

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 earnings before interest and taxes for the year is adjusted for non-cash operating items.

The KION Group's net cash provided by operating activities totalled €615.8 million, which was significantly higher than the prior-year figure (2016: €414.3 million). This increase was attributable to contributions from operating profit and other incoming payments. The effect was amplified because, unlike in the prior year, Dematic made contributions to operations for twelve months in 2017. The higher net working capital, the rise in the volume of rentals and leasing, and higher tax payments were fully offset as a result. Furthermore, expenses of €63.1 million in connection with the Dematic transaction had been recognised and negatively impacted cash flow from operating activities at the end of 2016.

Net cash used for investing activities amounted to €237.6 million (2016: net cash used of €2,264.3 million). The main influence on the prior-year figure was the net cash outflow of €2,091.1 million for the acquisition of Dematic. Smaller acquisitions were carried out in 2017, the total cash payments for which came to €13.3 million net. Cash payments for development (R&D) and for property, plant and equipment amounted to €218.3 million (2016: €166.7 million).

Free cash flow – the sum of cash flow from operating activities and investing activities – improved to €378.3 million in the reporting period (2016: minus €1,850.0 million). The prior-year figure had been influenced by acquisitions.

The net cash used for financing activities was €472.5 million. In 2016, cash flow from financing activities had amounted to a significant positive balance of €2,026.3 million, caused by the refinancing of the acquisition of Dematic. The decline in the reporting year is primarily due to the net repayment of financial debt in an amount of €914.7 million, which outweighed the inflows from the capital increase of €598.6 million. While financial debt taken on during the year came to €2,425.3 million, repayments totalled €3,340.0 million. Net cash of €50.6 million was also used for interest payments (2016: net cash used of €68.3 million). The costs of obtaining financing in the year under review amounted to €7.4 million (2016: €23.2 million). The distribution of a dividend of €0.80 per share (2016: €0.77 per share) resulted in a cash outflow of €86.9 million (2016: €76.0 million), while the acquisition of 60,000 treasury shares required an outflow of €4.3 million. Additional information for 2017 on the changes to liabilities arising from financing activities can be found in [TABLE 100](#).

Reconciliation of liabilities arising from financing activities

TABLE 100

in € million	01/01/2017	Cash flows	Non-cash changes		31/12/2017
			Foreign exchange movement	Other changes	
Non-current financial liabilities	2,889.1	-860.5	-0.5	-3.2	2,024.8
Current financial liabilities	293.9	-54.2	-4.4	8.5	243.9
Liabilities from accrued interest	12.4	-58.1	-0.0	60.3	14.5
Liabilities from procurement leases	21.0	-11.8	-0.4	20.5	29.4
Total liabilities financial activities	3,216.4	-984.6	-5.3	86.1	2,312.5

Partly due to negative currency effects of €12.2 million (2016: positive currency effects of €0.2 million), this resulted overall in a decrease in cash and cash equivalents, which fell from €279.6 million at the end of 2016 to €173.2 million as at 31 December 2017.

> TABLE 042

The following tables show the measurement categories defined by IAS 39. In line with IFRS 7, the tables show the carrying amounts and fair values of financial assets and liabilities. Derivative financial instruments forming part of a documented hedge are not assigned to any of the IAS 39 measurement categories and are therefore not included in > TABLES 101 – 102.

[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.

Carrying amounts broken down by class and category 2017

TABLE 101

Classes	Carrying amount	Categories					Fair value
		FAHfT	AfS	LaR	FLaC	FLHfT	
in € million							
Financial assets							
Investments in non-consolidated subsidiaries and other investments	36.0		36.0				36.0
Loans receivable	2.2			2.2			2.2
Financial receivables	30.3			30.3			30.3
Other financial investments	18.9		0.5	18.4			18.9
Lease receivables ¹	875.8						878.3
Trade receivables	1,094.1			999.4			1,094.1
thereof construction contracts with a net credit balance due from customers ²	94.7						94.7
Other financial receivables	88.7						88.7
thereof non-derivative receivables	58.7			58.7			58.7
thereof derivative financial instruments	30.0	22.2					30.0
Cash and cash equivalents	173.2			173.2			173.2
Financial liabilities							
Liabilities to banks	1,253.7				1,253.7		1,259.6
Promissory note	1,007.3				1,007.3		1,021.0
Other financial liabilities to non-banks	7.7				7.7		7.7
Lease liabilities ¹	1,131.1						1,135.5
Trade payables	923.9				923.9		923.9
Other financial liabilities	704.5						706.6
thereof non-derivative liabilities	157.8				157.8		157.8
thereof liabilities from finance leases ¹	541.4						543.6
thereof derivative financial instruments	5.2					1.0	5.2

