financial income from the remeasurement of options in connection with Linde Hydraulics (€43.2 million).

Income taxes

Income tax expenses amounted to €109.2 million (2014: €80.0 million). This increase of €29.2 million was mainly attributable to the rise in earnings in 2015 and to current tax expenses for previous years. It was partly offset by deferred tax income that resulted mainly from the recognition of deferred tax assets related to loss carryforwards and interest carryforwards. The tax rate was 33.1 per cent (2014: 31.0 per cent).

Net income and appropriation of profit

Net income amounted to €221.1 million, exceeding the 2014 figure of €178.2 million by 24.0 per cent. Net income of €217.1 million (2014: €176.7 million) was attributable to the shareholders of KION GROUP AG. Basic and diluted earnings per share came to €2.20 (2014: €1.79) based on an average number of no-par-value shares in the year of 98.7 million (2014: 98.7 million). This did not include 160,050 no-par-value treasury shares that had been repurchased by KION GROUP AG as part of a buy-back to support the KION Employee Equity Programme.

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.77 per share to the Annual General Meeting on 12 May 2016. As there were 98,739,950 dividend-bearing shares as at 31 December 2015, this equates to a total dividend payout of €76.0 million. A total of around 35.0 per cent of the net income accruing to the KION GROUP AG shareholders will therefore be distributed in dividends.

Business situation and financial performance of the segments

LMH segment

Business performance and order intake

The LMH segment reported a significant increase in orders and revenue, strengthening its position as one of the leading global manufacturers of industrial trucks and the market leader in Europe. Order intake went up by 12.4 per cent to €3,516.3 million (2014: €3,128.4 million). There were particularly strong increases in the number of orders in western Europe and the eastern European EU states. In China, LMH benefited from the demand for electric forklift trucks and warehouse trucks and bucked the market trend with an increase in total unit sales that was partly due to strong sales of Baoli diesel trucks in the economy segment. Currency effects of €124.7 million also had a positive impact on order intake.

In connection with the Strategy 2020, LMH pressed ahead with the construction of the new plant in the Czech Republic, which went into operation at the beginning of 2016. There was also a continued drive to strengthen the sales and service network in North America. In India, LMH is building awareness of its brand, which is being targeted at the premium segment. It is utilising the existing infrastructure of the Voltas brand (KION India), whose own new truck business expanded in the year under review.

Revenue

Revenue went up by 11.5 per cent to €3,429.8 million (2014: €3,077.2 million). The main influencing factor was the increase in new truck business, a trend that was primarily attributable to the growing demand for warehouse trucks and electric forklift trucks in western Europe. There was also growth across all areas of the service business, with particularly sharp rises in after-sales and rental business. Positive currency effects contributed €125.2 million to the increase in revenue.

Key figures – LMH – TABLE 021

in € million	2015	2014	Change
Order intake*	3,516.3	3,128.4	12.4%
Revenue	3,429.8	3,077.2	11.5%
EBITDA	545.8	441.2	23.7%
Adjusted EBITDA	543.2	486.6	11.6%
EBIT	363.4	270.3	34.4%
Adjusted EBIT	383.9	339.6	13.0%
Adjusted EBITDA margin	15.8%	15.8%	–
Adjusted EBIT margin	11.2%	11.0%	–

* Prior-year figures restated to reflect the change in the order intake calculation introduced in 2015

Earnings

As a result of the increase in revenue, adjusted EBIT advanced by 13.0 per cent to reach €383.9 million (2014: €339.6 million). The adjusted EBIT margin stood at 11.2 per cent, slightly higher than the margin of 11.0 per cent in 2014. EBIT including non-recurring items improved to €363.4 million (2014: €270.3 million).

Adjusted EBITDA stood at €543.2 million (2014: €486.6 million). This equates to an adjusted EBITDA margin of 15.8 per cent, the same as in 2014. > TABLE 021

STILL segment

Business performance and order intake

STILL saw its order intake go up by 4.5 per cent to €1,980.0 million in 2015 (2014: €1,895.1 million) and it consolidated its strong position in the key sales markets. Once again in 2015, electric forklift trucks and warehouse trucks accounted for a higher share of new truck orders than before, while unit sales of diesel trucks declined slightly. Whereas some major western and eastern European markets generated significant growth, orders fell in Russia and Brazil.

Revenue

Revenue in the STILL segment amounted to €1,950.2 million, exceeding the 2014 figure of €1,850.7 million by 5.4 per cent. The increase was attributable to the buoyant new truck business, which expanded by 5.1 per cent, and to the service business (servicing, spare parts, rentals and used trucks), where revenue was up by 5.6 per cent.

Earnings

Adjusted EBIT for the segment rose to €144.0 million (2014: €133.6 million). The adjusted EBIT margin stood at 7.4 per cent, slightly higher than the margin of 7.2 per cent in 2014. With the inclusion of non-recurring items, EBIT fell year on year to €117.5 million (2014: €118.4 million). This was because of expenses in connection with the efficiency measures initiated under the Strategy 2020.

Adjusted EBITDA rose to €258.3 million (2014: €240.4 million). The adjusted EBITDA margin was 13.2 per cent (2014: 13.0 per cent). > TABLE 022

Key figures – STILL – TABLE 022

in € million	2015	2014	Change
Order intake	1,980.0	1,895.1	4.5%
Revenue	1,950.2	1,850.7	5.4%
EBITDA	242.1	231.1	4.8%
Adjusted EBITDA	258.3	240.4	7.4%
EBIT	117.5	118.4	–0.8%
Adjusted EBIT	144.0	133.6	7.8%
Adjusted EBITDA margin	13.2%	13.0%	–
Adjusted EBIT margin	7.4%	7.2%	–

Financial Services (FS) segment

Business performance

The Financial Services (FS) segment is the central financing partner in the KION Group. The FS segment benefited from an increase in business in the LMH and STILL brand segments, enjoying growth in the financing of short-term rental business (which is the operational responsibility of the brand segments) and in the long-term leasing business with external end customers. As in 2014, a large proportion of the financing portfolio was focused on business in western Europe. Outside western Europe, FS recorded its strongest gains in Brazil and China, where long-term financing solutions were offered for the first time.

Funding for the leasing business was secured at all times in 2015 by sufficient lines of credit from our financing partners. Because of the good financing conditions, the KION Group was able to establish new lines of credit with favourable terms and renegotiate existing lines. Smaller regional partners were also brought on board.

Financial position and financial performance

Revenue in the long-term leasing business with external end customers went up to €417.3 million (2014: €350.1 million). Financing for short-term rental business grew by 19.3 per cent to €322.9 million (2014: €270.7 million) because of the expansion of short-term rental fleets. The LMH and STILL brand segments manage this business, which is recognised as intra-group revenue. This brought the total segment revenue up to €740.3 million (2014: €620.9 million). Net financial income in the form of net interest income is a key element of the segment's earnings and rose to €7.1 million (2014: €3.1 million). Earnings before tax came to €5.3 million, improving only marginally on the figure of €5.2 million in 2014. The return on equity (ROE) was 13.1 per cent (2014: 13.0 per cent).

As at 31 December 2015, total segment assets amounted to €1,603.4 million (2014: €1,361.3 million). Of this total, €627.6 million was accounted for by lease receivables due from external customers (31 December 2014: €521.9 million), while €549.2 million (31 December 2014: €473.0 million) related to the financing of the short-term rental fleet in the LMH and STILL segments. Leased assets under operating leases relating to external customer contracts amounted to €316.1 million (31 December 2014: €267.4 million).

The funding of leases with external end customers gave rise to leasing liabilities with external funding partners amounting to €853.1 million (31 December 2014: €702.9 million). The funding of the intra-group long-term leases (finance leases) with LMH and STILL resulted in lease liabilities of €400.6 million (2014: €334.5 million). Net financial debt attributable to this segment came to €185.6 million (2014: €155.1 million). > TABLE 023

Key figures – Financial Services – TABLE 023

in € million	2015	2014	Change
Revenue	740.3	620.9	19.2%
Adjusted EBITDA	88.7	82.6	7.5%
Adjusted EBIT	–1.8	2.1	<–100%
Earnings before taxes (EBT)	5.3	5.2	1.4%
Total segment assets	1,603.4	1,361.3	17.8%
Leased assets	316.1	267.4	18.2%
Lease receivables	1,176.8	994.9	18.3%
thereof lease receivables from long-term leases to third parties	627.6	521.9	20.2%
thereof lease receivables from LMH and STILL from funding of the short-term rental business	549.2	473.0	16.1%
Lease liabilities[1]	1,253.7	1,037.5	20.8%
thereof liabilities from funding of the long-term leases with third parties	853.1	702.9	21.4%
thereof liabilities from funding of the short-term rental business of LMH and STILL	400.6	334.5	19.8%
Net financial debt	185.6	155.1	19.6%
Equity	47.5	46.5	2.2%
Return on equity[2]	13.1%	13.0%	–

1 Includes liabilities from financing of the short-term rental fleet reported as other financial liabilities
2 Earnings before taxes divided by average equity employed excluding net income (loss) for the current period

Other segment

Business performance

Group head office functions that do not come under any other segment, plus Egemin NV along with its eight subsidiaries and its Egemin Automation brand, are reported in the Other segment. In 2015 KION India was transferred from the Other segment to the LMH segment.

Revenue and earnings

At €252.8 million, total revenue for this segment was higher than the 2014 figure of €235.7 million. This resulted mainly from internal IT and logistics services and from Egemin Automation, which has been consolidated since August 2015. Because of this acquisition, the revenue generated outside the KION Group increased to €53.5 million (2014: €47.6 million) in spite of the transfer of KION India to the LMH segment. Egemin Automation contributed pro rata revenue of €33.0 million.

Key figures – Other – TABLE 024

in € million	2015	2014	Change
Order intake	268.6	236.5	13.6%
Revenue	252.8	235.7	7.3%
EBITDA	160.6	141.1	13.8%
Adjusted EBITDA	187.7	152.5	23.1%
EBIT	127.3	124.1	2.5%
Adjusted EBIT	155.3	135.5	14.6%

The Other segment reported adjusted EBIT, including intra-group dividend income, of €155.3 million (2014: €135.5 million). Adjusted EBITDA came to €187.7 million (2014: €152.5 million). > TABLE 024

Consolidation/reconciliation

Besides the intra-group supply relationships between the brand segments and with Financial Services, the main factor in the EBIT effect of minus €198.5 million (2014: minus €167.9 million) across all segments was the intra-group dividend income.

Financial position

Principles and objectives of financial management

By pursuing an appropriate financial management strategy, the KION Group makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. In addition, the KION Group optimises its financial relationships with customers and suppliers, manages any collateral security offered and mitigates the financial risk to its enterprise value and profitability, notably currency risk, interest-rate risk, price risk, counterparty risk and country risk. In this way, the KION Group creates a stable funding position from which to maintain profitable growth.

The financial resources within the KION Group are provided on the basis of an internal funding approach. The KION Group collects liquidity surpluses of the Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. This funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants.

As a listed group of companies that was funded in the year under review using a corporate bond and loan facilities, the KION Group considers the interests of shareholders, bondholders and banks in its financial management. For the sake of all stakeholders, the KION Group makes sure that it maintains an appropriate ratio of internal funding to borrowing. The KION Group's borrowing is based on a long-term approach. The core components of this borrowing will become due for repayment in the years 2018 to 2020. The Group occasionally arranges additional credit lines for KION Group companies with local banks or leasing companies in order to comply with legal, tax and other regulations.

Among other things, the loan facility and the contractual conditions relating to the issuance of the corporate bond require compliance with loan conditions ('covenants'). The loan facility also requires compliance with specific financial covenants during the term of the agreement. Non-compliance with the covenants may, for example, give lenders the right to terminate the loan or permit bondholders to put the corporate bonds back to the issuer prior to their maturity date. All covenants and restrictions were comfortably complied with in the past financial year.

Depending on requirements and the market situation, the KION Group will also avail itself of the funding facilities offered by the public capital markets in future. The KION Group therefore seeks to maintain a strong credit profile in the capital and funding markets by rigorously pursuing a value-based strategy, implementing proactive risk management and ensuring a solid funding structure. In April 2015 the KION Group's credit rating was raised. Rating agency Standard & Poor's now classifies the KION Group as BB+ with a stable outlook, while the rating from Moody's is Ba2 with a positive outlook.

The KION Group maintains a liquidity reserve in the form of unrestricted, bindingly committed credit lines and cash in order to ensure long-term financial flexibility and solvency.

In 2015, the KION Group used derivative financial instruments in the form of cash flow hedges and a net investment hedge in order to hedge currency risks.

Main capital market activities in the reporting period

In September 2015, KION GROUP AG carried out another share buyback to support its KION Employee Equity Programme (KEEP), purchasing a total of 70,000 of its own no-par-value shares (around 0.07 per cent of the share capital). To do so, the KION Group used the authorisation granted at the Annual General Meeting on 13 June 2013. In October 2015, the KION Group employees entitled to participate in KEEP were given the opportunity to buy more KION shares. By 31 December 2015, a total of 73,512 shares had been purchased by staff (2014: 87,438 shares). This increased the number of shares held in treasury to 160,050 as at the reporting date.

Analysis of capital structure

Financial debt

Long-term borrowing fell by €89.5 million from its level at 31 December 2014 to reach €557.2 million at the end of 2015. As at 31 December 2015, the main components of long-term borrowing were the corporate bond (€450.0 million), which was due to mature in 2020 but was paid back in February 2016, and the amounts drawn down from the revolving credit facility (€90.0 million).

As at 31 December 2015, the unused, unrestricted loan facility had risen to €1,090.8 million or – including cash and cash equivalents – to €1,193.6 million.

Because of the free cash flow generated in 2015, the improved funding structure and the payment received from the sale of 20 per cent of Linde Hydraulics (€77.4 million) the financial debt recognised fell significantly to €676.5 million in comparison with 31 December 2014 (€909.6 million). After deduction of cash and cash equivalents of €103.1 million, net financial debt fell to a historical low of €573.5 million, compared with €810.7 million at the end of 2014. Net debt as at 31 December 2015 was therefore only 0.7 times adjusted EBITDA, compared with 1.0 times in the prior year. > TABLE 025

Net financial debt TABLE 025

in € million	2015	2014	Change
Corporate bond (2013/2020) – fixed rate (gross)	450.0	450.0	0.0%
Liabilities to banks (gross)	225.9	459.9	–50.9%
Liabilities to non-banks (gross)	6.2	6.6	–6.1%
./. Capitalized borrowing costs	–5.5	–6.9	19.5%
Financial debt	**676.5**	**909.6**	**–25.6%**
./. Cash and cash equivalents	–103.1	–98.9	–4.2%
Net financial debt	**573.5**	**810.7**	**–29.3%**

On 25 January 2016, the Executive Board of KION GROUP AG decided to implement the new funding structure of the KION Group by redeeming the existing syndicated loan dated 23 December 2006 comprising a revolving credit facility of €1,243.0 million and the KION Group corporate bond of €450.0 million that was issued in 2013 and is due to mature in 2020. The associated repayment was made on 15 February 2016 using funds drawn down under the new senior facilities agreement.

Retirement benefit obligation

The KION Group supports pension plans in many countries. These plans comply with legal requirements, standard local practice and the situation in the country in question. They are either defined benefit pension plans, defined contribution pension plans or multi-employer benefit plans. As at 31 December 2015, the retirement benefit obligation under defined benefit pension plans amounted to a total of €798.0 million and therefore remained at almost the same level as at the end of the previous year (31 December 2014: €787.5 million). Most of this obligation related to pension plans in Germany. After deduction of the pension plan assets amounting to €30.2 million, the remaining net obligation came to €767.8 million (31 December 2014: €765.8 million).

Contributions to pension plans that are entirely or partly funded via funds are paid in as necessary to ensure sufficient assets are available and to be able to make future pension payments to pension plan participants. These contributions are determined by factors such as the funded status, legal and tax considerations, and local practice. The payments made by the KION Group under retirement pension obligations in 2015 totalled €24.2 million, comprising €15.6 million for direct pension payments and €8.5 million for employer contributions to plan assets. Transfers to external pension funds resulted in payments of €0.1 million.

Further details about the retirement benefit obligation are provided in note [29] in the notes to the consolidated financial statements.

Lease liabilities

Continuing growth in the leasing business with end customers in 2015 led to a correspondingly higher funding requirement. Lease liabilities under sale-and-leaseback arrangements rose to €855.6 million (31 December 2014: €707.7 million). Of this total, €617.7 million was accounted for by non-current lease liabilities (31 December 2014: €461.7 million) and €237.9 million by current lease liabilities (31 December 2014: €246.0 million).

The liabilities from the short-term rental fleet and from procurement leases are reported under other financial liabilities (see note [34] in the notes to the consolidated financial statements). As at 31 December 2015, other financial liabilities included liabilities of €403.2 million (31 December 2014: €339.1 million) arising from sale-and-leaseback transactions used to finance the short-term rental fleet. The item also included liabilities from residual value guarantees amounting to €17.8 million (31 December 2014: €18.5 million). The residual-value liabilities relate to residual-value guarantees provided in connection with the sale of assets to leasing companies, where the guaranteed amount is more than 10.0 per cent of the fair value of the asset in question.

Equity

Equity increased to €1,848.7 million (31 December 2014: €1,647.1 million) as a result of the strong net income. The dividend payment of €54.3 million for the 2014 financial year had only a minor impact on equity because of the overall gain of €38.9 million recognised in other comprehensive income. The equity ratio increased to 28.7 per cent (31 December 2014: 26.9 per cent).
> TABLE 026

Funding vehicles not reported on the statement of financial position

The KION Group also makes use of funding vehicles not reported in the statement of financial position. As part of its financing activities, the KION Group has entered into leases both for its own use and for transfer to customers. In accordance with the relevant IFRS requirements, such leases are not reported as either an asset or a liability on the statement of financial position. The nominal amount of the contractual obligations arising from such leases not reported in the statement of financial position was €272.7 million as at 31 December 2015 (31 December 2014: €250.8 million; see note [36] in the notes to the consolidated financial statements). In addition, the KION Group sold trade receivables with a total value of €75.1 million (2014: €74.4 million) through factoring transactions and derecognised those receivables in full.

(Condensed) statement of financial position – equity and liabilities TABLE 026

in € million	2015	in %	2014	in %	Change
Equity	**1,848.7**	**28.7%**	**1,647.1**	**26.9%**	**12.2%**
Non-current liabilities	**2,860.0**	**44.4%**	**2,688.3**	**43.9%**	**6.4%**
thereof:					
Retirement benefit obligation	798.0	12.4%	787.5	12.8%	1.3%
Financial liabilities	557.2	8.7%	646.8	10.6%	–13.8%
Deferred tax liabilities	302.7	4.7%	320.9	5.2%	–5.7%
Lease liabilities	617.7	9.6%	461.7	7.5%	33.8%
Current liabilities	**1,731.5**	**26.9%**	**1,793.0**	**29.3%**	**–3.4%**
thereof:					
Financial liabilities	119.3	1.9%	262.9	4.3%	–54.6%
Trade payables	574.6	8.9%	564.6	9.2%	1.8%
Lease liabilities	237.9	3.7%	246.0	4.0%	–3.3%
Total equity and liabilities	**6,440.2**	**–**	**6,128.5**	**–**	**5.1%**

Analysis of capital expenditure

Capital expenditure (excluding leased and rental assets) was again funded using cash flow from operating activities in the reporting year. Capital expenditure rose by 7.1 per cent year on year to reach €142.6 million (2014: €133.1 million). Whereas capitalised development costs in the LMH and STILL brand segments were a little lower, there was an increase in capital expenditure at the Group's production and technology sites, the bulk of which was attributable to the LMH segment. The main capital expenditure activities were the modernisation of production facilities in Germany and Asia, the construction of a new factory in the Czech Republic and the ongoing optimisation of the IT infrastructure.

Analysis of liquidity

Liquidity management is an important aspect of central financial management. The sources of liquidity are cash and cash equivalents, cash flow from operating activities and amounts available under credit facilities. Cash and cash equivalents went up slightly over the course of 2015 to reach €103.1 million (2014: €98.9 million); €0.3 million of this was restricted. Taking into account the credit facilities that were still available, the unrestricted cash and cash equivalents available to the KION Group as at 31 December 2015 amounted to €1,193.6 million (2014: 939.7 million).

The KION Group's net cash provided by operating activities totalled €677.9 million, which was significantly higher than the prior-year figure (2014: €603.8 million). This increase, which fully offset the increase in working capital, the rise in the volume of leasing, and higher tax payments, was attributable to higher contributions to operating profit and to one-off incoming payments in the year under review.

The net cash used for investing activities rose to €345.2 million (2014: €297.8 million). Cash payments, particularly for capital expenditure on research and development (R&D) and property, plant and equipment, totalled €142.6 million in 2015 (2014: €133.1 million). Owing to the increase in demand for rental trucks, the KION Group also continued to expand its short-term rental fleet business (net) with a volume of spending of €222.9 million (2014: €183.4 million). The €84.9 million in total net cash used for equity investments, in particular the acquisition of Egemin Automation, was almost completely matched by the €77.4 million inflow of funds from the sale of 20.0 per cent of the shares in Linde Hydraulics to Weichai Power.

Free cash flow – the sum of cash flow from operating activities and investing activities – was up by €26.8 million year on year at €332.7 million (2014: €305.9 million).

At minus €329.1 million, cash flow from financing activities improved significantly on the prior-year figure (2014: minus €428.1 million), which had been affected by the repayment of the

(Condensed) statement of cash flows TABLE 027

in € million	2015	2014	Change
EBIT	422.8	347.0	21.8%
Cash flow from operating activities	677.9	603.8	12.3%
Cash flow from investing activities	–345.2	–297.8	–15.9%
Free cash flow	**332.7**	**305.9**	**8.8%**
Cash flow from financing activities	–329.1	–428.1	23.1%
Effect of foreign exchange rate changes on cash	0.5	1.8	–71.3%
Change in cash and cash equivalents	**4.1**	**–120.4**	**>100%**

corporate bonds and other factors. The financial debt taken up, which came to €911.0 million and was mainly used for the ongoing funding of the working capital and for the funding of acquisitions, was offset by repayments totalling €1,134.9 million as at 31 December 2015. Net cash of €43.3 million was used for regular interest payments (2014: €82.5 million). The distribution of a dividend of €0.55 per share resulted in an outflow of funds of €54.3 million (2014: €34.5 million). The acquisition of employee shares caused a cash outflow of €2.7 million (2014: €1.5 million). > TABLE 027

Net assets

Non-current assets

Non-current assets increased to €4,810.3 million (31 December 2014: €4,524.8 million), primarily due to the expanding leasing business. Intangible assets accounted for €2,452.5 million (31 December 2014: €2,412.5 million). Within that amount, goodwill and the KION Group's brand names rose to €2,152.2 million owing to currency effects and, in particular, the first-time consolidation of Egemin Automation (31 December 2014: €2,092.4 million).

Rental assets increased to €544.0 million due to the expansion of the rental fleet business in the brand segments (31 December 2014: €487.1 million).

Due to the overall growth in business, leased assets for leases with end customers that are classified as operating leases increased to €334.4 million (31 December 2014: 279.0 million). Long-term lease receivables arising from leases with end customers that are classified as finance leases advanced to €472.0 million (31 December 2014: €345.3 million).

The amount of deferred tax assets recognised on the balance sheet fell by €8.9 million to reach €349.0 million at the end of 2015. Further details regarding the change in deferred tax assets are provided in note [14] in the notes to the consolidated financial statements.

Current assets

Overall, current assets increased by €26.2 million to €1,629.9 million (31 December 2014: €1,603.7 million). While trade receivables in particular increased significantly, other current financial assets declined, mainly because the put option vis-à-vis Weichai Power on 20.0 per cent of the shares in Linde Hydraulics was exercised.

By contrast, short-term lease receivables from end customers decreased to €181.7 million at the end of the reporting period (31 December 2014: €202.5 million).

Cash and cash equivalents stood at €103.1 million (31 December 2014: €98.9 million). Taking into account the unused credit facility, the cash and cash equivalents available to the KION Group at 31 December 2015 amounted to €1,193.6 million. > TABLE 028

Inventories TABLE 028

in € million	2015	2014	Change
Materials and supplies	115.9	122.2	–5.1%
Work in progress	75.0	71.5	4.9%
Finished goods and merchandise	359.5	330.8	8.7%
Advances paid	3.1	4.7	–35.0%
Total inventories	**553.5**	**529.2**	**4.6%**

Working capital (inventories and trade receivables less trade payables) was €649.3 million as at the reporting date (31 December 2014: €562.8 million). > TABLE 029

(Condensed) statement of financial position – assets TABLE 029

in € million	2015	in %	2014	in %	Change
Non-current assets	**4,810.3**	**74.7%**	**4,524.8**	**73.8%**	**6.3%**
thereof:					
Goodwill	1,548.1	24.0%	1,497.1	24.4%	3.4%
Brand names	604.1	9.4%	595.4	9.7%	1.5%
Deferred tax assets	349.0	5.4%	357.9	5.8%	–2.5%
Rental assets	544.0	8.4%	487.1	7.9%	11.7%
Leased assets	334.4	5.2%	279.0	4.6%	19.9%
Lease receivables	472.0	7.3%	345.3	5.6%	36.7%
Current assets	**1,629.9**	**25.3%**	**1,603.7**	**26.2%**	**1.6%**
thereof:					
Inventories	553.5	8.6%	529.2	8.6%	4.6%
Trade receivables	670.5	10.4%	598.2	9.8%	12.1%
Lease receivables	181.7	2.8%	202.5	3.3%	–10.3%
Other current financial assets	58.4	0.9%	118.3	1.9%	–50.6%
Cash and cash equivalents	103.1	1.6%	98.9	1.6%	4.2%
Total assets	**6,440.2**	**–**	**6,128.5**	**–**	**5.1%**

NON-FINANCIAL PERFORMANCE INDICATORS

The KION Group's enterprise value is determined not only by financial KPIs but also by non-financial influencing factors. The non-financial influencing factors are based on the Company's relations with its customers and employees and on its technological position and on environmental considerations – and they also have an impact on the success of the Strategy 2020. The overarching objective of establishing the KION Group as the global market leader with above-average profitability, efficiency and resilience by 2020 can only be achieved if the Group succeeds in:

- being an attractive and responsible employer that can retain competent and committed employees at all sites;
- developing products that are closely tailored to customers' needs and environmental requirements now and in future;
- continually increasing the customer benefits provided by its products and services and designing production processes in such a way that resources are conserved and emissions are avoided as far as possible.

The KION Group firmly believes that these aspects are important to its positioning as a pioneering company in a highly competitive environment.

Employees

HR strategy

The KION Group's success is founded on the capabilities and commitment of its employees. The ultimate objective of the KION Group's HR strategy is to provide the best possible support to the targeted implementation of the KION Group Strategy 2020. To this end, the KION Group draws on a wide range of measures to ensure that there is always a sufficient number of highly qualified and committed employees at all levels of its operations. Attractive working conditions and the opportunities for career progression afforded by working for an international group of companies play an important role in this and provide a solid basis for meeting the manifold challenges presented by demographic change.

The KION Group has continually strengthened its employer brands, particularly those of LMH and STILL, at a high level. In 2015, STILL was recognised as one of Germany's best employers by the Top Employers Institute, an international certification organisation, for the fourth time in a row. It also received a 'Germany's Top Employers' award from the CRF Institute.

Headcount

The average number of employees (full-time equivalents (FTEs), including trainees and apprentices) in the KION Group was 23,129 in 2015 (2014: 22,438 FTEs). As at 31 December 2015, the KION Group companies employed 23,506 FTEs, 837 more than a year earlier.

This increase resulted mainly from the acquisition of the Belgium-based Egemin Automation and growth in the Czech Republic. > TABLE 030

Employees (full-time equivalents)*

TABLE 030

31/12/2015	LMH	STILL	FS	Other	Total
Western Europe	8,728	6,931	59	797	16,515
Eastern Europe	1,234	687	0	0	1,921
Americas	154	485	0	54	693
Asia	3,805	0	0	7	3,812
Rest of world	565	0	0	0	565
Total	**14,486**	**8,103**	**59**	**858**	**23,506**
31/12/2014					
Western Europe	8,607	6,792	60	526	15,985
Eastern Europe	1,096	671	0	0	1,767
Americas	138	513	0	0	651
Asia	3,560	0	0	162	3,722
Rest of world	544	0	0	0	544
Total	**13,945**	**7,976**	**60**	**688**	**22,669**

* Number of employees (full-time equivalents) as at balance sheet date; allocation according to the contractual relationship

Personnel expenses amounted to €1,351.7 million. The main reason for this increase of 9.7 per cent compared with 2014 was the raise in average headcount for 2015 and changes to collective bargaining agreements. > TABLE 031

Personnel expenses

TABLE 031

in € million	2015	2014	Change
Wages and salaries	1,058.1	966.4	9.5%
Social security contributions	237.8	215.7	10.2%
Post-employment benefit costs and other benefits	55.9	49.7	12.3%
Total	**1,351.7**	**1,231.9**	**9.7%**

Diversity

The KION Group sees itself as a global manufacturer with strong intercultural awareness: as at 31 December 2015, people from 69 different countries were employed across the KION Group.

One of the ways in which the Company promotes international collaboration between employees is the KION expat programme, which gives employees the opportunity to transfer to different countries where the KION Group is represented.

The KION Group tackles the challenges of demographic change by providing working conditions that are suited to employees' age-related requirements and organising healthy-living programmes so that it can continue to benefit from older employees' experience. As at 31 December 2015, 25.1 per cent of employees were over the age of 50 (31 December 2014: 24.2 per cent). A total of 258 employees were participating in partial retirement models as at the reporting date (31 December 2014: 192).

Compared with the previous year, the proportion of the KION Group's total workforce made up of women remained stable in 2015, at 16.1 per cent. To help increase the proportion of management positions occupied by women, the Executive Board set targets that are published in the corporate governance report. Going forward, the KION Group intends to fill more management positions with employees from outside Germany in order to better reflect the Company's international make-up.

The KION Group offers flexible working-time models that promote a good work-life balance. In addition, Linde Material Handling has implemented a company agreement about 'teleworking / home office', which stipulates the terms on which employees can work at home on a mutually agreed and voluntary basis.

Development of specialist workers and executives

Finding highly qualified people to fill specialist and executive positions is crucial to the KION Group's success. As a result, one of the focuses of HR work across the Group in 2015 was, as in the previous years, the recruitment and development of suitable young talent.

The KION Group endeavours to offer its employees interesting career opportunities and flexible, family-friendly working-time models. The Group companies also collaborate closely on areas such as talent management and training & development programmes. This helps to systematically identify and support staff with potential, high performers and experts in key functions. Organised in cooperation with the European School of Management and Technology (ESMT) and continued from 2014, KION Campus is an international, cross-brand executive development programme aimed at the Group's around 300 top executives. In addition, new managers at STILL continue to receive support under the First Leading programme during their first few years. Prospective managers can enhance their skills through STILL's Young Professional programme, while highly talented staff around the world can participate in the International Junior Circle. The STILL Academy offers subject-specific and interdisciplinary training courses. Opportunities at Linde Material Handling include a virtual assessment centre for future managers.

Training and professional development

The companies in the KION Group currently offer training for 21 professions in Germany. They employed a total of 571 trainees and apprentices as at 31 December 2015 (31 December 2014: 577). The ratio of trainees and apprentices to other employees therefore remains at a steady, high level. Besides providing dual vocational training schemes, KION Group companies offer work placements for students combining vocational training with a degree course in cooperation with various universities.

Sharing in the Company's success

Having successfully floated on the stock exchange, the KION Group launched the KION Employee Equity Programme (KEEP) in 2014. Initially limited to Germany, the programme was rolled out to France, the UK, Italy and China last year. Around 1,700 employees across the five countries participated in this share matching programme in 2015, roughly 11 per cent of the total number who are eligible to do so. The programme was especially well received in China, resulting in a participation rate that greatly exceeded the original expectation.

The total participation rate for KEEP since its inception is now around 17 per cent.

The plan for 2016 is to give employees in other countries the opportunity to share in the company's success by participating in KEEP.

In 2015 the remuneration of the Group's around 300 top executives was updated by continuing the long-term remuneration components that had been introduced in 2014, thereby aligning it with the remuneration of the Executive Board. A second allocation of the KION Long Term Incentive Plan for Top Management (LIFT) was issued in the reporting year.

Employee commitment

The KION Group's products and services destined for its customers are produced by committed and motivated employees. That is why all KION companies aim to ensure a high level of employee commitment. In 2015 the KION Group surveyed around 1,800 managers on different aspects of employee and corporate management. The participation rate of approximately 88 per cent was exceptionally high. The results of the survey were presented and discussed in various management committees, enabling improvement measures to then be identified. The focus here is on clarity in the implementation of the organisational changes announced in summer 2015 and on further enhancement of management skills.

Health and safety in the workplace

In the reporting year, the KION Group continued to expand its activities relating to health, safety & environment (HSE). The KION Group's obligations, in accordance with a corporate policy, include taking comprehensive precautions to create a safe working environment and ensuring employees know how to avoid risks and accidents. In 2015 work began on developing an HSE code of conduct for KION with the aim of establishing groupwide minimum standards.

HSE activities centre on an internal audit programme, which covers all of the Group's production facilities as well as Group sales and service. The aim of the regular audits is to systematically document existing HSE measures and processes and provide specific ideas for how they can be developed further (more details can be found in the 'Sustainability' section). The audit conducted as part of this programme shows that the Group has made good progress with regard to HSE. Last year 14 audits were carried out within the KION Group. All audits in the reporting year showed a clear improvement in the individual units compared with 2014.

In 2015 KION also introduced a global system for reporting accidents and incidents. The system requires accidents involving serious injuries, for example that hospitalise the affected individual, to be reported directly to the Executive Board within 24 hours. Information must also be provided as to whether measures to improve safety in the workplace were introduced as a result of the accident and, if so, what these measures entailed. The programme thereby serves as a global forum for health and safety practices.

The KION Safety Championship was introduced in 2014 as a way of providing additional impetus and motivation for employees to engage with HSE matters. All production facilities take part. Based on regular reporting from the individual units, a panel of judges decides which units deserve to be rewarded for special dedication or considerable progress in an area of HSE. The first winner of the competition, the team from KION North America Corporation, received the Safety Championship award in May 2015.

The assessment takes account of the units' different economic and cultural situations.

Safety experts at the KION Group's various production facilities began to collaborate more closely last year. The HSE managers at all production sites and sales and service outlets meet annually for an international summit at which they discuss current topics and share best practice.

The health rate for 2015 stood at the high level of 96.4 per cent (2014: 96.5 per cent). In 2015 the accident rate fell in both production and sales and service. A target based on HSE key performance indicators is one of the factors used to determine the variable remuneration of the Executive Board members.

Research and development

Strategic focus of research and development

The focus of research and development (R&D) is determined by the Strategy 2020. The KION Group pursues the primary objective of increasing the customer benefits in all price segments and sales regions and, by adhering to modular and platform strategies, offering high quality, high-performance products at competitive prices. To this end, R&D is designed to be cost-effective, to reduce the complexity and diversity of products and to shorten development times for new products. R&D essentially works on a cross-brand and cross-region basis, which ensures that research findings and technological know-how are shared across the Group. In addition, special product development teams working for the individual brand companies and in the regions are able to deliver customer-specific solutions.

An example that is helping to raise efficiency is the 'hardware in the loop' (HIL) procedure introduced in 2015, with which complex electronic control units and systems can be examined using virtual truck models so that improvements can be made based on the findings. This enables innovations to be brought to production readiness much faster and more cost-effectively.

In the premium segment, the focus for the KION Group's products remains on total cost of ownership for customers. The objective is to minimise these costs, which include purchase price, maintenance and repair costs and energy use, while complying with environmental targets and regulatory requirements in order to create highly efficient and competitive products for customers. To this end, and to secure the Company's position as a leading technology provider, the product portfolio of the KION Group is continually being enhanced. Another aim is to integrate the KION Group's logistics solutions into customers' value chains and open up new application areas for them. In the volume and economy segments, the KION Group is establishing shared, cross-brand and cost-efficient platforms that enable low-cost production yet allow a strong degree of regional differentiation in the industrial trucks.

Key R&D figures

In 2015, the KION Group's total spending on research and development amounted to €130.5 million. This constituted a year-on-year rise of 9.1 per cent (2014: €119.7 million). Total R&D expenditure included €40.9 million in capitalised development costs (2014: €43.7 million). These expenses were offset by depreciation and amortisation of €53.3 million (2014: €49.7 million) (see note [17] in the notes to the consolidated financial statements).

