

Notes to the consolidated financial statements

Basis of presentation

[1] GENERAL INFORMATION ON THE COMPANY

At the Shareholders' Meeting on 25 April 2013, it was decided to transform KION Holding 1 GmbH, whose registered office is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, Germany, into a public limited company with the name KION GROUP AG. The transformation became legally effective when KION GROUP AG was entered in the commercial register at the Wiesbaden local court under reference HRB 27060 on 4 June 2013. KION GROUP AG is the parent company of the KION Group in Germany. Superlift Holding S.à r.l., Luxembourg, was the parent company of KION GROUP AG as at 31 December 2013.

The KION Group is a leading global supplier of industrial trucks (forklift trucks and warehouse trucks). It generated revenue of €4,494.6 million in the 2013 financial year from its Linde, Fenwick, STILL, OM-STILL, Baoli and Voltas brands (2012: €4,726.7 million).

The consolidated financial statements and the group management report were prepared by the Executive Board of KION GROUP AG on 10 March 2014.

standards. All of the IFRSs and IFRICs that had been enacted by the reporting date and that were required to be applied in the 2013 financial year have been applied in preparing the consolidated financial statements. In addition, the changes to the disclosure requirements pursuant to IAS 36 'Impairment of Assets' for non-financial assets, which must be adopted for financial years commencing on or after 1 January 2014, were adopted in advance.

In order to improve the clarity of presentation, certain items are aggregated on the face of 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 (disclosed in thousands of euros in the 2012 report). The addition of the totals presented may result in rounding differences of +/- €0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros. The separate financial statements included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG.

[2] BASIS OF PREPARATION

The consolidated financial statements of the KION Group for the financial year ended 31 December 2013 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

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 2013:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards': amendments relating to fixed transition dates and severe hyperinflation
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards': amendments relating to government loans with a below-market rate of interest

- Amendments to IFRS 7 'Financial Instruments: Disclosures': off-setting of financial assets and financial liabilities
- IFRS 13 'Fair Value Measurement': The publication of IFRS 13 'Fair Value Measurement' introduces a separate standard containing general rules on the measurement of fair value. The KION Group applied these rules for the first time in the 2013 financial year. The main impact of this is enhanced disclosures in the notes to the financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements': amendments relating to the presentation of items of other comprehensive income. The amended IAS 1 results in a revised presentation of the statement of comprehensive income. Following the amendment to the standard, the items of other comprehensive income and loss must be split into items that will never be reclassified to profit or loss and items that might be reclassified to profit or loss in future periods.
- Amendments to IAS 12 'Income Taxes': limited amendment to IAS 12 relating to the recovery of underlying assets
- Amendments to IAS 19 'Employee Benefits': elimination of the use of the 'corridor' approach and amendments relating to the presentation of items of pension expense. The effects of the amendments to IAS 19 are described in note [7] 'Accounting policies'.
- Amendments to IAS 36 'Impairment of Assets': clarification of recoverable amount disclosures required for non-financial assets
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'
- Annual Improvements to IFRSs (2009-2011).

The first-time adoption of these standards and interpretations has had no significant effect on the 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 2013 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 2013:

- Amendments to IFRS 7 'Financial Instruments: Disclosures': disclosures about the transition to IFRS 9 'Financial Instruments'
- IFRS 9 'Financial Instruments'
- Amendments to IFRS 9 'Financial Instruments': mandatory effective date
- Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 10 'Consolidated Financial Statements'
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 27 'Separate Financial Statements': amendments relating to the consolidation of investment entities
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Amendments to IAS 19 'Employee Benefits': defined benefit plans: employee contributions
- IAS 27R 'Separate Financial Statements'
- IAS 28R 'Investments in Associates and Joint Ventures'
- Amendments to IAS 32 'Financial Instruments: Presentation': offsetting of financial assets and financial liabilities
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement': amendments relating to the novation of derivatives and continuation of hedge accounting
- IFRIC 21 'Levies'
- Annual Improvements to IFRSs (2010-2012)
- Annual Improvements to IFRSs (2011-2013).

These standards and interpretations will only be applied by the companies included in the KION Group from the date on which they must be adopted for the first time.

We do not currently expect the first-time adoption of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' to have any material effect on the presentation of the financial position or financial performance of the KION Group. The first-time adoption of IFRS 12 is likely to result in enhanced disclosures in the notes to the financial statements. 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 acquisitions in stages, previously held equity interests are recognised at their fair value on the date they were acquired. 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 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 other comprehensive income. Gains and losses arising from the sale of non-controlling interests are also recognised in other comprehensive income, 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 in which KION GROUP AG holds a majority of the voting rights, either directly or indirectly, or in which it exercises control i.e. has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Subsidiaries acquired in the course of the financial year are consolidated from the date at which control is transferred, i.e. the date from which it is possible to govern their financial and operating policies such that benefit 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.