1 as defined by IAS 17

2 as defined by IAS 11

Carrying amounts broken down by class and category 2016

TABLE 102

Classes	Carrying amount	Categories					Fair value
		FAHfT	AfS	LaR	FLaC	FLHfT	
in € million							
Financial assets							
Investments in non-consolidated subsidiaries and other investments	22.2		22.2				22.2
Loans receivable	4.6			4.6			4.6
Financial receivables	21.3			21.3			21.3
Other financial investments	20.7		0.5	20.2			20.7
Lease receivables ¹	731.5						740.8
Trade receivables	998.9			895.9			998.9
thereof construction contracts with a net credit balance due from customers ²	103.1						103.1
Other financial receivables	60.6						60.6
thereof non-derivative receivables	50.3			50.3			50.3
thereof derivative financial instruments	10.3	7.5					10.3
Cash and cash equivalents	279.6			279.6			279.6
Financial liabilities							
Liabilities to banks	3,175.8				3,175.8		3,188.6
Other financial liabilities to non-banks	7.2				7.2		7.2
Lease liabilities ¹	1,007.2						1,017.5
Trade payables	802.2				802.2		802.2
Other financial liabilities	571.9						576.7
thereof non-derivative liabilities	71.8				71.8		71.8
thereof liabilities from finance leases ¹	477.7						482.5
thereof derivative financial instruments	22.4					13.8	22.4

1 as defined by IAS 17

2 as defined by IAS 11

The change in valuation allowances for trade receivables is presented in > **TABLE 103**.

The net gains and losses on financial instruments are broken down by IAS 39 category as shown in > **TABLE 104**.

In 2017, the net gains and losses on available-for-sale financial instruments included, for the first time, gains of €8.5 million arising on the measurement of the equity investment in Balyo SA. These gains were recognised in other comprehensive income (loss). Gains and losses on financial instruments do not include gains/losses arising on hedging transactions that are part of a documented hedge (see also note [40]).

As at the reporting date, the KION Group's trade receivables of €0.4 million (31 December 2016: €1.6 million) were actually offset by trade payables of the same amount. In addition, there was a potential offsetting volume of €3.1 million in connection with derivative financial instruments as at 31 December 2017 (31 December 2016: €4.5 million). The potential offsetting volume essentially arose from netting arrangements in framework agreements governing derivatives trading that the KION Group had entered into with commercial banks.

Change in valuation allowances**TABLE 103**

in € million	2017	2016
Valuation allowances as at 01/01/	40.4	38.5
Additions (cost of valuation allowances)	20.6	10.8
Reversals	-6.3	-4.1
Utilisations	-2.4	-5.0
Currency translation adjustments	-1.2	0.2
Valuation allowances as at 31/12/	51.1	40.4

Net gains and losses on financial instruments broken down by category**TABLE 104**

in € million	2017	2016
Loans and receivables (LaR)	-7.3	3.2
Available-for-sale investments (AfS)	15.1	6.2
Financial instruments held for trading (FAHfT, FLHfT)	35.8	-17.6
Financial liabilities carried at amortised cost (FLaC)	-94.6	-57.1

Fair value measurement

The majority of the cash and cash equivalents, 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 and the promissory note 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 lease receivables, lease liabilities 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.

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 105–106

Level 1 comprises the equity investment in Balyo SA as well as other financial assets for which the fair value is calculated using prices quoted in an active market.

Interest-rate swaps and currency forwards are classified as Level 2. The fair value of derivative financial instruments is determined by the system 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 interest-rate swaps is calculated as the present value of the future cash flows. Both contractually agreed payments and forward interest rates are used to calculate the cash flows, which are then discounted on the basis of a yield curve that is observable in the market. The fair value of the currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date.

The derivative financial liabilities allocated to Level 3 relate to a call option of Weichai Power on the 10 per cent shareholding of the KION Group in Linde Hydraulics. The Black-Scholes model and probability-weighted scenario analysis were used to calculate the fair value of the call option. As at 31 December 2017, the fair value calculated for the call option on the shares in Linde Hydraulics came to minus €0.0 million (31 December 2016: minus

Financial instruments measured at fair value

TABLE 105

in € million	Fair Value Hierarchy			2017
	Level 1	Level 2	Level 3	
Financial assets				42.1
thereof non-consolidated subsidiaries and other financial investments	11.7			11.7
thereof other financial investments	0.5			0.5
thereof derivative instruments		30.0		30.0
Financial liabilities				5.2
thereof derivative instruments		5.2	0.0	5.2

Financial instruments measured at fair value

TABLE 106

in € million	Fair Value Hierarchy			2016
	Level 1	Level 2	Level 3	
Financial assets				10.8
thereof other financial investments	0.5			0.5
thereof derivative instruments		10.3		10.3
Financial liabilities				22.4
thereof derivative instruments		22.1	0.3	22.4

€0.3 million). Unrealised gains of €0.3 million in connection with the call option were recognised in net financial income/expenses in 2017 (2016: €0.3 million). As at the reporting date, a change in the fair value of the shares in Linde Hydraulics would not have had any material effect on profit or loss as a consequence of the change in the fair value of the call option.

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 to a different level, they are reclassified at the end of a reporting period. As had been the case in 2016, no financial instruments were transferred between Levels 1, 2 or 3 in 2017.

[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 and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level (see note [30]) and amounted to €2,095.5 million as at 31 December 2017 (31 December 2016: €2,903.4 million).

The financial liabilities reported by the KION Group as at 31 December 2017 consisted of liabilities under the syndicated loan agreement (SFA), liabilities under the loan for the financing of the Dematic acquisition (AFA) and a promissory note. The SFA comprises a variable-rate revolving credit facility of €1,150.0 million maturing in February 2022. A fixed-term tranche originally agreed under the SFA, which had a volume of €350.0 million and was due to mature in February 2019, was repaid in full ahead of schedule in 2017 (see note [30]).