The number of full-time jobs in R&D teams grew by 3.2 per cent to reach 1,056. Within the R&D organisation, the development centre in the southern Chinese city of Xiamen carries out cross-brand development work, focusing mainly on the economy and volume price segments in emerging markets. It is playing a crucial role in bringing the groupwide platform strategy to fruition. > TABLE 032

Research and development (R&D) TABLE 032

in € million	2015	2014	Change
Research and development costs (P&L)	143.0	125.7	13.8%
Amortisation expense (R&D)	–53.3	–49.7	–7.3%
Capitalised development costs	40.9	43.7	–6.6%
Total R&D spending	**130.5**	**119.7**	**9.1%**
R&D spending as percentage of revenue	2.6%	2.6%	–

The KION Group takes comprehensive measures to protect the products it develops against imitations and pursues a specific patent strategy. In 2015, the KION companies were granted a total of 70 patents (2014: 140 patents). As at 31 December 2015, the companies of the KION Group held a total of 1,641 patent applications and issued patents (31 December 2014: 1,689 patent applications and issued patents).

Focus of R&D in 2015

Modular and platform strategy

The KION Group is establishing shared, cross-brand platforms for product development and production that are geared to the volume and economy segments. This means the industrial trucks can be adapted to different regions cost-efficiently. Development for the volume and economy segments is managed from China, where around one third of the R&D staff are based. In 2015, eleven trucks and three new Chinese platforms were brought to market that not only replace old products of various platforms but also target new customer segments. For example, a heavy truck was developed that can be sold worldwide for the first time, having been optimised with regard to maintenance and transportability. A diesel truck with improved torque converter technology and extended equipment options is to be localised in China for use in other markets. In addition, the electric forklift truck fleet was completely overhauled and given new features.

The premium brands, Linde and STILL, have shared platforms for the Asia-Pacific and Americas regions, whereas their products for western Europe are developed using different platforms in order to maintain the defining characteristics of the brands. In 2015, Linde and STILL established a new platform for warehouse trucks that is tailored specifically to e-commerce and logistics.

All platforms are part of a global module strategy that enables products to be developed more cost-effectively and at a higher quality because of the growing number of common parts. The Group is therefore able to achieve high levels of synergy even in western Europe with its different platforms. This is supported by a centralised procurement function. Wherever possible, local suppliers are used for regional product features. In 2015, key projects in connection with the module strategy focused on the lithium-ion batteries and drive axles used in electric forklift trucks and on the design of a common electrics/electronics architecture for all future trucks made by Linde and STILL.

Since last year, the KION brand companies have also been using a cross-brand, cross-platform development software programme as a means of shortening product development times and efficiently managing the module strategy. The software allows the brand companies to work together to optimise components that are used at multiple sites. In the long term, procurement, sales and marketing are to be brought on board in addition to the development teams so that the entire product lifecycle is represented in a single, standardised software system.

Automation and connectivity

By acquiring Egemin Automation, the KION Group has strengthened its expertise and opportunities in the design and management of complex logistics automation projects and has developed into one of the leading providers of automation and connectivity concepts for intralogistics in the Industry 4.0 era. As well as Egemin Automation's system solutions for intralogistics and automation, these concepts include the STILL iGo automation solution, the STILL FleetManager and Linde connect: data solutions and the geo-navigation solutions from Linde Robotics.

In 2015, Linde Robotics partnered with Balyo, in which Linde holds a stake, to launch onto the market the first self-driving trucks that can guide themselves around a warehouse using laser sensors to detect structures such as walls, racking and pillars.

Linde's fleet management solution connect: came onto the market in March 2015 after a successful test phase. The connect: system provides fleet managers with transparent data on drivers, trucks, their use and their location. It therefore contributes to improved driving safety, better availability and greater productivity. In 2015, Linde worked on a special app that helps drivers to check the condition of their truck before beginning their shift and on a Wi-Fi connection as a second alternative for transmitting data. In China, connect: was presented at the Storage and Transport Forum in Wuxi under the name Connected Solutions. Linde MH has already successfully implemented the solution at several major Chinese online retailers.

STILL extended its FleetManager 4.x system with a function called OptiTruck, which automatically allocates trucks to drivers and thereby makes better use of a fleet's capacity. A central terminal is used to collect and return the trucks, meaning the drivers can quickly access vacant trucks. For the iGo system, which enables industrial trucks to be controlled remotely, STILL also developed an app-based solution last year that should be appearing on the market soon. STILL strengthened its leading position as a provider of tugger trains and process-oriented material flow concepts by acquiring LR Intralogistik GmbH. LR Intralogistik specialises in the development of bespoke tugger train systems, including the accompanying trolleys, with a focus on process optimisation, cost-efficiency, safety and ergonomics.

Drive technology

The development of new drive technologies is focused on lithium-ion batteries. STILL and Linde are working together to establish a lithium-ion standard for various electric forklift trucks and warehouse trucks and to gain a competitive edge in this important future market.

After the first warehouse trucks fitted with lithium-ion batteries had been incorporated into the product ranges of both brand companies in 2014, further trucks with larger lithium-ion batteries were added to the product portfolios in 2015.

Customers

Last year, the KION brand companies again regularly exhibited at the leading trade fairs for their sector in order to strengthen their relationships with customers and partners. Contact with customers at trade fairs also makes it possible to gauge interest in the product innovations on show among new and existing customers.

In 2015, the KION brands exhibited at events such as LogiMAT, CeMAT South America, CeMAT Russia and CeMAT Asia. Attracting a great deal of interest from customers, STILL presented its new pallet stackers at a roadshow that visited eight towns and cities in Germany. STILL won the prestigious IFOY Award in the ‘Intralogistics Solutions’ and ‘Counter Balanced Truck from 3.5t’ categories. Baoli showcased its expanded product range at the first countrywide roadshow in China. Linde Material Handling received two accolades from the Fork Lift Truck Association (FLTA), including one in the safety category for the Linde Safety Pilot.

Sustainability

Acting responsibly has always been one of the principles by which the KION Group – and its brand companies – operate. They strive for a balance between environmental, economic and social considerations in their business activities. This focus on sustainability is reflected in the Group’s eco-friendly and safe products that help customers to conserve energy, reduce emissions and comply with strict workplace safety standards (see the ‘Research and development’ section). Furthermore, the KION Group ensures that its production processes have as minimal an impact on the environment as possible and that it offers safe and discrimination-free working conditions.

In 2015, the KION Group began to set up a groupwide system with which it will manage all sustainability matters across all brand companies and regions in future. To start with, a sustainability reporting procedure and system were introduced as a pilot project at LMH, incorporating its existing system for analysing environmental impact using lifecycle assessments.

The first step was to conduct a materiality assessment in which the relevant aspects of sustainability were identified. One of the main tasks was to evaluate the aspects that are particularly relevant to the most important stakeholders. LMH’s first sustainability report, which was published in December 2015, provides a detailed explanation of the brand company’s understanding of sustainability, its strategy in this area and the underlying management approach. The sustainability report is available on the LMH website at report.linde-mh.com.

The findings from the pilot project will be used as the basis for progressively rolling out sustainability management and reporting throughout the KION Group. Existing groupwide standards and rules of conduct will also apply.

The KION Group Code of Compliance, which was updated in April 2015, defines clear rules on various matters, including on the correct way for employees to interact with colleagues, customers, partners and the public. All other standards and initiatives relating to health, safety & environment (HSE) are derived from this code. It is available to the public on the KION Group website.

The corporate policy on workplace safety, health and the environment defines a number of requirements for the KION Group companies, including: as a minimum, complying with all relevant national laws, codes of conduct and industry standards; ensuring safe working conditions and providing employees with the necessary training; avoiding the release of pollutants, discharge and emissions into the environment as far as possible; reducing the volume of waste by making better use of raw materials and using recyclable materials; using materials, products and processes that comply with best environmental practice; and using resources, energy and raw materials efficiently.

Minimum standards for employment apply at Group level that are based on the fundamental conventions drawn up by the International Labour Organization (ILO). These include freedom of association, the right to collective bargaining, elimination of forced and child labour, and a ban on discrimination in respect of employment and occupation. Furthermore, the KION Group is committed to ensuring health and safety standards in the workplace and to paying its employees remuneration that is appropriate to the industry in the particular country and, at the very least, provides a living wage.

Aspects of sustainability have been enshrined in the KION Group's purchasing terms since 2015. This ensures that the Group's suppliers also strive for sustainability in their conduct.

Information on the development of the health rate and major projects in the area of health and safety in the KION Group can be found in the 'Employees' section (page 88).

All KION Group plants capture data about their energy consumption, volumes of waste and recycling, water consumption and emissions of greenhouse gases and volatile organic compounds (VOC). Software was implemented in the year under review that is gradually being rolled out to all sites and is making reporting more efficient.

The annual internal environmental report contains the information that is available on consumption and emissions. Data for 2015 was not available at the time this group management report was compiled, so the key data from the 2014 environmental report is presented below. > TABLE 033

Environmental aspects of KION Group production sites TABLE 033

	2014	Unit
Volume of waste	40.3	1,000 tonnes
Recycling rate	92.9	%
Water consumption	314.1	1,000 m³
Energy consumption	270.6	GWh
Emissions of CO_2 related to energy consumption (Scope 1,2,3)	113.0	1,000 tonnes CO_2 equ.
Emissions of volatile organic compounds (VOC)	154.3	tonnes

All of the environmental KPIs are displaying a positive trend. Due to changes to the basis of consolidation, the absolute figures for each year only have limited comparability with the figures in previous reports.

The KION Group's objective is to gradually establish a certified system for quality, environmental and occupational health and safety management at all sites. As at 31 December 2015, KION sites had been certified in accordance with the following international standards (or comparable national standards), or were in the process of completing the certification process:

- ISO 9001 (quality management): 15 production sites, 21 sales & service units
- ISO 14001 (environmental management): 11 production sites, 16 sales & service units
- ISO 50001 (energy management): 7 production sites
- OHSAS 18001 (occupational health and safety): 9 production sites, 12 sales & service units

This represents a significant increase in the number of certified sites compared with the previous year. Already certified in accordance with ISO 50001 and OHSAS 18001, LMH's Aschaffenburg site is going through the certification process for the updated 2015 version of the ISO 14001 standard, making it one of the first sites worldwide to do so. STILL's Hamburg site became a member of Hamburg's environmental partnership in 2015, having undertaken various voluntary measures to reduce its environmental impact.

Sustainability – particularly protection of the environment, conservation of resources and workplace safety – is an important consideration when developing new products and enhancing existing ones. Here are some examples of the successes and improvements achieved in this regard during 2015:

- In 2015, Linde's entire product range in China was added to the Chinese directory of green travel and transport technologies.
- In November 2015, LMH, the BMW Group and the Institute for Materials Handling, Material Flow and Logistics (fml) at Munich University of Technology (TUM) presented the results of a joint project to trial a hydrogen drive system for industrial trucks. The study, which is supported by the German Federal Ministry of Transport and Digital Infrastructure, proves that use of a hydrogen drive system in this area is marketable and financially viable.
- An efficient yet ergonomic solution for transporting large, awkward loads is provided by LMH's new forklift truck with an optional elevating cabin. At the press of a button, the driver's cab glides to a height of up to 5.5 metres in less than ten seconds. From there, the driver can survey the load and carry out the loading process from an ergonomically comfortable position.
- STILL has launched its initiative for 'Zero Emission': Powered by efficient diesel-electric drives, STILL trucks emit such few pollutants that their emissions do not have to be filtered subsequently.

Furthermore, the KION Group acknowledges its corporate social responsibility. This is demonstrated by the fact that executives and employees personally support a variety of environmental and charitable projects in different countries:

- STILL GmbH has donated an RX 50-10 electric forklift truck to the German Red Cross.
- Around 340 employees from Fenwick-Linde supported the national donation campaign of the organisation Les Restaurants du Coeur – Les Relais du Coeur.
- Egemin Automation supported the To Walk Again organisation, which arranges sports activities to help children and adults with disabilities.
- KION North America supported the Dorchester Children's Center, a charitable organisation that helps victims of abuse and their families.
- At its site in Pune, KION India carried out a range of environmental initiatives with the aim of fostering individuals' sense of responsibility for green issues.
- The association 'Stapler Cup hilft e.V.', which was set up by LMH employees, donated to various charities in Aschaffenburg and supported the German Bone Marrow Donor Centre (DKMS) during the 2015 StaplerCup, a competition for forklift truck drivers.

Events after the reporting date

Due to current market conditions and the KION Group's significant repayment of debt as a result of and since its IPO, the KION Group can currently obtain finance on far more favourable terms than has been possible in the past. KION GROUP AG therefore signed a new syndicated loan agreement (senior facilities agreement) totalling €1,500.0 million with a syndicate of international banks on 28 October 2015. On 25 January 2016, the Executive Board of KION GROUP AG decided to implement the new funding structure of the KION Group by redeeming the existing syndicated loan dated 23 December 2006 comprising a revolving credit facility of €1,243.0 million and the KION Group corporate bond of €450.0 million that was issued in 2013 and was due to mature in 2020. The associated repayment was made on 15 February 2016 using funds drawn down under the new senior facilities agreement.

An amount of €5.4 million representing the proportion of the deferred borrowing costs relating to the corporate bond at the time of early repayment and a cash payment of €15.2 million representing early repayment charges were recognised as financial expenses in February 2016 along with an amount of €5.1 million representing the proportion of the deferred borrowing costs relating to the previous syndicated loan at the time of early redemption of that previous syndicated loan.

The new senior facilities agreement comprises a revolving credit facility of €1,150.0 million maturing in February 2021 and a fixed-term tranche B of €350.0 million maturing in February 2019.

KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the new senior facilities agreement. Unlike the previous syndicated loan and the repaid corporate bond, the new syndicated loan agreement is not collateralised. Following repayment after the reporting date of the syndicated loan from 23 December 2006, all collateral furnished under the previous loan agreement has now been released.

Among other stipulations, the contractual terms of the senior facilities agreement require compliance with certain covenants. They also contain a financial covenant that requires adherence to a maximum level of gearing (the ratio of financial liabilities to EBITDA). Non-compliance with the covenants may, for example, give lenders the right to terminate the new syndicated loan agreement.

The KION Group took over Retrotech Inc., a systems integrator of automated warehouse and distribution solutions headquartered in Rochester, New York State, with effect from 1 March 2016 by acquiring 100.0 per cent of the capital and voting shares. The provisional purchase price for the net assets acquired is around €26.0 million. In 2015, Retrotech Inc. employed over 150 highly specialised employees and generated revenue of roughly €62.0 million.

Outlook, risk report and opportunity report

OUTLOOK

Forward-looking statements

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, several of which are beyond the control of the KION Group, affect the Group's business activities and profitability. Any unexpected developments in the global economy would result in the KION Group's performance and profits differing significantly from those forecast below. The KION Group does not undertake to update forward-looking statements to reflect subsequently occurring events or circumstances. Furthermore, the KION Group cannot guarantee that future performance and actual profits generated will be consistent with the stated assumptions and estimates and can accept no liability in this regard.

Actual business performance may deviate from our forecasts due, among other factors, to the opportunities and risks described here. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and political situation.

Forecast for 2015

The overall assessment of the financial situation compares the forecasts included in the 2014 group management report and subsequent interim reports with actual performance in 2015.

Assumptions

The forecasts in this section are derived from the KION Group's multiple-year market, business and financial plan, which is based on certain assumptions. Market planning takes into account macroeconomic and industry-specific performance, which is described below. Business planning and financial planning are based on expected market performance, but also draw on other assumptions, such as those relating to changes in the cost of materials, the KION Group's ability to command higher prices from customers and movements in exchange rates.

Expected macroeconomic conditions

According to the January outlook of the International Monetary Fund (IMF), the pace of global economic growth will gradually accelerate in 2016, both in the developed economies (growth of 2.1 per cent) and in the emerging markets (growth of 4.3 per cent). The IMF believes that China's contribution to worldwide growth is likely to fall further in view of its economic restructuring. Overall, the IMF expects the global economy to grow at a rate of 3.4 per cent and the eurozone at 1.7 per cent in 2016. The IMF also predicts comparatively low growth in global trade.

The outlook for macroeconomic conditions is based on the assumption that monetary policy in the eurozone will remain expansionary, interest rates will rise slightly in the United States and the oil price will stay low, which will boost consumption.

Expected sectoral conditions

The overall market for industrial trucks will continue to depend heavily on economic conditions in key sales markets, with the level of capital investment and the growth in global trade being particularly crucial. Given the overall economic prospects, the KION Group expects a slower rate of global market growth this year. The 2015 trend is likely to continue, with a sustained rise in the number of trucks ordered in Europe and North America along with further contraction of the Russian and Brazilian markets. Following a sharp decline last year, KION expects China to stabilise although conditions will remain challenging.

Market expectations remain positive over the longer-term perspective. Over the coming years, the KION Group expects the average growth of the global market to be higher than that of global gross economic growth (GDP), with above-average growth in demand for electric forklift trucks and warehouse trucks. Moreover, the increasing number of trucks in the field – around nine million new trucks sold worldwide over the past ten years alone, spurs additional demand for spare parts and other aftersales services. Further potential for the future is also offered by increasing connectivity and automation, not only in terms of products but also in relation to services and end-to-end system solutions.

Expected business situation and financial performance

In 2016, the KION Group aims to build on its successful performance in 2015 and, based on the forecasts for market growth, achieve further increases in order intake, revenue and adjusted EBIT. The order intake of the KION Group is expected to be between €5,350 million and €5,500 million. The target figure for consolidated revenue is in the range of €5,200 million to €5,350 million. The KION Group predicts higher volumes of revenue and orders, particularly in western Europe.

The targeted range for adjusted EBIT is €510 million to €535 million. The adjusted EBIT margin is predicted to increase above the margin of 9.5 per cent that was generated in 2015. This improvement will stem from significant positive effects, such as a further increase in the efficiency of the production network. Free cash flow is expected to be in a range between €280 million and €320 million after taking account of the acquisition of Retrotech Inc. ROCE is expected to go up slightly. The forecast is based on the assumption that material prices will hold steady and the current exchange rate environment will remain as it is.

Expected financial position

The fixed-rate (6.75 per cent) tranche of the bond issued in February 2013, which has a volume of €450.0 million, formed part of the Company's funding structure during 2015 and was repaid in full ahead of schedule on 15 February 2016. This bond, together with amounts drawn down from a credit facility that, like the bond, dates from before the IPO, were repaid using funds from the new syndicated loan agreement totalling €1.5 billion, which has been taken out on terms with investment-grade characteristics. The new funding significantly reduces interest costs and provides KION with considerable flexibility for continuing with its strategy of profitable growth. In 2016, the KION Group plans to use free cash flow to lower its net debt still further. > TABLE 034

Outlook TABLE 034

in € million	2015	2016
Order intake	5,215.6	5,350–5,500
Revenue	5,097.9	5,200–5,350
Adjusted EBIT	482.9	510–535
Free cash flow	332.7	280–320
ROCE	11.9%	slightly above previous year

Overall statement on expected performance

The basis for the long-term success of the KION Group will continue to be the strong position occupied by its international and national brands in western Europe and the emerging markets. The international brands Linde Material Handling and STILL, in particular, safeguard their technology leadership and underline their status as premium brands by maintaining high levels of capital expenditure and R&D spending.

By pursuing its Strategy 2020 and other measures, the KION Group believes it will continue along its path of profitable growth and aims to achieve a further improvement in its market position worldwide in 2016.

RISK REPORT

Risk strategy

The business activities of the KION Group necessarily involve risk. Dealing responsibly with risk and managing it in a comprehensive manner is an important element of corporate management. The overarching aim is to fully harness business opportunities while ensuring that risk always remains under control. Using its groupwide risk management system, the KION Group contains all identified risks by implementing suitable measures and takes appropriate precautions. This ensures that the losses expected if these risks arise will be largely covered and therefore will not jeopardise the Company's continuation as a going concern.

At the KION Group, risk management has always been embedded in the Accounting & Finance function and plays an active and wide-ranging role due to the strategic focus of Accounting & Finance. The operational units' business models, strategic perspectives and specific plans of action are examined systematically. This ensures that the risk management is fully integrated into the KION Group's overall financial planning and reporting process.

Principles of risk management

The procedures governing the KION Group's risk management activities are laid down in an internal risk guideline. For certain types of risk, such as financial risk or risks arising from financial services, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with inherent risks. Risk management is organised in such a way that it directly reflects the structure of the Group itself. Consequently, risk officers supported by risk managers have been appointed for each company and each division. A central Group risk manager is responsible for the implementation of risk management processes in line with procedures throughout the Group. His or her remit includes the definition and implementation of standards to ensure that risks are captured and evaluated.

The risk management process is organised on a decentralised basis. Firstly, a groupwide risk catalogue is used to capture the risks attaching to each company. Each risk must be captured individually. If the losses caused by a specific risk or the likelihood of this risk occurring exceed a defined limit, the KION Group's Executive Board and its Accounting & Finance function are notified immediately. Each risk is documented in an internet-based reporting system designed specifically for the requirements of risk management. Risks affecting more than one Group company, such as market risks, competition risks, financial risks and risks arising from financial services, are not recorded individually but are instead evaluated at Group level. Consequently, such risks are not quantified.

The scope of consolidation for risk management purposes is the same as the scope of consolidation for the consolidated financial statements. The risks reported by the individual companies are combined to form divisional risk reports as part of a rigorous reporting process. To this end, minuted risk management meetings are held once a quarter. Moreover, material risks are discussed with the segments at the business review meetings. The divisional risk reports are then used to compile an aggregate risk portfolio for the KION Group as a whole. To support this, the relevant departments of the holding company are consulted each quarter in order to identify and assess risk – particularly Company-wide, cross-brand risk affecting areas such as treasury, purchasing, tax, human resources and financial services. The Executive Board of KION GROUP AG and the Supervisory Board's Audit

Committee are informed of the Group's risk position once a quarter. The Internal Audit department audits the risk management system at regular intervals.

Material features of the internal control and risk management system pertaining to the (Group) accounting process

Principles

The main objectives of the accounting-related internal control system are to avoid the risk of material misstatements in financial reporting, to identify material mismeasurement and to ensure compliance with the applicable regulations and internal instructions. This includes verifying that the consolidated financial statements and group management report comply with the relevant accounting standards. There can, however, be no absolute certainty that these objectives are achieved in full and at all times.

Material processes and controls in the (Group) accounting process

For its (Group) accounting process, the KION Group has defined suitable structures and processes within its internal control and risk management system and implemented them in the organisation.

Changes to the law, accounting standards and other pronouncements are continually analysed with regard to their relevance and effect on the consolidated financial statements and group management report; the relevant changes are then incorporated into the Group's internal policies and systems.

All consolidated entities must follow the KION GROUP IFRS Accounting Manual when preparing their IFRS reporting packages. This manual contains the recognition, measurement and disclosure rules to be applied in the KION Group's accounting in accordance with IFRS. The accounting guidelines primarily explain the financial reporting principles specific to the KION Group's business. In addition, all companies must adhere to the schedule defined by head office for preparing the consolidated financial statements and group management report.

The accounting-based internal control and risk management system encompasses defined control mechanisms, automated and manual reconciliation processes, separation of functions, the four eyes principle and adherence to policies and instructions.

The employees involved in the Group's accounting process receive regular training in this field. Throughout the accounting process, the local companies are supported by central points of contact. The consolidated accounts are drawn up centrally using data from the consolidated subsidiaries. A consolidation department with specially trained employees carries out the consolidation activities, reconciliations and monitoring of the stipulated deadlines and processes. Monthly checklists have been drawn up for the consolidation process and are worked through in a standardised manner. All postings are managed centrally and documented. This team also monitors the system-based controls and supplements them with manual checks. The entire accounting process contains a number of specific approval stages, for which extensive plausibility checks have been set up. Employees with the relevant expertise provide support on specialist questions and complex issues. The central Internal Audit department also checks, among other things, the reliability of the accounting work by the subsidiaries in Germany and abroad. It focuses primarily on the following aspects:

- compliance with legal requirements, directives from the Executive Board, other policies and internal instructions;
- integrity and effectiveness of the internal control systems for avoiding financial losses;
- correct performance of tasks and compliance with business principles;
- correctness of the accounting and of the financial reporting that is based on the accounting in terms of form and substance.

Internal control mechanisms and ongoing analysis of the regulatory framework enable any risks that might jeopardise compliance of the consolidated financial statements and group management report with accounting standards to be identified as soon as possible so that appropriate countermeasures can be taken. Such risks form part of the KION Group's aggregate risk profile and are classified as operational risk.

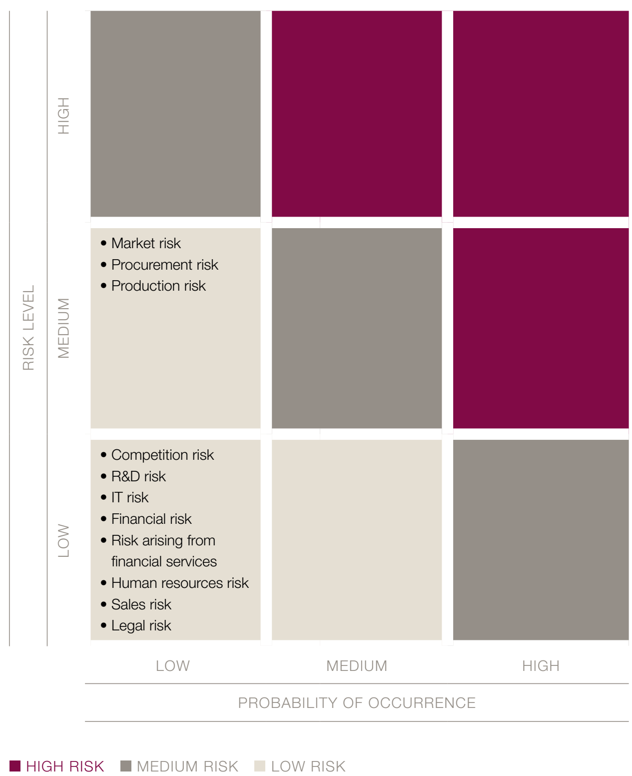
Risk

Aggregate risk

In 2015, the aggregate risk position was largely unchanged compared with the previous year. With regard to 2016, the risks in the risk matrix below will be continually observed and evaluated in terms of their extent and probability of occurrence. For example, the KION Group considers the probability of market risk materialising as low because of the fairly positive market expectations. However, the possible impact of market risk continues to be rated at a medium risk level because of the importance of the market for the KION Group's business situation and financial performance. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern. > DIAGRAM 005

The market risks and competition risks described, the risks along the value chain, the human resources risks and the legal risks largely relate to the LMH and STILL segments. By contrast, risks arising from financial services mainly affect the Financial Services segment, while financial risks would predominantly impact on the Other segment.

Risk matrix DIAGRAM 005



Market risks and competition risks

Market risks

Market risk can arise when the economy as a whole or a particular sector does not perform as it had been anticipated in the outlook. Cyclical fluctuations in macroeconomic activity affect the market for industrial trucks. Customers' decisions on whether to invest, particularly in new trucks, depend to a large degree on the macroeconomic situation and conditions in their particular sector. During an economic downturn, customers tend to postpone their purchases of new trucks. Although demand for services is less cyclical, it correlates with the degree of utilisation in the truck fleet – which usually declines during difficult economic periods. As the KION Group can only adjust its fixed costs to fluctuations in demand to a limited extent, reductions in revenue impact on earnings.

Despite the KION Group's strong growth in emerging markets and, prospectively, North America, the proportion of revenue it earns in the eurozone remains high. As a result, the market conditions that prevail there impact significantly on the KION Group's financial performance. In view of the increasing stabilisation of economic growth at a low level, the direct market risk arising from unfavourable economic trends has reduced for the eurozone. However, unfavourable trends affecting major trading partners, e.g. China, might reduce eurozone customers' willingness to invest and consequently the demand for the KION Group's products.

Lower forecasts for growth in the emerging markets resulting from recent economic developments have already been reflected in the planning. A further weakening of growth could, however, have a negative effect on global trade volumes and thus on growth in the material handling market. The market risks referred to could be heightened by geopolitical risk, possible currency crises and deflationary tendencies.

Various measures aimed at making cost structures more flexible – such as the consolidation of production facilities and the platform strategy – help to contain the earnings risk arising from reductions in revenue caused by economic conditions. Diversification of the customer base in terms of industry and region as well as expansion of service activities also play a role in mitigating risk. Moreover, the KION Group closely monitors the market and its competitors so that it can identify market risks at an early stage and adjust its production capacities in good time. Besides global economic growth and other data, the KION Group also analyses exchange rates, price stability, the consumer and investment climate, foreign trade activity and political stability in its key sales markets, constantly monitoring the possible impact on its financial performance and financial position.

Other risks arise as a result of constant changes in the Company's political, legal and social environment. Because it operates in countries in which the political or legal situation is uncertain, the KION Group is exposed to the consequent risk of government regulation, capital controls and expropriations. The KION Group mitigates such strategic risks by, for example, carrying out in-depth market research, conducting thorough evaluation procedures to assess political and economic conditions and drafting contracts appropriately.

Competition risks

Competition risk describes the risk that growing competitive pressure will prevent the KION Group from achieving its predicted margins and market share. The markets in which the KION Group operates are characterised by strong competition, often price-driven. Price competition is compounded by some manufacturers having cost advantages in production, sometimes due to the currency situation and sometimes because local labour costs are lower. Competition is therefore fierce, particularly in the economy and volume price segments, and the impact is especially strong in emerging markets. Building on their local competitive strength, manufacturers in emerging markets are also looking for opportunities to expand. Although the high quality expectations and service needs of customers in developed markets present a barrier to growth for many of these manufacturers, this situation is likely to intensify competitive pressures in future.

It is also conceivable that competitors will join forces and their resulting stronger position will be detrimental to the KION Group's sales opportunities. Moreover, predictions of higher volumes and margins may lead to overcapacity, which would put increased pressure on prices.

Although the KION Group's strengths in the premium segment have enabled it to charge appropriate prices until now, it is taking a variety of steps to contain competition risk. Alliances, partnerships, acquisitions and other measures are playing an increasing role in improving the KION Group's competitiveness in terms of resources, market access and product range. The steps that the KION Group is taking to mitigate its competition risk also include making its plants more efficient and securing low-cost sources of supply.

The KION Group also continually evaluates its options for strengthening and consolidating its position in emerging markets, in particular through strategic partnerships, the creation of joint ventures or acquisition of local manufacturers. One of the risks of such alliances and acquisitions is that the expected benefits will materialise only partly or not at all. For example, the organisational integration of new units can harm financial performance for a variety of reasons. It is also possible that a partner will collaborate with competitors if exclusivity agreements are not in place.

Risks along the value chain

Research and development risks

The KION Group's market position and business performance depend to a large extent on its ability to remain a leading provider of technology. This requires the Group to continually develop products that meet customer expectations and comply with changing regulatory and technological requirements. To this end, the KION Group must anticipate customers' needs and changing market conditions and has to quickly bring new products to market. If the Company does not succeed in doing this, its technological and competitive position could be compromised in the long term.

The innovations developed by the KION Group are comprehensively protected by intellectual property rights, in particular patents. Nevertheless, there is always the possibility that products or product components will be imitated. There is also a risk that patent applications will not be successful.

The KION Group mitigates research and development risk by focusing firmly on customer benefit in its development of products on the basis of overarching modular and platform strategies. Customer needs are incorporated into the development process on an ongoing basis by ensuring close collaboration between sales and development units and taking account of all region-specific requirements.

Procurement risks

Procurement activities constitute a potential risk for the KION Group in terms of the lack of availability of parts and components for logistical or quality reasons and the rising cost of raw materials, energy, base products and intermediate products. As a result, there is always the possibility that the KION Group will face backlogs in the supply of individual raw materials and components. KION obtains some of its key components, such as combustion engines, tyres and high-performance forged and electronic parts, from a limited number of core suppliers.

The risk of supply bottlenecks – for example in the event of a shortage of raw materials or financial difficulties at core suppliers – cannot be ruled out in future. The KION Group mitigates this risk through appropriate diversification of its supplier structure in the context of a global procurement organisation. In addition, the supplier development department, which focuses on improving suppliers' production processes, helps suppliers to ensure that their processes are cost-efficient and offer excellent quality.

Price changes present another procurement-related risk. In 2015, around 25.8 per cent (2014: 26.5 per cent) of the cost of materials for new trucks was directly influenced by changes in commodity prices. Moreover, conditions in the commodity markets typically affect component prices after a delay of three to six months. The KION Group endeavours to pass on price increases to customers but cannot always do so entirely due to market pressures.

Production risks

Production risks are largely caused by quality problems, possible operational disruptions or production downtime at individual sites. In such cases, the KION Group's closely integrated manufacturing network presents a heightened risk to its ability to deliver goods on time. There is also a risk that structural measures and reorganisation projects will not be implemented owing to disruption of production or strikes. Delays in delivery or a rise in the number of complaints could harm the KION Group's positioning in the price segments and sales markets that it serves and, as a result, could harm its financial situation.

To mitigate these risks, the KION Group carries out preventive maintenance, implements fire protection measures, trains its staff and builds a pool of external suppliers. The Company has taken out a commercially appropriate level of insurance coverage against loss. Quality assurance is a high priority throughout the value chain and reduces possible quality-related risks arising from the products and services provided. The KION Group mitigates its quality-related risks significantly by applying rigorous quality standards to its development activities, conducting stringent controls throughout the process chain and maintaining close contact with customers and suppliers.

Sales risks

The main sales risks – besides a drop in revenue caused by market conditions – result from dependence on individual customers and sectors. For example, it is possible that customers would postpone or cancel orders during a period of economic difficulty. There have not been any significant cancellations in previous years, however. It is also conceivable that customers would face a liquidity shortfall and therefore be unable to fulfil their payment obligations immediately or even at all. Currently, there is little dependence on individual sectors in the KION Group's customer portfolio. The KION Group's reliance on individual customers also remains low. Its business is also highly diversified from a regional perspective. In addition, the KION Group supplies companies of all sizes. Experience has shown that the KION Group's exposure to the risk of possible payment defaults is low, but this risk can be further mitigated by recovering any collateral.

IT risks

A high degree of interconnectedness between sites and with customers and other companies means that the KION Group also relies on its IT systems working flawlessly. The KION Group undertakes ongoing further development of a reliable, extendable and flexible IT system environment with the aim of countering any IT-related risks that may arise from the failure of IT systems and IT infrastructure. Internal IT resources are pooled in KION Information Management Services GmbH, which has well-established processes for portfolio management and project planning and control. Independent external audits are conducted to provide additional quality assurance. Various technical and organisational measures protect the data of the KION Group and its Group companies against unauthorised access, misuse and loss. These measures include procedures to validate and log access to the Group's infrastructure.

Financial risks

Group Treasury is responsible for ensuring that sufficient financial resources are always available for the KION Group's international growth. The main types of financial risk managed by Group Treasury, including risks arising from funding instruments, are liquidity risk, currency risk, interest-rate risk and counterparty risk. Counterparty risk consists solely of credit risks attaching to financial institutions. Risk management procedures issued by Group Treasury stipulate how to deal with the aforementioned risks.

Long-term borrowing fell by €89.5 million from its level at 31 December 2014 to reach €557.2 million at the end of 2015. As at 31 December 2015, the main components of long-term borrowing were the corporate bond (€450.0 million), which was due to mature in 2020 but was paid back in February 2016, and the amounts drawn down from the revolving credit facility (€90.0 million). The unused, unrestricted loan facility stood at €1,090.8 million as at 31 December 2015. The risk position has not changed significantly as a result of the adjustments to the funding structure after the reporting date (see the 'Events after the reporting date' section). Risk arising out of the lending conditions that have been agreed was not regarded as material as at 31 December 2015. It relates in particular to the restrictions in respect of compliance with financial covenants and upper limits for certain transactions and in respect of the obligation to submit special regular reports. The KION Group complied with all the lending covenants in the reporting year.

The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution.

The KION Group only uses derivatives to hedge underlying operational and financial transactions; they are not used for speculative purposes. It is exposed to currency risk because of the high proportion of its business conducted in currencies other than the euro. Normally, at least 50 per cent of the currency risk related to the planned operating cash flows based on liquidity planning is hedged by currency forwards in accordance with the relevant guideline.

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.

The funding terms and conditions faced by the lenders themselves (manifested, for example, in the payment of liquidity premiums on interbank lending) may result in a future shortage of lines of credit and/or increased financing costs for companies. However, the Group currently does not expect any further changes in its lines of credit or any excessive increases in margins.

Goodwill and the brands represented 33.4 per cent of total assets as at 31 December 2015 (31 December 2014: 34.2 per cent). Pursuant to IFRS, these assets are not amortised and their measurement depends, above all, on future expectations. If these future expectations are not fulfilled, there is a risk that impairment losses will have to be recognised on these assets.

The individual Group companies directly manage counterparty risks involving customers. These counterparty risks have not changed significantly, despite the financial crisis. Each individual Group company has established a credit management system for identifying customer-related counterparty risks at an early stage and initiating the necessary countermeasures. Analysis of the maturity structure of receivables is an integral element of monthly reporting.

Risks arising from financial services

The KION Group's leasing activities mean that it may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-leased. Residual values in the markets for used trucks are therefore constantly monitored and forecast. The KION Group regularly assesses its aggregate risk position arising from financial services.