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.

All other 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 and are not consolidated.

The following table shows the number of equity investments broken down by category: >> TABLE 039

Shareholdings by categories

>> TABLE 039

	01/01/2013	Additions	Disposals	31/12/2013
Consolidated subsidiaries	98	6	5	99
Domestic	19	4	1	22
Foreign	79	2	4	77
At-equity investments in Joint Ventures and Associates	10	–	2	8
Domestic	8	–	2	6
Foreign	2	–	–	2
Subsidiaries and financial investments at amortised cost	39	14	–	53
Domestic	7	6	–	13
Foreign	32	8	–	40

A total of 22 German and 77 foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at 31 December 2013.

On 11 June 2013, Superlift Holding S.à r.l., Luxembourg, made a non-cash capital contribution – including all of the shares in Superlift Funding S.à r.l., Luxembourg – to KION GROUP AG as part of a capital increase. Superlift Funding S.à r.l. was therefore consolidated as part of the KION Group for the first time in June 2013.

In July 2013, the KION Group also acquired the remaining shares (45.7 per cent) in the French dealer Bretagne Manutention S.A. for a purchase consideration of €16.2 million. As a result, as at 31 December 2013, KION GROUP AG indirectly held all the capital and voting shares in Bretagne Manutention S.A., Pacé, France, via Fenwick-Linde S.à r.l., Elancourt. The shortfall of €13.0 million between the amount of the non-controlling interest and the fair value of the consideration paid is recognised in retained earnings.

Furthermore, in September 2013, the KION Group acquired the remaining shares (49.9 per cent) in the French dealer MANUSOM SAS for a purchase consideration of €0.4 million. As a result, as at 31 December 2013, KION GROUP AG indirectly held all the capital and voting shares in MANUSOM SAS, Rivery, via STILL SAS, Marne la Vallée, France.

Five insignificant subsidiaries were deconsolidated in 2013. In 2012, the KION Group sold and deconsolidated its controlling interest of 70 per cent in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics), to Weichai Power Co.,

Ltd., Weifang, China (referred to below as Weichai Power). Linde Material Handling GmbH (referred to below as LMH GmbH) continues to hold the remaining 30 per cent. Linde Hydraulics is included in the scope of consolidation as an associate accounted for using the equity method.

Eight joint ventures and associates were accounted for under the equity method as at 31 December 2013 (31 December 2012: ten). Two insignificant equity investments are no longer accounted for using the equity method. In each case, measurement under the equity method was performed on the basis of the last available annual financial statements.

53 (2012: 39) companies with minimal business volumes or no business operations were not included in the consolidation. The unconsolidated subsidiaries and the associates not accounted for using the equity method 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 040**

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG is shown in the list of shareholdings in note [45].

German entities exempted from disclosure requirements

>> TABLE 040

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

[5] ACQUISITIONS

In May 2013, STILL agreed to acquire 51.0 per cent of the capital and voting shares in Arser İş Makineleri Servis ve Ticaret A.Ş. (referred to below as Arser), which had previously acted as exclusive dealer for the important Turkish market. The transaction was closed on 14 August 2013. The acquisition has enabled the KION Group to

further strengthen the leading position of STILL and the brand company's Turkish distribution and service network.

The incidental acquisition costs incurred by this business combination amounted to €0.3 million and have been recognised as an expense for the current period and reported as administrative expenses on the face of 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 041.

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

>> TABLE 041

in € million	Arser Fair value as at 14/08/2013	Willenbrock Fair value as at 31/12/2013	Fair value at the acquisition date total
Goodwill	4.9	18.1	23.0
Other intangible assets	2.3	13.0	15.3
Leased/Rental assets	1.0	76.7	77.7
Lease receivables	20.2	17.8	38.0
Cash and cash equivalents	1.6	0.0	1.6
Other assets	15.1	37.7	52.8
Total assets	45.1	163.3	208.4
Financial liabilities	10.4	20.1	30.5
Lease liabilities	19.4	51.8	71.2
Other liabilities	9.3	56.1	65.4
Total liabilities	39.0	128.0	167.1
Total net assets	6.0	35.3	41.3
thereof non-controlling interests	0.6	4.5	5.0
Cash payment	5.5	21.3	26.7
Consideration transferred	5.5	21.3	26.7
Previously held share of equity (23 per cent in Willenbrock Fördertechnik Holding GmbH)	0.0	9.6	9.6
Total	5.5	30.8	36.3