As at 31 December 2017, the drawdown under the AFA consisted of a floating-rate bullet loan of €1,000.0 million maturing in October 2021. A year earlier, the amount drawn down under the AFA was €2,543.2 million and also included two variable-rate tranches repayable as bullet payments on maturity that were repaid in full ahead of schedule in 2017: tranche A2 of €343.2 million and tranche B of €1,200.0 million. The funds used for the repayment came from two corporate actions carried out in 2017. In the first quarter of 2017, a promissory note with a nominal value totalling €1,010.0 million was issued. In May 2017, a capital increase was implemented that generated gross proceeds of €602.9 million (see also note [28]).

Taking into account credit facilities that had not yet been utilised, the unrestricted cash and cash equivalents available to the KION Group as at 31 December 2017 amounted to €1,138.0 million (31 December 2016: €1,200.8 million).

Default 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 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. Default 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. The potential default risk attaching to financial assets is also mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees, and potential netting agreements. Counterparty risks involving our customers are managed by the individual Group companies. 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.

> **TABLE 107** shows the age structure of receivables as at the reporting date.

Specific valuation allowances for defaults are recognised to reflect the risk arising from primary financial instruments. Valuation allowances 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 valuation allowances had been recognised, were offset by corresponding trade payables. Apart from this item, the Group did not hold any significant collateral.

Age structure analysis of receivables

TABLE 107

	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	2017				
Financial receivables	30.3	30.3	–	–	–
Lease receivables	875.8	875.8	–	–	–
Trade receivables	1,094.1	870.8	9.8	201.3	12.1
Other non-derivative receivables	58.7	55.9	1.9	0.0	0.9
in € million	2016				
Financial receivables	21.3	21.3	–	–	–
Lease receivables	731.5	731.5	–	–	–
Trade receivables	998.9	764.0	67.2	153.7	14.0
Other non-derivative receivables	50.3	46.6	0.6	0.0	3.1

Liquidity risk

Based on the definitions in 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. In January 2017, the KION Group received an investment-grade rating for the first time. Fitch Ratings gave the Group a long-term issuer rating of BBB–

with a stable outlook in recognition of its improved financial profile, high level of profitability and stable free cash flow. In September 2017, rating agency Standard & Poor's raised its credit rating for the KION Group from BB+ with a stable outlook to BB+ with a positive outlook.

The following tables show all of the contractually agreed undiscounted payments under recognised financial liabilities as at 31 December 2017 and 2016, including derivative financial instruments with negative fair values. > TABLES 108–109

Liquidity analysis of financial liabilities and derivatives 2017

TABLE 108

in € million	Carrying amount 2017	Cash flow 2018	Cash flow 2019–2022	Cash flow from 2023
Primary financial liabilities				
Liabilities to banks	1,253.7	–267.1	–1,083.2	–
Promissory note	1,007.3	–	–788.8	–295.5
Other financial liabilities to non-banks	7.7	–7.4	–0.3	–
Lease liabilities	1,131.1	–363.1	–806.1	–34.7
Trade payables	923.9	–923.9	–	–
Other financial liabilities	699.3	–331.4	–383.7	–19.0
Derivative financial liabilities				
Derivatives with negative fair value	5.2			
+ Cash in		182.5	16.2	2.6
– Cash out		–189.9	–18.9	–1.6

Liquidity analysis of financial liabilities and derivatives 2016

TABLE 109

in € million	Carrying amount 2016	Cash flow 2017	Cash flow 2018–2021	Cash flow from 2022
Primary financial liabilities				
Liabilities to banks	3,175.8	–293.1	–3,026.5	–
Other financial liabilities to non-banks	7.2	–6.8	–0.4	–
Lease liabilities	1,007.2	–315.4	–737.6	–31.2
Trade payables	802.2	–802.2	–	–
Other financial liabilities	549.4	–222.1	–350.6	–13.3
Derivative financial liabilities				
Derivatives with negative fair value	22.1			
+ Cash in		452.7	210.7	–
– Cash out		–472.6	–222.8	–

The calculation of future cash flows for derivative financial liabilities includes all currency forwards that have negative fair values as at the reporting date.

In 2017, the KION Group sold financial assets with a total value of €132.0 million (2016: €101.3 million) in factoring transactions. 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 €2.6 million as at 31 December 2017 (31 December 2016: €1.4 million). The short residual maturity of these financial assets means 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 €16.2 million as at 31 December 2017 (31 December 2016: €7.4 million).

Risks arising from financial services

The leasing activities of the Industrial Trucks & Services segment mean that the KION Group 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 2017. 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 2016 and 2017. 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 2017. 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 (2016: 3 per cent).

Currency risk

In accordance with its treasury risk policy, the KION Group hedges exchange rate risks both locally at the level of the individual companies and centrally via KION GROUP AG using prescribed hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

In the Industrial Trucks & Services segment, hedges are entered into at company level 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. Currency risk arising from customer-specific construction contracts in the Supply Chain Solutions segment is hedged at individual company level on a project basis. Some of these hedges are classified as cash flow hedges for accounting purposes in accordance with IAS 39 (see note [40]).

The hedging that had still been in place in 2016 for the currency risk arising on translation of a foreign subsidiary's financial statements into the Group's reporting currency (net investment hedge) expired at the start of 2017 (see note [40]).

In addition, foreign-currency forwards are employed to hedge the currency risks arising in the course of internal financing. > **TABLE 110** shows an overview of the foreign-currency forwards entered into by the KION Group.