The risks identified are immediately taken into account by the Company in the costing of new leases by recognising writedowns or valuation allowances and adjusting the residual values. Risk-mitigating factors include the demand for used trucks, which stabilises the residual values of the KION Group's industrial trucks. The majority of the residual values have underlying remarketing agreements that transfer any residual-value risk to the leasing company. This had a positive impact on the financial results in 2015. Groupwide standards to ensure that residual values are calculated conservatively, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to financial services by ensuring that most of its transactions and funding loans have matching maturities and by constantly updating its liquidity planning. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks and an effective dunning process ensure that the Group has sufficient liquidity.

In order to exclude currency risk, the KION Group generally funds its leasing business in the local currency used in each market.

Because of low default rates, counterparty risk has not been significant to date in the Group. The KION Group has not identified any material changes between 2014 and 2015. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed trucks. In addition, receivables management has been improved by enhancing the dunning process. The credit portfolio management system was updated during 2015. Besides the design of the business processes, it also encompassed the risk management and control processes.

Moreover, the KION Group offers the majority of financial services indirectly via selected financing partners that bear the risks of the finance transaction. As far as these financial services are concerned, the KION Group bears the counterparty risk in under 3 per cent (2014: 5 per cent) of cases.

Human resources risks and legal risks

The KION Group relies on having highly qualified managers and experts in key roles. If they left, it could have a long-term adverse impact on the Group's prospects.

That is why the KION Group actively engages in HR work aimed at identifying and developing young professionals with high potential who already work for the Company and retaining them over the long term, thereby enabling succession planning for key roles across the Group. The KION Group also positions itself in the external market as an employer of choice. This will enable it to make strategic additions to its portfolio of existing staff and, in this way, avert the risk of possibly losing expertise and thereby becoming less competitive.

Any restructuring measures may result in a risk of strikes and reactions of other kinds by the workforce. As demonstrated several times in the past, this risk is contained by collaborating closely with employee representatives and, if job losses are necessary, taking comprehensive steps to ensure they are achieved with the minimum possible social impact.

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance. These lawsuits relate, among other things, to liability risks, especially as a result of legal action brought by third parties because, for example, the Company's products were allegedly faulty or the Company allegedly failed to comply with contractual obligations. Further legal risk may arise as a result of the environmental restoration of sites that have been shut down in recent years, for example work required due to contamination. Any damage to the environment may lead to legal disputes and give rise to reputational risk.

The Company has taken measures to prevent it from incurring financial losses as a result of these risks. Although legal disputes with third parties have been insignificant both currently and in the past, the Company has a centralised reporting system to record and assist pending lawsuits. In addition to the high quality and safety standards applicable to all users of the Company's products, with which it complies when it develops and manufactures the products, it has also taken out the usual types of insurance to cover any third-party claims. These issues are also tackled by teams whose members come from a variety of functions. The aim of the teams is to identify and avoid risks. A further objective of this cooperation across functions is to ensure compliance with mandatory laws, regulations and contractual arrangements at all times.

Owing to the KION Group's export focus, legal risk and reputational risk arise due to the numerous international and local export controls that apply. The Company mitigates these risks with a variety of measures. Consequently, export controls are an important part of the compliance activities carried out by the Group companies.

OPPORTUNITY REPORT

Principles of opportunity management

Opportunity management, like risk management, forms a central part of the Company's day-to-day management. In 2015, the aggregate opportunity position was largely unchanged compared with the previous year. Individual areas of opportunity are identified within the framework of the strategy process. Opportunities are determined and managed on a decentralised basis in line with the Group strategy.

There are monthly reports on the opportunity situation as part of the regular Group reporting process. As a result, the KION Group is in a position to ascertain at an early stage whether market trends, competitive trends or events within the Group require individual areas of opportunity to be re-evaluated. This may lead to reallocation of the budgets earmarked for the realisation of opportunities. Such decisions are made on the basis of the potential of the opportunity, drawing on empirical values. There is no management system for the evaluation of opportunities comparable to the system for risk management.

Categorisation of opportunities

By 'opportunities', we mean positive deviations from the expectations set out in the outlook relating to the economic situation and the KION Group's position. Opportunities are divided into three categories:

- Market opportunities describe the potential resulting from trends in the market and competitive environment and from the regulatory situation.
- Strategic opportunities are based on implementation of the Group's strategy. They may lead to positive effects that exceed planning assumptions.
- Business-performance opportunities arise in connection with operational activities along the value chain, such as restructuring or cost-cutting measures.

Opportunity situation

Market opportunities

The economy as a whole may perform better than expected in 2016. In addition, circumstances may occur in the wider market at any time – such as quality problems at competitors or the effects of consolidation – that boost demand for products from the KION Group brands. New, unforeseen regulatory initiatives could be launched, for example the tightening of health and safety regulations or emissions standards, that would push up demand for premium products offered by the KION Group brands. Average prices for procuring commodities over the year may be cheaper than anticipated.

Medium- to long-term market opportunities are presented, in particular, by:

- growing demand for intralogistics products and services as a consequence of globalisation, industrialisation and fragmentation of supply chains;
- high demand for replacement investments, especially in developed markets;
- the trend towards outsourcing service functions to industrial truck manufacturers and growth in demand for finance solutions;
- increased use of electric trucks and warehouse trucks – which count among the KION Group's particular strengths – partly in connection with the expanding e-commerce sector;
- growing demand for automation solutions and fleet management solutions.

Strategic opportunities

Strategic opportunities are presented, above all, by implementing the Strategy 2020, which is described in detail on pages 61 to 63. The positive impact of strategic activities is already largely reflected in the expectations regarding the KION Group's financial performance in 2016. Nevertheless, the individual activities could create positive effects that exceed expectations. There is also a possibility that new strategic opportunities that were not part of the planning may arise over the course of the year, for example in the form of acquisitions and strategic partnerships.

The KION Group's medium- to long-term strategic opportunities arise, in particular, from:

- a greater presence in the economy and volume price segments, particularly as a result of the systematic implementation of the groupwide platform strategy;
- strengthening of its market-leading position in core western European markets by boosting its technological expertise and making greater use of shared modules;
- further consolidation of its market position in the premium segment by offering automation solutions and intralogistics solutions;
- expansion of the service portfolio, including financial services, at every stage of the product lifecycle, taking advantage of the high number of trucks in use;
- harnessing of market potential in fast-growing regions by putting suitable production and sales structures in place;
- continued focus on expanding the business in North America.

Business-performance opportunities

Business-performance opportunities primarily arise from ongoing activities to modernise and streamline the KION Group's production facilities and from the worldwide integration of the production network. By investing in new locations, products can be assembled nearer to the markets in which they are to be sold, economies of scale can be achieved across the Group and synergies can be leveraged. Further development of the Group's back-office services will also help to achieve these objectives.

The following may lead to an increase in profitability in the medium term:

- ongoing efficiency increases at production sites (partly resulting from more efficient allocation of work now that the plant in the Czech Republic has come on stream) may boost sales and improve the gross margin;
- effective use of global development capacities within the framework of an overarching modular and platform strategy may create synergies and economies of scale.

D

Consolidated Financial Statements

Consolidated income statement

Consolidated income statement TABLE 035

in € million	Note	2015	2014
Revenue	[8]	5,097.9	4,677.9
Cost of sales		–3,601.7	–3,337.4
Gross profit		**1,496.2**	**1,340.5**
Selling expenses		–618.0	–570.5
Research and development costs		–143.0	–125.7
Administrative expenses		–355.9	–323.6
Other income	[9]	99.6	93.2
Other expenses	[10]	–66.6	–42.1
Profit (loss) from equity-accounted investments	[11]	10.6	–24.8
Earnings before interest and taxes		**422.8**	**347.0**
Financial income	[12]	51.4	84.4
Financial expenses	[13]	–144.0	–173.2
Net financial expenses		**–92.6**	**–88.8**
Earnings before taxes		**330.2**	**258.3**
Income taxes	[14]	**–109.2**	**–80.0**
Current taxes		–132.5	–63.5
Deferred taxes		23.3	–16.5
Net income		**221.1**	**178.2**
Attributable to shareholders of KION GROUP AG		217.1	176.7
Attributable to non-controlling interests		3.9	1.6
Earnings per share according to IAS 33 (in €)	[16]		
Basic earnings per share		2.20	1.79
Diluted earnings per share		2.20	1.79

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income TABLE 036

in € million	Note	2015	2014
Net income		**221.1**	**178.2**
Items that will not be reclassified subsequently to profit or loss		**14.7**	**–143.0**
Gains/losses on defined benefit obligation	[29]	12.7	–138.3
thereof changes in unrealised gains and losses		17.3	–199.0
thereof tax effect		–4.5	60.6
Changes in unrealised gains and losses from equity-accounted investments		1.9	–4.7
Items that may be reclassified subsequently to profit or loss		**24.3**	**30.3**
Impact of exchange differences		19.9	34.9
thereof changes in unrealised gains and losses		19.9	32.2
thereof realised gains (–) and losses (+)		–	2.8
Gains/losses on hedge reserves	[40]	4.0	–4.7
thereof changes in unrealised gains and losses		–16.1	–8.0
thereof realised gains (–) and losses (+)		20.9	1.5
thereof tax effect		–0.8	1.9
Gains/losses from equity-accounted investments		0.4	0.1
thereof changes in unrealised gains and losses		0.4	0.1
Other comprehensive income (loss)		**38.9**	**–112.7**
Total comprehensive income		**260.0**	**65.5**
Attributable to shareholders of KION GROUP AG		256.5	63.8
Attributable to non-controlling interests		3.5	1.7

Consolidated statement of financial position

Consolidated statement of financial position – Assets

TABLE 037

in € million	Note	2015	2014
Goodwill	[17]	1,548.1	1,497.1
Other intangible assets	[17]	904.4	915.5
Leased assets	[18]	334.4	279.0
Rental assets	[19]	544.0	487.1
Other property, plant and equipment	[20]	508.8	494.1
Equity-accounted investments	[21]	73.6	114.6
Lease receivables	[22]	472.0	345.3
Other financial assets*	[23]	45.9	12.7
Other assets*	[24]	30.2	21.6
Deferred taxes	[14]	349.0	357.9
Non-current assets		**4,810.3**	**4,524.8**
Inventories	[25]	553.5	529.2
Trade receivables	[26]	670.5	598.2
Lease receivables	[22]	181.7	202.5
Income tax receivables	[14]	7.9	6.6
Other financial assets*	[23]	58.4	118.3
Other assets*	[24]	54.8	49.8
Cash and cash equivalents	[27]	103.1	98.9
Current assets		**1,629.9**	**1,603.7**
Total assets		**6,440.2**	**6,128.5**

* Last year's figures were adjusted due to a change in presentation, for details see note [23] and [34]

Consolidated statement of financial position – Equity and liabilities

TABLE 038

in € million	Note	2015	2014
Subscribed capital		98.7	98.7
Capital reserve		1,996.6	1,996.2
Retained earnings		11.3	–148.2
Accumulated other comprehensive loss		–265.5	–304.9
Non-controlling interests		7.7	5.3
Equity	[28]	**1,848.7**	**1,647.1**
Retirement benefit obligation	[29]	798.0	787.5
Non-current financial liabilities	[30]	557.2	646.8
Lease liabilities	[31]	617.7	461.7
Other non-current provisions	[32]	83.4	83.7
Other financial liabilities*	[34]	315.6	236.6
Other liabilities*	[35]	185.4	151.2
Deferred taxes	[14]	302.7	320.9
Non-current liabilities		**2,860.0**	**2,688.3**
Current financial liabilities	[30]	119.3	262.9
Trade payables	[33]	574.6	564.6
Lease liabilities	[31]	237.9	246.0
Income tax liabilities	[14]	79.8	31.3
Other current provisions	[32]	111.5	84.4
Other financial liabilities*	[34]	194.4	215.9
Other liabilities*	[35]	414.0	388.0
Current liabilities		**1,731.5**	**1,793.0**
Total equity and liabilities		**6,440.2**	**6,128.5**

* Last year's figures were adjusted due to a change in presentation, for details see note [23] and [34]

Consolidated statement of cash flows

Consolidated statement of cash flows

TABLE 039

in € million	Note	2015	2014
Earnings before interest and taxes		**422.8**	**347.0**
Amortisation, depreciation and impairment charges of non-current assets	[15]	401.4	367.2
Other non-cash income (–)/expenses (+)		12.9	50.0
Gains (–)/losses (+) on disposal of non-current assets		–2.4	6.4
Changes in leased assets (excluding depreciation) and lease receivables/liabilities	[18], [22], [31]	–94.9	–66.5
Change in inventories	[25]	–22.1	–9.0
Change in trade receivables/payables	[26], [33]	–60.9	–25.4
Cash payments for defined benefit obligations	[29]	–24.2	–20.4
Change in other provisions	[32]	23.6	–17.6
Change in other operating assets/liabilities		106.6	23.1
Taxes paid		–84.8	–51.0
Cash flow from operating activities	[37]	**677.9**	**603.8**
Cash payments for purchase of non-current assets	[37]	–142.6	–133.1
Cash receipts from disposal of non-current assets	[37]	14.1	7.7
Change in rental assets (excluding depreciation)	[19]	–222.9	–183.4
Dividends received		18.2	8.1
Acquisition of subsidiaries (net of cash acquired) and other equity investments		–84.9	0.0
Proceeds from disposal of shares from equity investments, net of cash		77.4	4.6
Cash payments for sundry assets		–4.5	–1.5
Cash flow from investing activities	[37]	**–345.2**	**–297.8**

Consolidated statement of cash flows (continued)

TABLE 039

in € million	Note	2015	2014
Capital increase from issuing of employee shares	[28]	3.1	2.7
Acquisition of treasury shares		–2.7	–1.5
Dividend of KION GROUP AG		–54.3	–34.5
Dividends paid to non-controlling interests		–1.5	–1.6
Cash receipts/payments for changes in ownership interests in subsidiaries without change of control		0.5	–2.8
Financing costs paid	[37]	–5.6	–6.6
Proceeds from borrowings	[37]	911.0	1,375.2
Repayment of borrowings	[37]	–1,134.9	–1,676.4
Interest received		7.1	6.2
Interest paid	[37]	–50.4	–88.7
Cash payments from other financing activities		–1.2	0.0
Cash flow from financing activities	[37]	**–329.1**	**–428.1**
Effect of foreign exchange rate changes on cash and cash equivalents		0.5	1.8
Change in cash and cash equivalents		**4.1**	**–120.4**
Cash and cash equivalents at the beginning of the year	[37]	98.9	219.3
Cash and cash equivalents at the end of the year	[37]	103.1	98.9

Consolidated statement of changes in equity

Consolidated statement of changes in equity

in € million	Note	Subscribed capital	Capital reserves	Retained earnings
Balance as at 1/1/2014		**98.7**	**2,223.2**	**–524.9**
Net income for the year				176.7
Other comprehensive income (loss)	[28]			
Comprehensive income (loss)		**0.0**	**0.0**	**176.7**
Withdrawal from capital reserve	[28]		–228.1	228.1
Dividend of KION GROUP AG	[28]			–34.5
Dividends paid to non-controlling interests				
Acquisition of treasury shares	[28]	–0.1	–1.5	
Capital increase from issuing of employee shares	[28]	0.1	2.5	
Changes from employee share option programme	[28]		0.1	
Effects from the acquisition/disposal of non-controlling interests	[28]			
Changes from application of the equity-method	[28]			9.7
Other changes				–3.2
Balance as at 31/12/2014		**98.7**	**1,996.2**	**–148.2**
Balance as at 1/1/2015		**98.7**	**1,996.2**	**–148.2**
Net income for the year				217.1
Other comprehensive income (loss)	[28]			
Comprehensive income (loss)		**0.0**	**0.0**	**217.1**
Dividend of KION GROUP AG	[28]			–54.3
Dividends paid to non-controlling interests	[28]			
Acquisition of treasury shares	[28]	–0.1	–2.6	
Changes from employee share option programme	[28]	0.1	3.0	
Effects from the acquisition/disposal of non-controlling interests	[28]			
Changes from application of the equity-method	[28]			–3.2
Other changes				–0.1
Balance as at 31/12/2015		**98.7**	**1,996.6**	**11.3**

TABLE 040

Accumulated other comprehensive income (loss)						
Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on hedge reserves	Gains/losses from equity-accounted investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
–66.5	**–126.3**	**0.5**	**0.3**	**1,605.0**	**5.0**	**1,610.0**
				176.7	1.6	178.2
34.8	–138.3	–4.8	–4.6	–112.9	0.2	–112.7
34.8	**–138.3**	**–4.8**	**–4.6**	**63.8**	**1.7**	**65.5**
				0.0	0.0	0.0
				–34.5	0.0	–34.5
				0.0	–1.6	–1.6
				–1.5	0.0	–1.5
				2.6	0.0	2.6
				0.1	0.0	0.1
				0.0	0.1	0.1
				9.7	0.0	9.7
				–3.2	0.0	–3.2
–31.7	**–264.6**	**–4.2**	**–4.3**	**1,641.8**	**5.3**	**1,647.1**
–31.7	**–264.6**	**–4.2**	**–4.3**	**1,641.8**	**5.3**	**1,647.1**
				217.1	3.9	221.1
20.3	12.7	4.0	2.3	39.4	–0.4	38.9
20.3	**12.7**	**4.0**	**2.3**	**256.5**	**3.5**	**260.0**
				–54.3	0.0	–54.3
				0.0	–1.5	–1.5
				–2.7	0.0	–2.7
				3.1	0.0	3.1
				0.0	0.3	0.3
				–3.2	0.0	–3.2
				–0.1	0.0	–0.1
–11.4	**–251.9**	**–0.2**	**–2.0**	**1,841.0**	**7.7**	**1,848.7**

Notes to the consolidated financial statements

Basis of presentation

[1] GENERAL INFORMATION ON THE COMPANY

KION GROUP AG, whose registered office is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, is entered in the commercial register at the Wiesbaden local court under reference HRB 27060.

The KION Group is a leading global supplier of industrial trucks (forklift trucks and warehouse trucks). It generated revenue of €5,097.9 million in the 2015 financial year from its Linde, Fenwick, STILL, OM STILL, Baoli, Voltas and Egemin Automation brands (2014: €4,677.9 million).

The consolidated financial statements and the group management report were prepared by the Executive Board of KION GROUP AG on 9 March 2016.

[2] BASIS OF PREPARATION

The consolidated financial statements of the KION Group for the financial year ended 31 December 2015 have been prepared in accordance with section 315a of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as at the reporting date as well as the associated interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) 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. All of the IFRSs and IFRICs that had been enacted by the reporting date and that were required to be applied in the 2015 financial year have been applied in preparing the consolidated financial statements.

In order to improve the clarity of presentation, certain items are aggregated in the statement of financial position and the income statement. The items concerned are disclosed and explained separately in the notes. Assets and liabilities are broken down into current and non-current items in accordance with IAS 1.60. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The consolidated financial statements are prepared in euros, which is the Group's functional currency and reporting currency. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. The addition of the totals presented may result in minor rounding differences. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros. The separate financial statements of the subsidiaries included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG.

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

The following financial reporting standards were adopted for the first time in 2015:

- IFRIC 21 'Levies'
- Annual Improvements to IFRSs (2011–2013).

The first-time adoption of these standards has had no significant effect on presentation of the financial performance, financial position or notes to the financial statements of the KION Group.

Financial reporting standards released but not yet adopted

In its consolidated financial statements for the year ended 31 December 2015 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 adopted in 2015:

- IFRS 9 'Financial Instruments'
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures', clarification relating to application of the exception to the consolidation obligation for investment entities
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': amendments relating to the sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 11 'Joint Arrangements': clarification relating to the acquisition of interests in joint operations
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- Amendments to IAS 1 'Presentation of Financial Statements': amendments in connection with the disclosure initiative
- Amendments to IAS 7 'Statement of Cash Flows': amendments in connection with the disclosure initiative
- Amendments to IAS 12 'Income Taxes': amendments relating to the recognition of deferred tax assets for unrealised losses on available-for-sale financial assets
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': clarification relating to revenue-based depreciation and amortisation
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture': amendments relating to the financial reporting for bearer plants
- Amendments to IAS 19 'Employee Benefits': defined benefit plans: employee contributions
- Amendments to IAS 27 'Separate Financial Statements': amendments relating to the application of the equity method for subsidiaries, joint ventures and associates in separate financial statements
- Annual Improvements to IFRSs (2010–2012)
- Annual Improvements to IFRSs (2012–2014)

These standards and interpretations are expected to be applied by the entities included in the KION Group only from the date on which they must be adopted for the first time. The effects on the financial performance and financial position of the KION Group resulting from the first-time adoption of IFRS 9 'Financial Instruments', IFRS 16 'Leases' and IFRS 15 'Revenue from Contracts with Customers', particularly with regard to multiple-element arrangements and contracts for indirect end customer finance, are still being analysed. The effects of the first-time adoption of the other standards and interpretations on the presentation of the financial position and financial performance of the KION Group are expected to be insignificant.

[3] PRINCIPLES OF CONSOLIDATION

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities assumed on the acquisition date are recognised separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value.

The amount recognised as goodwill is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the acquiree's net assets. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the difference is recognised in income.

For each acquisition, the Group decides on a case-by-case basis whether the non-controlling interest in the acquiree is recognised at fair value or as a proportion of the net assets of the acquiree. The option to recognise non-controlling interests at fair value is not currently exercised. Consequently, non-controlling interests are recognised at the proportionate value of the net assets attributable to them excluding goodwill.

In the case of business combinations in stages, previously held equity interests are recognised at their fair value at the acquisition date. The difference between their carrying amount and fair value is recognised in the consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to cash-generating units that are likely to benefit from the business combination.

Transaction costs are immediately taken to income. Contingent consideration elements are included at fair value at the date of acquisition when determining the purchase consideration. Contingent consideration elements may consist of equity instruments or financial liabilities. Depending on the category, changes in their fair value are included in subsequent measurements.

The consolidated financial statements include all of the parent company's material subsidiaries. Intragroup balances, transactions, income and expenses, and gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognised on temporary differences arising from consolidation transactions.

Transactions with non-controlling interests are treated as transactions with the Group's equity providers. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary's net assets are recognised in equity. Gains and losses arising from the sale of non-controlling interests are also recognised in equity, provided there is no change in control.

Associates and joint ventures that are of material importance to the presentation of the financial position and financial performance of the KION Group are accounted for using the equity method.

[4] BASIS OF CONSOLIDATION

KION GROUP AG's equity investments include subsidiaries, joint ventures, associates and financial investments.

In addition to KION GROUP AG, the consolidated financial statements of the KION Group include, using the acquisition method, all material subsidiaries over which KION GROUP AG exercises control. KION GROUP AG controls a subsidiary if it has decision-making power over the main activities of the entity and can use this power to affect the amount of the variable returns to which it is exposed as a result of the equity investment. Subsidiaries acquired in the course of the financial year are consolidated from the date on which control is obtained. Companies sold in the course of the financial year are deconsolidated from the date on which control is lost.

A joint venture is an equity interest in which the entity is jointly managed by companies in the KION Group and one or more partners on the basis of a contractual agreement, and these parties have rights to the net assets of the joint venture.

Associates are entities in which companies in the KION Group are able to exercise significant influence, either directly or indirectly, over the financial and operating policies of the entity concerned. Significant influence is assumed when KION GROUP AG holds between 20 per cent and 50 per cent of the voting rights.

Equity interests over which KION GROUP AG is unable to exercise control or a significant influence, or that are not jointly controlled by KION GROUP AG, are classified as financial investments.

The number of equity investments broken down by category is shown in > TABLE 041.

Shareholdings by categories TABLE 041

	01/01/2015	Additions	Disposals	31/12/2015
Consolidated subsidiaries	**96**	**9**	**3**	**102**
Domestic	21	1	–	22
Foreign	75	8	3	80
Equity-accounted associates and joint ventures	**9**	**–**	**–**	**9**
Domestic	5	–	–	5
Foreign	4	–	–	4
Non-consolidated subsidiaries and other investments	**52**	**7**	**4**	**55**
Domestic	13	1	–	14
Foreign	39	6	4	41

A total of 22 German (2014: 21) and 80 foreign (2014: 75) subsidiaries were fully consolidated in addition to KION GROUP AG as at 31 December 2015. The acquisition of the logistics automation division involved the acquisition of Egemin NV, Zwijndrecht, Belgium, plus its eight subsidiaries (see note [5]). Three insignificant subsidiaries were deconsolidated in October 2015 and will be accounted for at cost in future.

As had been the case a year earlier, nine joint ventures and associates were accounted for under the equity method as at 31 December 2015. In each case, measurement under the equity method was performed on the basis of the last available annual financial statements.

55 (2014: 52) companies with minimal business volumes or no business operations were not included in the consolidation. In February 2015, the KION Group acquired a 10.0 per cent stake in robotics specialist Balyo SA, Moissy-Cramayel, France. This equity investment is carried at cost. In October 2015, 100.0 per cent of the shares in the dealer Moden Diesel S.p.A. (formerly MODEN DIESEL S.R.L.), Modena, Italy, were acquired and carried at fair value. At the end of October 2015, 100.0 per cent of the shares in LR Intralogistik GmbH, Wörth an der Isar, Germany, a specialist in intralogistics concepts that eschew forklift trucks in favour of tugger trains, were acquired and carried at fair value. The non-consolidated subsidiaries and other equity investments (joint ventures and associates that are not accounted for using the equity method, plus financial investments) are of minor importance to the presentation of the financial position and financial performance of the KION Group, both individually and as a whole.

Where other requirements are met, the following fully consolidated companies are exempt from the requirement to prepare annual financial statements and management reports in accordance with sections 264 (3) and 264b HGB on account of their inclusion in the consolidated financial statements. > TABLE 042

German entities exempted from disclosure requirements TABLE 042

Entities exempted	Head office
KION Holding 2 GmbH	Wiesbaden
Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan
Schrader Industriefahrzeuge GmbH & Co. KG	Essen
LMH Immobilien GmbH & Co. KG	Aschaffenburg
LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG is shown in the list of shareholdings (note [47]).

[5] ACQUISITION

On 7 May 2015, the KION Group agreed to purchase the logistics automation division of automation specialist Agidens International NV (formerly the Egemin Group). The transaction was closed on 7 August 2015. The purchase price for the 100.0 per cent stake in Egemin NV, which is headquartered in Belgium, was €72.5 million. Through this acquisition, the KION Group is significantly expanding its expertise in system solutions for intralogistics and automation, fields that are seeing increasingly strong demand and will play a crucial role in connection with Industry 4.0.

The incidental acquisition costs incurred by this business combination amounted to €0.5 million and have been recognised as an expense for the current period and reported as administrative expenses in the consolidated income statement. The impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the provisional figures available at the acquisition date is shown in > TABLE 043.

The receivables acquired as part of this transaction, which constitute trade receivables including receivables from construction contracts that have not yet been invoiced to the value of €5.9 million, totalled €16.6 million gross. At the acquisition date, it was assumed that trade receivables of €0.7 million, and receivables from construction contracts that have not yet been invoiced to the value of €0.4 million, were not recoverable. Consolidated revenue rose by €33.0 million as a result of the acquisition. The net income reported for 2015 contains a profit totalling €0.8 million attributable to the entities acquired. If the business combination had been completed by 1 January 2015, this would have generated additional revenue of €67.7 million and additional net income of €0.5 million for the KION Group in 2015.

The purchase price allocation for the acquisition described above was only provisional as at 31 December 2015 because some details, particularly in the area of construction contracts, had not yet been fully evaluated. Goodwill constitutes the strategic and geographical synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is currently not tax deductible.

The line item 'Acquisition of subsidiaries (net of cash acquired) and other equity investments' in the consolidated statement of cash flows contains a net cash outflow of €68.6 million for the acquisition of Egemin Automation.

Impact of the acquisition on the financial position of the KION Group TABLE 043

in € million	Fair value at the acquisition date
Goodwill	50.9
Other intangible assets	25.2
Trade receivables	15.5
Cash and cash equivalents	3.9
Other assets	13.7
Total assets	**109.2**
Trade payables	9.7
Other current financial liabilities	17.1
Other liabilities	9.9
Total liabilities	**36.7**
Total net assets	**72.5**
Cash payment	72.5
Consideration transferred	**72.5**

[6] CURRENCY TRANSLATION

Financial statements in foreign currencies are translated in accordance with the functional currency concept (IAS 21 'The Effects of Changes in Foreign Exchange Rates'). The functional currency is the currency of the primary economic environment in which an entity operates. The modified closing-rate method is used for currency translation.

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle spot exchange rate, i.e. at the average of the bid or offer rates on the reporting date. Income and expenses are translated at the average rate. With the exception of income and expenses recognised as other comprehensive income (loss), equity is recognised at historical rates. The resulting translation differences are not taken to income and are recognised in other comprehensive income (loss) until subsidiaries are disposed of.

The financial statements of foreign equity-accounted investments are also translated using the method described above.

Transactions of the consolidated entities in foreign currencies are translated into the relevant company's functional currency at the rate prevailing on the transaction date. On the reporting date, monetary items are translated at the closing rate and non-monetary items at the rate prevailing on the transaction date. Currency translation differences are taken to income and recognised in other income / expenses or in net financial income / expenses.

Major foreign currency rates in € TABLE 044

	Average rate		Closing rate	
	2015	2014	2015	2014
Australia (AUD)	1.4784	1.4727	1.4876	1.4809
Brazil (BRL)	3.7006	3.1209	4.3007	3.2152
Switzerland (CHF)	1.0686	1.2147	1.0872	1.2029
China (CNY)	6.9767	8.1914	7.0914	7.5085
United Kingdom (GBP)	0.7264	0.8064	0.7375	0.7768
Russia (RUB)	68.0183	50.9191	79.8372	70.2294
U.S.A. (USD)	1.1103	1.3294	1.0857	1.2099

The translation rates above were used for currencies that are material to the financial statements. > TABLE 044

[7] ACCOUNTING POLICIES

The accounting policies applied in these consolidated financial statements are, besides the aforementioned accounting policies to be adopted for the first time in 2015, fundamentally the same as those used for the year ended 31 December 2014. These consolidated financial statements are based on the financial statements of the parent company and its consolidated subsidiaries prepared in accordance with the standard accounting policies applicable throughout the KION Group.

Revenue recognition

Revenue is the fair value of the consideration received for the sale of products and services and rental and lease income (excluding VAT) after deduction of trade discounts and rebates. In accordance with IAS 18, revenue is recognised when it is sufficiently probable that a future economic benefit will accrue to the entity and that it can be reliably measured. Other criteria may arise, depending on each individual transaction, such as:

Sale of goods

With the exception of items classified as ‘sale with risk’, revenue from the sale of goods is recognised when the KION Group delivers goods to a customer, the goods are accepted by the customer and the flow of benefits to the Group is considered to be probable. If a customer is expected to accept goods but has yet to do so, the corresponding revenue is only recognised when the goods are accepted. Appropriate provisions are recognised for risks relating to the sale of goods.

Rendering of services

Revenue from the rendering of services is recognised in the year in which the services are rendered. For services provided over several periods, revenue is recognised in accordance with the proportion of the total services rendered in each period (stage of completion). Revenue from long-term service agreements is therefore recognised on the basis of the average term of the service agreements and in line with progressive costs (constant margin).

Revenue from financial service transactions is recognised in the amount of the sale value of the leased asset if classified as a finance lease and in the amount of the lease payments if classified as an operating lease. As part of the financial services provided by the Group, industrial trucks are also sold to finance partners who then enter into leases directly with the end customer ('indirect end customer finance'). If significant risks and rewards remain with the KION Group as a result of an agreed residual value guarantee that accounts for more than 10 per cent of the asset's value or as a result of an agreed customer default guarantee ('sale with risk'), the proceeds from the sale are deferred and recognised as revenue on a straight-line basis over the term until the residual value guarantee or the default guarantee expires.

Construction contracts

Revenue from construction contracts is recognised according to the stage of completion (percentage-of-completion method). For further details, please refer to the 'Construction contracts' section.

Interest income and royalties

Interest income is recognised pro rata temporis in accordance with the effective interest method. Income from royalties is deferred in accordance with the substance of the relevant agreements and recognised pro rata temporis.

Information on the deferral of lease income is contained in the disclosures on the accounting treatment of leases.

Cost of sales

The cost of sales comprises the cost of goods and services sold and includes directly attributable material and labour costs as well as directly attributable overheads, including depreciation of production equipment and amortisation of certain intangible assets, as well as write-downs of inventories. Cost of sales also includes additions to warranty provisions, which are recognised in the amount of the estimated cost at the date on which the related product is sold.

Financial income and expenses

Financial income and expenses mainly consist of interest expenses on financial liabilities, interest income from financial receivables, interest income from leases and the interest cost on leases, exchange rate gains and losses on financial activities and the net interest cost of the defined benefit obligation.

Interest income and expenses are recognised in profit and loss in accordance with the effective interest method. The effective interest method is used for calculating the amortised cost of a financial asset or financial liability and the allocation of interest income and interest expenses over the relevant periods. The effective interest rate is the interest rate at which the estimated future incoming and outgoing payments (including all fees that are part of the effective interest rate, transaction costs and other premiums and discounts) are discounted to the net carrying amount of the financial asset or liability over the expected term of the financial instrument.

Dividends are recognised in income when a resolution on distribution has been passed. They are reported in the consolidated income statement under other income, provided they are dividends from subsidiaries carried at cost.

Goodwill

Goodwill has an indefinite useful life and is not amortised. Instead, it is tested for impairment in accordance with IAS 36 ('Impairment of Assets') at least once a year, and more frequently if there are indications that the asset might be impaired.

Impairment testing is performed at the level of the individual cash-generating units (CGUs) or groups of CGUs. A CGU is defined as the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. CGUs are generally based on the lowest level of an entity at which – for internal management purposes – the management systematically monitors and controls the contribution to earnings made by the assets concerned, including goodwill. However, a CGU may not be larger than an operating segment as defined in IFRS 8 'Operating Segments'. In particular, CGUs are considered to be clearly defined and independent if the entity's management has prepared independent forecasts relevant to decision-making for the individual CGUs.

For the purposes of internal and external reporting, the activities of the KION Group are broken down into the LMH, STILL, Financial Services and Other segments on the basis of their characteristics and risk profile. The 2015 forecast, the budget for 2016, the medium-term planning for 2017 to 2018 and the KION Group's internal projections for 2019 to 2020 were drawn up on the basis of this segment structure.

The relevant CGUs for the purposes of goodwill impairment testing and the CGUs to which brand names have been allocated are the LMH and STILL segments and the Egemin Automation CGU, which has been assigned to the Other segment since completion of the acquisition on 7 August 2015. The subsidiary KION India Pvt. Ltd. was integrated into the LMH segment with effect from 1 January 2015. Previously the entity was in the Other segment. The Financial Services segment only generates a finance margin to cover costs and consequently has almost no impact on cash flow and does not earn any material excess profit. As a result, no goodwill from the original purchase price allocation (PPA) was allocated to this CGU when the new segment structure was defined in 2012 in accordance with IAS 36.87.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows forecast for the next five years are included in the calculation for the impairment test in accordance with IAS 36.33(b). The financial forecasts are based on assumptions relating to the development of the global economy, commodity prices and exchange rates. The budget for 2016, the medium-term planning for 2017 / 2018 and the projections for 2019 to 2020 were used to determine the cash flows. Cash flows beyond the five-year planning horizon were extrapolated for the LMH, STILL and Egemin Automation CGUs using a growth rate of 1.0 per cent (2014: 1.0 per cent).

CGU cash flows are discounted using a weighted average cost of capital (WACC) that reflects current market assessments of the specific risks to individual CGUs. The underlying capital structure for the LMH and STILL CGUs is determined by comparing peer group companies in the same sector. The beta factor derived from this peer group was 1.07 (2014: 1.09). Yield curve data from the European Central Bank (three-month average, rounded) was used to determine the risk-free interest rate; as at 1 November 2015 the rate was 1.5 per cent (2014: 2.0 per cent). The market risk premium derived from empirical studies of the capital markets was set at 7.0 per cent (2014: 6.75 per cent) and was at the upper end of the bandwidth recommended by the technical committee for business valuation and administration (FAUB) of the German Institute of Auditors (IDW), which is 5.5 per cent to 7.0 per cent. The market risk premium increased by 0.25 percentage points compared with 2014 owing, among other reasons, to the decrease in the risk-free base rate from 2.0 per cent to 1.5 per cent. The implied return on equity was 8.5 per cent, which was slightly lower than in the previous year (2014: 8.75 per cent). The assumed country risk was 0.22 per cent for the LMH CGU (2014: 0.25 per cent) and 0.37 per cent for the STILL CGU (2014: 0.42 per cent). A leverage ratio of 25.7 per cent (2014: 27.8 per cent) was calculated based on the capital structure determined for the peer group.