The gross amounts of the receivables acquired as part of this transaction, which constitute trade receivables, totalled €5.8 million (including insignificant irrecoverable receivables). The acquisition has not had any material impact on the KION Group's revenue or net income (loss). If this business combination had been completed by 1 January 2013, this would have had no material impact on either the revenue or the net income (loss) reported by the KION Group for the first nine months of this year. The purchase price allocation for the acquisition described above was only provisional as at 31 December 2013 because some details, particularly in the area of leasing, 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 KION Group acquired the German dealer Willenbrock on 31 December 2013 by purchasing 51.0 per cent of the capital and voting shares in Willenbrock Fördertechnik Holding GmbH, Bremen, Germany. Before this acquisition on 31 December 2013, the KION Group already held 23.0 per cent of the capital and voting shares in Willenbrock Fördertechnik Holding GmbH, Bremen. As at 31 December 2013, KION GROUP AG therefore indirectly held (via Linde Material Handling GmbH, Aschaffenburg, Germany) 74.0 per cent of the capital and voting shares in Willenbrock Fördertechnik Holding GmbH, Bremen (and, indirectly, in its subsidiaries). Through Willenbrock Fördertechnik Holding, Bremen, the KION Group holds significant equity investments in Willenbrock Arbeitsbühnen GmbH & Co. KG, Bremen (74.0 per cent), Willenbrock Fördertechnik GmbH & Co. KG, Bremen (74.0 per cent) and Willenbrock Fördertechnik GmbH & Co. KG, Hannover (74.0 per cent). Willenbrock – including its assets, equity and liabilities – was consolidated as a subsidiary of the KION Group for the first time as at 31 December 2013. The acquisition has enabled the KION Group to further strengthen the leading position of Linde and the brand's German distribution and service network.

The equity-accounted carrying amount of the investment in Willenbrock Fördertechnik Holding GmbH, Bremen, immediately prior to the acquisition date came to €2.6 million. Remeasurement of the investment of 23.0 per cent previously held resulted in a fair value of €9.6 million. The difference of €7.0 million was taken to income and recognised under the share of profit (loss) of equity-accounted investments in the consolidated income statement.

The incidental acquisition costs incurred by this business combination were insignificant 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 final figures at the acquisition date is shown in [>> TABLE 041](#).

The gross amounts of the receivables acquired as part of this transaction, which constitute trade receivables, totalled €12.8 million (of which from affiliated companies: €2.3 million). At the acquisition date, it was assumed that the trade receivables were fully recoverable. Consolidated revenue did not increase as a result of the acquisition on 31 December 2013. The net income (loss) reported for 2013 therefore does not contain any profit attributable to the entity acquired. If the business combination had been completed by 1 January 2013, this would have generated additional revenue of €90.8 million and additional net income of €1.8 million for the KION Group in 2013.

Goodwill constitutes the strategic synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is currently not tax deductible.

[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 a company 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 for the year. 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.

Transactions of the consolidated companies 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.

The translation rates below were used for currencies that are material to the financial statements: >> **TABLE 042**

Major foreign currency rates in €

>> **TABLE 042**

	Average rate		Closing rate	
	2013	2012	2013	2012
Australia (AUD)	1.3782	1.2420	1.5414	1.2693
Brazil (BRL)	2.8706	2.5114	3.2470	2.7033
Switzerland (CHF)	1.2308	1.2052	1.2276	1.2079
China (CNY)	8.1659	8.1138	8.3218	8.2218
United Kingdom (GBP)	0.8492	0.8112	0.8302	0.8129
Russia (RUB)	42.3328	39.9190	45.2175	40.3252
USA (USD)	1.3284	1.2863	1.3746	1.3197

[7] ACCOUNTING POLICIES

The accounting policies applied in these consolidated financial statements are fundamentally the same as those used for the year ended 31 December 2012. 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.

Changes to accounting policies

The amendments in IAS 19R 'Employee Benefits' are required to be applied on a retrospective basis to financial statements for financial years commencing on or after 1 January 2013. In the KION Group, actuarial gains and losses, including deferred taxes, were already 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. Past service cost resulting from a retrospective plan amendment is recognised immediately in full. There are also additional disclosures required in the notes to the consolidated financial statements.