Significant currency risk arising from financial instruments is measured using a currency sensitivity method. Currency risks from financial instruments as defined by IFRS 7 are only included in calculating currency sensitivity 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.

Foreign-currency forwards

TABLE 110

in € million		Fair value		Notional amount	
		2017	2016	2017	2016
Foreign-currency forwards (assets)	Hedge accounting	7.8	2.9	224.8	83.1
	Held for trading	22.1	7.5	502.1	552.7
Foreign-currency forwards (liabilities)	Hedge accounting	2.3	8.7	100.3	279.3
	Held for trading	1.0	13.5	95.3	384.4

Currency risk relevant to currency sensitivity in the KION Group arises mainly in connection with derivative financial instruments, trade receivables and trade payables. It is assumed that the portfolio of financial instruments as at the reporting date is representative of the portfolio over the whole of the year. The sensitivity analysis for the relevant currencies is shown in > **TABLE 111**. The table shows the after-tax impact from changes in exchange rates considered to be possible (+ 10 per cent: increase in the value of the euro against the other currencies of 10.0 per cent;

– 10 per cent: fall in the value of the euro against the other currencies of 10.0 per cent).

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.

Foreign-currency sensitivity

TABLE 111

		Net income		Other comprehensive loss (income)	
		+10%	–10%	+10%	–10%
in € million	2017				
GBP		0.2	–0.3	9.2	–11.2
USD		11.4	–13.9	5.1	–6.3
in € million	2016				
GBP		2.2	–2.7	7.7	–9.5
USD		12.9	–16.1	3.6	–4.4

Some of the Group's financing takes the form of floating-rate financial liabilities. Interest-rate swaps were entered into in 2017 in order to hedge the resultant interest-rate risk. > **TABLE 112** provides an overview of the interest-rate derivatives used by the KION Group.

A shift in the relevant yield curve of ± 50 basis points (bps) (2016: ± 50 bps) was simulated to assess interest-rate risk. The cumulative effect after tax resulted from variable-rate exposures and is shown in > **TABLE 113**.

[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 2017 are shown in the consolidated

Interest-rate swaps

TABLE 112

in € million		Fair value		Notional amount	
		2017	2016	2017	2016
Interest-rate swaps (assets)	Hedge accounting	–	–	–	–
	Held for trading	0.1	–	50.0	–
Interest-rate swaps (liabilities)	Hedge accounting	1.9	–	760.0	–
	Held for trading	–	–	–	–

Interest-rate sensitivity

TABLE 113

	+ 50 bps	– 50 bps	+ 50 bps	– 50 bps
in € million	2017	2017	2016	2016
Net income	0.0	– 1.2	– 1.1	– 0.9
Other comprehensive loss (income)	9.9	– 4.9	–	–

statement of comprehensive income. In matching transactions with the recognition of the hedged item, income from hedging transactions amounting to €1.5 million (2016: €0.1 million) was reclassified to revenue, and an amount of €4.0 million (2016: €14.1 million) was reclassified to cost of sales. There were no significant ineffective portions in 2017, as had been the case in the previous year.

In total, foreign-currency cash flows of €325.2 million (2016: €362.4 million) were hedged and designated as hedged items, of which €306.7 million is expected by 31 December 2018 (2016: €357.3 million expected by 31 December 2017). The remaining cash flows designated as hedged items fall due in the period up to 31 December 2019 (2016: 31 December 2018).

The hedging that had still been in place in 2016 for the currency risk arising on translation of a foreign subsidiary's financial statements into the Group's reporting currency (net investment hedge) expired at the start of 2017. Only the spot rate element of the foreign-currency forward was designated as the hedging instrument. In the reporting year, an unrealised loss of €0.2 million (2016: unrealised gain of €2.2 million) was recognised in other comprehensive income (loss) in connection with this hedging. This effective portion of the hedge recognised in other comprehensive income (loss) is not reversed and recognised in the

income statement until the foreign operation is sold. There were no ineffective portions of the net investment hedge in 2017, as had also been the case in 2016. The effectiveness of the Group's hedging transaction was determined on the basis of forward rates using the hypothetical derivative approach under the cumulative dollar-offset method. In 2017, an expense of €0.7 million (2016: €3.2 million) arising in connection with the interest element of the foreign-currency forward was recognised under financial expenses.

In 2016, the KION Group had made use of transaction-related foreign-currency forwards to hedge currency risk in connection with the acquisition of Dematic. The notional amount of these currency forwards totalled €2.3 billion. Currency forwards with a total notional amount of €1.9 billion served to hedge the purchase price obligation for the shares and were accounted for as cash flow hedges. The resulting changes in exchange rates were included in the reclassified changes in fair value under gains/losses on hedge reserves and were recognised as a basis adjustment.

Hedging of interest-rate risk

The KION Group uses cash flow hedge accounting in connection with the hedging of interest-rate risk.

The KION Group issued a promissory note in 2017 as part of its financing. It hedged the interest-rate risk arising on the variable-rate tranches of the promissory note by entering into a number of interest-rate swaps, thereby transforming the variable interest-rate exposure into fixed-rate obligations.