A leveraged beta of 0.95 was used to determine the country-specific WACC for Egemin Automation on the basis of the sector-specific peer group. The risk-free interest rate for Belgium as at 1 November 2015 was 1.5 per cent; the country-specific risk premium for Belgium was set at 0.5 per cent. The WACC before tax, which is used to discount the estimated cash flows, was calculated at 10.4 per cent for LMH (2014: 10.7 per cent), 10.5 per cent for STILL (2014: 10.9 per cent) and 11.3 per cent for Egemin Automation. The WACC after tax was 7.5 per cent for LMH (2014: 7.7 per cent), 7.6 per cent for STILL (2014: 7.9 per cent) and 8.3 per cent for Egemin Automation.

The impairment test carried out in the fourth quarter of 2015 did not reveal any need to recognise impairment losses for the existing goodwill of the LMH, STILL and Egemin Automation CGUs. Sensitivity analysis has enabled us to determine that no impairment losses need to be recognised for goodwill, even if key assumptions vary within realistic limits, in particular a variation in WACC of plus or minus 100 basis points.

Other intangible assets

Other purchased intangible assets with a finite useful life are carried at cost less all accumulated amortisation and all accumulated impairment losses. If events or market developments suggest impairment has occurred, impairment tests are carried out on the carrying amount of items classified as other intangible assets with a finite useful life. The carrying amount of an asset is compared with its recoverable amount, which is defined as the higher of its value in use and its fair value less costs to sell. If the reasons for recognising impairment losses in the past no longer apply, impairment losses not exceeding the amortised cost of the assets are reversed.

Other intangible assets with an indefinite useful life are carried at cost and are mainly capitalised brand names. Brand names are not amortised because they have been established in the market for a number of years and there is no foreseeable end to their useful life. In accordance with IAS 36, they are tested for impairment at least once a year or whenever there are indications that the asset might be impaired. The impairment test is performed in the same way as the impairment test for goodwill. Assessments of indefinite useful life are carried out in every period.

The Voltas brand name at KION India, which has been allocated to the LMH segment since 1 January 2015, is subject to a usage right with a contractually limited term and it will therefore be amortised over its useful life. Previously KION India and its Voltas brand name were included in the Other segment.

Development costs are capitalised if the following can be demonstrated:

- the technical feasibility of the intangible asset;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the likelihood that the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development costs include all costs and overheads directly attributable to the development process. Once they have been initially capitalised, these costs and internally generated intangible assets – particularly internally generated software – are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangible assets are not qualifying assets so finance costs are not capitalised. All non-qualifying development costs are expensed as incurred and reported on the income statement under research and development costs together with research costs and the amortisation on capitalised development costs.

Amortisation of intangible assets with a finite useful life is recognised on a straight-line basis and reported under functional costs. The impairment losses on intangible assets are reported under other expenses.

The following useful lives are applied in determining the carrying amounts of other intangible assets: > TABLE 045

Useful life of other intangible assets TABLE 045

	Years
Customer relationships / client base	4–15
Technology	10
Development costs	5–7
Patents and licences	3–15
Software	2–10

Leases / short-term rentals

KION Group entities lease equipment, mainly various industrial trucks, to their customers in order to promote sales. The leases may be of a short-term nature (short-term rental) or long-term nature (leasing).

Entities in the KION Group enter into leases as lessors and as lessees. In line with IAS 17, these contracts are classified as finance leases if substantially all of the risks and rewards incidental to ownership of the leased / rental asset are transferred to the lessee. All other rentals and leases are classified as operating leases, again in accordance with IAS 17.

If a KION Group entity enters into a finance lease as the lessor, the future lease payments to be made by the customer are recognised as lease receivables at an amount equal to the net investment in the lease. Interest income is allocated to each reporting period in order to ensure a constant return on the outstanding net investment in the lease.

Leased assets

If the economic ownership of leased assets remains with a KION Group entity as the lessor under an operating lease, the assets are reported as leased assets in a separate item in the statement of financial position. The leased assets are carried at cost and depreciated over the term of the underlying leases.

To fund leases, industrial trucks are generally sold to leasing companies. The industrial trucks are then leased back to entities in the KION Group (head lease), who sub-lease them to external end customers (described below as ‘sale and leaseback sub-leases’). These long-term leases generally have a term of four to five years. If, in the case of sale and leaseback sub-leases, the risks and rewards incidental to the head lease are substantially borne by KION Group entities and are not transferred to the end customer, the corresponding assets are reported as non-current leased assets. However, if substantially the risks and rewards incidental to the head lease are transferred to the end customer, a corresponding lease receivable is recognised. In both cases, the funding items for these long-term customer leases, which are funded for terms that match those of the leases, are recognised as lease liabilities.

Rental assets

Rental assets are assets resulting from short-term rentals as well as industrial trucks in relation to which significant risks and rewards remain with the KION Group despite the trucks having been sold ('sale with risk').

In the case of short-term rentals, subsidiaries in the LMH and STILL segments rent industrial trucks to customers directly. Short-term rental agreements usually have a term of one day to one year. The significant risks and rewards remain with the subsidiaries in the LMH and STILL segments. The industrial trucks are carried at cost and depreciated over the normal useful life of between five and seven years, depending on the product group.

In an indirect end customer finance arrangement, industrial trucks are sold to finance partners who then enter into leases with end customers. If subsidiaries in the LMH and STILL segments provide material residual value guarantees or a customer default guarantee ('sale with risk'), these transactions, which are classified as sale agreements under civil law, are recognised in accordance with the provisions relating to lessors with operating leases in conjunction with the IFRS principles for revenue recognition. In this case, the trucks are recognised as assets in the statement of financial position at their cost on the date of the sale and written down to their guaranteed residual value, or zero, on a straight-line basis over the period until the residual value guarantee or the customer default guarantee expires. If the KION Group provides a residual value guarantee, an amount equivalent to the residual value obligation is recognised under other financial liabilities.

Other property, plant and equipment

Property, plant and equipment are carried at cost less straight-line depreciation and impairment losses. The cost of internally generated machinery and equipment includes all costs directly attributable to the production process and an appropriate portion of production overheads. This includes production-related depreciation and proportionate costs for administration and social insurance / employee benefits.

The cost of property, plant and equipment is reduced by the amount of any government grants received, provided the relevant requirements are met. Expenses for maintenance and repairs are recognised in income to the extent that they are not required to be capitalised. Borrowing costs are capitalised for certain items of property, plant and equipment whose acquisition or production exceeds one year as soon as the definition of a qualifying asset is met. As was the case in the previous year, there were no qualifying assets in 2015.

Depreciation of property, plant and equipment is recognised on a straight-line basis and reported under functional costs. The useful lives and depreciation methods are reviewed annually and adjusted to reflect changes in conditions.

The useful lives below are applied in determining the carrying amounts of items of property, plant and equipment. > TABLE 046

Useful life of other property, plant and equipment TABLE 046

	Years
Buildings	10–50
Plant and machinery	3–15
Office furniture and equipment	2–15

KION Group companies also lease property, plant and equipment for their own use using finance leases, which are recognised as other property, plant and equipment. In this case, the lower of the fair value and present value of future lease payments is recognised at the inception of the lease. A corresponding liability to the lessor is recognised under other financial liabilities in the statement of financial position.

Property, plant and equipment covered by finance leases is depreciated over the shorter of its useful life or the term of the lease, unless title to the leased assets passes to the lessee when the lease expires, in which case the property, plant and equipment is depreciated and the other financial liabilities are reversed over the useful life of the leased assets.

The difference between total finance lease liabilities and the fair value of the financed leased assets represents the finance charge which is recognised in the income statement over the term of the lease at a constant rate of interest on the outstanding balance in each period. At the end of the lease term, the leased assets are either returned or purchased, or the contract is extended.

If there are certain indications of impairment of the property, plant and equipment, the assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount, which is defined as the higher of value in use and fair value less costs to sell. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognised for an asset. The impairment losses on property, plant and equipment are reported under other expenses.

The KION Group calculates the recoverable amount primarily on the basis of value in use. In determining value in use, the expected future cash flows are discounted using a risk-adjusted discount rate, taking into account the current and future level of earnings and segment-specific, technological, economic and general trends.

If an impairment test for an item of property, plant and equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill and, subsequently, the assets must be written down in proportion to their relative carrying amounts. If the reason for an impairment loss recognised in prior years no longer applies, impairment losses not exceeding the amortised cost of the asset concerned are reversed. This does not apply to goodwill.

Equity-accounted investments

In accordance with the equity method, associates and joint ventures are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. Subsequently, the carrying amount of the equity investment is adjusted in line with any changes to the KION Group's interest in the net assets of the investee. The KION Group's interest in the profit or loss generated after acquisition is recognised in income. Other changes in the equity of associates and joint ventures are recognised in other comprehensive income (loss) in the consolidated financial statements in proportion to the Group's interest in the associate or joint venture.

If the Group's interest in the losses made by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognised. Any goodwill arising from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture.

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the investment in question is tested for impairment. The carrying amount of the asset is compared with its recoverable amount. If the carrying amount is greater than the recoverable amount, an impairment loss is recognised for the equity investment.

Income taxes

In the consolidated financial statements, current and deferred taxes are recognised on the basis of the tax laws of the jurisdictions involved. Deferred taxes are recognised in other comprehensive income (loss) if they relate to transactions also recognised in other comprehensive income (loss).

Deferred tax assets and liabilities are recognised in accordance with the liability method for all temporary differences between the IFRS carrying amounts and the tax base, as well as for temporary consolidation measures.

Deferred tax assets also include tax refund claims that arise from the expected utilisation of existing tax loss carryforwards and interest carryforwards in subsequent years and whose utilisation is reasonably certain according to current forecasts. On the basis of this estimate, deferred tax assets have been recognised on some loss carryforwards and interest carryforwards.

Deferred taxes are determined on the basis of the tax rates that will apply or have been announced at the realisation date in accordance with the current legal situation in each country concerned. In accordance with the provisions in IAS 12, deferred tax assets and liabilities are not discounted. Deferred tax assets are offset against deferred tax liabilities to the extent that they have the same maturity and relate to the same taxation authority.

Inventories

Inventories are carried at the lower of cost and net realisable value. The acquisition costs of raw materials and merchandise are calculated on the basis of an average. The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overheads and production-related depreciation directly attributable to the production process. Administrative costs and social insurance/employee benefits are included to the extent that they are attributable to the production process. Borrowing costs as defined by IAS 23 are not a component of cost as they are not qualifying assets as defined by IAS 23.5. The amount recognised is an average value or a value determined in accordance with the FIFO method.

Net realisable value is the selling price that can be realised less the estimated costs of completion and the estimated costs necessary to make the sale.

Write-downs are recognised for inventory risks resulting from duration of storage, impaired recoverability, etc. Write-downs are reversed up to a maximum of cost if the reasons for their recognition no longer apply.

Construction contracts

Receivables and revenue from construction contracts are recognised according to the stage of completion (percentage-of-completion method). The percentage of completion is the proportion of contract costs incurred up to the reporting date compared to the total estimated contract costs as at the reporting date (cost-to-cost method). Under the percentage-of-completion method, construction contracts are measured at the amount of the contract costs incurred to date plus the pro rata profit earned according to the percentage of completion. If it is probable that the total contract costs will exceed the contract revenue, the expected loss is immediately recognised as an expense in the financial year in which the loss becomes apparent. If the contract costs incurred and the profit and loss recognised exceed the advances received, the excess is recognised as an asset under trade receivables. If the advances received exceed the capitalised costs and recognised profit and loss, the excess is recognised as a liability under other liabilities.

If the outcome of a construction contract cannot be reliably estimated, the likely achievable revenue is recognised up to the amount of the costs incurred. Contract costs are recognised as an expense in the period in which they are incurred. Variations in the contract work, claims and incentive payments are recognised if they are likely to result in revenue and their amount can be reliably estimated.

Trade receivables

In the first period in which they are recognised, trade receivables categorised as loans and receivables (LaR) are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Appropriate valuation allowances are recognised for identifiable individual risks. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

Cash and cash equivalents

Cash and cash equivalents comprise cash, credit balances with banks and current financial assets that can be transformed into cash at any time and are only subject to a minor level of volatility.

Other financial assets

Primary financial assets are initially recognised and derecognised in the financial statements on their settlement dates.

Under IAS 39, a distinction is made between financial assets held for trading and carried at fair value through profit and loss (FAHfT), financial assets carried at fair value through profit or loss upon initial recognition (FAFVtPL), available-for-sale financial assets (AfS), financial assets classified as loans and receivables (LaR) and held-to-maturity financial assets (HtM).

As in the previous year, the KION Group did not designate any financial assets as carried at fair value through profit and loss (FAFVtPL) in the reporting year. The FAHfT category contains derivative financial instruments that do not form part of a formally documented hedge.

Available-for-sale financial assets (AfS) are carried at fair value. Unrealised gains and losses, including deferred taxes, are reported in other comprehensive income (loss) until they are realised. If they are equity investments for which no market price is available, they are carried at cost. Reported in other non-current financial assets, the shares in Moden Diesel S.p.A. (formerly MODEN DIESEL S.R.L.) and in LR Intralogistik GmbH are carried at fair value. All other equity investments in non-consolidated subsidiaries and in other equity investments that are reported in other non-current financial assets are carried at cost less impairment losses, as observable fair values are not available and reliable results cannot be obtained using other permitted measurement techniques. At present there is no intention to sell these financial instruments.

In the first period in which they are recognised, other financial assets categorised as loans and receivables (LaR) are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Appropriate valuation allowances are recognised for identifiable individual risks. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

Carrying amounts of financial assets are tested for impairment on every reporting date and whenever indications of impairment arise. If there is an objective indication of impairment (such as a borrower being in significant financial difficulties), an impairment loss must be recognised directly in the income statement.

If objective facts in favour of reversing impairment losses are present on the reporting date, reversals are carried out to an appropriate extent. Reversals do not exceed the amortised cost that would have arisen if the impairment loss had not been recognised. In the case of debt instruments classified as available-for-sale financial assets (AfS), reversals of impairment losses are recognised in the income statement.

Held-to-maturity financial assets (HtM) are carried at amortised cost less impairment losses in accordance with the effective interest method. As in the previous year, the KION Group did not categorise any financial assets as HtM in the reporting year.

Derivative financial instruments

Derivative financial instruments are measured at their fair value and are reported as financial assets or financial liabilities as at the reporting date. They are initially recognised and derecognised in the financial statements on their settlement dates.

Currently, derivative financial instruments in the KION Group mainly comprise currency forwards that are used for hedging purposes to mitigate currency risk. In addition, call option 2 on the remaining 10.0 per cent of the shares in Linde Hydraulics are reported as derivative financial instruments (see note [38]). The KION Group did not have any interest-rate derivatives as at 31 December 2015. In the previous year, interest-rate swaps had been used on an insignificant scale to hedge the interest-rate risk.

In accordance with IAS 39, all derivative financial instruments must be measured at their fair value irrespective of an entity's purpose or intention in entering into the derivative contract. Changes in the fair value of derivative financial instruments in a formally documented hedge are reported in the income statement (for fair value hedges) or in other comprehensive income (loss) (for cash flow hedges and net investment hedges).

The KION Group currently uses cash flow hedges for currency risk as well as one net investment hedge.

In the case of cash flow hedges, derivatives are employed to hedge future cash flow risks from planned transactions and from firm obligations not reported in the statement of financial position. The effective portion of changes in the fair value of derivatives is initially recognised in other comprehensive income (loss), and is subsequently reclassified to the income statement when the revenue from the corresponding underlying transaction is realised. The ineffective portion of the changes in fair value is recognised immediately in the income statement.

A derivative is used in a net investment hedge to hedge the currency risk arising on translation of a foreign subsidiary's financial statements into the Group's reporting currency. The effective portion of changes in the fair value of the derivative is initially recognised in other comprehensive income (loss) and will not be reclassified to the income statement until the foreign operation is disposed of. The ineffective portion of the changes in fair value is recognised immediately in the income statement.

If the criteria for hedge accounting are not satisfied, changes in the fair value of derivative financial instruments are recognised in the income statement.

Further information on risk management and accounting for derivative financial instruments can be found in notes [39] and [40].

Retirement benefit obligation

The retirement benefit obligation is calculated in accordance with the projected unit credit method. Future pension obligations are measured on the basis of the pro rata vested benefit entitlements as at the reporting date and discounted to their present value. The calculations include assumptions about future changes in certain parameters, such as expected salary and pension increases and biometric factors affecting the amount of future benefits. Pension provisions are reduced by the fair value of the plan assets used to cover the Group's benefit obligations. Plan assets are measured at fair value.

Remeasurements, including deferred taxes, are recognised in other comprehensive income (loss). It is not permitted to reclassify remeasurements recognised in other comprehensive income (loss) to profit or loss in future periods. The cost of additions to pension provisions is allocated to functional costs. The interest cost on pension obligations and the interest income from plan assets are netted and reported in net financial income / expenses. Further details can be found in note [29].

Other provisions

Other provisions are recognised when the Group has a legal or constructive obligation to a third party as the result of a past event that is likely to lead to a future outflow of resources and that can be reliably estimated. Where there is a range of possible outcomes and each individual point within the range has an equal probability of occurring, a provision is recognised in the amount of the mean of the individual points. Measurement is at full cost. Provisions for identifiable risks and contingent liabilities are recognised in the amount that represents the best estimate of the cost required to settle the obligations. Recourse claims are not taken into account. The settlement amount also includes cost increases identifiable as at the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability. Accrued interest is recognised in interest expenses.

Warranty provisions are recognised on the basis of past or estimated future claim statistics. The corresponding expense is recognised in cost of sales at the date on which the revenue is recognised. Individual provisions are recognised for claims that are known to the Group.

Provisions for expected losses from onerous contracts and other business obligations are measured on the basis of the work yet to be performed.

A restructuring provision is recognised when a KION Group entity has prepared a detailed, formal restructuring plan and this plan has raised the valid expectation in those affected that the entity will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity concerned.

Share-based payments

IFRS 2 distinguishes between equity-settled and cash-settled share-based payment transactions.

Equity-settled share-based payment transactions are recognised at their fair value at the date of grant. The fair value of the obligation is recognised as an expense under functional costs over the vesting period and offset against capital reserves.

The portion of the fair value of cash-settled share-based payments that is attributable to service provided up to the valuation date is recognised as an expense under functional costs and is also reported as a liability. The fair value is recalculated on each reporting date until the end of the performance period. Any change in the fair value of the obligation must be recognised (pro rata temporis) under expenses.

Financial liabilities and other financial liabilities

Under IAS 39, a distinction is made between financial liabilities held for trading and carried at fair value through profit and loss (FLHfT), financial liabilities carried at fair value through profit or loss upon initial recognition (FLFVtPL) and financial liabilities measured at amortised cost using the effective interest method (FLaC).

As in the previous year, the KION Group did not categorise any financial liabilities as FLFVtPL in the reporting year. The FLHfT category contains derivative financial instruments that do not form part of a formally documented hedge. These are reported under other financial liabilities and must be carried at fair value through profit or loss.

All other financial liabilities reported under financial liabilities or other financial liabilities must be categorised as FLaC. These liabilities are initially recognised at fair value at the time they are entered into. Directly attributable transaction costs are deducted. These liabilities are then measured at amortised cost. Any differences between historical cost and the settlement amount are recognised in accordance with the effective interest method.

Trade payables

Trade payables are categorised as FLaC and, in the first period in which they are recognised, are carried at fair value net of the directly attributable transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method. Low-interest or non-interest-bearing liabilities due in more than one year are carried at their present value.

Assumptions and estimates

The preparation of the IFRS consolidated financial statements requires the use of assumptions and estimates for certain line items that affect recognition and measurement in the statement of financial position and the income statement. The actual amounts realised may differ from estimates. Assumptions and estimates are applied in particular:

- in assessing the need for and the amount of impairment losses on intangible assets, property, plant and equipment, and inventories;
- in determining the useful life of non-current assets;
- in classifying leases;
- in recognising and measuring defined benefit pension obligations and other provisions;
- in recognising and measuring current and deferred taxes.

Goodwill is tested for impairment annually at the level of the cash-generating units to which goodwill is allocated, applying the budget for 2016 and the medium-term planning for 2017 to 2018 combined with the growth predicted in the market forecasts for the projections for 2019 to 2020 and assuming division-specific growth rates for the period thereafter. Any material changes to these and other factors might result in the recognition of impairment losses. Further information on goodwill can be found earlier in this note and in note [17].

Information on leases can be found in the sections on leases / short-term rentals, leased assets, rental assets and other property, plant and equipment in this note.

Defined benefit pension obligations are calculated on the basis of actuarial parameters. As differences due to remeasurements are taken to other comprehensive income (loss), any change in these parameters would not affect the net profit for the current period. For further details about sensitivity analysis in relation to the impact of all significant assumptions, please refer to the information about the retirement benefit obligation in note [29].

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of resources, supplemented by past experience and the circumstances known to the Group at the reporting date. Accordingly, the actual outflow of resources for a given event may be different from the amount recognised in other provisions. Further details can be found in note [32].

Significant estimates are involved in calculating income taxes. These estimates may change on the basis of new information and experience (see also note [14]). Deferred tax assets on tax loss carryforwards and interest carryforwards are recognised on the basis of an estimate of the future recoverability of the tax benefit, i.e. an assumption as to whether sufficient taxable income or tax relief will be available against which the carryforwards can be utilised. The actual amount of taxable income in future periods, and hence the actual utilisation of tax loss carryforwards and interest carryforwards, may be different from the estimates made when the corresponding deferred tax assets were recognised.

Where necessary, the KION Group's accounting departments receive assistance from external legal advisors and tax consultants when making the estimates required.

The carrying amounts of the affected line items can be found in the relevant notes / the consolidated statement of financial position.

The impact of a change to an estimate is recognised prospectively when it becomes known and assumptions are adjusted accordingly.

Notes to the consolidated income statement

[8] REVENUE

The revenue generated by the KION Group in the year under review broken down by product category is as follows: > TABLE 047

Revenue by product category TABLE 047

in € million	2015	2014
New business	2,779.9	2,533.0
Service business	2,318.0	2,144.9
– Aftersales	1,347.0	1,250.4
– Rental business	524.1	486.9
– Used trucks	270.4	264.9
– Other	176.4	142.7
Total revenue	**5,097.9**	**4,677.9**

The 'Other' line item includes revenue from construction contracts amounting to €33.0 million (2014: €0.0 million).

Further information on revenue can be found in the segment report in note [41].

[9] OTHER INCOME

The breakdown of other income is as follows: > TABLE 048

Other income TABLE 048

in € million	2015	2014
Foreign currency exchange rate gains	25.2	16.2
Income from reversal of provisions	5.3	11.4
Profit from release of deferred lease profits	9.9	9.9
Gains on disposal of non-current assets	4.0	4.6
Rental income	1.3	2.9
Sundry income	53.8	48.2
Total other income	**99.6**	**93.2**

The change in foreign currency exchange rate gains and losses is attributable to exchange rate movements and includes gains and losses on hedging transactions (see also note [10]).

The sundry income that was reported predominantly included earnings from commission collected of €20.6 million (2014: €19.0 million), which are not reported under revenue. Sundry income also included income from non-consolidated subsidiaries and other equity investments totalling €9.7 million (2014: €1.4 million).

[10] OTHER EXPENSES

The breakdown of other expenses is as follows: > TABLE 049

Other expenses TABLE 049

in € million	2015	2014
Foreign currency exchange rate losses	37.2	13.7
Losses on disposal of non-current assets	1.7	10.8
Impairment of non-current assets	4.1	–
Sundry expenses	23.6	17.6
Total other expenses	**66.6**	**42.1**

The foreign currency exchange rate gains and losses include losses amounting to €1.2 million (2014: gains of €8.5 million) on derivative financial instruments used to hedge operating currency risk.

The impairment recognised on non-current assets in the reporting year of €4.1 million (2014: €0.0 million) comprised impairment losses on capitalised development costs (see also note [17]).

[11] SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS

The share of profit (loss) of equity-accounted investments in the reporting year amounted to a profit of €10.6 million (2014: loss of €24.8 million). In the prior year, the main influences on the share of profit (loss) of equity-accounted investments were a downturn in business and the resultant impairment loss that had to be recognised on the equity investment in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics). The total non-cash impairment loss recognised in 2014 was €13.5 million.

Further details on equity-accounted investments can be found in note [21].

[12] FINANCIAL INCOME

Financial income breaks down as follows: > TABLE 050

The interest income from leases relates to the interest portion of lease payments in financial services transactions in which KION Group entities operate as lessors (finance leases).

The change in foreign currency exchange rate gains and losses (financing) is attributable to exchange rate movements and includes gains and losses on hedging transactions (see also note [13]).

The line item 'Net interest income from defined benefit plans' relates to the net interest income on the net assets of two pension plans in the United Kingdom in which plan assets exceed pension obligations.

On 20 July 2015, the KION Group exercised the put option that it held via Linde Material Handling GmbH, Aschaffenburg, on 20.0 per cent of the shares in Linde Hydraulics. This eliminated the corresponding call option 1 held by Weichai Power. Measurement of these two options up to the exercise date in July 2015 and measurement of the remaining call option 2 in 2015 resulted in total income of €2.4 million, which was recognised under other interest and similar income. In the previous year, the income arising from measurement of the options was €43.2 million. The impairment loss relating to the stake held in Linde Hydraulics was included in the share of profit (loss) of equity-accounted investments in 2014 (see also note [11]).

Financial income TABLE 050

in € million	2015	2014
Interest income from leases	34.8	29.6
Foreign currency exchange rate gains (financing)	5.8	4.3
Net interest income from defined benefit plans	0.9	1.1
Other interest and similar income	10.0	49.5
Total financial income	**51.4**	**84.4**

[13] FINANCIAL EXPENSES

Financial expenses break down as follows: > TABLE 051

Financial expense TABLE 051

in € million	2015	2014
Interest expense from loans	10.2	12.5
Interest expense from corporate bond	30.4	40.5
Interest cost of leases	49.9	48.1
Net interest expense from defined benefit plans	17.1	20.4
Amortisation of finance costs	1.3	10.3
Foreign currency exchange rate losses (financing)	7.0	3.5
Interest cost of non-current financial liabilities	0.7	1.8
Other interest expenses and similar charges	27.3	36.2
Total financial expense	**144.0**	**173.2**

In 2015, financial expenses decreased by a substantial €29.2 million year on year. This reduction was largely due to early repayment in 2014 of the fixed-rate tranche of the corporate bond issued in 2011, which was due to mature in 2018 and had a volume of €325.0 million, and the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million. Early redemption of the two bond tranches caused interest expenses arising from capital market liabilities to reduce by €10.1 million year on year. In 2014, financial expenses had also included one-off expenses of €8.4 million in connection with the amortisation of borrowing costs and a payment of €14.8 million representing early repayment charges, which were reported in other interest expense and similar charges.

The interest cost of leases relates to the interest portion of lease payments in financial services transactions in which the material risks and rewards are borne by KION Group entities as lessees (finance leases). Sale and finance leaseback operating sub-leases (SALB-FL-OL) incurred interest expenses of €27.8 million (2014: €27.2 million). The income from corresponding customer agreements is, according to IAS 17, a component of the rental and lease payments received and is therefore reported within revenue rather than as interest income.

Net interest expense from defined benefit plans relates to the net interest cost of the net liability of pension plans applying the discount rate for plans in which pension obligations exceed plan assets.

The foreign currency exchange rate gains and losses (financing) include losses amounting to €0.3 million (2014: gains of €0.3 million) on derivative financial instruments used to hedge financial currency risk.

[14] INCOME TAXES

The income tax expense of €109.2 million (2014: expense of €80.0 million) consisted of €132.5 million in current tax expense (2014: €63.5 million) and €23.3 million in deferred tax income (2014: deferred tax expense of €16.5 million). The current tax expense included expenses of €24.9 million (2014: expenses of €6.9 million) relating to previous financial years.

At the reporting date there were income tax assets of €7.9 million receivable from tax authorities (2014: €6.6 million) and income tax liabilities of €79.8 million (2014: €31.3 million).

Deferred taxes are recognised for temporary differences between the tax base and IFRS carrying amounts. Deferred taxes are determined on the basis of the tax rates that will apply or have been announced at the realisation date in accordance with the current legal situation in each country concerned. The current corporate income tax rate in Germany is 15.0 per cent plus the solidarity surcharge (5.5 per cent of corporate income tax). Taking into account the average trade tax rate of 14.93 per cent (2014: 14.63 per cent), the combined nominal tax rate for entities in Germany was 30.75 per cent (2014: 30.5 per cent). The income tax rates for foreign companies used in the calculation of deferred taxes are between 10.0 per cent and 37.48 per cent (2014: between 10.0 per cent and 35.0 per cent).

No deferred taxes have been recognised on temporary differences of €164.2 million (2014: €88.8 million) between the net assets reported in the consolidated financial statements for the Group companies and the tax base for the shares in these Group companies (outside basis differences) because the KION Group is in a position to manage the timing of the reversal of temporary differences and there are no plans to dispose of investments in the foreseeable future.

Deferred tax assets are allocated to the following items in the statement of financial position: > TABLE 052

Deferred tax assets TABLE 052

in € million	2015	2014
Intangible assets and property, plant and equipment	97.6	136.0
Financial assets	–	0.1
Current assets	41.2	40.5
Deferred charges and prepaid expenses	0.3	0.5
Provisions	163.3	178.1
Liabilities	324.9	295.1
Deferred income	36.2	46.2
Tax loss carryforwards and interest carryforwards	73.7	62.1
Offsetting	–388.3	–400.6
Total deferred tax assets	**349.0**	**357.9**

Deferred tax liabilities are allocated to the following items in the statement of financial position: > TABLE 053

Deferred tax liabilities TABLE 053

in € million	2015	2014
Intangible assets and property, plant and equipment	442.6	483.7
Financial assets	3.5	5.0
Current assets	201.3	196.2
Deferred charges and prepaid expenses	1.0	2.1
Provisions	8.7	23.5
Liabilities	31.5	10.6
Deferred income	2.3	0.5
Offsetting	–388.3	–400.6
Total deferred tax liabilities	**302.7**	**320.9**

The deferred tax liabilities essentially relate to the purchase price allocation in the acquisition of the KION Group, particularly for intangible assets and property, plant and equipment.

In 2015, deferred taxes of minus €5.3 million were recognised in other comprehensive income (loss), resulting in a decrease in equity (2014: €62.5 million, resulting in an increase in equity). Of this amount, deferred taxes of minus €4.5 million (2014: €60.6 million) arose from the remeasurement of the defined benefit obligation. Furthermore, deferred taxes of minus €0.8 million (2014: €1.9 million) were recognised in connection with realised and unrealised changes in the fair value of derivatives in cash flow hedges (minus €2.2 million; 2014: €1.9 million) and net investment hedges (€1.4 million; 2014: €0.0 million). The purchase price allocation for Egemin Automation and the currency effects included in the currency translation adjustment resulted in a total change in deferred taxes of €8.6 million, which was recognised in other comprehensive income (loss).

In 2014, deferred taxes of €1.0 million had been reclassified from accumulated other comprehensive income (loss) to retained earnings in connection with the deconsolidation of Linde Heavy Truck Division Ltd.

In 2015, the parent company and subsidiaries that reported losses for 2015 or 2014 recognised net deferred tax assets from temporary differences and loss carryforwards totalling €85.4 million (2014: €51.6 million). These assets were considered to be unimpaired because these companies are expected to generate taxable income in future.

No deferred tax assets have been recognised on tax loss carryforwards of €115.8 million (2014: €162.0 million), on interest carryforwards of €215.8 million (2014: €262.1 million) or on other temporary differences of €0.0 million (2014: €1.2 million).

Deferred taxes are recognised on tax loss carryforwards and interest carryforwards to the extent that sufficient future taxable income is expected to be generated against which the losses can be utilised. The total amount of unrecognised deferred tax assets relating to loss carryforwards was therefore €29.3 million (2014: €34.2 million), of which €27.1 million (2014: €32.3 million) concerns tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at 31 December 2015 amounted to €156.5 million (31 December 2014: €108.2 million), while trade-tax loss carryforwards stood at €142.1 million (31 December 2014: €59.9 million). There were also foreign tax loss carryforwards totalling €142.2 million (31 December 2014: €214.4 million).

The interest that can be carried forward indefinitely in Germany as at 31 December 2015 amounted to €296.7 million (31 December 2014: €332.5 million).

The table below shows the reconciliation of expected income tax expense to effective income tax expense. The Group reconciliation is an aggregation of the individual company-specific reconciliations prepared in accordance with relevant local tax rates, taking into account consolidation effects recognised in income. The expected tax rate applied in the reconciliation is 30.75 per cent (2014: 30.5 per cent). > TABLE 054

Income taxes TABLE 054

in € million	2015	2014
Earnings before taxes	**330.2**	**258.3**
Anticipated income taxes	–101.5	–78.7
Deviations due to the trade tax base	–3.9	–5.3
Deviations from the anticipated tax rate	11.9	8.2
Losses for which deferred taxes have not been recognised	–9.5	–5.6
Change in tax rates and tax legislation	–7.2	–1.0
Non-deductible expenses	–1.9	–5.9
Tax-exempt income	2.3	2.6
Taxes relating to other periods	–24.9	–6.9
Deferred taxes relating to prior periods	28.5	7.5
Other	–3.0	5.0
Effective income taxes (current and deferred taxes)	**–109.2**	**–80.0**

[15] OTHER INCOME STATEMENT DISCLOSURES

The cost of materials rose by €189.5 million in the reporting year to €2,410.2 million (2014: €2,220.7 million).

Personnel expenses went up by €119.8 million to €1,351.7 million in 2015 (2014: €1,231.9 million). These personnel expenses included wages and salaries of €1,058.1 million (2014: €966.4 million), social security contributions of €237.8 million (2014: €215.7 million) and expenses for pensions of €55.9 million (2014: €49.7 million). The interest cost from the unwinding of the discount on estimated pension obligations is not recognised under personnel expenses and is instead reported under financial expenses as a component of interest cost of the defined benefit obligation. Pension expenses essentially comprised the pension entitlements of €34.7 million vested in 2015 (2014: €23.4 million) and unrecognised past service income of €4.3 million (2014: unrecognised past service cost of €2.6 million) arising from plan amendments and curtailments.

Impairment losses and depreciation expenses on property, plant and equipment together with impairment losses and amortisation expenses on intangible assets amounted to €401.4 million in the reporting year (2014: €367.2 million). Inventories were written down by €12.5 million (2014: €9.1 million).

The breakdown of rental and lease payments expensed in the period and arising in connection with operating leases in which KION Group entities are lessees is as follows: > TABLE 055

Lessee: Expenses recognised for operating lease payments TABLE 055

in € million	2015	2014
Procurement lease contracts	82.6	81.0
Sublease contracts	39.2	16.2
Total recognised expenses for lease payments	**121.8**	**97.1**

The expenses in connection with sub-leases relate to leases and rental agreements in which KION Group entities are both lessors and lessees. These expenses were offset by income of €46.2 million in 2015 (2014: €37.6 million).

[16] EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income (loss) accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (2015: 98,721,950 no-par-value shares; 2014: 98,692,041 no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €217.1 million (2014: €176.7 million); it is reported in the consolidated income statement. Basic earnings per share for the reporting period came to €2.20 (2014: €1.79). The 160,050 no-par-value treasury shares repurchased by KION GROUP AG were not included in this figure as at 31 December 2015 (31 December 2014: 163,562).

Diluted earnings per share are calculated by adding the potential dilutive no-par-value shares that employees can obtain for free under the employee share option programme to the weighted average number of shares outstanding during the reporting period. The calculation of diluted earnings per share was based on a weighted average of 98,740,662 no-par-value shares issued (2014: 98,693,221 no-par-value shares). Diluted earnings per share for the reporting period came to €2.20 (2014: €1.79).

Notes to the consolidated statement of financial position

[17] GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is allocated to the segments as follows: > TABLE 056

Goodwill broken down by segment TABLE 056

in € million	2015	2014
LMH	941.0	927.8
STILL	556.2	556.7
Other	50.9	12.5
Total goodwill	**1,548.1**	**1,497.1**

The change in the amount of goodwill in 2015 mainly resulted from the acquisition of Egemin Automation, from which goodwill arose of €50.9 million. Currency effects also had an impact. In addition, goodwill of €12.5 million for KION India was reclassified from the Other segment to the LMH segment. The change in the amount of goodwill in 2014 had been the result of currency effects.