First-time adoption of the revised IAS 19 in the KION Group for the 2013 financial year has led to an overall decrease in retained earnings/net income of €3.3 million with effect from 1 January 2012. Firstly, this is the result of the revised definition of termination benefits, according to which partial-retirement bonus payments must be accumulated as other long-term benefits for employees on a pro-rata basis over the vesting period. This has led to an increase in retained earnings/net income of €1.8 million with effect from 1 January 2012. Secondly, because the amendment to IAS 19R requires the past service cost to be recognised immediately, retained earnings/net income declined by €0.8 million. Furthermore, alignment of the expected return on plan assets with the discount rate caused retained earnings/net income to fall by €4.3 million with effect from 1 January 2012, while there was an equivalent rise in gains/losses on employee benefits recognised in other comprehensive income (loss).

According to IAS 19R, the return on plan assets is assumed to equal the discount rate underlying the measurement of the defined benefit obligation. Net income for the 2012 financial year has also increased by €1.0 million, while other comprehensive income (after deferred taxes) has gone down by €1.0 million owing to the alignment of the expected return on plan assets with the discount rate. The change in the accounting treatment of provisions for partial retirement obligations has resulted in a decrease in net income (after income taxes) of €0.8 million for the 2012 financial year. The consequences of the above effects for the 2013 financial year were a rise of around €0.4 million in net income (after income taxes) and a decline of €1.4 million in other comprehensive income (loss).

Immediate recognition of past service cost from previous years led to an increase in the retirement benefit obligation of €1.1 million as at 31 December 2012 and of €1.0 million as at 31 December 2013.

Revenue recognition

Revenue is the fair value 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 company 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. In the case of revenue from agreements classified as 'sale with risk', the revenue is recognised pro rata over the term of the agreement. The term 'sale with risk' and the corresponding revenue recognition are discussed in the following section and in the section 'Rental assets'.

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 sales 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 leasing'). 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.

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.

Government grants

Government grants are recognised at fair value provided that the Group has satisfied the necessary conditions for receiving the grant. Grants not related to capital expenditure are recognised in the income statement, under other income, in the period in which the expense intended to be covered by the grant is incurred. Grants for capital expenditure are deducted from the cost of the asset concerned and result in a corresponding reduction in depreciation over the subsequent periods.

Financial income and expenses

Net financial income mainly consists of interest expenses on financial liabilities, interest income from financial receivables, gains and losses on financial instruments recognised through profit or loss, exchange rate gains and losses on financial activities and the interest expenses on pension provisions. The expected return on plan assets relating to pension provisions is also included in financial income.

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 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 financial income/expenses, provided they are dividends from subsidiaries carried at amortised 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 2013 forecast, the budget for 2014, the medium-term planning for 2015 to 2016 and the KION Group's internal projections for 2017 to 2018 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 Voltas Material Handling Private Limited, Pune, India CGU (referred to below as VMH), which is assigned to 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 2014, the medium-term planning for 2015/2016 and the projections for 2017 to 2018 were used to determine the cash flows. Cash flows beyond the five-year planning horizon were extrapolated for the LMH and STILL CGUs using a growth rate of 1 per cent (2012: 1 per cent). A growth rate of 5.0 per cent (2012: 3.0 per cent) was used for VMH on a perpetuity basis to take account of forecast trends for the high-growth market of India and the high level of inflation.

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 the peer group was 1.07 (2012: 1.08). Yield curve data from the European Central Bank (three-month average, rounded) was used; the risk-free interest rate as at 1 November 2013 was 2.75 per cent (2012: 2.5 per cent). The market risk premium derived from empirical studies of the capital markets was set at 5.75 per cent (2012: 6.0 per cent) and was within 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 decreased by 0.25 percentage points compared with 2012 owing to the increase in the risk-free base rate from 2.50 per cent to 2.75 per cent and the lower inflation forecast of 1.75 per cent (2012: 2.0 per cent) for Germany with a generally declining implied return on equity of currently 8.75 per cent. The assumed country risk was 0.28 per cent for the LMH CGU (2012: 0.20 per cent) and 0.45 per cent for the STILL CGU (2012: 0.50 per cent). A leverage ratio of 25.4 per cent (2012: 22.7 per cent) was calculated based on the capital structure determined for the peer group.

A leveraged beta of 1.06 (2012: 1.07) was used to determine the country-specific WACC for VMH. The risk-free interest rate for India as at 1 November 2013 was 8.9 per cent (2012: 8.7 per cent); the country-specific risk premium for India was set at 2.4 per cent (2012: 3.0 per cent). The WACC before tax, which is used to discount the estimated cash flows, was calculated at 10.5 per cent for LMH (2012: 10.7 per cent), 10.8 per cent for STILL (2012: 11.0 per cent) and 16.4 per cent (2012: 21.5 per cent) for VMH. The WACC after tax was 7.7 per cent for LMH (2012: 7.8 per cent), 7.9 per cent for STILL (2012: 8.0 per cent) and 14.9 per cent for VMH (2012: 15.8 per cent).