The effectiveness of the Group's hedging transactions is assessed using the hypothetical derivative approach under the cumulative dollar-offset method. In 2017, the effective portion of the changes in fair value of the interest-rate swaps resulted in an unrealised loss of €1.3 million, which was recognised – after taking deferred taxes into account – in other comprehensive income (loss). There were no ineffective portions.

In total, variable cash flows of €12.9 million were hedged and designated as hedged items, of which €10.2 million relates to cash flows that are expected in 2019 to 2022. The remaining cash flows of €2.6 million are likely to materialise from 2023 onwards.

The KION Group did not have any interest-rate hedges in 2016.

[41] SEGMENT REPORT

The Executive Board, as the chief operating decision-maker (CODM), manages the KION Group on the basis of the following segments: Industrial Trucks & Services, Supply Chain Solutions and Corporate Services. Segment reporting therefore takes into account the organisational and strategic focus of the KION Group.

Description of the segments

Industrial Trucks & Services

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management and financial services that support the core industrial truck business. The segment operates a multi-brand strategy involving the three international brands Linde, STILL and Baoli plus the national brands Fenwick, OM STILL and OM Voltas.

Supply Chain Solutions

The Supply Chain Solutions segment, with its Dematic Operating Unit, is a strategic partner to customers in a variety of industries, supplying them with integrated technology and software solutions with which to optimise their supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and multishuttle warehouse systems to picking and value-added packing. This segment is primarily involved in customer-specific, longer-term project business operated under the leadership of the Dematic brand name. With global resources, ten production facilities worldwide and regional teams of experts, Dematic is able to plan and deliver logistics solutions with varying degrees of complexity anywhere in the world.

Corporate Services

The Corporate Services segment comprises the other activities of the holding and service companies in the KION Group. 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 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 effects from purchase price allocations and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT'). Intra-group transactions are generally conducted on an arm's-length basis. Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [7].

> TABLES 114–115 show information on the KION Group's operating segments for 2017 and 2016.

Segment report 2017

TABLE 114

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation/ Reconciliation	Total
Revenue from external customers	5,626.9	2,001.8	24.8	–	7,653.6
Intersegment revenue	4.0	4.5	241.8	–250.3	–
Total revenue	5,630.9	2,006.3	266.6	–250.3	7,653.6
Earnings before taxes	592.3	–21.9	485.6	–587.7	468.3
Financial income	48.1	66.8	49.3	–32.0	132.2
Financial expenses	–93.4	–64.8	–86.0	30.8	–213.3
= Net financial expenses/income	–45.3	2.0	–36.6	–1.1	–81.1
EBIT	637.6	–23.8	522.2	–586.5	549.4
+ Non-recurring items	1.7	29.9	8.5	0.0	40.1
+ PPA items	0.9	175.3	0.0	–	176.2
= Adjusted EBIT	640.1	181.4	530.7	–586.5	765.6
Segment assets	8,117.1	4,690.1	1,787.8	–3,366.5	11,228.4
Segment liabilities	5,240.4	1,970.3	4,243.7	–3,374.8	8,079.6
Carrying amount of equity-accounted investments	80.3	0.0	0.0	–	80.3
Profit from equity-accounted investments	13.6	0.0	0.0	–	13.6
Capital expenditure ¹	153.7	47.0	17.5	–	218.3
Amortisation and depreciation ²	113.3	191.3	15.4	–	319.9
Order intake	5,859.5	2,099.2	266.6	–246.2	7,979.1
Number of employees ³	24,090	6,820	698	–	31,608

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 2016

TABLE 115

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation/ Reconciliation	Total
Revenue from external customers	5,200.5	364.7	22.1	–	5,587.2
Intersegment revenue	2.1	1.3	220.0	–223.4	–
Total revenue	5,202.6	366.0	242.0	–223.4	5,587.2
Earnings before taxes	511.7	–42.8	230.6	–360.4	339.2
Financial income	52.2	7.5	44.7	–15.5	88.9
Financial expenses	–93.5	–18.6	–89.0	16.5	–184.5
= Net financial expenses/income	–41.3	–11.1	–44.3	1.1	–95.7
EBIT	553.0	–31.7	274.9	–361.5	434.8
+ Non-recurring items	5.4	5.7	31.0	–0.0	42.2
+ PPA items	28.5	31.9	0.0	–	60.4
= Adjusted EBIT	586.9	6.0	305.9	–361.5	537.3
Segment assets	8,914.0	5,144.9	1,588.2	–4,350.1	11,297.0
Segment liabilities	4,700.9	2,550.3	5,910.7	–4,360.6	8,801.3
Carrying amount of equity-accounted investments	72.7	0.0	0.0	–	72.7
Profit from equity-accounted investments	6.5	0.0	0.0	–	6.5
Capital expenditure ¹	142.7	9.4	14.5	–	166.7
Amortisation and depreciation ²	137.1	36.7	17.6	–	191.4
Order intake	5,383.2	431.2	242.0	–223.3	5,833.1
Number of employees ³	23,064	6,810	670	–	30,544

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 Number of employees (full-time equivalents) as at balance sheet date 31/12/; allocation according to the contractual relationship

External revenue by region is presented in > **TABLE 116**.

Revenue in Germany came to €1,423.1 million in 2017 (2016: €1,321.1 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 comprised consultancy costs – in particular costs relating to the acquisition and integration of Dematic – and, in the previous year, start-up costs for the

new plant in Monterrey, Mexico. They totalled €40.1 million in 2017 (2016: €42.2 million).