The Group intends to retain and further strengthen the Linde, STILL, OM STILL and KION brand names on a long-term basis. A value of €1.8 million was originally attributed to the Voltas brand name, which was integrated into the LMH segment with effect from 1 January 2015. This brand name is amortised over its useful life of five years. As at 31 December 2015, the brand names allocated to the LMH segment (Linde and Voltas) had a residual value of €475.2 million (31 December 2014: €474.5 million without the Voltas brand name), of which €475.1 million (31 December 2014: €474.5 million) was attributable to brand names with an indefinite useful life. In 2015, a value of €8.6 million was attributed to the Egemin Automation brand name and allocated to the Other segment as part of the purchase price allocation. As at 31 December 2015, the value of the brand names allocated to the Other segment had therefore risen to €13.7 million (31 December 2014: €5.5 million for the KION and Voltas brand names), of which €13.7 million (31 December 2014: €5.1 million) was attributable to brand names with an indefinite useful life. Brand names worth €115.2 million were assigned to the STILL segment (31 December 2014: €115.3 million). These assets are not amortised as they have an indefinite useful life. > TABLE 057

Intangible assets

TABLE 057

in € million	Goodwill	Brand names	Technology & development	Sundry intangible assets	Total
Balance as at 01/01/2014	**1,494.7**	**594.7**	**216.9**	**122.4**	**2,428.7**
Group changes	–	–	–	–0.0	–0.0
Currency translation adjustments	2.3	1.0	1.5	1.2	6.0
Additions	–	–	43.7	17.2	60.9
Disposals	–	–	–2.4	–0.1	–2.5
Amortisation	–	–0.3	–49.7	–30.5	–80.5
Balance as at 31/12/2014	**1,497.1**	**595.4**	**210.0**	**110.1**	**2,412.5**
Gross carrying amount as at 31/12/2014	1,497.1	596.5	492.5	270.0	2,856.0
Accumulated amortisation	–0.0	–1.1	–282.5	–159.9	–443.5
Balance as at 01/01/2015	**1,497.1**	**595.4**	**210.0**	**110.1**	**2,412.5**
Group changes	48.9	8.6	–	16.3	73.7
Currency translation adjustments	2.2	0.4	0.9	0.7	4.2
Additions	–	–	40.9	13.0	53.8
Disposals	–	–	–0.3	–0.6	–0.9
Amortisation	–	–0.3	–53.3	–33.2	–86.9
Impairment	–	–	–4.1	–	–4.1
Balance as at 31/12/2015	**1,548.1**	**604.1**	**194.1**	**106.2**	**2,452.5**
Gross carrying amount as at 31/12/2015	1,548.1	605.6	451.3	297.0	2,902.1
Accumulated amortisation	–	–1.5	–257.3	–190.8	–449.6

The total carrying amount for technology and development assets as at 31 December 2015 was €194.1 million (31 December 2014: €210.0 million). Development costs of €40.9 million were capitalised in the reporting year (2014: €43.7 million). Total research and development costs of €143.0 million (2014: €125.7 million) were expensed. Of this amount, €53.3 million (2014: €49.7 million) related to amortisation.

Impairment losses of €4.1 million were recognised on capitalised development costs in 2015 to reflect the lack of opportunities to use them in future following the early discontinuation of production of a model series. They are reported in other expenses. The impairment losses related to the STILL segment.

Other intangible assets relate in particular to licences, patents, software and customer relationships.

The change to the basis of consolidation in 2015 was due almost entirely to the acquisition of Egemin Automation.

[18] LEASED ASSETS

The changes in leased assets in 2015 and 2014 were as follows: > TABLE 058

Leased assets TABLE 058

in € million	2015	2014
Balance as at 01/01/	**279.0**	**251.9**
Group changes	–1.7	–
Currency translation adjustments	1.8	–1.1
Additions	241.1	172.8
Disposals	–104.2	–73.9
Depreciation	–80.6	–69.5
Reclassification	–1.1	–1.3
Balance as at 31/12/	**334.4**	**279.0**
Gross carrying amount as at 31/12/	675.3	615.4
Accumulated depreciation	–340.9	–336.5

Leased assets are attributable to the Financial Services segment and relate to industrial trucks in the amount of €333.6 million (2014: €278.4 million) that are leased to external customers under operating leases and to office furniture and equipment in the amount of €0.8 million (2014: €0.6 million).

Leased assets include assets leased over the long term with a residual value of €285.9 million (31 December 2014: €230.5 million) that are funded by means of sale and leaseback transactions with leasing companies and leased assets with a residual value of €48.5 million (31 December 2014: €48.5 million) that are largely funded internally or by means of bank loans.

Leased assets resulted in non-cancellable minimum lease payments from customers amounting to €325.5 million (31 December 2014: €285.6 million).

The following table shows the maturity structure of these payments: > TABLE 059

Minimum lease payments TABLE 059

in € million	2015	2014
Cash receipts from minimum lease payments	**325.5**	**285.6**
due within one year	116.2	107.8
due in one to five years	200.5	174.9
due in more than five years	8.8	2.9

[19] RENTAL ASSETS

The changes in rental assets in 2015 and 2014 were as follows: > TABLE 060

Rental assets TABLE 060

in € million	2015	2014
Balance as at 01/01/	**487.1**	**461.2**
Group changes	–3.1	–12.2
Currency translation adjustments	–4.1	2.1
Additions	294.8	264.9
Disposals	–72.0	–81.4
Depreciation	–159.3	–147.4
Reclassification	0.5	–0.1
Balance as at 31/12/	**544.0**	**487.1**
Gross carrying amount as at 31/12/	954.5	899.1
Accumulated depreciation	–410.5	–412.0

Acquisitions amounting to €165.1 million (2014: €146.0 million) and disposals amounting to €48.2 million (2014: €50.5 million) were attributable to the LMH segment. Acquisitions amounting to €129.5 million (2014: €119.1 million) and disposals amounting to €23.7 million (2014: €30.9 million) were attributable to the STILL segment.

The breakdown of rental assets by contract type is shown in the following table: > TABLE 061

Rental assets broken down by contract types TABLE 061

	Operating leases as lessor		Sale with risk		Total	
in € million	2015	2014	2015	2014	2015	2014
Industrial trucks	475.8	410.9	64.7	66.7	540.6	477.5
Truck equipment	3.4	9.5	0.0	0.1	3.4	9.5
Total rental assets	**479.2**	**420.3**	**64.8**	**66.7**	**544.0**	**487.1**

Rental assets comprises assets resulting from short-term rentals ('operating leases as lessor') and assets in relation to which significant risks and rewards remain with the KION Group although they were sold ('sale with risk').

[20] OTHER PROPERTY, PLANT AND EQUIPMENT

The changes in the carrying amounts of other property, plant and equipment are shown in > TABLE 062 below.

Land and buildings in the amount of €18.3 million (31 December 2014: €18.3 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

As in the previous year, the KION Group did not recognise any significant impairment losses in accordance with IAS 36 on other property, plant and equipment in 2015.

Plant & machinery and office furniture & equipment include assets from procurement leases (finance leases) amounting to €16.0 million (31 December 2014: €13.1 million). Depreciation on these assets came to €4.9 million in 2015 (2014: €5.3 million). The corresponding liabilities are reported as other financial liabilities.

Other property, plant and equipment TABLE 062

in € million	Land and buildings	Plant, machinery, and office furniture and equipment	Advances paid and assets under construction	Total
Balance as at 01/01/2014	**320.0**	**158.3**	**21.1**	**499.4**
Group changes	–	–1.7	–	–1.7
Currency translation adjustments	7.1	2.2	0.2	9.4
Additions	5.3	54.0	12.8	72.1
Disposals	–13.8	–1.4	–1.4	–16.6
Depreciation	–14.4	–55.4	–	–69.8
Reclassification	4.0	8.3	–10.9	1.3
Balance as at 31/12/2014	**308.1**	**164.3**	**21.7**	**494.1**
Gross carrying amount as at 31/12/2014	644.2	952.7	21.7	1,618.6
Accumulated depreciation	–336.1	–788.4	0.0	–1,124.5
Balance as at 01/01/2015	**308.1**	**164.3**	**21.7**	**494.1**
Group changes	–0.8	1.1	0.1	0.4
Currency translation adjustments	3.7	0.8	0.1	4.5
Additions	8.0	62.7	18.4	89.1
Disposals	–1.9	–7.4	–0.2	–9.5
Depreciation	–14.0	–56.5	–	–70.5
Reclassification	2.5	9.2	–11.1	0.6
Balance as at 31/12/2015	**305.7**	**174.1**	**29.0**	**508.8**
Gross carrying amount as at 31/12/2015	653.0	996.7	29.0	1,678.7
Accumulated depreciation	–347.3	–822.6	–0.0	–1,170.0

[21] EQUITY-ACCOUNTED INVESTMENTS

The KION Group reported equity-accounted investments with a total carrying amount of €73.6 million as at 31 December 2015 (31 December 2014: €114.6 million).

In 2014, the KION Group had held 30.0 per cent of the shares in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics) through Linde Material Handling GmbH, Aschaffenburg. On 20 July 2015, the KION Group exercised the put option vis-à-vis Weichai Power Co., Ltd., Weifang, China (referred to below as Weichai Power) that it held via Linde Material Handling GmbH, Aschaffenburg, on 20.0 per cent of the shares in Linde Hydraulics. In December 2015, the 20.0 per cent of the shares in Linde Hydraulics of €41.0 million were legally transferred to Weichai Power for a purchase consideration of €77.4 million. The remaining 10.0 per cent of the shares in Linde Hydraulics continue to be accounted for under the equity method because the KION Group can continue to participate in financial and operating policy decisions as there have been no changes to its contractual rights relating to committee membership.

The residual carrying amount of the associates mainly resulted from the shares (10.0 per cent) in Linde Hydraulics and the shares (45.0 per cent) in Linde Leasing GmbH, Wiesbaden. The associates and joint ventures can be seen in the list of shareholdings (see note [47]). Their financial information is summarised below. > TABLES 063 – 064

The amounts in the tables are based on the share held by the KION Group in the relevant associate or joint venture.

Summarised financial information associates TABLE 063

in € million	2015	2014
Total carrying amount	45.6	88.5
Profit (+) / loss (–) from continuing operations	4.1	–29.8
Other comprehensive income	2.1	–2.6
Total comprehensive income	**6.1**	**–32.3**

Summarised financial information joint ventures TABLE 064

in € million	2015	2014
Total carrying amount	28.0	26.1
Profit (+) / loss (–) from continuing operations	6.5	4.9
Other comprehensive income	0.9	–0.9
Total comprehensive income	**7.4**	**4.0**

[22] LEASE RECEIVABLES

In the case of leases under which KION Group entities lease assets directly to customers as part of the Group's financial services activities, the Group's net investment in the lease is reported as a lease receivable.

The amounts recognised as lease receivables are based on the data below. > TABLE 065

Gross investments include minimum lease payments from non-cancellable sub-leases amounting to €587.1 million (31 December 2014: €488.8 million).

Lease receivables include unguaranteed residual values of €74.5 million (31 December 2014: €63.9 million).

Lease receivables TABLE 065

in € million	2015	2014
Gross investments	**725.8**	**611.8**
due within one year	210.8	228.7
due in one to five years	489.6	364.6
due in more than five years	25.4	18.5
Present value of outstanding minimum lease payments	**653.7**	**547.8**
due within one year	181.7	202.5
due in one to five years	447.5	327.5
due in more than five years	24.5	17.8
Unrealised financial income	**72.0**	**64.0**

[23] OTHER FINANCIAL ASSETS

With effect from 31 December 2015, the presentation of other financial assets and other financial liabilities was changed in order to make it more consistent with the presentation of other financial instrument disclosures in accordance with IFRS 7. To comply with IAS 1.55, the line items ‘Other assets’ and ‘Other liabilities’ were added to the statement of financial position as at 31 December 2015. These line items contain other assets and liabilities that are not covered by the scope of IFRS 7 and are thus shown separately from other financial assets and other financial liabilities. The figures for 2014 have been restated to reflect these disclosure changes. An explanation of other assets can be found in note [24]. Other liabilities are explained in note [35].

Other financial assets of €104.3 million (31 December 2014: €131.0 million) comprise the items stated below. > TABLE 066

Of the change in non-consolidated subsidiaries and other equity investments, an amount of €19.6 million resulted from acquisition of the shares in the Italian dealer Moden Diesel S.p.A. (formerly MODEN DIESEL S.R.L.) and LR Intralogistik GmbH.

On 20 July 2015, the KION Group exercised the put option vis-à-vis Weichai Power Co., Ltd., Weifang, China that it held via Linde Material Handling GmbH, Aschaffenburg, on 20.0 per cent of the shares in Linde Hydraulics. In December 2015, the 20.0 per cent of the shares in Linde Hydraulics were transferred to Weichai Power and the receivable of €34.7 million arising from the exercise of the put option was derecognised. As at 31 December 2014, this put option had been recognised under current derivative financial instruments in the amount of €34.7 million.

Other financial assets TABLE 066

in € million	2015	2014
Investments in non-consolidated subsidiaries and other investments	42.4	11.4
Loans receivable	2.7	0.6
Non-current securities	0.8	0.8
Other non-current financial assets	**45.9**	**12.7**
Derivative financial instruments	5.3	43.7
Financial receivables	15.4	12.4
Sundry other financial assets	37.7	62.3
Other current financial assets	**58.4**	**118.3**
Total other financial assets	**104.3**	**131.0**

[24] OTHER ASSETS

Other assets of €85.0 million (31 December 2014: €71.5 million) comprise the following: > TABLE 067

Pension assets relate to asset surpluses from two defined benefit plans in the United Kingdom (31 December 2014: two) in which plan assets exceed the present value of the defined benefit obligation (see note [29]).

Other assets TABLE 067

in € million	2015	2014
Pension assets	30.2	21.6
Other non-current assets	**30.2**	**21.6**
Deferred charges and prepaid expenses	32.0	28.8
Sundry tax receivables	22.7	21.0
Sundry other assets	0.1	0.0
Other current assets	**54.8**	**49.8**
Total other assets	**85.0**	**71.5**

[25] INVENTORIES

The reported inventories break down as follows: > TABLE 068

Inventories TABLE 068

in € million	2015	2014
Materials and supplies	115.9	122.2
Work in progress	75.0	71.5
Finished goods and merchandise	359.5	330.8
Advances paid	3.1	4.7
Total inventories	**553.5**	**529.2**

The slight rise in inventories compared with 31 December 2014 was largely attributable to the increase in finished goods (up by 8.7 per cent) and work in progress (up by 4.9 per cent). By contrast, there was a decrease in materials and supplies of 5.1 per cent. In 2015, impairment losses of €12.5 million were recognised on inventories (2014: €9.1 million). Reversals of impairment losses had to be recognised in the amount of €4.6 million (2014: €4.1 million) because the reasons for the impairment losses no longer existed.

[26] TRADE RECEIVABLES

The trade receivables break down as follows: > TABLE 069

Trade receivables TABLE 069

in € million	2015	2014
Receivables from third parties	631.8	582.6
thereof receivables from third parties before valuation allowances	670.3	622.8
thereof valuation allowances for overdue receivables > 90 days ≤ 180 days	–6.5	–6.9
thereof valuation allowances for overdue receivables > 180 days	–22.1	–22.3
thereof other valuation allowances for receivables	–9.9	–11.1
Trade receivables from non-consolidated subsidiaries	16.2	4.7
Trade receivables from equity-accounted investments and other investments	20.9	10.9
Construction contracts with a net credit balance towards customers	1.5	–
Total trade receivables	**670.5**	**598.2**

Valuation allowances of €38.5 million (31 December 2014: €40.2 million) were recognised for trade receivables. The contract costs incurred and the contract profit recognised (net of recognised losses) in respect of construction contracts that had not been completed by the reporting date came to a total of €47.3 million (31 December 2014: €0.0 million).

[27] CASH AND CASH EQUIVALENTS

The change in cash and cash equivalents is shown in the consolidated statement of cash flows. For more detailed information, please also refer to note [37]. > TABLE 070

Cash and cash equivalents TABLE 070

in € million	2015	2014
Balances with banks, cash and cheques	102.8	98.7
Pledged cash	0.3	0.2
Total cash and cash equivalents	**103.1**	**98.9**

[28] EQUITY

Subscribed capital and capital reserves

As at 31 December 2015, the Company's share capital amounted to €98.9 million, which was unchanged on 31 December 2014, and was fully paid up. It was divided into 98.9 million no-par-value shares.

Between 10 September 2015 and 30 September 2015, a further 70,000 treasury shares were repurchased via the stock exchange at an average price of €38.74 in order to provide the shares for employees' own investments and the free shares under the employee share option programme. The total cost was €2.7 million. Due to the issue of 73,512 no-par-value shares (2014: 87,438 no-par-value shares) under the programme, KION GROUP AG held 160,050 treasury shares at the reporting date (31 December 2014: 163,562). These are not dividend-bearing and do not confer any voting rights. Further details on the KEEP employee share option programme can be found in note [44].

The total number of shares outstanding as at 31 December 2015 was 98,739,950 no-par-value shares (31 December 2014: 98,736,438 no-par-value shares).

As at 31 December 2015, KION Group employees held options on a total of 53,220 no-par-value shares (31 December 2014: 29,116 no-par-value shares). The share options granted under the employee share option programme are not dividend-bearing and do not confer any voting rights.

The Annual General Meeting on 19 May 2014 voted to create authorised capital that will enable the KION Group to meet its funding needs quickly and flexibly. Subject to the consent of the Supervisory Board, the Executive Board is authorised until 18 May 2019 to increase the Company's share capital by up to €9.89 million by way of an issue of up to 9,890,000 new no-par-value bearer shares (2014 Authorised Capital).

To safeguard the Company's funding options, the Executive Board is also authorised until 18 May 2019 to issue warrant-linked bonds, convertible bonds or profit-sharing rights with a total par value of up to €800 million that contain pre-emption rights/obligations for up to 9,890,000 no-par-value shares. To this end, a conditional increase was decided upon in order to increase the

Company's share capital by up to €9.89 million by way of an issue of up to 9,890,000 new no-par-value bearer shares (2014 Conditional Capital).

The total amount attributable to shares that was spent in connection with this approved/conditional capital may not exceed 10 per cent of the share capital. In both cases, the pre-emption right of shareholders can be excluded in certain circumstances. The corresponding amendments to the articles of incorporation were entered in the commercial register on 16 June 2014.

Retained earnings

The development of retained earnings is shown in the consolidated statement of changes in equity in > TABLE 040. The retained earnings comprise the net income (loss) for the financial year and past contributions to earnings by the consolidated entities, provided they have not been distributed.

The distribution of a dividend of €0.55 per share (2014: €0.35 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €54.3 million in 2015 (2014: €34.5 million).

Appropriation of profit

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.77 per share to the Annual General Meeting on 12 May 2016. As there were 98,739,950 dividend-bearing shares as at 31 December 2015, this equates to a total dividend payout of €76.0 million. Roughly 35.0 per cent of the net income accruing to the KION Group shareholders will therefore be distributed in dividends.

Accumulated other comprehensive income (loss)

The breakdown of accumulated other comprehensive income (loss) is shown in > TABLE 040.

The currency translation adjustment contains the exchange differences arising from the financial statements prepared in a foreign currency of foreign subsidiaries, associates and joint ventures.

The gains/losses on the defined benefit obligation are the result of remeasuring defined benefit pension obligations (see also note [29]).

The gains/losses on hedge reserves are the effective portion of the changes in the fair value of the hedging instruments for cash flow hedges and net investment hedges. The gains/losses from equity investments contain the share of other comprehensive income (loss) from associates and joint ventures accounted for under the equity method.

Non-controlling interests

Non-controlling interests in companies in the KION Group amounted to €7.7 million (31 December 2014: €5.3 million).

[29] RETIREMENT BENEFIT OBLIGATION

The retirement benefit obligation is recognised for obligations to provide current and future post-employment benefits. Post-employment benefit plans are classified as either defined benefit plans or defined contribution plans, depending on the substance of the plan as derived from its principal terms and conditions.

Defined contribution plans

In the case of defined contribution pension plans, the Group pays contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The Group does not enter into any obligations above and beyond the payment of contributions to an external pension fund. The amount of future pension benefits is based solely on the amount of the contributions paid by the employer (and in some cases the beneficiaries themselves) to the external pension fund, including income from the investment of these contributions. The total expense arising from defined contribution plans amounted to €64.2 million in 2015 (2014: €58.3 million). Of this total, contributions paid by employers into government-run schemes came to €56.3 million (2014: €52.4 million). The defined contribution plan expense is reported within the functional costs.

Defined benefit plans

In the case of defined benefit plans, the beneficiaries are granted a specific benefit by the Group or an external pension fund. Due to future salary increases, the benefit entitlement at the retirement age of the beneficiary is likely to be higher than the amount granted as at the reporting date. Pensions are often adjusted after an employee reaches retirement age. The amount of the Group's obligation, which is defined as the actuarial present value of the obligation to provide the level of benefits currently earned by each beneficiary, is expressed as the present value of the defined benefit obligation (DBO) including adjustments for future salary and pension increases.

The KION Group currently grants pensions to almost all employees in Germany and a number of foreign employees. These pensions consist of fixed benefit entitlements and are therefore reported as defined benefit plans in accordance with IFRS. As at 31 December 2015, the KION Group had set up defined benefit plans in 13 countries. For all of the significant defined benefit plans within the Group, the benefits granted to employees are determined on the basis of their individual income, i.e. either directly or by way of intermediate benefit arrangements. The largest of the KION Group's defined benefit plans – accounting for 91.1 per cent of the global defined benefit obligation (31 December 2014: 91.2 per cent) – are in Germany and the United Kingdom.

Germany

In Germany, the pension benefits granted under the 2001 pension benefit conditions and 2002 pension benefit conditions depend on employees' length of service and gross annual remuneration (pension component entitlement). The pension component is calculated by multiplying a certain percentage by an age-dependent annuitisation factor. The contribution rate is 3.4 per cent (2001 pension benefit conditions) or 2.0 per cent (2002 pension benefit conditions) of the gross remuneration that an employee earns in the computation period. Employees receive the pension entitlement that they have earned in the form of a monthly retirement pension or invalidity benefit or, in the event of their death, the entitlement is paid to their surviving dependants in the form of a widow's/widower's pension or orphans' pension. Members of the Executive Board and other executives are predominantly covered by individual pension plans. For details of the pension entitlements of KION GROUP AG Executive Board members, please refer to the information in note [45]. The amount of the benefits paid to executives depends on the type of entitlement. Under the 'old' individual pension plans, executives were entitled to a certain percentage of income as their pension benefit. By contrast, the employer-funded entitlement under the 'new' individual pension plans consists of two components: a fixed basic pension and a variable top-up pension through which annual components are earned within a defined contribution system. Both components depend on the seniority of the executive.

In addition, employees in Germany are able to pay part of their salary into a company pension plan, for which KION provides a defined minimum interest rate to enable employees to build up their personal pension provision. The pension benefits consist of retirement, invalidity and surviving dependants' benefits. Each contribution made is converted into a capital component on the basis of a guaranteed minimum interest rate of 3.0 per cent and depending on the age of the employee. The capital components acquired each calendar year are added up to give the pension capital. When an insured event occurs, the pension capital is converted into an ongoing life-long pension or a one-off capital payment.

In Germany, the KION Group also helps employees to build up their own pension provision with an additional matching contribution for those employees who pay part of their salary into the KION pension plan. The additional matching contribution received by executives is 50.0 per cent of the amount they defer in a calendar year, although the absolute amount of this contribution is limited to a certain percentage of income (ranging from 2.5 per cent to a maximum of 5.0 per cent). All other employees who participate in the company pension scheme receive up to 0.4 per cent of their gross remuneration.

Some of the KION Group's pension obligations in Germany are financed by way of contractual trust arrangements (CTAs), which qualify as plan assets within the meaning of IAS 19. The trustees are required to follow a defined investment strategy and guidelines. There are no statutory minimum funding requirements.

In the event of the Company's insolvency, the company pension scheme in Germany is to a large extent protected by law by the insolvency protection scheme (Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, PSVaG).

United Kingdom

In the United Kingdom, defined benefit pension obligations predominantly relate to two plans. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits. The amount of the pension depends on employees' length of service and final salary.

The two plans were closed to new employees more than ten years ago. Each plan is monitored by its own board of trustees, which oversees the running of the plan as well as its funded status and the investment strategy. The members of the board of trustees comprise people appointed by the company involved and selected plan beneficiaries.

Under UK law, the board of trustees is obliged to have a valuation of the plan carried out at least every three years. In connection with the 2012 valuation of the pension plans for the employees of the KION Group's UK companies, the Company and the trustees of the pension funds agreed on a calculation method in May 2014, according to which the deficit for the two remaining pension plans amounted to €8.6 million as at 1 July 2013. On this basis, the KION Group agreed with the trustees that it would pay approximately the equivalent of €5.0 million in 2015 and €2.5 million in 2016 in order to reduce the deficit. However, these payments are subject to the condition that the annual review of the pension plans' funding position continues to reveal a deficit. If a payment would result in the pension plans being overfunded, the KION Group would be exempt from its payment obligation in that year.

The trustees of the two plans were also granted collateral in rem in the form of charges on the real estate of Group companies in the UK and flexible collateral in respect of the rental fleets of UK dealers within a maximum overall limit of approximately €24.4 million (2014: €23.2 million). The term of this collateral is limited to five years (1 July 2018), and the overall limit will not be reduced by payments made by the KION Group. The likelihood of the guarantee being used is deemed low in view of the position of the individual companies with regard to their current and future financial and earnings situations.

Other countries

Furthermore, significant asset volumes are invested in external pension funds with restricted access in Switzerland and the Netherlands. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. They also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

Measurement assumptions

In accordance with IAS 19 ('Employee Benefits'), pension provisions are recognised to cover obligations arising from the current and future pension entitlements of active and (after the vesting period has expired) former employees of the KION Group and their surviving dependants. The discount rate used to calculate the defined benefit obligation at each reporting date is determined on the basis of current capital market data and long-term assumptions about future salary and pension increases in accordance with the best estimate principle. These assumptions vary depending on the economic conditions affecting the currency in which benefit obligations are denominated and in which fund assets are invested, as well as capital market expectations.

Benefit obligations are calculated on the basis of current biometric probabilities as determined in accordance with actuarial principles. The calculations also include assumptions about future employee turnover based on employee age and years of service and about the probability of retirement. The defined benefit obligation is calculated on the basis of the significant weighted-average assumptions as at the reporting date shown in > TABLE 071.

The assumed discount rate is determined on the basis of the yield as at the reporting date on AA-rated, fixed-interest senior corporate bonds with maturities that match the expected maturities of the pension obligations. Pension obligations in foreign companies are calculated on a comparable basis taking into account any country-specific requirements.

Future increases in salaries are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The biometric mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 31 December 2009, the modified Heubeck 2005 G mortality tables have been used in Germany as the biometric basis; the modified tables include a somewhat higher life expectancy for males than the unmodified tables. The S1NA CMI 2013 (standard mortality tables for self-administered pension schemes (SAPS) based on normal health) with a long-term trend of 1.25 per cent p.a. is applied to the two defined benefit plans in the United Kingdom.

The actuarial assumptions not listed in > TABLE 071, such as employee turnover, invalidity, etc., are determined in accordance with recognised forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

The significant weighted-average assumptions shown in > TABLE 072 were applied to the calculation of the net interest cost and the cost of benefits earned in the current year (current service cost).

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (known as remeasurements) are recognised immediately in other comprehensive income in accordance with IAS 19. This serves to ensure that the pension liability in the statement of financial position is the present value of the defined benefit obligation.

In the case of externally financed pension plans, this present value of the defined benefit obligation is reduced by the fair value of the assets of the external pension fund (plan assets). If the plan assets exceed the present value of the defined benefit obligation (net assets), a corresponding asset is recognised in accordance with IAS 19. IAS 19.64 in conjunction with the supplementary explanatory information in IFRIC 14 states that the recognition of an asset for an excess of plan assets is only permitted if the company concerned, in its function as the employer, gains economic benefits in the form of reductions in future contributions to the plan or in the form of refunds from the plan. If the present value of the defined benefit obligation is not covered by the plan assets, the net obligation is reported under the retirement benefit obligation.

Assumptions underlying provisions for pensions and other postemployment benefits TABLE 071

	Germany		UK		Other	
	2015	2014	2015	2014	2015	2014
Discount rate	2.35%	2.20%	3.75%	3.55%	1.61%	1.79%
Salary increase rate	2.75%	2.75%	4.25%	4.25%	2.50%	2.49%
Pension increase rate	1.75%	1.75%	3.13%	3.18%	0.42%	0.42%

Assumptions underlying pensions expenses TABLE 072

	Germany		UK		Other	
	2015	2014	2015	2014	2015	2014
Discount rate	2.20%	3.60%	3.55%	4.40%	1.79%	2.95%
Salary increase rate	2.75%	2.75%	4.25%	4.16%	2.49%	2.44%
Pension increase rate	1.75%	1.75%	3.18%	3.53%	0.42%	0.48%

In two defined benefit plans in the United Kingdom, plan assets exceed the present value of the defined benefit obligation. Stipulations limiting the asset to be recognised in the statement of financial position do not apply.

Statement of financial position

The change in the present value of the defined benefit obligation (DBO) is shown in > TABLE 073.

The DBO in the other countries was predominantly attributable to subsidiaries in Switzerland (2015: €57.2 million; 2014: €48.7 million) and the Netherlands (2015: €33.1 million; 2014: €38.4 million).

The plan curtailments in the reporting year are the result of income in the Netherlands arising in connection with an agreement reached with the employee representatives. The employees in the Netherlands switched to a defined contribution plan on 1 January 2016.

The components of the remeasurements are listed in > TABLE 078.

The change in the fair value of plan assets is shown in > TABLE 074.

Employees in Germany paid a total of €2.9 million (2014: €3.2 million) into the KION pension plan in 2015.

Changes in defined benefit obligation TABLE 073

	Germany		UK		Other		Total	
in € million	2015	2014	2015	2014	2015	2014	2015	2014
Present value of defined benefit obligation as at 01/01/	**809.6**	**588.1**	**438.4**	**422.1**	**120.8**	**95.7**	**1,368.8**	**1,106.0**
Group changes	–	–	–	–53.2	–	–	–	–53.2
Exchange differences	–	–	23.7	30.5	5.2	1.0	28.9	31.5
Current service cost	29.0	19.1	1.1	1.1	4.7	3.1	34.7	23.4
Past service cost (+) and income (–) from plan amendments	–	3.4	–	0.1	–0.1	–0.9	–0.1	2.6
Past service cost (+) and income (–) from curtailments	–	–	–	–	–4.2	–	–4.2	–
Interest expense on defined benefit obligation	17.7	21.3	16.3	18.7	2.2	2.8	36.2	42.7
Employee contributions	2.9	3.2	–	–	1.0	0.9	3.9	4.1
Pension benefits directly paid by company	–14.0	–12.9	–	–	–1.6	–1.6	–15.6	–14.4
Pension benefits paid by funds	–0.5	–0.2	–19.0	–18.9	–4.3	–2.2	–23.8	–21.4
Liability transfer out to third parties	–0.2	–0.4	–	–	–	–0.0	–0.2	–0.5
Remeasurements	–14.9	188.0	–19.9	38.0	0.2	22.0	–34.6	247.9
Present value of defined benefit obligation as at 31/12/	**829.7**	**809.6**	**440.5**	**438.4**	**124.0**	**120.8**	**1,394.2**	**1,368.8**
thereof unfunded	342.6	334.4	0.0	–	33.4	33.6	376.1	368.1
thereof funded	487.0	475.2	440.5	438.4	90.5	87.2	1,018.1	1,000.7

Changes in plan assets TABLE 074

	Germany		UK		Other		Total	
in € million	2015	2014	2015	2014	2015	2014	2015	2014
Fair value of plan assets as at 01/01/	**73.6**	**65.0**	**455.5**	**441.6**	**73.8**	**61.7**	**603.0**	**568.3**
Group changes	–	–	–	–56.5	–	–	–	–56.5
Exchange differences	–	–	24.5	31.8	4.4	0.8	28.8	32.6
Interest income on plan assets	1.7	2.1	17.1	19.6	1.3	1.7	20.1	23.4
Employee contributions	2.9	3.2	–	–	1.0	0.9	3.9	4.1
Employer contributions	1.1	1.0	5.1	2.4	2.3	2.2	8.5	5.6
Pension benefits paid by funds	–0.5	–0.2	–19.0	–18.9	–4.3	–2.2	–23.8	–21.4
Liability transfer out to third parties	–0.1	–0.1	–	–	–	–	–0.1	–0.1
Remeasurements	1.1	2.6	–15.9	35.5	0.8	8.8	–14.0	46.9
Fair value of plan assets as at 31/12/	**79.8**	**73.6**	**467.2**	**455.5**	**79.4**	**73.8**	**626.4**	**603.0**

In 2015, employer contributions in the United Kingdom, which amounted to €5.1 million, included one-off payments of €5.0 million (2014: €1.4 million) into pension funds on the basis of contractual agreements. In Germany, one-off payments of €0.6 million (2014: €0.6 million) were also made to a German CTA for the other members of the KION GROUP AG Executive Board.

The payments expected for 2016 amount to €23.2 million (2015: €22.6 million), which includes expected employer contributions of €6.9 million to plan assets (2015: €7.3 million) and expected direct payments of pension benefits amounting to €16.3 million (2015: €15.3 million) that are not covered by corresponding reimbursements from plan assets. According to local valuation rules, there continue to be gaps in the coverage of two defined benefit pension plans in the United Kingdom, as a result of which the expected employer contributions for 2016 include one-off payments amounting to €2.5 million in line with the agreements reached with the trustees.

The reconciliation of funded status and net defined benefit obligation to the amounts reported in the consolidated statement of financial position as at 31 December is shown in > TABLE 075.

As a result, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 44.9 per cent (2014: 44.0 per cent).

The change in the retirement benefit obligation reported in the statement of financial position is shown in > TABLE 076.

Statement of cash flows

In the case of obligations not covered by external assets, payments to beneficiaries are made directly by the Company and therefore have an impact on cash flow from operating activities. If the benefit obligations are backed by external assets, the payments are made from existing plan assets and have no effect on the Company's cash flow. Instead, any contributions made to the external pension fund by the Company result in a cash outflow for operating activities.

Funded status and net defined benefit obligation

TABLE 075

in € million	Germany 2015	Germany 2014	UK 2015	UK 2014	Other 2015	Other 2014	Total 2015	Total 2014
Present value of the partially or fully funded defined benefit obligation	–487.0	–475.2	–440.5	–438.4	–90.5	–87.2	–1,018.1	–1,000.7
Fair value of plan assets	79.8	73.6	467.2	455.5	79.4	73.8	626.4	603.0
Surplus (+) / deficit (–)	**–407.2**	**–401.6**	**26.7**	**17.2**	**–11.2**	**–13.3**	**–391.7**	**–397.8**
Present value of the unfunded defined benefit obligation	–342.6	–334.4	–0.0	–	–33.4	–33.6	–376.1	–368.1
Net liability (–) / net asset (+) as at 31/12/	**–749.9**	**–736.0**	**26.7**	**17.2**	**–44.6**	**–47.0**	**–767.8**	**–765.8**
Reported as 'retirement benefit obligation'	–749.9	–736.0	–3.6	–4.5	–44.6	–47.0	–798.0	–787.5
Reported as 'Other non-current assets'	–	–	30.2	21.6	–	–	30.2	21.6

Changes in retirement benefit obligation

TABLE 076

in € million	Germany 2015	Germany 2014	UK 2015	UK 2014	Other 2015	Other 2014	Total 2015	Total 2014
Balance as at 01/01/	**736.0**	**523.1**	**4.5**	**2.9**	**47.0**	**34.1**	**787.5**	**560.1**
Exchange differences	–	–	0.3	0.3	0.8	0.2	1.1	0.4
Total service cost	29.0	22.5	0.0	–	0.5	2.2	29.4	24.7
Net interest expense	16.0	19.2	0.2	0.1	0.9	1.1	17.1	20.4
Pension benefits directly paid by company	–14.0	–12.9	–	–	–1.6	–1.6	–15.6	–14.4
Employer contributions to plan assets	–1.1	–1.0	–0.3	–0.2	–2.3	–2.2	–3.7	–3.4
Liability transfer out to third parties	–0.1	–0.3	–	–	–	–0.0	–0.1	–0.4
Remeasurements	–16.0	185.4	–1.0	1.4	–0.6	13.2	–17.6	200.0
Balance as at 31/12/	**749.9**	**736.0**	**3.6**	**4.5**	**44.6**	**47.0**	**798.0**	**787.5**

During the reporting year, pension benefits of €39.4 million (2014: €35.8 million) were paid in connection with the main pension entitlements in the KION Group, of which €15.6 million (2014: €14.4 million) was paid directly by the Company and €23.8 million (2014: €21.4 million) was paid from plan assets. Cash contributions to plan assets in 2015 amounted to €8.5 million (2014: €5.6 million). Furthermore, pension benefit payments totalling €0.1 million (2014: €0.4 million) were transferred to external pension funds.

Income statement

In accordance with IAS 19, actuarial computations are performed for benefit obligations in order to determine the amount to be expensed in each period in accordance with fixed rules. The expenses recognised in the income statement for pensions and similar obligations consist of a number of components that must be calculated and disclosed separately.

The service cost is the new pension entitlement arising in the financial year and is recognised in the income statement. It is calculated as the present value of that proportion of the expected defined benefit obligation when the pension is paid attributable to the year under review on the basis of the maximum length of service achievable by each employee.