The impairment test carried out as at 31 December 2013 did not reveal any need to recognise impairment losses for the existing goodwill of the LMH, STILL and VMH CGUs. Based on the results of sensitivity analysis, we do not expect that significant impairment losses will need to be recognised for goodwill, even if key assumptions vary within realistic limits.

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 brand name of VMH, which is allocated to the Other segment, is subject to a usage right with a contractually limited term and it will therefore be amortised over its useful life.

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.

The following useful lives are applied in determining the carrying amounts of other intangible assets: >> **TABLE 043**

Useful life of other intangible assets

>> **TABLE 043**

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

Leases / short-term rentals

KION Group companies 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).

Companies 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 company enters into a finance lease as the lessor, the future lease payments to be paid by the lessee 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 company 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 companies 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 companies 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, LMH and STILL brand companies 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 LMH and STILL brand companies. 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 leasing arrangement, industrial trucks are sold to finance partners who then enter into leases with end customers. If LMH and STILL brand companies 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 on 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. 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 2013.

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

Useful life of other property, plant and equipment

>> TABLE 044

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

The useful lives above are applied in determining the carrying amounts of items of property, plant and equipment. >> TABLE 044

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 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. When an associate or joint venture is sold, the Group's interest in its goodwill is taken into account in determining the proceeds on disposal.

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.

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 23.4. 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.

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 ('Financial Instruments: Recognition and Measurement'), financial assets are classified as financial assets held for trading and carried at fair value through profit or 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) or held-to-maturity financial assets (HtM).

The KION Group did not designate any financial asset as carried at fair value through profit or 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. If they are equity investments for which no market price is available, they are carried at cost. Unrealised gains and losses, including deferred taxes, are reported in other comprehensive income (loss) until they are realised. The equity investments in subsidiaries that are reported in other non-current financial assets are carried at amortised 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 they are recognised, other financial assets which are 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.

Derivative financial instruments in the KION Group comprise currency forwards and interest-rate swaps and are used for hedging purposes to mitigate currency and interest-rate risks. In addition, the options on the remaining shares in Linde Hydraulics are reported as derivative financial instruments (see note [35]).

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), 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).

The KION Group currently only uses cash flow hedges for currency and interest-rate risks.

In the case of cash flow hedges, derivatives are employed to hedge future cash flow risks from existing underlying transactions or planned transactions. 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 net financial income/expenses.

If the criteria for hedge accounting are not satisfied, changes in the fair value of derivative financial instruments are recognised in the income statement.

In the case of hedges of net investments in foreign subsidiaries, the translation risks resulting from investments with a different functional currency are hedged. Unrealised gains and losses on hedging instruments are reported in other comprehensive income (loss) until the company is sold. In the past financial year, KION Group companies have not entered into any hedges for net investments in foreign subsidiaries.

Further information on risk management and accounting for derivative financial instruments can be found in notes [35] and [36].

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 [28].

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 company has prepared a detailed, formal restructuring plan and this plan has raised a valid expectation in those affected that the company 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 company concerned.

Share-based payments

IFRS 2 distinguishes between equity-settled and cash-settled share-based payment transactions.

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 in functional costs and is also reported under other provisions. 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) as an expense.

Financial liabilities, other financial liabilities, trade payables

These liabilities are initially recognised at fair value at the time they are entered into. Directly attributable transaction costs are deducted for all financial liabilities that are not subsequently designated as at fair value through profit or loss.

Non-current financial liabilities and other financial liabilities are then carried at amortised cost. Any differences between historical cost and the settlement amount are recognised in accordance with the effective interest method.

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 measuring options;
- in the recognition and measurement of defined benefit pension obligations, provisions for tax, and other provisions; and
- in assessing the recoverability of deferred tax assets.

Goodwill is tested for impairment annually at the level of the cash-generating units to which goodwill is allocated, applying the budget for 2014 and the medium-term planning for 2015 to 2016 combined with the growth predicted in the market forecasts for the projections for 2017 to 2018 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 of the impact of significant material assumptions, please refer to the information about the retirement benefit obligation in note [28].

Significant estimates are involved in calculating provisions for tax. These estimates may change on the basis of new information and experience (see also note [14]). Where necessary, the KION Group's accounting departments receive assistance from external legal advisors and tax consultants when making the estimates required.

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 [31].

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.

The impact of a change to an estimate is recognised in profit or loss prospectively when it becomes known and assumptions are adjusted accordingly.