The effects from purchase price allocations comprised net write-downs and other expenses in relation to the hidden reserves and charges identified as part of the acquisition processes.

Capital expenditure includes additions to intangible assets and property, plant and equipment. Leased assets are described in note [18]. > **TABLE 117**

Capital expenditure in Germany came to €122.6 million in 2017 (2016: €100.9 million).

Revenue with third parties broken down by customer location

TABLE 116

in € million	2017	2016
Western Europe	4,627.8	3,982.7
Eastern Europe	537.9	459.6
Middle East and Africa	152.9	100.3
North America	1,266.5	295.9
Central and South America	163.1	148.6
Asia-Pacific	905.5	600.1
Total revenue	7,653.6	5,587.2

Capital expenditures broken down by company location (excl. leased and rental assets)

TABLE 117

in € million	2017	2016
Western Europe	162.8	133.4
Eastern Europe	6.6	3.7
Middle East and Africa	0.6	0.2
North America	31.6	16.6
Central and South America	3.5	1.0
Asia-Pacific	13.3	11.8
Total capital expenditures	218.3	166.7

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 118**.

Non-current assets attributable to Germany amounted to €3,143.7 million as at 31 December 2017 (31 December 2016: €3,058.4 million).

[42] EMPLOYEES

The KION Group employed an average of 31,064 full-time equivalents (including trainees and apprentices) in the reporting year (2016: 24,957). The number of employees (with part-time staff included on a pro rata basis) is shown by region in > **TABLE 119**.

The KION Group employed an average of 541 trainees and apprentices in 2017 (2016: 536).

Non-current assets broken down by company location *

TABLE 118

in € million	2017	2016
Western Europe	4,369.6	4,209.3
Eastern Europe	200.7	152.2
Middle East and Africa	6.5	6.6
North America	2,380.0	2,838.4
Central and South America	90.7	104.0
Asia-Pacific	519.6	548.5
Total non-current assets (IFRS 8)	7,567.0	7,858.9

* Prior-year figures were adjusted due to retrospective changes of the purchase price allocation (PPA) for Dematic

Employees (average)

TABLE 119

	2017	2016
Germany	9,127	8,460
France	3,508	3,293
UK	2,396	1,937
Italy	1,094	899
Rest of Europe	5,100	4,437
USA	3,038	801
Asia	4,267	3,845
Rest of world	2,534	1,286
Total employees	31,064	24,957

[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.

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 2017 (see note [47]).

Another related party is Weichai Power Co. Ltd., Weifang, China, which indirectly holds a 43.3 per cent stake in KION GROUP AG. Since 2017, it has therefore had a majority at the Annual General Meeting and can exercise control over the KION Group. In the context of the capital increase in May 2017, Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), acquired 4,023,275 of the new shares in line with its stake in KION GROUP AG, which remained unchanged at 43.3 per cent. The distribution of a dividend of €0.80 per share to the shareholders of Weichai Power resulted in an outflow of funds from KION GROUP AG of €37.7 million.

The revenue that the KION Group generated in 2017 and 2016 from selling goods and services to related parties, and vice

versa, is shown in > TABLES 120–121 along with the associated receivables and liabilities as at the reporting date. The receivables include a loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. The commitment included an amount of €9.3 million (31 December 2016: €5.3 million). This resulted in a loan receivable for the KION Group of €8.0 million as at 31 December 2017 (31 December 2016: €4.0 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 2016.

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].

In its consolidated financial statements, which are published on the website of the Hong Kong Stock Exchange, Weichai Power Co. Ltd. states that its highest-level parent company is Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China, which itself is owned by Shandong Province and thus the People's Republic of China. The exemption for government-related entities were applied. There were no transactions that were significant, either individually or taken together, between the KION Group and companies with which the KION Group is closely associated solely because of its relationship with Shandong Heavy Industry Group Co., Ltd.

Related party disclosures 2017

TABLE 120

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	28.7	15.7	31.1	21.7
Associates (equity-accounted)	25.1	11.2	158.1	126.4
Joint ventures (equity-accounted)	1.5	60.1	56.8	83.2
Other related parties*	10.9	2.7	23.5	7.7
Total	66.2	89.7	269.4	239.0

* 'Other related parties' include, among others, transactions with Weichai Power and its affiliated companies

Related party disclosures 2016

TABLE 121

in € million	Receivables	Liabilities	Sales of goods and services	Purchases of goods and services
Non-consolidated subsidiaries	22.8	13.1	24.7	19.7
Associates (equity-accounted)	19.7	9.2	163.0	121.1
Joint ventures (equity-accounted)	2.3	54.4	50.7	77.4
Other related parties*	4.7	1.6	15.1	18.2
Total	49.5	78.3	253.5	236.5

* 'Other related parties' include, among others, transactions with Weichai Power and its affiliated companies

[44] VARIABLE REMUNERATION

KEEP employee equity programme

On 1 November 2017, the Executive Board of KION GROUP AG decided to launch a further share option programme for employees (KEEP 2017) in the countries that had been included in the previous year. The period during which eligible employees could take up this offer by making a declaration of acceptance ran from 2 to 22 November 2017. To be eligible to participate in KEEP 2017, 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 17 German (2016: 14) and 60 foreign (2016: 53) subsidiaries are eligible to take part in KEEP. The Company is considering whether to extend the employee equity 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 share package. Once the three-year holding period has expired, employees are entitled to one free matching share (bonus share) for each share package. 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 packages. Under KEEP 2017, the KION Group will bear the cost of one KION share (free share) in each of the first five share packages 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 122.