Past service cost arises if there is a change to the pension entitlement and it is recognised immediately in full.

The net interest cost/income, which is calculated by multiplying the net liability (present value of the defined benefit obligation minus plan assets) or the net assets (if the plan assets exceed the present value of the defined benefit obligation) by the discount rate at the start of the year, is also recognised in the income statement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the income statement for 2015 is shown in > TABLE 077.

The KION Group's net financial income/expenses includes a net interest cost of €16.2 million (2014: €19.3 million). All other components of pension expenses are recognised under functional costs.

The actual total return on plan assets in 2015 was €6.1 million (2014: €70.3 million).

Cost of defined benefit obligation TABLE 077

	Germany		UK		Other		Total	
in € million	2015	2014	2015	2014	2015	2014	2015	2014
Current service cost	29.0	19.1	1.1	1.1	4.7	3.1	34.7	23.4
Past service cost (+) and income (–) from plan amendments	–	3.4	–	0.1	–0.1	–0.9	–0.1	2.6
Past service cost (+) and income (–) from curtailments	–	–	–	–	–4.2	–	–4.2	–
Total service cost	**29.0**	**22.5**	**1.1**	**1.2**	**0.5**	**2.2**	**30.5**	**26.0**
Interest expense on defined benefit obligation	17.7	21.3	16.3	18.7	2.2	2.8	36.2	42.7
Interest income on plan assets	–1.7	–2.1	–17.1	–19.6	–1.3	–1.7	–20.1	–23.4
Net interest expense (+)/income (–)	**16.0**	**19.2**	**–0.8**	**–1.0**	**0.9**	**1.1**	**16.2**	**19.3**
Total cost of defined benefit obligation	**45.0**	**41.7**	**0.3**	**0.3**	**1.4**	**3.3**	**46.7**	**45.3**

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognised in the statement of comprehensive income in 2015 is as follows: > TABLE 078

The gains and losses on the remeasurement of plan assets are attributable entirely to experience adjustments. The changes in estimates relating to defined benefit pension entitlements resulted in a €12.7 million increase in equity as at 31 December 2015 after deduction of deferred taxes (31 December 2014: decrease of €138.3 million).

Accumulated other comprehensive income (loss) TABLE 078

	Germany		UK		Other		Total	
in € million	2015	2014	2015	2014	2015	2014	2015	2014
Accumulated other comprehensive income/loss as at 01/01/	**–300.1**	**–114.8**	**–44.4**	**–44.1**	**–27.8**	**–14.4**	**–372.3**	**–173.3**
Group changes	–	–	–	5.3	–	–	–	5.3
Exchange differences	–	–	–2.4	–3.1	–0.9	–0.1	–3.3	–3.2
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	14.9	–188.0	19.9	–38.0	–0.2	–22.0	34.6	–247.9
thereof effect of changes in demographic assumptions	–	–	–	–0.2	0.0	–0.2	0.0	–0.4
thereof effect of changes in financial assumptions	25.3	–194.4	14.4	–37.8	–1.6	–21.8	38.1	–254.0
thereof experience adjustments	–10.5	6.4	5.5	0.1	1.4	–0.0	–3.6	6.4
Gains (+) and losses (–) arising from remeasurements of plan assets	1.1	2.6	–15.9	35.5	0.8	8.8	–14.0	46.9
Accumulated other comprehensive income/loss as at 31/12/	**–284.2**	**–300.1**	**–42.8**	**–44.4**	**–28.0**	**–27.8**	**–355.0**	**–372.3**

Composition of plan assets

The plan assets of the main pension plans consist of the following components: > TABLE 079

Fair value of plan assets TABLE 079

	Germany		UK		Other		Total	
in € million	2015	2014	2015	2014	2015	2014	2015	2014
Securities	22.7	25.7	87.9	83.8	8.7	10.1	119.3	119.7
Fixed-income securities	23.9	28.4	376.8	368.3	15.6	12.0	416.4	408.7
Real estate	5.3	4.8	–	–	4.4	4.3	9.7	9.1
Insurance policies	–	–	–	–	44.0	43.9	44.0	43.9
Other	27.8	14.6	2.5	3.4	6.6	3.6	36.9	21.6
Total plan assets	**79.8**	**73.6**	**467.2**	**455.5**	**79.4**	**73.8**	**626.4**	**603.0**
thereof total assets that do not have a quoted price in active markets	**9.0**	**9.0**	**–**	**–**	**47.9**	**44.7**	**56.9**	**53.7**
Insurance policies	–	–	–	–	44.0	43.9	44.0	43.9
Other	9.0	9.0	–	–	3.8	0.9	12.8	9.9

The plan assets do not include any real estate or other assets used by the KION Group itself.

Sensitivity analysis

The present value of the defined benefit obligation is based on the significant assumptions detailed in > TABLE 071 above. If one assumption were to vary and the other assumptions remained unchanged, the impact on the present value of the defined benefit obligation would be as shown in > TABLE 080.

The sensitivity analysis shown in > TABLE 080 is not representative of an actual change in the present value of the defined benefit obligation because variations in the significant assumptions are unlikely to occur in isolation as, to some extent, the assumptions are interrelated. Sensitivity is determined using the same methods (projected unit credit method) as for the measurement of the obligation recognised in the consolidated statement of financial position as at 31 December 2015.

Future pension benefit payments

The pension benefit payments shown in > TABLE 081 are forecast for the next ten years for the defined benefit pension entitlements in existence as at 31 December 2015. The expected pension benefits break down into future benefits to be paid directly by the employer (for 2016: €16.3 million) and future benefits to be paid from existing plan assets (for 2016: €23.0 million).

As at the reporting date, the average duration of the defined benefit obligation, weighted on the basis of the present value of the defined benefit obligation, was 22.2 years in Germany (2014: 21.7 years), 14.5 years in the United Kingdom (2014: 13.6 years) and 16.8 years in the other countries (2014: 17.1 years).

Sensitivity defined benefit obligation TABLE 080

in € million		2015	2014
Discount rate	Increase by 1.0 percentage point	–220.8	–218.3
	Reduction by 1.0 percentage point	294.6	290.6
Salary increase rate	Increase by 0.5 percentage point	16.2	17.2
	Reduction by 0.5 percentage point	–17.4	–17.9
Pension increase rate	Increase by 0.25 percentage point	38.7	39.5
	Reduction by 0.25 percentage point	–37.1	–35.7
Life expectancy	Increase by 1 year	47.8	44.7

Expected payments for pension benefits TABLE 081

in € million	Germany	UK	Other	Total
2016	15.8	19.9	3.7	39.3
2017	16.6	20.6	4.4	41.5
2018	17.6	21.3	4.1	42.9
2019	18.8	21.4	5.0	45.3
2020	20.4	21.5	5.1	47.0
2021 to 2025	127.6	109.7	26.1	263.4

Risks

The funding ratio, the defined benefit obligation and the associated costs depend on the performance of financial markets. The return on plan assets is assumed to equal the discount rate, which is determined on the basis of the yield earned on AA-rated, fixed-interest senior corporate bonds. If the actual return on plan assets falls below the discount rates applied, the net obligation arising out of the pension plans increases. The amount of the net obligation is also particularly affected by the discount rates, and the current low level of interest rates – especially in the eurozone – is resulting in a comparatively large net obligation.

The plan assets are predominantly invested in corporate bonds and inflation-linked UK government bonds, particularly in the United Kingdom. The market risk attaching to plan assets – above all in the case of equities – is mitigated by defining an investment strategy and investment guidelines and constantly monitoring the assets' performance. Moreover, a downward trend on financial markets could have a significant effect on minimum funding requirements, some of which apply outside Germany.

The KION Group also bears the full risk of possible future pension adjustments resulting from changes in longevity and inflation.

Payroll-based contributions to the KION pension plan made by employees in Germany are invested in fund units. If the actual returns on these fund units fall below the interest rate of 3.0 per cent that has been guaranteed to participating employees, the KION Group's personnel expenses rise.

[30] FINANCIAL LIABILITIES

The financial liabilities reported by the KION Group as at 31 December 2015 essentially comprised interest-bearing liabilities to banks and capital market liabilities in connection with the corporate bond that was issued. The liabilities to banks stemmed largely from the revolving credit facility.

> TABLE 082 shows the contractual maturity structure of the financial liabilities.

Maturity structure of financial liabilities TABLE 082

in € million	2015	2014
Liabilities to banks	**225.9**	**459.9**
due within one year	113.8	257.7
due in one to five years	112.1	202.2
due in more than five years	–	–
Corporate bond	**444.5**	**443.1**
due within one year	–	–
due in one to five years	444.5	–
due in more than five years	–	443.1
Other financial liabilities to non-banks	**6.2**	**6.6**
due within one year	5.5	5.1
due in one to five years	0.7	1.2
due in more than five years	–	0.2
Total current financial liabilities	**119.3**	**262.9**
Total non-current financial liabilities	**557.2**	**646.8**

Liabilities to banks

In connection with its acquisition of Linde AG's material handling business, the KION Group signed a loan agreement (a senior facilities agreement and a subordinated facility agreement, referred to below as 'SFA') for a total original amount of €3,300.0 million with the lead banks Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, Credit Suisse (London branch), Goldman Sachs International Bank, Lehman Commercial Paper Inc. (UK branch) and Mizuho Corporate Bank Ltd. on 23 December 2006. This loan agreement has been amended to reflect the KION Group's changed financial circumstances on a number of occasions, particularly in connection with KION GROUP AG's IPO in June 2013.

The liabilities to banks stem largely from the revolving credit facility agreed with a group of banks under the SFA. The revolving credit facility, originally for €1,045.0 million, has a variable interest rate and will mature in mid-2018. In connection with the repayment of two corporate bonds, the credit facility was increased by €198.0 million to a total of €1,243.0 million in 2014. This was achieved through bilateral lending agreements with a group of banks. These additional loans mature in April 2019 and have a variable interest rate. The transaction costs directly attributable to the increase in the revolving credit facility, which were incurred in 2014, came to €1.0 million. The transaction costs are recognised as prepaid expenses under current financial assets and expensed over the term of the credit facility.

As at 31 December 2015, an amount of €152.2 million had actually been drawn down from the revolving credit facility, which includes other loan liabilities and contingent liabilities (31 December 2014: €402.0 million). Of this total, €62.2 million had been drawn down on a short-term basis (31 December 2014: €204.0 million). In 2014, drawdowns from the credit facility amounting to €198.0 million had been used to repay the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million, and were classified as long term. These drawdowns were reduced to €90.0 million in the reporting year.

There were also liabilities to banks of €83.2 million (31 December 2014: €63.9 million) that had been agreed with local banks for Group companies and are therefore not part of the SFA.

Capital market liabilities

As at 31 December 2015, capital market liabilities consisted entirely – as they had a year earlier – of the fixed-rate tranche of the bond issued in 2013, which has a volume of €450.0 million and a maturity date of 2020. The fixed-rate tranche of the corporate bond issued in 2011, which was due to mature in 2018 and had a volume of €325.0 million, and the floating-rate tranche of the corporate bond issued in 2013, which was due to mature in 2020 and had a volume of €200.0 million, had been repaid early in full in 2014. Most (€523.0 million) of the funds used for the repayment were drawn down from the revolving credit facility. This credit facility has far lower interest rates than the two corporate bonds. An amount of €8.4 million representing the proportion of the related deferred borrowing costs relating to these bonds and a payment of €14.8 million representing early repayment charges had been recognised as financial expenses in 2014.

Changes in net financial debt

The KION Group uses its net financial debt as a key internal figure for analysing the changes in its financial liabilities. Net financial debt is defined as the difference between financial liabilities (excluding lease liabilities) and cash and cash equivalents.

The table below gives a breakdown of the KION Group's net financial debt as at 31 December 2015: > TABLE 083

Net financial debt TABLE 083

in € million	2015	2014
Corporate bond – fixed rate (2013/2020) – gross	450.0	450.0
Liabilities to banks	225.9	459.9
Other financial liabilities to non-banks	6.2	6.6
./. Capitalised borrowing costs	–5.5	–6.9
Financial debt	**676.5**	**909.6**
./. Cash and cash equivalents	103.1	98.9
Net financial debt	**573.5**	**810.7**

The table below gives details of the changes in financial debt and lists the applicable terms and conditions: > TABLE 084

Credit terms TABLE 084

	Interest rate	Notional amount		Maturity
in € million		2015	2014	
Term Loan Facility H2a (Corporate bond – fixed rate)	Fixed rate	450.0	450.0	2020
Multicurrency Revolving Credit Facility 3	EURIBOR + Margin	142.7	373.0	2018
Other liabilities to banks	Various currencies and interest terms	83.2	86.9	
Other financial liabilities to non-banks		6.2	6.6	
./. Capitalised borrowing costs		–5.5	–6.9	
Total financial debt		**676.5**	**909.6**	

Financial covenants

The SFA and the contractual terms and conditions governing the issuance of the corporate bond require compliance with certain undertakings and covenants. The SFA also requires compliance with specific financial covenants during the term of the agreement. The financial covenants specify required ratios for the financial position and financial performance of the KION Group. Only the financial covenant for gearing (the ratio of net financial debt to EBITDA) currently applies to the KION Group. If undertakings or financial covenants are breached, this may, for example, give lenders the right to terminate the SFA or permit bondholders to call the corporate bond prior to its maturity date.

The financial covenants are reviewed every quarter. All the undertakings and financial covenants were complied with in the past financial year, as had been the case in 2014.

Loan collateral

Under the SFA, the KION Group is under an obligation to provide collateral for its obligations and liabilities. This obligation also extends to the corporate bond (tranche H2a). By the reporting date, a total of 25 (31 December 2014: 25) KION Group companies (guarantors) in five countries – Germany, the UK, France, Spain and Italy – had provided the necessary collateral.

The collateral includes guarantees, the assignment of shares in the guarantors (with the exception of shares in KION Material Handling GmbH), the assignment of certain bank accounts and certain guarantor receivables, the assignment of claims arising from and in connection with the share purchase agreement between Linde Material Handling GmbH and Linde AG dated 5 November 2006 relating to the shares in the former KION GROUP GmbH, the assignment of shares in KION Information Management Services GmbH and assignments and transfers of title to intellectual property rights by guarantors in Germany. The statutory provisions in the United Kingdom and the agreements entered into mean that all the assets of the UK guarantors are pledged as security.

The carrying amounts of the financial assets pledged as collateral amounted to €279.7 million as at the reporting date (31 December 2014: €340.8 million).

As had been the case at the end of 2014, no material liabilities to banks were secured by mortgage charges at the end of 2015.

On 15 February 2016, the KION Group redeemed the corporate bond of €450.0 million that was still outstanding and all other remaining liabilities under the existing syndicated loan of 23 December 2006. The restructuring of the KION Group's funding was decided upon in a resolution of the Executive Board of KION GROUP AG on 25 January 2016. The repayment resulting from this restructuring of the funding was made from funds drawn down under a new senior facilities agreement concluded on 28 October 2015 (see also note [50]).

[31] LEASE LIABILITIES

Lease liabilities relate solely to finance lease obligations arising from sale and leaseback transactions for the funding of long-term leases with end customers.

The amounts recognised as lease liabilities (the present value of future minimum lease payments) are based on the following data: > TABLE 085

Whereas lease liabilities stood at €855.6 million (31 December 2014: €707.7 million), lease receivables arising from sale and leaseback transactions amounted to €592.0 million (31 December 2014: €490.6 million) and leased assets under sale and leaseback transactions totalled €285.9 million (31 December 2014: €230.5 million).

Minimum lease payments TABLE 085

in € million	2015	2014
Total minimum lease payments (gross)	**922.1**	**768.2**
due within one year	266.0	271.9
due in one to five years	625.6	475.9
due in more than five years	30.5	20.5
Present value of minimum lease payments	**855.6**	**707.7**
due within one year	237.9	246.0
due in one to five years	587.9	442.0
due in more than five years	29.7	19.7
Interest included in minimum lease payments	**66.5**	**60.5**

[32] OTHER PROVISIONS

Other provisions relate to the following items: > TABLE 086

Other provisions TABLE 086

in € million	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
Balance as at 01/01/2015	**53.3**	**65.5**	**49.3**	**168.1**
thereof non-current	53.3	24.1	6.3	83.7
thereof current	–	41.4	43.0	84.4
Group changes	0.2	–	0.4	0.6
Additions	29.0	39.4	13.0	81.5
Utilisations	–21.5	–14.4	–10.8	–46.7
Reversals	–4.6	–0.3	–6.0	–10.9
Additions to accrued interest	0.1	0.6	–0.0	0.7
Currency translation adjustments	0.9	–0.0	0.9	1.8
Other adjustments	0.2	–	–0.3	–0.0
Balance as at 31/12/2015	**57.6**	**90.8**	**46.4**	**194.9**
thereof non-current	23.5	43.1	16.9	83.4
thereof current	34.2	47.7	29.6	111.5

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks and spare parts. It is expected that the bulk of the costs will be incurred within the next two years after the reporting date.

The provisions for personnel comprise provisions for partial retirement obligations, long-service awards, annual bonuses, severance pay, obligations under social plans and obligations under the employee equity programmes. The provisions for partial retirement obligations are recognised on the basis of individual contractual arrangements and agreements under collective bargaining law.

Other obligations comprise, among others, provisions for restructuring, litigation and expected losses from onerous contracts.

Total restructuring provisions (including obligations under social plans and termination benefits) came to €33.2 million as at 31 December 2015 (31 December 2014: €26.7 million).

[33] TRADE PAYABLES

As at 31 December 2015, trade payables of €574.6 million (31 December 2014: €564.6 million) included liabilities to non-consolidated subsidiaries of €6.5 million (31 December 2014: €3.8 million) and liabilities to equity-accounted investments and other equity investments of €11.7 million (31 December 2014: €4.4 million).

[34] OTHER FINANCIAL LIABILITIES

With effect from 31 December 2015, the presentation of other financial assets and other financial liabilities was changed in order to make it more consistent with the presentation of other financial instrument disclosures in accordance with IFRS 7. To comply with IAS 1.55, the line items 'Other assets' and 'Other liabilities' were added to the statement of financial position as at 31 December 2015. These line items contain other assets and liabilities that are not covered by the scope of IFRS 7 and are thus shown separately from other financial assets and other financial liabilities. The figures for 2014 have been restated to reflect these disclosure changes. An explanation of other assets can be found in note [24]. Other liabilities are explained in note [35].

Other financial liabilities comprise the following items: > TABLE 087

Other financial liabilities TABLE 087

in € million	2015	2014
Liabilities from finance leases	311.6	231.6
Derivative financial instruments	–	2.4
Sundry other financial liabilities	4.0	2.6
Other non-current financial liabilities	**315.6**	**236.6**
Liabilities from finance leases	127.4	141.5
Derivative financial instruments	12.4	10.9
Liabilities from accrued interest	19.8	12.2
Sundry other financial liabilities	34.7	51.3
Other current financial liabilities	**194.4**	**215.9**
Total other financial liabilities	**510.1**	**452.5**

On 20 July 2015, the KION Group exercised the put option that it held via Linde Material Handling GmbH, Aschaffenburg, on 20.0 per cent of the shares in Linde Hydraulics. This eliminated the corresponding call option 1 held by Weichai Power.

As at 31 December 2014, this call option had been recognised under non-current derivative financial instruments in the amount of €2.4 million. The current derivative financial instruments include a further call option on the remaining 10.0 per cent of the shares in Linde Hydraulics amounting to €0.6 million (2014: €0.6 million).

The finance lease obligations comprise liabilities arising from the financing of industrial trucks for short-term rental of €403.2 million (2014: €339.1 million) and residual value obligations of €17.8 million (2014: €18.5 million). The KION Group has also recognised other financial liabilities amounting to €18.1 million (31 December 2014: €15.6 million) arising from procurement leases, which are classified as finance leases due to their terms and conditions.

The finance lease obligations are based on the following future minimum lease payments: > TABLE 088

Minimum lease payments TABLE 088

in € million	2015	2014
Total minimum lease payments (gross)	**473.2**	**405.0**
due within one year	141.8	155.1
due in one to five years	318.8	239.7
due in more than five years	12.6	10.2
Present value of minimum lease payments	**439.0**	**373.1**
due within one year	127.4	141.5
due in one to five years	299.4	221.8
due in more than five years	12.2	9.8
Interest included in minimum lease payments	**34.1**	**31.9**

[35] OTHER LIABILITIES

Other liabilities comprise the following items: > TABLE 089

Other liabilities TABLE 089

in € million	2015	2014
Deferred income	185.4	151.2
Other non-current liabilities	**185.4**	**151.2**
Deferred income	77.4	84.5
Personnel liabilities	186.5	167.3
Social security liabilities	36.3	36.6
Tax liabilities	64.7	60.3
Advances received	39.2	39.2
Construction contracts with a net debit balance towards customers	9.9	–
Other current liabilities	**414.0**	**388.0**
Total other liabilities	**599.4**	**539.2**

The contract costs incurred and the contract profit recognised in respect of construction contracts that had not been completed by the reporting date came to a total of €24.5 million (31 December 2014: €0.0 million).

[36] CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

Of the total guarantees, €2.5 million related to contingent liabilities assumed jointly with another shareholder of a joint venture (2014: €0.9 million). > TABLE 090

Litigation

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group believes it is unlikely that these ongoing lawsuits will require funds to be utilised that exceed the provisions recognised.

Other financial commitments

Sundry other financial commitments included future payment obligations to an associate amounting to €2.0 million (2014: €21.0 million). > TABLE 091

Contingent liabilities TABLE 090

in € million	2015	2014
Liabilities on bills of exchange	6.8	5.6
Liabilities on guarantees	23.5	21.0
Total contingent liabilities	**30.3**	**26.7**

Other financial commitments TABLE 091

in € million	2015	2014
Commitments under non-cancellable operating leases	272.7	250.8
Capital expenditure commitments in property, plant and equipment	11.5	10.3
Capital expenditure commitments in intangible assets	2.2	1.9
Other financial commitments	71.3	65.0
Total other financial commitments	**357.8**	**327.9**

The maturity structure of the total future minimum lease payments under non-cancellable operating leases is shown in > TABLE 092 below.

The minimum lease payments relate to payments for leased buildings, machinery, office furniture and equipment (procurement leases) as well as payments for industrial trucks refinanced with a sale and leaseback and sub-leased to end customers (sale and leaseback sub-leases). > TABLE 093

The future minimum lease payments for sale and leaseback transactions not recognised in the statement of financial position amounting to €63.4 million (2014: €45.3 million) are partially offset by payments received under non-cancellable sub-leases amounting to €6.3 million (2014: €4.1 million). The future payments also include obligations arising from the refinancing of industrial trucks for which there are no offsetting receipts under short-term sub-leases.

Minimum lease payments TABLE 092

in € million	2015	2014
Nominal minimum lease payments	**272.7**	**250.8**
due within one year	66.9	61.4
due in one to five years	135.4	114.8
due in more than five years	70.4	74.5

Minimum lease payments broken down into procurement leases & sale and leaseback sub-leases TABLE 093

	Procurement leases		Sale and leaseback sub-leases	
in € million	2015	2014	2015	2014
Minimum lease payments (cash out)	**209.3**	**205.4**	**63.4**	**45.3**
due within one year	43.3	44.1	23.7	17.3
due in one to five years	95.8	87.4	39.6	27.4
due in more than five years	70.2	73.9	0.2	0.6
Minimum lease payments (cash in)	**–**	**–**	**6.3**	**4.1**
due within one year	–	–	2.0	1.6
due in one to five years	–	–	4.3	2.5
due in more than five years	–	–	0.0	0.0

Other disclosures

[37] CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the KION Group resulting from cash inflows and outflows in the year under review, broken down into cash flow from operating, investing and financing activities. The effects on cash from changes in exchange rates are shown separately. Cash flow from operating activities is presented using the indirect method in which the profit or loss for the year is adjusted for non-cash operating items.

The KION Group's net cash provided by operating activities totalled €677.9 million, which was significantly higher than the prior-year figure (2014: €603.8 million). This increase was attributable to contributions from operating profit and other incoming payments. The higher working capital, the rise in the volume of leasing and higher tax payments were fully offset as a result.

Net cash used for investing activities amounted to €345.2 million (2014: net cash used of €297.8 million). Capital expenditure on developments (R&D), property, plant and equipment, and the rental fleet business (net) rose by €48.9 million year on year. Total expenditure on the acquisition of equity investments amounted to €84.9 million. The acquisition of Egemin Automation resulted in a net outflow of funds of €68.6 million; the three other acquisitions led to cash payments of €16.3 million. The acquisitions of equity investments were partly offset by the sale of the 20.0 per cent of the shares in Linde Hydraulics to Weichai Power, which resulted in a relatively high inflow of funds of €77.4 million.

Free cash flow – the sum of cash flow from operating activities and investing activities – increased by €26.8 million to €332.7 million in the reporting period (2014: €305.9 million). As in 2014, a large part of this was used for repayments.

At minus €329.1 million, cash flow from financing activities was down significantly on the prior-year figure (2014: minus €428.1 million), which had been affected by the repayment of the corporate bonds and other factors. The net repayment of financial debt in the year under review totalled €224.0 million (2014: €301.2 million). The financial debt taken up during the year, which came to €911.0 million, was more than offset by repayments totalling €1,134.9 million. The repayments in 2014 had included €525.0 million in respect of the early redemption of the bond tranches plus early repayment charges of €14.8 million. Net cash of €43.3 million was also used for regular interest payments (2014: €82.5 million). The distribution of a dividend of €0.55 per share (2014: €0.35 per share) resulted in an outflow of funds of €54.3 million (2014: €34.5 million), while the acquisition of 70,000 treasury shares generated an outflow of €2.7 million.

Supported by favourable currency effects of €0.5 million (2014: €1.8 million), this resulted overall in a small rise in cash and cash equivalents, which advanced from €98.9 million as at the end of 2014 to €103.1 million as at 31 December 2015.

[38] INFORMATION ON FINANCIAL INSTRUMENTS

The KION Group uses both primary and derivative financial instruments. The following section summarises the relevance of these financial instruments for the KION Group.

The following table shows the measurement categories defined by IAS 39. In line with IFRS 7, the table shows the carrying amounts and fair values of financial assets and liabilities:
> TABLES 094 – 095

Carrying amounts broken down by class and category 2015 TABLE 094

Classes	Carrying amount	Categories					Fair value
		FAHfT	AfS	LaR	FLaC	FLHfT	
in € million							
Financial assets							
Investments in non-consolidated subsidiaries and other investments	42.4		42.4				42.4
Loans receivable	2.7			2.7			2.7
Financial receivables	15.4			15.4			15.4
Non-current securities	0.8		0.8				0.8
Lease receivables [1]	653.7						658.4
Trade receivables	670.5			669.0			670.5
thereof construction contracts with a net credit balance towards customers [2]	1.5						1.5
Other financial receivables	43.0						43.0
thereof non-derivative receivables	37.7			37.7			37.7
thereof derivative financial instruments	5.3	2.3					5.3
Cash and cash equivalents	103.1			103.1			103.1
Financial liabilities							
Liabilities to banks	225.9				225.9		225.9
Corporate bond	444.5				444.5		469.5
Other financial liabilities to non-banks	6.2				6.2		6.2
Lease liabilities [1]	855.6						860.0
Trade payables	574.6				574.6		574.6
Other financial liabilities	510.1						512.2
thereof non-derivative liabilities	58.6				58.6		58.6
thereof liabilities from finance leases [1]	439.0						441.2
thereof derivative financial instruments	12.4					6.0	12.4

1 as defined by IAS 17
2 as defined by IAS 11

Carrying amounts broken down by class and category 2014

TABLE 095

Classes	Carrying amount	Categories					Fair value
		FAHfT	AfS	LaR	FLaC	FLHfT	
in € million							
Financial assets							
Investments in non-consolidated subsidiaries and other investments	11.4		11.4				11.4
Loans receivable	0.6			0.6			0.6
Financial receivables	12.4			12.4			12.4
Non-current securities	0.8		0.8				0.8
Lease receivables [1]	547.8						549.2
Trade receivables	598.2			598.2			598.2
Other financial receivables	106.0						106.0
thereof non-derivative receivables	62.3			62.3			62.3
thereof derivative financial instruments	43.7	42.8					43.7
Cash and cash equivalents	98.9			98.9			98.9
Financial liabilities							
Liabilities to banks	459.9				459.9		460.0
Corporate bond	443.1				443.1		490.0
Other financial liabilities to non-banks	6.6				6.6		6.6
Lease liabilities [1]	707.7						711.2
Trade payables	564.6				564.6		564.6
Other financial liabilities	452.5						454.3
thereof non-derivative liabilities	66.1				66.1		66.1
thereof liabilities from finance leases [1]	373.1						374.9
thereof derivative financial instruments	13.3					5.4	13.3

1 as defined by IAS 17

The change in valuation allowances for trade receivables was as follows: > TABLE 096

Change in valuation allowances TABLE 096

in € million	2015	2014
Valuation allowances as at 01/01/	**40.2**	**42.4**
Group changes	–1.8	–
Additions (cost of valuation allowances)	11.7	7.1
Reversals	–3.7	–4.6
Utilisations	–7.4	–5.1
Currency translation adjustments	–0.5	0.3
Valuation allowances as at 31/12/	**38.5**	**40.2**

The net gains and losses on financial instruments are broken down by IAS 39 category as follows: > TABLE 097

Net gains and losses on financial instruments broken down by category TABLE 097

in € million	2015	2014
Loans and receivables (LaR)	–9.1	–4.8
Available-for-sale investments (AfS)	9.7	1.4
Financial instruments held for trading (FAHfT, FLHfT)	18.2	54.6
Financial liabilities carried at amortised cost (FLaC)	–89.6	–103.5

The above net gains and losses do not include losses arising on hedging transactions, which amounted to €20.9 million (2014: €7.5 million), because these losses form part of a documented hedge. Gains/losses arising on hedging transactions forming part of a documented hedge are predominantly included in other income and other expenses.

Offsetting of financial instruments

The potential offsetting volume essentially arises from netting arrangements in framework agreements governing derivatives trading that the KION Group concludes with commercial banks. The potential offsetting volume reported in connection with financial collateral issued relates to collateral provided in the context of the SFA serving as collateral in case of default for the creditors of all SFA tranches (including H2a), subject to the usual limitations and agreed recovery principles. The following tables show actual offsetting and potential offsetting volumes for financial assets and financial liabilities. > TABLES 098 – 101

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements TABLE 098

				Potential offsetting amount		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	owing to netting agreements	in connection with financial collaterals received	Potential net amount
in € million	31/12/2015					
Trade receivables	670.6	–0.1	670.5	–0.0	–	670.5
Derivative financial assets	5.3	–	5.3	–2.7	–	2.6
Total	**675.9**	**–0.1**	**675.8**	**–2.7**	**–**	**673.1**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements TABLE 099

				Potential offsetting amount		
in € million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	owing to netting agreements	in connection with financial collaterals received	Potential net amount
			31/12/2014			
Trade receivables	598.3	–0.1	598.2	–0.0	–	598.2
Derivative financial assets	43.7	–	43.7	–5.8	–	37.9
Total	**642.0**	**–0.1**	**641.9**	**–5.8**	**–**	**636.2**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements TABLE 100

				Potential offsetting amount		
in € million	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	owing to netting agreements	in connection with financial collaterals pledged	Potential net amount
			31/12/2015			
Financial liabilities	676.5	–	676.5	–	–279.7	396.9
Trade payables	574.7	–0.1	574.6	–0.0	–	574.6
Derivative financial liabilities	12.4	–	12.4	–2.7	–	9.7
Total	**1,263.7**	**–0.1**	**1,263.6**	**–2.7**	**–279.7**	**981.2**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements TABLE 101

				Potential offsetting amount		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	owing to netting agreements	in connection with financial collaterals pledged	Potential net amount
in € million			31/12/2014			
Financial liabilities	909.6	–	909.6	–	–340.8	568.8
Trade payables	564.7	–0.1	564.6	–0.0	–	564.6
Derivative financial liabilities	13.3	–	13.3	–5.8	–	7.5
Total	**1,487.6**	**–0.1**	**1,487.5**	**–5.8**	**–340.8**	**1,140.9**

Fair value measurement

The majority of the cash and cash equivalents, loans, financial receivables, other non-derivative receivables and liabilities, trade receivables and trade payables held by the Group have short remaining terms to maturity. The carrying amounts of these financial instruments are roughly equal to their fair values. The fair value of liabilities to banks corresponds to the present value of the outstanding payments, taking account of the current interest-rate curve and the Group's own default risk. This fair value, calculated for the purposes of disclosure in the notes to the financial statements, is classified as Level 2 of the fair value hierarchy.

The fair value of the corporate bond issued, calculated for disclosure in the notes to the financial statements, is determined using publicly quoted prices in an active market and is therefore classified as Level 1 of the fair value hierarchy. The calculation is based on the middle rate applicable on the reporting date.

The fair value of receivables and liabilities from finance leases corresponds to the present value of the net lease payments, taking account of the current market interest rate for similar leases.

With the exception of derivative financial instruments, long-term securities and shares in non-consolidated subsidiaries recognised at fair value, all financial assets and liabilities are measured at amortised cost.

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 7 for financial instruments measured at fair value. > TABLES 102–103

Financial instruments measured at fair value TABLE 102

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	2015
Financial assets				**25.7**
thereof investments in non-consolidated subsidiaries and other investments			19.6	19.6
thereof non-current securities	0.8			0.8
thereof derivative instruments		5.3		5.3
Financial liabilities				**12.4**
thereof derivative instruments		11.9	0.6	12.4

Financial instruments measured at fair value TABLE 103

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	2014
Financial assets				**44.5**
thereof non-current securities	0.8			0.8
thereof derivative instruments		9.0	34.7	43.7
Financial liabilities				**13.3**
thereof derivative instruments		10.3	3.0	13.3

Level 1 comprises long-term securities for which the fair value is calculated using prices quoted in an active market.

All currency forwards are classified as Level 2. In the previous year, Level 2 had also included interest-rate swaps on an insignificant scale. The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of the observable market information at the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures. The fair value of currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. Both contractually agreed payments and forward interest rates are used to estimate the future cash flows, which are then discounted on the basis of a yield curve that is observable in the market.

The shares in non-consolidated subsidiaries allocated to Level 3 relate to the shares in Moden Diesel S.p.A. (formerly MODEN DIESEL S.R.L.), which were acquired in October 2015, and the shares in LR Intralogistik GmbH, which were acquired at the end of October 2015. Because the acquisitions took place shortly before the reporting date, the purchase consideration reflects the fair value.

The derivative financial liabilities allocated to Level 3 relate to a call option of Weichai Power on the 10.0 per cent of the shares in Linde Hydraulics remaining as at 31 December 2015. The Black-Scholes model and probability-weighted scenario analysis are used to calculate the fair value of the call option. The measurement is based on the following significant, unobservable input parameters as at 31 December 2015. An amount of €21.4 million has been recognised as the fair value of the underlying portion of the shares in Linde Hydraulics (31 December 2014: €21.4 million). A base exercise price of €38.7 million (31 December 2014: €38.7 million) and a term to maturity of 2.54 years (31 December 2014: 0.49–2.99 years) have been assumed for call option 2.

In the prior year, a put option held by Linde Material Handling GmbH, Aschaffenburg, and Weichai Power's call option 1 on some of the shares in Linde Hydraulics had also been allocated to Level 3. On 20 July 2015, the KION Group exercised the put option that it held via Linde Material Handling GmbH, Aschaffenburg, on 20.0 per cent of the shares in Linde Hydraulics. This eliminated the corresponding call option 1 held by Weichai Power. The following table shows the material changes in fair value and the impact on the income statement. > TABLE 104

Development of financial assets / liabilities classified as level 3 TABLE 104

in € million	2015	2014
Value as at 01/01/	**31.7**	**–11.5**
Gains recognised in net financial expenses	2.4	43.2
Disposals	–34.7	–
Value as at 31/12/	**–0.6**	**31.7**
Gains for the period relating to financial assets / liabilities classified as Level 3	2.4	43.2
Change in unrealised gains for the period relating to financial assets / liabilities held as at 31/12/	0.1	43.2

As at 31 December 2015, the fair value calculated for call option 2 on the shares in Linde Hydraulics came to minus €0.6 million (31 December 2014: net value arising from the options of €31.7 million). If the fair value of the shares had been 10.0 per cent lower on the reporting date, the fair value of call option 2 (31 December 2014: net value arising from the options) would have increased by €0.2 million (31 December 2014: by €5.3 million) to minus €0.3 million (31 December 2014: €37.1 million) and led to an additional gain of €0.2 million (31 December 2014: gain of €5.3 million). A 10.0 per cent rise in the fair value of the shares in Linde Hydraulics would have reduced the fair value of call option 2 (31 December 2014: net value arising from the options) by minus €0.3 million (31 December 2014: by €5.6 million) to minus €0.9 million (31 December 2014: €26.2 million) and led to an expense of €0.3 million (31 December 2014: €5.6 million).