Development of the granted bonus shares

TABLE 122

in units	2017	2016
Balance as at 01/01/	67,106	53,220
Granted subscription rights	12,098	15,188
Issued bonus shares	-27,363	0
Forfeited subscription rights	-1,675	-1,302
Balance as at 31/12/	50,166	67,106

In 2017, 2,545 free shares were issued to employees as part of their starter packages (2016: 2,282 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 123.

For KEEP 2017, the fair value of a bonus share was €62.02 (KEEP 2016: €52.51; KEEP 2015: €38.57).

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. The holding period for KEEP 2014 ended on 1 October 2017 and the bonus shares were issued to the eligible employees at no cost.

In 2017, an expense totalling €0.9 million was recognised under functional costs for free shares and bonus shares in connection with the employee share option programme (2016: €0.7 million). Of this amount, €0.2 million related to KEEP 2017, €0.2 million to KEEP 2016 (2016: €0.2 million), €0.3 million to KEEP 2015 (2016: €0.3 million) and €0.2 million to KEEP 2014 (2016: €0.2 million).

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.

Significant measurement parameters for the KION GROUP AG Share Matching Programme

TABLE 123

Measurement parameters	KEEP 2017	KEEP 2016	KEEP 2015
Expected dividend	€0.88	€0.88	€0.88
Price of the KION share as at grant date	€64.62	€55.02	€41.01

KION performance share plan (PSP) for managers

The 2017 tranche of the multiple-year variable remuneration component for the managers in the KION Group (LTI 2017) with a defined period (three years) was granted with effect from 1 January 2017. 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 performance of the MDAX index (previously 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 2017 tranche ends on 31 December 2019 (2016 tranche: 31 December 2018). The 2015 tranche expired on 31 December 2017 and will be paid out in the second quarter of 2018.

At the beginning of the performance period on 1 January 2017 (2016 tranche: 1 January 2016; 2015 tranche: 1 January 2015), the managers were allocated a total of 0.2 million phantom shares for

this tranche (2016 tranche: 0.2 million phantom shares; 2015 tranche: 0.2 million phantom 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 phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom 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 200.0 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 phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 124 were used to value the phantom shares on the reporting date.

Significant measurement parameters of the PSP for Executive Employees

TABLE 124

Measurement parameters	Valuation date 31/12/2017	
	Tranche 2017	Tranche 2016
Expected volatility of the KION share	25.0%	25.0%
Expected volatility of the MDAX Index	15.0%	–
Expected volatility of the STOXX Europe TMI Industrial Engineering Index	–	10.0%
Risk-free interest rate	–0.68%	–0.78%
Expected dividend	€0.88	€0.88
KION share price at the valuation date	€72.71	€72.71
Price of the MDAX Index at valuation date	€26,193.74	–
Price of the STOXX Europe TMI Industrial Engineering Index at valuation date	–	€292.74
Initial value of the KION share (60-days average)	€53.85	€43.54
Initial value of the MDAX Index (60-days average)	€21,178.13	–
Initial value of the STOXX Europe TMI Industrial Engineering Index (60-days average)	–	€209.26

Taking account of the remaining term of two years (2017 tranche) and one year (2016 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at 31 December 2017, the fair value of one phantom share was €67.18 for the 2016 tranche (31 December 2016: €42.86) and €65.60 for the 2017 tranche. On that date, the total fair value based on 0.2 million phantom shares was €11.7 million (2016 tranche; 31 December 2016: €7.7 million) and €11.6 million (2017 tranche). The amount of €11.4 million that is expected to be paid out for the 2015 tranche (2016: €10.9 million for the 2014 tranche) is calculated on the basis of a preliminary total target achievement rate. In April 2017, the first payment from the 2014 tranche was made on the basis of the achievement of the long-term targets that were defined in 2014 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration was €23.0 million as at 31 December 2017 (31 December 2016: €20.6 million). Of this amount, €11.4 million related to the 2015 tranche (31 December 2016: €7.1 million), €7.8 million to the 2016 tranche (31 December 2016: €2.6 million) and €3.9 million to the 2017 tranche. In 2016, there had also been an amount of €10.9 million relating to the 2014 tranche. In 2017, a pro-rata expense of €4.3 million in respect of the 2015 tranche (2016: €4.3 million), a pro-rata expense of €5.2 million for the 2016 tranche (2016: €2.6 million) and a pro-rata expense of €3.9 million for the 2017 tranche were recognised for twelve months under functional costs.

KION performance share plan (PSP) for the Executive Board

The members of the Executive Board have been promised a multiple-year variable remuneration component in the form of a performance share plan with a three-year term in each case. 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 performance of the MDAX index (previously 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 2017 tranche ends on 31 December 2019 (2016 tranche: 31 December 2018). The 2015 tranche expired on 31 December 2017 and will be paid out in the spring of 2018. At the beginning of the performance period on 1 January 2017 (2016 tranche: 1 January 2016; 2015 tranche: 1 January 2015), the Executive Board members were allocated a total of 0.1 million phantom shares for this tranche (2016 tranche: 0.1 million phantom shares; 2015 tranche: 0.2 million phantom shares) on the basis of the starting price of KION shares (60-day average; previously the fair value at the time of grant). 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 phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom 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 multiplier to adjust the final payment at the end of the performance period by +/-30.0 per cent. The maximum amount payable is limited to 200.0 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 phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters shown in > TABLE 125 were used to value the phantom shares on the reporting date.