In order to eliminate default risk to the greatest possible extent, the KION Group only enters into derivatives with investment-grade counterparties.

If events or changes in circumstances make it necessary to reclassify financial instruments as a different level, they are reclassified at the end of a reporting period. As had been the case in 2014, no financial instruments were transferred between Levels 1, 2 or 3 in 2015.

[39] FINANCIAL RISK REPORTING

Capital management

One of the prime objectives of capital management is to ensure liquidity at all times. Measures aimed at achieving these objectives include the optimisation of the capital structure, the reduction of liabilities and ongoing Group cash flow planning and management. Close cooperation between local units and the Group head office ensures that the local legal and regulatory requirements faced by foreign group companies are taken into account in capital management.

Net financial debt – defined as the difference between financial liabilities (excluding lease liabilities) and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level (see note [30]) and amounted to €573.5 million at 31 December 2015 (31 December 2014: €810.7 million).

The KION Group had made further improvements to its funding structure and funding conditions in 2014 by repaying two corporate bonds ahead of schedule. The funds used for the repayment mainly originated from a revolving credit facility, which has far lower interest rates than the two corporate bonds.

On 15 February 2016, the KION Group redeemed the corporate bond of €450.0 million that was still outstanding and all other remaining liabilities under the existing syndicated loan of 23 December 2006. The restructuring of the KION Group's funding was decided upon in a resolution of the Executive Board of KION GROUP AG on 25 January 2016. The repayment resulting from this restructuring of the funding was made from funds drawn down under a new senior facilities agreement concluded on 28 October 2015 (see note [50]).

Credit risk

In certain finance and operating activities, the KION Group is subject to credit risk, i.e. the risk that partners will fail to meet their contractual obligations. This risk is limited by diversifying business partners based on certain credit ratings. The Group only enters into transactions with business partners and banks holding a good credit rating and subject to fixed limits. Counterparty risks involving our customers are managed by the individual Group companies.

The > TABLE 105 shows the age structure of receivables as at the reporting date.

Impairment losses are based on the credit risk associated with the receivables, the risk being assessed mainly using factors such as customer credit rating and failure to adhere to payment terms.

Some of the receivables that were overdue as at the reporting date, but for which no impairment losses had been reported, were offset by corresponding trade payables. Apart from this item, the Group did not hold any significant collateral.

Age structure analysis of receivables TABLE 105

	Carrying amount	Thereof: Neither overdue nor impaired at the reporting date	Thereof: Impaired at the reporting date	Thereof: Not impaired at the reporting date and overdue in the following timebands	
				up to and including 90 days overdue	more than 90 days overdue
in € million **2015**					
Financial receivables	15.4	15.4	–	–	–
Lease receivables	653.7	653.7	–	–	–
Trade receivables	670.5	537.6	6.1	117.6	9.1
Other non-derivative receivables / assets	37.7	34.2	0.5	3.0	–
in € million **2014**					
Financial receivables	12.4	12.4	–	–	–
Lease receivables	547.8	547.8	–	–	–
Trade receivables	598.2	501.7	4.0	87.5	5.0
Other non-derivative receivables / assets	62.3	61.6	0.0	0.6	0.0

Liquidity risk

Based on IFRS 7, a liquidity risk arises if an entity is unable to meet its financial liabilities. The KION Group maintains a liquidity reserve in the form of lines of credit and cash in order to ensure financial flexibility and solvency. The age structure of financial liabilities is reviewed continually. The KION Group's credit rating maintained its positive trajectory in the year under review. In April 2015, Moody's upgraded its corporate family rating for the KION Group from Ba2 with a stable outlook to Ba2 with a positive outlook, while Standard & Poor's also improved its rating, from BB / positive to BB + / stable.

The following tables show all of the contractually agreed payments under recognised financial liabilities as at 31 December 2015 and 2014, including derivative financial instruments with negative fair values. > TABLES 106 – 107

Liquidity analysis of financial liabilities and derivatives 2015 TABLE 106

in € million	Carrying amount 2015	Cash flow 2016	Cash flow 2017 – 2020	Cash flow from 2021
Primary financial liabilities				
Liabilities to banks	225.9	– 117.2	– 120.3	–
Corporate bond	444.5	– 30.4	– 556.3	–
Other financial liabilities to non-banks	6.2	– 5.5	– 0.7	–
Trade payables	574.6	– 574.6	–	–
Lease liabilities	855.6	– 266.0	– 625.6	– 30.5
Other financial liabilities	497.6	– 200.4	– 318.8	– 12.6
Derivative financial liabilities				
Derivatives with negative fair value	11.9			
+ Cash in		345.7	60.5	–
– Cash out		– 352.7	– 65.5	–

Liquidity analysis of financial liabilities and derivatives 2014 TABLE 107

in € million	Carrying amount 2014	Cash flow 2015	Cash flow 2016–2019	Cash flow from 2020
Primary financial liabilities				
Liabilities to banks	459.9	–262.4	–214.1	–
Corporate bond	443.1	–30.5	–121.3	–465.2
Other financial liabilities to non-banks	6.6	–5.1	–1.3	–0.2
Trade payables	564.6	–564.6	–	–
Lease liabilities	707.7	–271.9	–475.9	–20.5
Other financial liabilities	439.2	–221.2	–239.7	–10.2
Derivative financial liabilities				
Derivatives with negative fair value	10.3			
+ Cash in		270.2	4.2	–
– Cash out		–280.0	–4.2	–

The calculation of future cash flows for derivative financial liabilities includes all currency forwards that have negative fair values as at the reporting date.

Bank guarantee lines (e.g. sureties, performance bonds) had been issued under the ancillary facility agreements for a total amount in the single-digit millions as at 31 December 2015 (31 December 2014: single-digit millions). They included guarantees payable ‘on first demand’. As was the case in the previous year, no guarantees were utilised in 2015. In some cases, the KION Group retains insignificant rights and duties in connection with fully derecognised financial assets, primarily the provision of limited reserves for defaults. The recognised assets that serve as reserves for defaults and are reported under other current financial assets, stood at €1.0 million as at 31 December 2015 (31 December 2014: €1.0 million). However, the short residual maturity of these financial assets meant their carrying amount was almost the same as their fair value. The maximum downside risk arising on the transferred and fully derecognised financial assets amounted to €5.0 million as at 31 December 2015 (31 December 2014: €5.0 million).

Default risk

For financial assets, default risk is defined as the risk that a counterparty will default, and hence is limited to a maximum of the carrying amount of the assets relating to the counterparty involved. The potential default risk attaching to financial assets is mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees, and potential netting agreements.

Specific valuation allowances for defaults are recognised to reflect the risk arising from primary financial instruments. Financial transactions are only entered into with selected partners holding good credit ratings. Investments in interest-bearing securities are limited to securities with an investment-grade credit rating.

Risks arising from financial services

The KION Group's leasing activities mean that it may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-leased. Residual values in the markets for used trucks are therefore constantly monitored and forecast. The KION Group regularly assesses its overall risk position arising from financial services.

The risks identified are immediately taken into account by the Company in the costing of new leases by recognising writedowns or valuation allowances and adjusting the residual values. Risk-mitigating factors include the demand for used trucks, which stabilises the residual values of the KION Group's industrial trucks. The majority of the residual values have underlying remarketing agreements that transfer any residual-value risk to the leasing company. This had a positive impact on the financial results in 2015. Groupwide standards to ensure that residual values are calculated conservatively, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to financial services by ensuring that most of its transactions and funding loans have matching maturities and by constantly updating its liquidity planning. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks and an effective dunning process ensure that the Group has sufficient liquidity.

In order to exclude currency risk, the KION Group generally funds its leasing business in the local currency used in each market.

Because of low default rates, counterparty risk has not been significant to date in the Group. The KION Group has not identified any material changes between 2014 and 2015. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed trucks. In addition, receivables management has been improved by enhancing the dunning process. The credit portfolio management system was updated during 2015. Besides the design of the business processes, it also encompassed the risk management and control processes.

Moreover, the KION Group offers the majority of financial services indirectly via selected financing partners that bear the risks of the finance transaction. As far as these financial services are concerned, the KION Group bore the counterparty risk in under 3 per cent of cases (2014: 5 per cent).

Currency risk

In accordance with its treasury risk policy, the KION Group hedges currency risks both locally at the level of the individual companies and centrally via KION Material Handling GmbH in order to meet the prescribed minimum hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

At company level, hedges are entered into for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm obligations not reported in the statement of financial position. In accordance with IAS 39, these hedges are generally classified as cash flow hedges for accounting purposes (see note [40]).

The currency risk arising on translation of a foreign subsidiary's financial statements into the Group's reporting currency is also eliminated using a foreign-currency forward. In accordance with IAS 39, this hedge is classified as a net investment hedge for accounting purposes (see note [40]).

Foreign-currency forwards are also employed to hedge the currency risks arising in the course of internal financing.

The > TABLE 108 shows an overview of the foreign-currency forwards entered into by the KION Group.

Significant currency risks from financial instruments are measured on the basis of value at risk (VaR). VaR figures are calculated using a historical variance-covariance matrix. Currency risks from financial instruments as defined by IFRS 7 are only included in calculating value at risk if the financial instruments are denominated in a currency other than the functional currency of the reporting entity concerned. This means that currency risks resulting from the translation of the separate financial statements of subsidiaries into the Group reporting currency, i.e. currency translation risks, are not included. > TABLE 109

The value at risk in respect of currency risk as at 31 December 2015 was €28.8 million (31 December 2014: €19.7 million). Value at risk is the loss that is not expected to be exceeded over a holding period of one year with a confidence level of 97.7 per cent (2014: 97.7 per cent).

Foreign-currency forwards TABLE 108

		Fair value		Notional amount	
in € million		2015	2014	2015	2014
Foreign-currency forwards (assets)	Hedge	3.1	0.9	142.5	44.4
	Trading	2.3	8.1	153.3	213.3
Foreign-currency forwards (liabilities)	Hedge	6.4	7.7	181.1	204.3
	Trading	5.5	2.3	269.7	70.2

Value-at-Risk TABLE 109

in € million	2015	2014
Currency risk	28.8	19.7

Interest-rate risk

Interest-rate risk within the KION Group is managed centrally. The basis for decision-making includes sensitivity analyses of interest-rate risk positions in key currencies.

The cumulative effect of a rise or fall of 100 basis points (bps) in the relevant interest-rate curves results from floating-rate positions and is shown in the following table: > TABLE 110

In the previous year, interest-rate derivatives (mainly interest-rate swaps) had been used on an insignificant scale to hedge the interest-rate risk. The interest-rate swaps expired in 2015, which meant the KION Group no longer had any interest-rate hedging instruments as at 31 December 2015. At the end of 2014, the fair value of the interest-rate swaps was €0.2 million, while their notional amount totalled €11.0 million.

Interest-rate sensitivity TABLE 110

	+100 bps	−100 bps	+100 bps	−100 bps
in € million	2015	2015	2014	2014
Other comprehensive income (loss)	–	–	–	–
Net income (loss)	−0.9	0.9	−3.3	3.3

[40] HEDGE ACCOUNTING

Hedging currency risk

In accordance with its treasury risk policy, the KION Group applies cash flow hedge accounting in hedging the currency risks arising from highly probable future transactions and firm obligations not reported in the statement of financial position in various currencies. Foreign-currency forwards with settlement dates in the same month as the expected cash flows from the Group's operating activities are used as hedges.

The effectiveness of the Group's hedging transactions is assessed on the basis of forward rates using the hypothetical derivative approach under the cumulative dollar-offset method. The effective portion of the changes in the fair value of foreign-currency forwards is recognised in accumulated other comprehensive income (loss) and only reversed when the corresponding hedged item is recognised in income.

On account of the short-term nature of the Group's payment terms, reclassifications to the income statement and the recognition of the corresponding cash flows generally take place in the same reporting period. A foreign-currency receivable or liability is recognised when goods are despatched or received. Until the corresponding payment is received, changes in the fair value of the derivative are recognised in the income statement such that they largely offset the effect of the measurement of the foreign-currency receivable or liability at the reporting date.

The changes in fair value recognised and reclassified in other comprehensive income in 2015 are shown in the consolidated statement of comprehensive income. There were no significant ineffective portions in 2015, as had been the case in the previous year.

In total, foreign-currency cash flows of €323.6 million (2014: €248.7 million) were hedged and designated as hedged items, of which €188.0 million is expected by 30 September 2016 (2014: €184.0 million by 30 September 2015). The remaining cash flows designated as hedged items essentially fall due in the period up to 31 December 2016.

In addition, the KION Group hedges currency risk arising on translation of a foreign subsidiary's financial statements into the Group's reporting currency using a foreign-currency forward. For this purpose, it applies net investment hedge accounting, in which only the spot rate element of the foreign-currency forward is designated as the hedging instrument. The effectiveness of the Group's hedging transaction is determined on the basis of forward rates using the hypothetical derivative approach under the cumulative dollar-offset method. The effective portion of the changes in the fair value of the foreign-currency forward is recognised in accumulated other comprehensive income (loss) and is not reversed and recognised in the income statement until the foreign operation is sold.

The spot rate element of the foreign-currency forward designated as the hedging instrument had a fair value of minus €4.5 million as at 31 December 2015 (31 December 2014: €0.0 million) and, in the reporting year, resulted in an unrealised loss of €4.5 million (2014: €0.0 million) that was recognised in other comprehensive income (loss). There were no ineffective portions of the net investment hedge in 2015. In 2015, an expense of €0.3 million (2014: €0.0 million) arising in connection with the interest element of the foreign-currency forward was recognised under financial expenses.

Hedging of interest-rate risk

The KION Group did not have any interest-rate derivatives as at 31 December 2015. In the previous year, interest-rate swaps had been used on an insignificant scale to hedge the interest-rate risk.

[41] SEGMENT REPORT

The Executive Board divides the KION Group into financial services (FS) activities and the Linde Material Handling (LMH) and STILL brands for management purposes. Segment reporting follows the same breakdown, taking into account the relevant organisational structures and corporate strategy of the KION Group. Since the start of 2015, KION India Pvt. Ltd., Pune, India, has been included in the LMH brand segment. This change has not been reflected in the prior-year figures in the segment reporting because it only had a minor effect on the key financials for the LMH and Other segments. Egemin Automation became the seventh brand in the KION Group upon completion of the acquisition on 7 August 2015 and has been included in the Other segment since then.

Description of the segments

The Linde Material Handling (LMH) segment encompasses the Linde, Fenwick, Baoli and Voltas brands. The 10.0 per cent stake held in Linde Hydraulics is allocated to the LMH segment and accounted for using the equity method.

The STILL segment comprises the STILL and OM STILL brands.

FS activities include the financing of long-term leasing business with external customers of the KION Group and short-term rental business of the LMH and STILL operating segments as well as risk management. When long-term leasing business is being conducted, FS operates as a contractual partner to external customers and provides the necessary funding in conjunction with external financial partners. Besides management of residual-value risk, risk management also includes the management of credit risk. In addition, FS provides the financing for short-term rental fleets on behalf of the LMH and STILL brand segments, which operate and maintain such fleets as part of their operational business.

The Other segment comprises the subsidiary Egemin NV and its eight subsidiaries as well as holding companies and service companies in the KION Group. Egemin Automation is a leading logistics automation specialist. The service companies provide services for all segments in the KION Group. The bulk of the total revenue in this segment is generated by internal IT and logistics services.

Segment management

The KPIs used to manage the brand segments are order intake, revenue and adjusted EBIT. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) – including KION acquisition items and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT').

Earnings before tax (EBT) and return on equity (ROE) are the KPIs used to manage the Financial Services segment. ROE is calculated on the basis of average equity employed excluding net income (loss) for the current period. As at 31 December 2015, ROE – earnings before tax as a percentage of average equity – was 13.1 per cent (31 December 2014: 13.0 per cent).

Intra-group transactions are generally conducted on an arm's-length basis. The regular (interest) margin income that FS generates from its business activities reflects prevailing market conditions. Surpluses from leasing that exceed this interest margin are reflected in the producer margin within the operating profit generated by the LMH and STILL brand segments.

Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [7]. Contrary to these policies, however, the LMH and STILL brands' intersegment sales to FS are always treated as revenue for the brand segments, irrespective of which entity might retain any opportunities and risks.

Assets and liabilities associated with the long-term leasing business, including related income and expenses, are assigned to the FS segment.

Whereas the main feature of long-term leasing business is the provision of a financial service for the external lessee, the focus in short-term rental business is on the service function. External customers are offered rental trucks from a rental pool – including associated services – for short-term use. Unlike the situation in long-term leasing, financial performance in the short-term business is largely dependent on the achieved level of utilisation of the rental fleet, management of which lies entirely within the responsibility of the brand segments. Given this structure, the assets associated with the short-term rental business remain on the brand segments' statements of financial position and the related income and expenses remain on the brand segments' income statements.

In an indirect end customer finance arrangement, the otherwise typical financing function of the FS segment as a lender for the leasing transaction no longer applies. As a result of the sale of the leased asset to the external finance provider in such transactions, the brand segments view the transactions in the same way as a sale to an end-user. Consequently, these transactions and all the revenue that they generate are recognised in the LMH and STILL brand segments.

The following tables show information on the KION Group's operating segments for 2015 and 2014: > TABLES 111 – 112

Segment report 2015

TABLE 111

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	3,058.1	1,569.0	417.3	53.5	–	5,097.9
Intersegment revenue	371.7	381.2	322.9	199.3	– 1,275.2	–
Total revenue	3,429.8	1,950.2	740.3	252.8	– 1,275.2	5,097.9
Earnings before taxes	**345.7**	**83.7**	**5.3**	**77.1**	**– 181.5**	**330.2**
Financial income	12.7	2.0	65.7	19.8	– 48.8	51.4
Financial expenses	– 30.4	– 35.8	– 58.6	– 70.0	50.8	– 144.0
= Net financial expenses / income	– 17.8	– 33.8	7.1	– 50.2	2.0	– 92.6
EBIT	**363.4**	**117.5**	**– 1.8**	**127.3**	**– 183.5**	**422.8**
+ Non-recurring items	– 0.3	20.3	0.0	27.9	– 15.0	33.0
+ KION acquisition items	20.8	6.2	0.0	0.1	–	27.0
= Adjusted EBIT	**383.9**	**144.0**	**– 1.8**	**155.3**	**– 198.5**	**482.9**
Segment assets	5,120.9	2,296.9	1,603.4	722.1	– 3,303.1	6,440.2
Segment liabilities	1,819.7	1,435.4	1,555.9	3,103.2	– 3,322.6	4,591.5
Carrying amount of equity-accounted investments	49.9	4.2	19.5	0.0	–	73.6
Profit from equity-accounted investments	5.9	1.8	2.9	0.0	–	10.6
Capital expenditure [1]	73.6	52.4	0.0	16.6	–	142.6
Amortisation and depreciation [2]	92.8	46.2	0.0	18.4	–	157.4
Order intake	3,516.3	1,980.0	740.4	268.6	– 1,289.7	5,215.6
Number of employees [3]	14,486	8,103	59	858	–	23,506

1 Capital expenditure including capitalised development costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excluding leased and rental assets
3 Number of employees (full-time equivalents) as at balance sheet date 31/12/; allocation according to the contractual relationship

Segment report 2014

TABLE 112

in € million	LMH	STILL	Financial Services	Other	Consolidation / Reconciliation	Total
Revenue from external customers	2,769.1	1,511.0	350.1	47.6	–	4,677.9
Intersegment revenue	308.1	339.7	270.7	188.1	–1,106.6	–
Total revenue	3,077.2	1,850.7	620.9	235.7	–1,106.6	4,677.9
Earnings before taxes	**258.1**	**83.8**	**5.2**	**79.8**	**–168.7**	**258.3**
Financial income	14.8	1.8	58.8	55.3	–46.2	84.4
Financial expenses	–27.1	–36.4	–55.6	–99.6	45.4	–173.2
= Net financial expenses / income	–12.3	–34.6	3.1	–44.3	–0.7	–88.8
EBIT	**270.3**	**118.4**	**2.1**	**124.1**	**–167.9**	**347.0**
+ Non-recurring items	36.9	8.7	0.0	11.4	–	57.0
+ KION acquisition items	32.4	6.5	0.0	0.0	–	38.9
= Adjusted EBIT	**339.6**	**133.6**	**2.1**	**135.5**	**–167.9**	**442.9**
Segment assets	4,918.8	2,206.7	1,361.3	1,241.7	–3,600.0	6,128.5
Segment liabilities	1,713.3	1,370.8	1,314.8	3,669.4	–3,586.9	4,481.4
Carrying amount of equity-accounted investments	92.8	4.3	17.5	0.0	–	114.6
Profit / loss from equity-accounted investments	–28.6	1.1	2.7	0.0	–	–24.8
Capital expenditure[1]	68.2	50.1	0.0	14.8	–	133.1
Amortisation and depreciation[2]	88.4	44.8	0.0	17.0	–	150.3
Order intake[3]	3,128.4	1,895.1	622.7	236.5	–1,111.3	4,771.2
Number of employees[4]	13,945	7,976	60	688	–	22,669

1 Capital expenditure including capitalised development costs, excluding leased and rental assets
2 On intangible assets and property, plant and equipment excl. leased and rental assets
3 Prior-year figures restated to reflect the change in the order intake calculation introduced in 2015
4 Number of employees (full-time equivalents) as at balance sheet date 31/12/; allocation according to the contractual relationship

The following table gives a breakdown of the revenue from external customers by location: > TABLE 113

Segment revenue broken down by customer location TABLE 113

in € million	2015	2014
Western Europe	3,724.1	3,411.0
Eastern Europe	432.5	403.3
Americas	263.0	245.3
Asia	524.6	470.7
Rest of world	153.7	147.5
Total segment revenue	**5,097.9**	**4,677.9**

Revenue in Germany came to €1,276.3 million in 2015 (2014: €1,221.8 million). There are no relationships with individual customers that generate revenue deemed to be significant as a proportion of total consolidated revenue.

Financial income and expenses including all interest income and expenses are described in notes [12] and [13].

The non-recurring items mainly comprise expenses for efficiency measures initiated under the Strategy 2020, consultancy costs and expenses in connection with severance payments. They totalled €33.0 million in 2015 (2014: €57.0 million). In 2015, these items also included components of the share of profit (loss) of the equity-accounted Linde Hydraulics amounting to an expense of €2.8 million (2014: expense of €14.7 million) and income from the deconsolidation of the 20.0 per cent of the shares in Linde Hydraulics of €2.5 million. In 2014, non-recurring items had also included the impairment charge recognised on the equity-accounted investment in Linde Hydraulics totalling €13.5 million, which related to the LMH segment.

The KION acquisition items relate to the acquisition of the KION Group, which was formed at the end of 2006 when it was spun off from Linde AG, Munich. These items comprise net write-downs and other expenses in relation to the hidden reserves identified as part of the purchase price allocation.

The assets attributable to the Financial Services segment include long-term leases, which were reported as either leased assets or lease receivables, depending on the type of lease. As at the reporting date, lease receivables due from unrelated third parties amounted to €627.6 million (31 December 2014: €521.9 million). There were also intra-group lease receivables of €549.2 million (31 December 2014: €473.0 million), which primarily resulted from the funding of the short-term rental business of LMH and STILL. The leased assets of the Financial Services segment amounted to €316.1 million at the reporting date (31 December 2014: €267.4 million).

The liabilities attributable to the Financial Services segment largely comprised liabilities to leasing companies of €1,253.7 million (31 December 2014: €1,037.5 million) relating to sale-and-leaseback transactions that resulted from the funding of long-term leases with external third parties and intra-group customers. In the reporting year, €853.1 million (2014: €702.9 million) of this amount was attributable to the funding of leases with external customers and €400.6 million (2014: €334.5 million) related to the funding of intra-group leases with the subsidiaries in the LMH and STILL segments as lessees that had, in turn, entered into short-term leases with external third parties. Moreover, the liabilities include net financial debt of €185.6 million (2014: €155.1 million) arising from general corporate finance for the FS segment.

Capital expenditure by the Financial Services segment includes additions to intangible assets and property, plant and equipment. Leased assets are described in note [18]. > TABLE 114

Capital expenditure in Germany came to €88.2 million in 2015 (2014: €88.2 million).

Depreciation/amortisation relates to intangible assets with finite useful lives and property, plant and equipment.

The regional breakdown of non-current assets excluding financial assets, financial instruments, deferred tax assets and post-employment benefits is shown in > TABLE 115 below.

Non-current assets attributable to Germany amounted to €2,606.0 million as at 31 December 2015 (31 December 2014: €2,618.7 million).

Capital expenditures broken down by company location (excl. leased and rental assets) TABLE 114

in € million	2015	2014
Western Europe	113.1	111.9
Eastern Europe	7.5	2.6
Americas	3.1	2.1
Asia	18.1	15.6
Rest of world	0.8	0.9
Total capital expenditures	**142.6**	**133.1**

Non-current assets broken down by company location TABLE 115

in € million	2015	2014
Western Europe	3,432.7	3,303.7
Eastern Europe	129.4	112.5
Americas	48.2	51.5
Asia	178.5	156.9
Rest of world	50.7	48.2
Total non-current assets (IFRS 8)	**3,839.6**	**3,672.7**

[42] EMPLOYEES

The KION Group employed an average of 23,129 full-time equivalents (including trainees and apprentices) in the reporting year (2014: 22,438). The number of employees (including part-time employees expressed in terms of full-time equivalents) is broken down by region as follows: > TABLE 116

Employees (average) TABLE 116

	2015	2014
Germany	8,395	8,139
France	3,181	3,157
UK	1,782	1,758
Italy	811	805
Rest of Europe	3,939	3,730
Asia	3,796	3,643
Rest of world	1,225	1,206
Total employees	**23,129**	**22,438**

The KION Group employed an average of 524 trainees and apprentices in 2015 (2014: 536). The number of employees increased by 323 following the acquisition of Egemin Automation.

[43] RELATED PARTY DISCLOSURES

In addition to the subsidiaries included in the consolidated financial statements, the KION Group has direct or indirect business relationships with a number of non-consolidated subsidiaries, joint ventures and associates in the course of its ordinary business activities. According to IAS 24, related parties include entities that have control or significant influence over KION GROUP AG. An entity is usually assumed to have control (parent) if it holds more than 50 per cent of the shares in another entity. Significant influence generally exists if an entity holds between 20 per cent and 50 per cent of the shares in another entity.

The related parties that are solely or jointly controlled by the KION Group or over which significant influence can be exercised are included in the list of shareholdings as at 31 December 2015 (see note [47]). Another related party is Weichai Power Co. Ltd., Weifang, China, which indirectly holds a 38.3 per cent stake in KION GROUP AG (31 December 2014: 33.3 per cent) and is thus the largest single shareholder. Because Superlift Holding S.à r.l., Luxembourg, sold its entire remaining stake of 13.9 per cent of KION shares in March 2015, Superlift Holding S.à r.l., Luxembourg, Kohlberg Kravis Roberts & Co L.P., New York, USA, and Goldman, Sachs & Co., New York, USA, were no longer related parties as at 31 December 2015.

The revenue that the KION Group generated in 2015 and 2014 from selling goods and services to related parties, and vice versa, is shown in > TABLES 117–118 along with the outstanding receivables and liabilities. The receivables include a loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. The original commitment was €21.0 million, which was reduced to €7.0 million on a pro rata basis upon transfer of the 20.0 per cent of the shares in Linde Hydraulics in December 2015. This resulted in a loan receivable for the KION Group of €1.0 million as at 31 December 2015 (31 December 2014: €0.0 million); it has a variable interest rate. No valuation allowances for trade receivables had been recognised as at the reporting date, a situation that was unchanged on the end of 2014.

The members of the Executive Board and Supervisory Board of KION GROUP AG are also related parties. Details of the remuneration of the Executive Board and Supervisory Board can be found in note [45].

Related party disclosures 2015 TABLE 117

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	24.9	13.6	19.4	34.0
Associates (equity-accounted)	19.3	8.2	152.8	126.4
Joint ventures (equity-accounted)	1.3	53.7	48.1	57.2
Other related parties*	4.3	0.2	12.7	12.5
Total	**49.8**	**75.7**	**232.9**	**230.1**

* 'Other related parties' include, among others, transactions with Weichai Power and its affiliated companies

Related party disclosures 2014 TABLE 118

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	8.3	4.9	9.4	11.1
Associates (equity-accounted)	8.9	2.2	115.8	111.2
Joint ventures (equity-accounted)	1.1	45.1	63.9	52.9
Other related parties*	4.4	0.9	15.3	13.5
Total	**22.7**	**53.1**	**204.5**	**188.7**

* 'Other related parties' include, among others, transactions with Weichai Power and its affiliated companies

[44] VARIABLE REMUNERATION

KEEP employee share option programme

Following the introduction of the employee share option programme in Germany in 2014 (KEEP 2014), the Executive Board decided to launch a further share option programme for employees in Germany, China, the United Kingdom, France and Italy on 1 October 2015 (KEEP 2015). The period during which eligible employees could take up this offer by making a declaration of acceptance ran from 2 to 31 October 2015. To be eligible to participate in KEEP 2015, employees needed, at the start of the offer phase, to have had a permanent, uninterrupted employment contract with a participating KION Group company for at least one year. Currently, KION GROUP AG plus twelve German and 34 foreign subsidiaries are taking part in KEEP. The Company is considering whether to extend the employee share option programme to other countries over the coming years.

The KEEP programme is a share matching plan. Participating employees acquire KION shares for their own investment purposes. Each set of three KION shares represents a block of shares. Once the three-year holding period has expired, employees are entitled to one free matching share (bonus share) for each block. However, KION GROUP AG has the right to satisfy each programme participant's entitlement by paying a cash settlement instead of granting a bonus share. For employees taking part for the first time, the KION Group offers a special incentive in the form of starter blocks. Under KEEP 2015, the KION Group will bear the cost of one KION share (free share) in each of the first nine blocks of shares that an employee takes up.

The right to obtain a bonus share lapses if participants sell their own investment in KION shares or cease to work for the KION Group. The change in the number of bonus shares to be granted is shown in > TABLE 119.
In 2015, 8,740 free shares were issued to employees as part of their starter blocks (2014: 20,856 free shares).

The free shares to be issued are measured at their fair value on the day on which employees obtain the right to acquire shares as their own investment. The fair value on the grant date is determined on the basis of Monte Carlo simulation. The measurement parameters used are shown in > TABLE 120.

Development of the granted bonus shares TABLE 119

in units	2015	2014
Balance as at 01/01/	**29,116**	**0**
Granted bonus shares	24,504	29,146
Forfeited bonus shares	–400	–30
Balance as at 31/12/	**53,220**	**29,116**

Significant measurement parameters for the KION GROUP AG employee share option programme TABLE 120

Measurement parameters	KEEP 2015	KEEP 2014
Expected dividend yield	€0.88	€0.88
Price of the KION share as at grant date	€41.01	€29.02

For the 2015 programme, the fair value of a bonus share was €38.57 (2014 programme: €26.59).

The fair value of the bonus shares to be granted is recognised as an expense and paid into capital reserves over the three-year holding period.

In 2015, an expense totalling €0.6 million was recognised under functional costs for free shares and bonus shares in connection with the employee share option programme (2014: €0.7 million). Of this amount, €0.2 million was attributable to KEEP 2014.

Each year, the Executive Board of KION GROUP AG decides whether there will be an offer made under the share option programme that year and which companies will participate.

KION performance share plan (PSP) for managers

In March 2015, the 2015 tranche of the long-term, variable remuneration component (the KION Long-Term Incentive Plan for Top Management 2015) with a defined period (three years) was introduced retrospectively from 1 January 2015 for the managers in the KION Group. The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the STOXX® Europe TMI Industrial Engineering index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2015 tranche ends on 31 December 2017 (2014 tranche: 31 December 2016). At the beginning of the performance period, the managers were allocated a total of 0.2 million virtual shares for this tranche (2014 tranche: 0.2 million virtual shares). The allocation was based on a particular percentage of each manager's individual gross annual remuneration at the time of grant. At the end of the performance period, the number of the virtual shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of virtual shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The KION Group has the right to adjust the amount payable at the end of the performance period in the event of exceptional occurrences or developments. The maximum amount payable is limited to 200 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the virtual shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 121 were used to value the virtual shares on the reporting date.

Taking account of the remaining term of two years (2015 tranche) and one year (2014 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at 31 December 2015, the fair value of one virtual share was €45.41 for the 2014 tranche (31 December 2014: €27.23) and €39.80 for the 2015 tranche. On that date, the total fair value based on 0.2 million virtual shares was €8.6 million (2014 tranche; 31 December 2014: €4.9 million) and €8.2 million (2015 tranche).

The total carrying amount for liabilities in connection with share-based remuneration was €8.5 million as at 31 December 2015 (31 December 2014: €1.6 million). Of this amount, €5.7 million related to the 2014 tranche (31 December 2014: €1.6 million) and €2.7 million to the 2015 tranche. In 2015, a pro-rata expense

Significant measurement parameters of the PSP for Executive Employees — TABLE 121

Measurement parameters	Valuation date 31/12/2015 Tranche 2015	Tranche 2014
Expected volatility of the KION share	30.0%	30.0%
Expected volatility of the STOXX® Europe TMI Industrial Engineering Index	20.0%	20.0%
Risk-free interest rate	–0.36%	–0.39%
Expected dividend yield	€0.88	€0.88
Price of the KION Share at valuation date	€43.24	€43.24
Price of the STOXX® Europe TMI Industrial Engineering Index at valuation date	€208.65	€208.65
Initial value of the KION share (60 days average)	€29.06	€29.49
Initial value of the STOXX® Europe TMI Industrial Engineering Index (60 days average)	€200.94	€208.87

of €4.1 million in respect of the 2014 tranche (2014: €1.6 million) and a pro-rata expense of €2.7 million for the 2015 tranche were recognised for twelve months under functional costs.

KION performance share plan (PSP) for the Executive Board

As part of the KION GROUP AG performance share plan, the Executive Board members are allocated virtual shares over a fixed period (two-and-a-half years for the 2013 tranche and three years for all subsequent tranches). The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the STOXX® Europe TMI Industrial Engineering index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2015 tranche ends on 31 December 2017 (2014 tranche: 31 December 2016). The 2013 tranche expired on 31 December 2015 and will be paid out in the first quarter of 2016. At the beginning of the performance period on 1 January 2015 (2014 tranche: 1 January 2014; 2013 tranche: 29 June 2013), the Executive Board members were allocated a total of 0.2 million virtual shares for this tranche (2014 tranche: 0.2 million virtual shares; 2013 tranche: 0.3 million virtual shares) with a specific fair value. The shares were allocated on the basis of an allocation value in euros specified in each Executive Board member's service contract.

At the end of the performance period, the number of the virtual shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of virtual shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary personal performance factor to adjust the final payment at the end of the performance period by +/–20 per cent. The maximum amount payable is limited to 200 per cent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the virtual shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 122 were used to value the virtual shares on the reporting date.

Significant measurement parameters for the KION GROUP AG performance share plan TABLE 122

	Valuation date 31/12/2015	
Measurement parameters	**Tranche 2015**	**Tranche 2014**
Expected volatility of the KION share	30.0%	30.0%
Expected volatility of the STOXX® Europe TMI Industrial Engineering Index	20.0%	20.0%
Risk-free interest rate	–0.36%	–0.39%
Expected dividend yield	€0.88	€0.88
Price of the KION Share at valuation date	€43.24	€43.24
Price of the STOXX® Europe TMI Industrial Engineering Index at valuation date	€208.65	€208.65
Initial value of the KION share (60 days average)	€29.06	€29.49
Initial value of the STOXX® Europe TMI Industrial Engineering Index (60 days average)	€200.94	€208.87

Taking account of the remaining term of two years (2015 tranche) and one year (2014 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at 31 December 2015, the fair value of one virtual share was €43.58 for the 2014 tranche (31 December 2014: €26.79) and €39.25 for the 2015 tranche. On that date, the total fair value based on 0.2 million virtual shares was €6.6 million (2014 tranche; 31 December 2014: €7.3 million) and €6.0 million (2015 tranche). The amount that is expected to be paid of €10.3 million for the 2013 tranche is calculated on the basis of a preliminary total target achievement rate and is subject to the performance-based adjustment (+/–20 per cent) made by the Supervisory Board for individual Executive Board members.

The total carrying amount for liabilities in connection with share-based remuneration was €17.8 million as at 31 December 2015 (31 December 2014: €6.1 million). Of this amount, €10.3 million related to the 2013 tranche (31 December 2014: €4.4 million), €5.3 million to the 2014 tranche (31 December 2014: €1.7 million) and €2.2 million to the 2015 tranche. In 2015, a pro-rata expense of €5.7 million in respect of the 2013 tranche (2014: €3.1 million), a pro-rata expense of €3.4 million for the 2014 tranche (31 December 2014: €1.7 million) and a pro-rata expense of €2.0 million for the 2015 tranche were recognised for twelve months under functional costs.

[45] REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Responsibilities

Gordon Riske is Chief Executive Officer (CEO) and his responsibilities include strategy/business development, corporate communications, corporate office, internal audit, compliance, KION Warehouse Systems, KION synergies/platforms (until 31 July 2015), the North America region and the South America region. On 15 January 2015, he also became CEO of both the Linde Material Handling GmbH and the STILL GmbH brand companies. He also assumed responsible for quality (until 31 July 2015).

Dr Eike Böhm was appointed to the Executive Board in the newly created role of Chief Technology Officer (CTO) with effect from 1 August 2015. In this function, he holds groupwide responsibility for research and development (R&D), product strategy, innovation, production system, assurance and procurement. By comprehensively restructuring R&D in this way, the KION Group aims to harness the full potential of cross-brand synergies in product development.

Bert-Jan Knoef stepped down from the Executive Board of KION GROUP AG on 15 January 2015. He was CEO and Labour Relations Director of the brand company STILL GmbH. He oversaw all cross-brand logistics activities and managed the intra-group logistics service provider, Urban.

Theodor Maurer was CEO and Labour Relations Director of the brand company Linde Material Handling GmbH until his departure from the KION GROUP AG Executive Board on 15 January 2015. He was also responsible for quality, facility management and health, safety & environment (HSE).

Ching Pong Quek is Chief Asia Pacific Officer and heads up the KION Group's entire Asia business.

Dr Thomas Toepfer is Chief Financial Officer (CFO) and his responsibilities include accounting, tax, financial services, corporate finance, investor relations, M&A, controlling, HR/Labour Relations Director, legal affairs, IT, purchasing (until 31 July 2015) and data protection. On 15 January 2015, he also assumed responsibility for facility management/HSE and logistics/Urban.

In November 2015, the Supervisory Board of KION GROUP AG decided to redefine the organisational structure of the KION Group. In future, the KION Group's business with customers will be organised into four operating units: Linde Material Handling EMEA, STILL EMEA, KION APAC and KION Americas. EMEA comprises the Europe, Middle East and Africa regions. APAC is the Asia-Pacific region. The Americas region covers both North America and South America. The responsibilities of the members of the KION GROUP AG Executive Board changed accordingly with effect from 1 January 2016 and are described below.

Gordon Riske is responsible for the Linde Material Handling EMEA, STILL EMEA and KION Americas operating units and for the independent brand Egemin Automation. He also remains in charge of the following group functions: communications, the corporate office and compliance, internal audit and strategy & business development.

Product strategy, R&D, innovation, production system, quality assurance and procurement have now been brought together in the newly created CTO organisation headed by Chief Technology Officer Dr Eike Böhm.

Ching Pong Quek is head of the KION APAC operating unit.

Dr Thomas Toepfer continues to be in charge of accounting, financial services, corporate finance, investor relations, M&A, controlling, HR, IT and legal affairs.

Remuneration

The remuneration paid to the Executive Board comprises a fixed salary and non-cash benefits, pension entitlements and performance-related components. The variable performance-related components are paid each year on the basis of the Group's performance. In addition, there are performance-related components in the form of the KION performance share plan for all Executive Board members. The pension entitlements consist of retirement, invalidity and surviving dependants' benefits.

An expense of €16.7 million was recognised for the total remuneration for members of the Executive Board in 2015 (2014: €21.0 million). This consisted of short-term remuneration amounting to €4.8 million (2014: €5.7 million), post-employment benefits totalling €0.9 million (2014: €0.9 million), termination benefits of €1.5 million (2014: €8.8 million) and share-based payments of €9.6 million (2014: €5.6 million). The short-term remuneration comprised non-performance-related components amounting to €2.3 million (2014: €3.0 million) and performance-related components amounting to €2.5 million (2014: €2.7 million). The current service cost resulting from pension provisions for the Executive Board is reported under post-employment benefits. The long-term incentive components take the form of a performance share plan (see also note [44]). In addition, one Executive Board member was promised a special bonus, to be paid in two tranches, that would be awarded in the event of a successful IPO; this bonus was also counted as a long-term incentive in 2014.

Under section 314 HGB, disclosure of the expense for share-based payments is not required. Rather, the payments must be included in the Executive Board members' remuneration for the year in which they are paid on the basis of the fair value at the individual grant dates. The fair value of the share-based payments at their individual grant dates amounted to €4.6 million (2014: €5.6 million). Furthermore, disclosure of post-employment benefits (expense of €0.9 million; 2014: expense of €0.9 million) and of termination benefits (expense of €1.5 million; 2014: expense of €8.8 million) is not required. In 2014, differences between variable remuneration calculated on the basis of preliminary total target achievement (benefits granted) and the one-year variable remuneration actually paid in the next year on the basis of the individual performance of each Executive Board member, which amounted to an expense of €0.3 million (allocation), were also not disclosed. On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 HGB came to €9.4 million (2014: €10.9 million).

As in the previous year, no loans or advances were made to members of the Executive Board in 2015. The present value of the defined benefit obligation in respect of Executive Board members as at 31 December 2015 was €6.1 million (31 December 2014: €8.1 million).

The total remuneration paid to former members of the Executive Board in 2015 amounted to €0.2 million (2014: €0.2 million). Defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €8.8 million (2014: €6.1 million) were recognised in accordance with IAS 19.

Further details of Executive Board remuneration, including the individual amounts for each member, can be found in the remuneration report on pages 38 to 50 of this annual report.

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their tasks at the parent company and subsidiaries in 2015 amounted to €1.2 million (2014: €1.2 million). There were no loans or advances to members of the Supervisory Board in 2015. Furthermore, the members of the Supervisory Board did not receive any remuneration or benefits for services provided as individuals, such as consulting or brokerage activities.

Members of the Supervisory Board also received short-term employee benefits of €0.8 million for employee services (2014: €0.7 million).

[46] MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Gordon Riske
Chief Executive Officer

Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (until 14 January 2015)
Chairman of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China
Chairman of the Supervisory Board of STILL GmbH, Hamburg (until 14 January 2015)
Chairman of the Board of Directors of Egemin NV, Zwijndrecht, Belgium (since 22 September 2015)
Non-Executive Director of Weichai Power Co., Ltd., Weifang, People's Republic of China

Dr Eike Böhm
Member of the Executive Board / CTO
(since 1 August 2015)

Member of the Supervisory Board of e.GO Mobile AG, Aachen (since 3 December 2015)

Bert-Jan Knoef
Member of the Executive Board
(until 14 January 2015)

Theodor Maurer
Member of the Executive Board
(until 14 January 2015)

Chairman of the Board of Directors of Linde Material Handling (UK) Ltd., Basingstoke, United Kingdom (until 14 January 2015)
Chairman of the Board of Directors of Linde Heavy Truck Division Ltd., Merthyr Tydfil, United Kingdom (until 14 January 2015)
Member of the Board of Directors of KION North America Corp., Summerville, USA (until 14 January 2015)
Member of the Board of Directors of Linde (China) Forklift Truck Co. Ltd., Xiamen, People's Republic of China (until 14 January 2015)
Member of the Supervisory Board of Schöler Fördertechnik AG, Rheinfelden (until 14 January 2015)

Ching Pong Quek
Member of the Executive Board / Chief Asia Pacific Officer

Member of the Board of KION South Asia Pte Ltd., Singapore, Singapore
President and CEO of KION Asia Ltd., Hong Kong, People's Republic of China
Chairman of KION Baoli Forklift Co., Ltd., Jiangsu, People's Republic of China
Member of the Board of Directors of KION India Pvte. Ltd., Pune, India
Member of the Board of Directors of Linde Material Handling Asia Pacific Pte., Ltd., Singapore, Singapore
Chairman of the Board of Directors of Linde Material Handling Hong Kong Ltd., Hong Kong, People's Republic of China

Dr Thomas Toepfer
Member of the Executive Board / CFO

Member of the Supervisory Board of STILL GmbH, Hamburg (until 14 January 2015)
Chairman of the Supervisory Board of STILL GmbH, Hamburg (since 15 January 2015)
Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (until 14 January 2015)
Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (since 15 January 2015)
Chairman of the Board of Directors of KION North America Corp., Summerville, USA
Member of the Board of Directors of Superlift UK Ltd., Basingstoke, United Kingdom

Supervisory Board

Dr John Feldmann
Chairman of the Supervisory Board

Former member of the Board of Executive Directors of BASF SE, Ludwigshafen
Member of the Supervisory Board of Bilfinger SE, Mannheim
Member of the Supervisory Board of HORNBACH Baumarkt AG, Bornheim
Member of the Supervisory Board of HORNBACH Holding AG & Co. KGaA, Neustadt (until 9 October 2015: HORNBACH HOLDING AG)
Member of the Supervisory Board of HORNBACH Management AG, Annweiler am Trifels (since 9 October 2015)

Özcan Pancarci[1]
Deputy Chairman of the Supervisory Board (since 1 January 2016)

Chairman of the Plants I & II Works Council of Linde Material Handling GmbH, Aschaffenburg
Chairman of the Group Works Council of the KION Group
Deputy Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (since 1 January 2016)

Joachim Hartig[1]
Deputy Chairman of the Supervisory Board (until 31 December 2015)
Head of Learning and Development at Linde Material Handling GmbH, Aschaffenburg
Deputy Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (until 31 December 2015)

Birgit A. Behrendt
Vice President and Corporate Officer, Global Programs and Purchasing Operations at the Ford Motor Company, Dearborn, Michigan, USA

Holger Brandt[2]
Head of Sales Germany at STILL GmbH, Hamburg
Member of the Supervisory Board of STILL GmbH, Hamburg

Dr Alexander Dibelius
Managing Partner at CVC Capital Partners (Deutschland) GmbH, Frankfurt am Main (since 1 September 2015)
Member of the European Management Committee of Goldman Sachs International, London, United Kingdom (until 30 June 2015)
Member of the Board of Directors of OOO Goldman Sachs, Moscow, Russia (until 30 June 2015)
Member of the Board of Directors of OOO Goldman Sachs Bank, Moscow, Russia (until 30 June 2015)
Member of the Shareholder Committee of Xella International S.à r.l., Luxembourg (until 30 June 2015)
Chairman of the Supervisory Board of Wincor Nixdorf AG, Paderborn (until 30 June 2015)
Member of the Supervisory Board of Wincor Nixdorf International GmbH, Paderborn (until 30 June 2015)

Wolfgang Faden (since 1 August 2015)
Former Managing Director for Germany and Central Europe at Allianz Global Corporate & Specialty AG, Munich
Member of the Supervisory Board of Albatros Versicherungsdienste GmbH, Cologne

Denis Heljic[1]
Spokesperson for the STILL branches, Chairman of the European Works Council and Deputy Chairman of the Works Council of STILL GmbH, Dortmund plant

Johannes P. Huth (until 31 July 2015)
Partner at and member of the Executive Committee of Kohlberg Kravis Roberts & Co. Partners LLP, London, United Kingdom
Member of the Supervisory Board of Cognita Schools, Milton Keynes, United Kingdom
Member of the Supervisory Board of German Estate Group AG (GEG), Frankfurt am Main
Deputy Chairman of the Supervisory Board of NXP BV, Eindhoven, Netherlands
Member of the Board of Directors of SoftwareOne AG, Wallisellen, Switzerland
Chairman of the Supervisory Board of WMF AG, Geislingen an der Steige

Jiang Kui
President and Director of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
Member of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy
Member of the Executive Board of Hydraulics Drive Technology Beteiligungs GmbH, Aschaffenburg
Member of the Supervisory Board of Linde Hydraulics Verwaltungs GmbH, Aschaffenburg
Director of Shandong Heavy Industry India Private Ltd., Pune, India

Olaf Kunz [1]
District Secretary/Lawyer at IG Metall, District Office for the Coast, Hamburg
Member of the Supervisory Board of STILL GmbH, Hamburg

Jörg Milla [1] (since 16 November 2015)
Chairman of the Works Council of STILL GmbH, Hamburg

Kay Pietsch [1]
Member of the Works Council of STILL GmbH, Hamburg
Deputy Chairman of the Supervisory Board of STILL GmbH, Hamburg

Hans Peter Ring
Management Consultant, Munich
Member of the Supervisory Board of Airbus Defense und Space GmbH, Ottobrunn
Member of the Supervisory Board of Bilfinger SE, Mannheim (since 7 May 2015)
Member of the Supervisory Board of Elbe Flugzeugwerke GmbH, Dresden
Member of the Supervisory Board of Fokker Technologies Holding B.V., Papendrecht, Netherlands
Member of the Supervisory Board of MAG IAS GmbH, Göppingen (until 5 June 2015)

Alexandra Schädler [1]
Trade Union Secretary on the National Executive of IG Metall, Frankfurt am Main
Member of the Supervisory Board of Fujitsu Technology Solutions GmbH, Munich

Tan Xuguang
Chairman of the Board of Directors of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
Chairman of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy
Chairman of the Board of Directors of Ferretti S.p.A., Forli, Italy
Chairman of the Board of Directors of Weichai Group Holding Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors and Chief Executive Officer of Weichai Power Co. Ltd., Weifang, People's Republic of China

Hans-Peter Weiß [1] (until 15 November 2015)
Chairman of the Plant III Works Council of Linde Material Handling GmbH, Kahl a. Main

Xu Ping
Partner and Member of the Management Committee at King & Wood Mallesons, Beijing, People's Republic of China
Member of the Board of Directors of Ferretti S.p.A., Forli, Italy

1 Employee representatives
2 Executive representatives

[47] LIST OF THE SHAREHOLDINGS OF KION GROUP AG, WIESBADEN

The shareholdings of the KION Group as at 31 December 2015 are listed below. > TABLE 123

List of shareholdings as of 31 December 2015 TABLE 123

No.	Name	Registered office	Country	Parent company	Share-holding 2015	Share-holding 2014	Note
1	KION GROUP AG	Wiesbaden	Germany				
Consolidated subsidiaries							
Domestic							
2	BlackForxx GmbH	Stuhr	Germany	19	100.00%	100.00%	
3	Egemin GmbH	Bremen	Germany	25	100.00%	–	[1]
4	Eisenwerk Weilbach GmbH	Wiesbaden	Germany	12	100.00%	100.00%	
5	Fahrzeugbau GmbH Geisa	Geisa	Germany	19	100.00%	100.00%	
6	KION Financial Services GmbH	Wiesbaden	Germany	12	100.00%	100.00%	
7	KION Holding 2 GmbH	Wiesbaden	Germany	1	100.00%	100.00%	
8	KION Information Management Services GmbH	Wiesbaden	Germany	9	100.00%	100.00%	
9	KION Material Handling GmbH	Wiesbaden	Germany	7	100.00%	100.00%	
10	KION Warehouse Systems GmbH	Reutlingen	Germany	19	100.00%	100.00%	
11	Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan	Germany	12	100.00%	100.00%	
12	Linde Material Handling GmbH	Aschaffenburg	Germany	9	100.00%	100.00%	
13	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	12 & 14	99.64%	99.64%	
14	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	12	94.00%	94.00%	
15	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	12	100.00%	100.00%	
16	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	12	100.00%	100.00%	
17	Schrader Industriefahrzeuge GmbH & Co. KG	Essen	Germany	12	100.00%	100.00%	
18	STILL Financial Services GmbH	Hamburg	Germany	6	100.00%	100.00%	
19	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	12	100.00%	100.00%	
20	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	12	100.00%	100.00%	
21	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	23	74.00%	74.00%	
22	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	23	74.00%	74.00%	
23	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	12	74.00%	74.00%	

List of shareholdings as of 31 December 2015 (continued) TABLE 123

No.	Name	Registered office	Country	Parent company	Share-holding 2015	Share-holding 2014	Note
Foreign							
24	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	12	100.00%	100.00%	
25	Egemin NV	Zwijndrecht	Belgium	9	100.00%	–	[1]
26	STILL NV	Wijnegem	Belgium	19 & 68	100.00%	100.00%	
27	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba / São Paulo	Brazil	19	100.00%	100.00%	
28	STILL DANMARK A/S	Kolding	Denmark	19	100.00%	100.00%	
29	BARTHELEMY MANUTENTION SAS	Vitrolles	France	34	83.50%	87.00%	
30	Bastide Manutention SAS	Bruguières	France	34	100.00%	100.00%	
31	Bretagne Manutention S.A.	Pacé	France	34	100.00%	100.00%	
32	Egemin SAS	Heillecourt	France	25	100.00%	–	[1]
33	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	35	100.00%	100.00%	
34	FENWICK-LINDE S.A.R.L.	Elancourt	France	35 & 12	100.00%	100.00%	
35	KION France SERVICES SAS	Elancourt	France	12	100.00%	100.00%	
36	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	34	79.99%	83.43%	
37	Manuchar S.A.	Gond Pontouvre	France	34	100.00%	100.00%	
38	MANUSOM SAS	Rivery	France	42	100.00%	100.00%	
39	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	42	100.00%	100.00%	
40	SM Rental SAS	Roissy Charles de Gaulle	France	34	100.00%	100.00%	
41	STILL Location Services SAS	Marne-la-Vallée	France	35	100.00%	100.00%	
42	STILL SAS	Marne-la-Vallée	France	35	100.00%	100.00%	
43	Egemin UK Ltd.	Huntingdon	U.K.	25	100.00%	–	[1]
44	KION FINANCIAL SERVICES Ltd.	Basingstoke	U.K.	56	100.00%	100.00%	
45	Linde Castle Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
46	Linde Creighton Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
47	Linde Holdings Ltd.	Basingstoke	U.K.	56	100.00%	100.00%	
48	Linde Jewsbury's Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
49	Linde Material Handling (UK) Ltd.	Basingstoke	U.K.	47	100.00%	100.00%	
50	Linde Material Handling East Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
51	Linde Material Handling Scotland Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
52	Linde Material Handling South East Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
53	Linde Severnside Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
54	Linde Sterling Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	

List of shareholdings as of 31 December 2015 (continued)

TABLE 123

No.	Name	Registered office	Country	Parent company	Share-holding 2015	Share-holding 2014	Note
55	STILL Materials Handling Ltd.	Exeter	U.K.	56	100.00%	100.00%	
56	Superlift UK Ltd.	Basingstoke	U.K.	12	100.00%	100.00%	
57	Egemin Asia Pacific Automation Ltd.	Causeway Bay	Hong Kong	25	100.00%	–	[1]
58	KION ASIA (HONG KONG) Ltd.	Kwai Chung	Hong Kong	12	100.00%	100.00%	
59	Linde Material Handling Hong Kong Ltd.	Kwai Chung	Hong Kong	12	100.00%	100.00%	
60	KION India Pvt. Ltd.	Pune	India	82	100.00%	100.00%	
61	Linde Material Handling (Ireland) Ltd.	Walkinstown	Ireland	47	100.00%	100.00%	
62	KION Rental Services S.p.A.	Milan	Italy	63 & 64 & 65	100.00%	100.00%	
63	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	12	100.00%	100.00%	
64	OM Carrelli Elevatori S.p.A.	Lainate	Italy	12 & 65	100.00%	100.00%	
65	STILL ITALIA S.p.A.	Lainate	Italy	19	100.00%	100.00%	
66	KION Finance S.A.	Luxembourg	Luxembourg	–	–	–	[2]
67	Egemin Handling Automation B.V.	Gorinchem	Netherlands	25	100.00%	–	[1]
68	STILL Intern Transport B.V.	Hendrik Ido Ambacht	Netherlands	19	100.00%	100.00%	
69	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	64	100.00%	100.00%	
70	Linde Fördertechnik GmbH	Linz	Austria	12 & 69	100.00%	100.00%	
71	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	19	100.00%	100.00%	
72	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	12	100.00%	100.00%	
73	STILL POLSKA Sp. z o.o.	Gadki	Poland	19	100.00%	100.00%	
74	OOO “Linde Material Handling Rus”	Moscow	Russia	12 & 4	100.00%	100.00%	
75	OOO “STILL Forklifttrucks”	Moscow	Russia	12 & 19	100.00%	100.00%	
76	STILL MOTOSTIVUITOARE S.R.L.	Giurgiu	Romania	12 & 19	100.00%	100.00%	
77	Linde Material Handling AB	Örebro	Sweden	12	100.00%	100.00%	
78	STILL Sverige AB	Malmö	Sweden	19	100.00%	100.00%	
79	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	12	100.00%	100.00%	
80	STILL AG	Otelfingen	Switzerland	19	100.00%	100.00%	
81	KION South Asia Pte. Ltd.	Singapore	Singapore	12	100.00%	100.00%	
82	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	12	100.00%	100.00%	
83	Linde Material Handling Slovenská republika s.r.o.	Trenčin	Slovakia	12 & 92	100.00%	100.00%	
84	STILL SR, spol. s r.o.	Nitra	Slovakia	19 & 94	100.00%	100.00%	
85	Linde Viličar d.o.o.	Celje	Slovenia	12	100.00%	100.00%	
86	Islavista Spain S.A.U.	L’Hospitalet de Llobregat	Spain	12	100.00%	100.00%	
87	KION Rental Services S.A.U.	Barcelona	Spain	86	100.00%	100.00%	

List of shareholdings as of 31 December 2015 (continued) TABLE 123

No.	Name	Registered office	Country	Parent company	Shareholding 2015	Shareholding 2014	Note
88	Linde Holding de Inversiones, S.R.L.	Pallejá	Spain	86	100.00%	100.00%	
89	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	88	100.00%	100.00%	
90	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	86	100.00%	100.00%	
91	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	12	100.00%	100.00%	
92	Linde Material Handling Česká republika s r.o.	Prague	Czech Republic	12 & 19	100.00%	100.00%	
93	Linde Pohony s r.o.	Český Krumlov	Czech Republic	12	100.00%	100.00%	
94	STILL ČR spol. s r.o.	Prague	Czech Republic	12 & 19	100.00%	100.00%	
95	STILL ARSER Iş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	19	51.00%	51.00%	
96	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	12	100.00%	100.00%	
97	STILL Kft.	Környe	Hungary	19	100.00%	100.00%	
98	Egemin Automation Inc.	Holland	United States	99	100.00%	–	[1]
99	Egemin Group, Inc.	Bingham Farms	United States	25	100.00%	–	[1]
100	KION North America Corp.	Summerville	United States	12	100.00%	100.00%	
101	Egemin (Shanghai) Trading Company Ltd.	Shanghai	People's Republic of China	57	100.00%	–	[1]
102	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jiangjiang	People's Republic of China	58	100.00%	100.00%	
103	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	People's Republic of China	12	100.00%	100.00%	
	Non-consolidated subsidiaries						
	Domestic						
104	Klaus Pahlke Betriebsführungs-GmbH	Haan	Germany	12	100.00%	100.00%	
105	LR Intralogistik GmbH	Wörth a. d. Isar	Germany	19	100.00%	–	[1]
106	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	64	100.00%	100.00%	[R]
107	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.00%	100.00%	
108	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	12	100.00%	100.00%	
109	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	23	74.00%	74.00%	
110	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	23	74.00%	74.00%	
111	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	23	74.00%	74.00%	

List of shareholdings as of 31 December 2015 (continued) TABLE 123

No.	Name	Registered office	Country	Parent company	Share-holding 2015	Share-holding 2014	Note
Foreign							
112	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	49 & 12	100.00%	100.00%	[R]
113	Baoli France SAS	Elancourt	France	35	100.00%	100.00%	
114	OM PIMESPO FRANCE SAS	Marne-la-Vallée	France	64	100.00%	100.00%	[R]
115	SCI Champ Lagarde	Elancourt	France	34	100.00%	100.00%	
116	URBAN LOGISTIQUE SAS	Elancourt	France	20	100.00%	100.00%	
117	Castle Lift Trucks Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	[R]
118	Creighton Materials Handling Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	[R]
119	D.B.S. Brand Factors Ltd.	Basingstoke	U.K.	54	100.00%	100.00%	[R]
120	Fork Truck Rentals Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	[R]
121	Fork Truck Training Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	[R]
122	Lancashire (Fork Truck) Services Ltd.	Basingstoke	U.K.	54	100.00%	100.00%	[R]
123	Linde Heavy Truck Division Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	
124	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	U.K.	46	100.00%	100.00%	
125	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	U.K.	54	100.00%	100.00%	[R]
126	Sterling Mechanical Handling Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	[R]
127	Trifik Services Ltd.	Basingstoke	U.K.	49	100.00%	100.00%	[R]
128	Urban Logistics (UK) Ltd.	Basingstoke	U.K.	20	100.00%	100.00%	
129	Handling & Storage Equipment (Ireland) Ltd.	Walkinstown	Ireland	61	100.00%	100.00%	[R]
130	Carest SRL	Lainate	Italy	64	100.00%	100.00%	[R]
131	COMMERCIALE CARRELLI S.r.l.	Lainate	Italy	65 & 62	100.00%	100.00%	[R]
132	Moden Diesel S.p.A.	Modena	Italy	63	100.00%	–	[1]
133	QUALIFT S.p.A.	Verona	Italy	63	100.00%	100.00%	
134	URBAN LOGISTICA S.R.L.	Lainate	Italy	20	100.00%	100.00%	
135	WHO Real Estate UAB	Vilnius	Lithuania	23	74.00%	74.00%	
136	TOO “Linde Material Handling Kazakhstan”	Almaty	Kazakhstan	12 & 4	100.00%	100.00%	
137	Linde Material Handling (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	82	100.00%	100.00%	
138	IBER-MICAR S.L.	Gavà	Spain	12	100.00%	100.00%	
139	Linde Viljuškari d.o.o.	Vrčin	Serbia	70	100.00%	100.00%	
140	Linde Material Handling (Thailand) Co., Ltd.	Pathum Thani	Thailand	82	100.00%	100.00%	
141	Baoli Material Handling Europe s.r.o.	Prague	Czech Republic	102	100.00%	100.00%	
142	Linde Material Handling Parts Distribution CZ s.r.o.	Český Krumlov	Czech Republic	12	100.00%	–	[1]
143	Použitý Vozík CZ, s.r.o.	Prague	Czech Republic	92	100.00%	100.00%	
144	Urban Transporte spol. s.r.o.	Moravany u Brna	Czech Republic	20	100.00%	100.00%	

List of shareholdings as of 31 December 2015 (continued) TABLE 123

No.	Name	Registered office	Country	Parent company	Share-holding 2015	Share-holding 2014	Note
145	TOV "Linde Material Handling Ukraine"	Kiev	Ukraine	12 & 4	100.00%	100.00%	
Associates (equity-accounted investments)							
Domestic							
146	Carl Beutlhauser Kommunal- und Fördertechnik GmbH & Co. KG (formerly: Beutlhauser-Bassewitz GmbH & Co. KG)	Hagelstadt	Germany	12	25.00%	25.00%	
147	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	12	21.00%	21.00%	
148	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	12	10.00%	30.00%	
149	Pelzer Fördertechnik GmbH	Kerpen	Germany	12	24.96%	24.96%	
Foreign							
150	Linde High Lift Chile S.A.	Santiago de Chile	Chile	12	45.00%	45.00%	
151	Labrosse Equipement S.A.	Saint-Péray	France	34	34.00%	34.00%	
152	Normandie Manutention S.A.	Saint-Etienne du Rouvray	France	34	34.00%	34.00%	
Joint ventures (equity-accounted investments)							
Domestic							
153	Linde Leasing GmbH	Wiesbaden	Germany	12	45.00%	45.00%	
Foreign							
154	JULI Motorenwerk s.r.o.	Moravany u Brna	Czech Republic	12 & 19	50.00%	50.00%	
Joint ventures (at cost)							
Domestic							
155	Eisengießerei Dinklage GmbH	Dinklage	Germany	19	50.00%	50.00%	

List of shareholdings as of 31 December 2015 (continued) TABLE 123

No.	Name	Registered office	Country	Parent company	Share-holding 2015	Share-holding 2014	Note
Associates (at cost)							
Domestic							
156	JETSCHKE GmbH	Hamburg	Germany	12	21.00%	21.00%	
157	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	12	10.00%	30.00%	
158	MV Fördertechnik GmbH	Blankenhain	Germany	12	25.00%	25.00%	
159	Supralift Beteiligungs- und Kommunikations-gesellschaft mbH	Hofheim am Taunus	Germany	12	50.00%	50.00%	
160	Supralift GmbH & Co. KG	Hofheim am Taunus	Germany	12	50.00%	50.00%	
Foreign							
161	Chadwick Materials Handling Ltd.	Corsham	U.K.	49	48.00%	48.00%	
162	Bari Servizi Industriali S.C.A R.L.	Modugno	Italy	64	25.00%	25.00%	
163	Nordtruck AB	Örnsköldsvik	Sweden	77	25.00%	25.00%	
164	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	89	38.54%	38.54%	
165	Motorové závody JULI CZ s r.o.	Moravany u Brna	Czech Republic	12	50.00%	50.00%	
Financial investments (at cost)							
Foreign							
166	TPZ Linde Viličari Hrvatska d.o.o.	Zagreb	Croatia	12	20.00%	20.00%	[3]
167	Balyo SA	Moissy-Cramayel	France	12	10.00%	–	[1], [3]

[1] New during 2015
[2] Consolidated in accordance with IFRS 10 due to contractual rights that give the ability to direct the relevant activities
[3] No material influence
[R] Dormant company

[48] AUDITORS' FEES

The fees recognised as an expense and paid to the auditors of the consolidated financial statements in 2015 amounted to €1.1 million (2014: €1.0 million) for the audit of the financial statements, €0.6 million (2014: €0.4 million) for other attestation services, €0.0 million (2014: €0.1 million) for tax consultancy services and €0.8 million (2014: €0.1 million) for other services.

[49] COMPLY-OR-EXPLAIN STATEMENT REGARDING THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)

In December 2015, the Executive Board and Supervisory Board of KION GROUP AG submitted their comply-or-explain statement for 2015 relating to the recommendations of the German Corporate Governance Code government commission pursuant to section 161 AktG. The comply-or-explain statement is permanently available for shareholders on the website of KION GROUP AG at kiongroup.com/comply_statement.

[50] EVENTS AFTER THE REPORTING DATE

Due to current market conditions and the KION Group's significant repayment of debt as a result of and since its IPO, the KION Group can currently obtain finance on far more favourable terms than has been possible in the past. KION GROUP AG therefore signed a new syndicated loan agreement (senior facilities agreement) totalling €1,500.0 million with a syndicate of international banks on 28 October 2015. On 25 January 2016, the Executive Board of KION GROUP AG decided to implement the new funding structure of the KION Group by redeeming the existing syndicated loan dated 23 December 2006 comprising a revolving credit facility of €1,243.0 million and the KION Group corporate bond of €450.0 million that was issued in 2013 and was due to mature in 2020. The associated repayment was made on 15 February 2016 using funds drawn down under the new senior facilities agreement.

An amount of €5.4 million representing the proportion of the deferred borrowing costs relating to the corporate bond at the time of early repayment and a cash payment of €15.2 million representing early repayment charges were recognised as financial expenses in February 2016 along with an amount of €5.1 million representing the proportion of the deferred borrowing costs relating to the previous syndicated loan at the time of early redemption of that previous syndicated loan.

The new senior facilities agreement comprises a revolving credit facility of €1,150.0 million maturing in February 2021 and a fixed-term tranche B of €350.0 million maturing in February 2019.

KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the new senior facilities agreement. Unlike the previous syndicated loan and the repaid corporate bond, the new syndicated loan agreement is not collateralised. Following repayment after the reporting date of the syndicated loan from 23 December 2006, all collateral furnished under the previous loan agreement has now been released.

Among other stipulations, the contractual terms of the senior facilities agreement require compliance with certain covenants. They also contain a financial covenant that requires adherence to a maximum level of gearing (the ratio of financial liabilities to EBITDA). Non-compliance with the covenants may, for example, give lenders the right to terminate the new syndicated loan agreement.

The KION Group took over Retrotech Inc., a systems integrator of automated warehouse and distribution solutions headquartered in Rochester, New York State, with effect from 1 March 2016 by acquiring 100.0 per cent of the capital and voting shares. The provisional purchase price for the net assets acquired is around €26.0 million. In 2015, Retrotech Inc. employed over 150 highly specialised employees and generated revenue of roughly €62.0 million.

[51] INFORMATION ON PREPARATION AND APPROVAL

The Executive Board of KION GROUP AG prepared the consolidated financial statements on 9 March 2016 and approved them for forwarding to the Supervisory Board. The Supervisory Board has the task of examining and deciding whether to approve the consolidated financial statements.

Wiesbaden, 9 March 2016

The Executive Board

Gordon Riske

Dr Eike Böhm

Ching Pong Quek

Dr Thomas Toepfer

Auditors' report

We have audited the consolidated financial statements prepared by KION GROUP AG, Wiesbaden/Germany, – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, as well as the regulations under German commercial law complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) are the responsibility of the parent company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of KION GROUP AG, Wiesbaden/Germany, comply with IFRS, as adopted by the EU, as well as the regulations under German commercial law complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main/Germany, 9 March 2016

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Crampton)	(Gräbner-Vogel)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the financial performance and financial position of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Wiesbaden, 9 March 2016

The Executive Board

Gordon Riske

Dr Eike Böhm

Ching Pong Quek

Dr Thomas Toepfer

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Additional Information

Quarterly information

KION Group overview TABLE 124

in € million	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Order intake*	1,397.1	1,253.3	1,317.3	1,247.9	1,283.5
Revenue	1,440.7	1,236.5	1,256.0	1,164.8	1,305.6
EBIT	132.6	108.8	99.4	82.1	109.4
Adjusted EBIT	151.8	121.2	116.4	93.4	134.2
Adjusted EBIT margin	10.5%	9.8%	9.3%	8.0%	10.3%
Adjusted EBITDA	250.0	212.0	206.6	181.4	219.6
Adjusted EBITDA margin	17.4%	17.1%	16.4%	15.6%	16.8%

* Prior-year figure restated to reflect the change in the order intake calculation introduced in 2015

Multi-year overview

KION Group multi-year overview

TABLE 125

in € million	2015	2014	2013	2012*	2011
Order intake [1]	5,215.6	4,771.2	4,489.1	4,590.3	4,681.9
Revenue	5,097.9	4,677.9	4,494.6	4,559.8	4,368.4
Order book [1,2]	864.0	764.1	693.3	807.8	953.0
Financial performance					
EBITDA	824.2	714.2	708.8	914.4	569.2
Adjusted EBITDA [3]	850.0	780.4	721.5	700.5	665.3
Adjusted EBITDA margin [3]	16.7%	16.7%	16.1%	15.4%	15.2%
EBIT	422.8	347.0	374.2	549.1	213.2
Adjusted EBIT [3]	482.9	442.9	416.5	408.3	364.6
Adjusted EBIT margin [3]	9.5%	9.5%	9.3%	9.0%	8.3%
Net income (loss) [4]	221.1	178.2	138.4	161.4	–92.9
Financial position [2]					
Total assets	6,440.2	6,128.5	6,026.4	6,213.2	6,066.3
Equity	1,848.7	1,647.1	1,610.0	660.7	–487.6
Net financial debt	573.5	810.7	979.3	1,790.1	2,631.3
ROCE [5]	11.9%	11.4%	–	–	–
Cash flow					
Free cash flow [6]	332.7	305.9	195.6	513.6	230.8
Capital expenditure [7]	142.6	133.1	125.8	155.1	133.0
Employees [8]	**23,506**	**22,669**	**22,273**	**21,215**	**21,862**

* Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011); Order intake, revenue, adjusted EBIT and adjusted EBITDA were aligned due to the Hydraulics Business
1 Prior-year figures restated to reflect the change in the order intake calculation introduced in 2015
2 Figures as at balance sheet date 31/12/
3 Adjusted for KION acquisition items and non-recurring items
4 Net income 2012 included a net gain from the Weichai transaction in the amount of € 154.8 million.
5 ROCE is defined as the proportion of EBIT adjusted to capital employed.
6 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities.
7 Capital expenditure including capitalised development costs, excluding leased and rental assets
8 Number of employees (full-time equivalents) as at balance sheet date 31/12/

DISCLAIMER

Forward-looking statements
This annual report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of KION GROUP AG. These statements only take into account information that was available up and including the date that this annual report was prepared. The management of KION GROUP AG makes no guarantee that these forward-looking statements will prove to be right. The future development of the KION GROUP AG and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of KION GROUP AG and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic conditions and the competitive situation, changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the 2015 group management report. However, other factors could also have an adverse effect on our business performance and results. The KION GROUP AG neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this annual report.

Rounding
Certain numbers in this annual report have been rounded up or down. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown as well as between the numbers in the tables and the numbers given in the corresponding analyses in the text of the annual report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

17 March 2016
Publication of 2015 annual report / Financial statements press conference and analyst call

27 April 2016
Interim report for the period ended 31 March 2016 (Q1 2016) and analyst call

12 May 2016
Annual General Meeting

27 July 2016
Interim report for the period ended 30 June 2016 and analyst call

27 October 2016
Interim report for the period ended 30 September 2016 and analyst call

Subject to change without notice

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This annual report is available in German and English at kiongroup.com under Investor Relations / Financial Reports. Only the content of the German version is authoritative.

kiongroup.com/ir

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