Significant measurement parameters of the KION GROUP AG Performance Share Plan

TABLE 125

Measurement parameters	Valuation date 31/12/2017	
	Tranche 2017	Tranche 2016
Expected volatility of the KION share	25.0%	25.0%
Expected volatility of the MDAX Index	15.0%	–
Expected volatility of the STOXX Europe TMI Industrial Engineering Index	–	10.0%
Risk-free interest rate	–0.68%	–0.78%
Expected dividend	€0.88	€0.88
Price of the KION share at valuation date	€72.71	€72.71
Price of the MDAX Index at valuation date	€26,193.74	–
Price of the STOXX Europe TMI Industrial Engineering Index at valuation date	–	€292.74
Initial value of the KION share (60-days average)	€53.85	€43.54
Initial value of the MDAX Index (60-days average)	€21,178.13	–
Initial value of the STOXX Europe TMI Industrial Engineering Index (60-days average)	–	€209.26

Taking account of the remaining term of two years (2017 tranche) and one year (2016 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at 31 December 2017, the fair value of one phantom share was €65.13 for the 2016 tranche (31 December 2016: €42.19) and €65.60 for the 2017 tranche. On that date, the total fair value based on 0.1 million phantom shares was €5.2 million (2016 tranche; 31 December 2016: €4.4 million) and €4.2 million (2017 tranche). The amount of €9.5 million that is expected to be paid out for the 2015 tranche (2016: €9.3 million for the 2014 tranche) is calculated on the basis of a preliminary total target achievement rate. In March 2017, a payment from the 2014 tranche was made on the basis of the achievement of the long-term targets that were defined in 2014 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration was €15.1 million as at 31 December 2017 (31 December 2016: €16.9 million). Of this amount, €9.5 million related to the 2015 tranche (31 December 2016: €6.0 million), €4.0 million to the 2016 tranche (31 December 2016: €1.6 million) and €1.6 million to the 2017 tranche. In 2016, there had also been an amount of €9.3 million relating to the 2014 tranche. In 2017, a pro-rata expense of €3.6 million in respect of the 2015 tranche (2016: €3.8 million), a pro-rata expense of €2.3 million for the 2016 tranche (2016: €1.6 million) and a pro-rata expense of €1.6 million for the 2017 tranche were recognised for twelve months under functional costs.

[45] REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Responsibilities

Gordon Riske, Chief Executive Officer (CEO), is responsible for the LMH EMEA and STILL EMEA Operating Units in the Industrial Trucks & Services segment and the Dematic Operating Unit. He also remains in charge of the following group functions: corporate strategy, corporate communications, corporate office, internal audit and corporate compliance. In addition, he takes on responsibility for the Digitalisation@KION initiative.

Dr Eike Böhm, in his role as Chief Technology Officer (CTO), has groupwide responsibility for research and development (R&D) in the areas of industrial trucks and supply chain solutions including modules & components, for software development, procurement and quality.

Ching Pong Quek, Chief Asia Pacific Officer, heads up the KION APAC Operating Unit and thus the entire Asia business within the Industrial Trucks & Services segment.

Dr Thomas Toepfer is Chief Financial Officer (CFO) and his responsibilities include corporate accounting & tax, financial services, corporate finance, corporate controlling, corporate HR/Labour Relations Director, legal affairs, KION Group IT, data protection, health, safety & environment and logistics/Urban. He also took over responsibility from Mr Riske for the KION Americas Operating Unit in the Industrial Trucks & Services segment.

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 comprise an annually recurring component linked to business performance and a multi-year performance-related component in the form of the KION performance share plan for all members of the Executive Board. The pension entitlements consist of retirement, invalidity and surviving dependants' benefits.

An expense of €13.6 million was recognised for the total remuneration for members of the Executive Board in 2017 (2016: €15.5 million). This consisted of short-term remuneration amounting to €5.0 million (2016: €5.0 million), post-employment benefits totalling €1.1 million (2016: €1.0 million), termination benefits of €0.0 million (2016: €0.4 million) and share-based payments of €7.5 million (2016: €9.0 million). The short-term remuneration comprised non-performance-related components amounting to €3.1 million (2016: €2.6 million) and performance-related components amounting to €1.9 million (2016: €2.4 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]).

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, including tax equalisation, amounted to €3.9 million (2016: €4.8 million). Furthermore, disclosure of post-employment benefits (expense of €1.1 million; 2016: expense of €1.0 million) and of termination benefits (expense of €0.0 million; 2016: expense of €0.4 million) is not required. On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 HGB came to €8.9 million (2016: €9.8 million).

As in the previous year, no loans or advances were made to members of the Executive Board in 2017. The present value of the defined benefit obligation in respect of Executive Board members as at 31 December 2017 was €8.3 million (31 December 2016: €7.5 million).

The total remuneration paid to former members of the Executive Board in 2017 amounted to €0.3 million (2016: €0.2 million). Defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €9.8 million (31 December 2016: €9.8 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 43 to 56 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 2017 amounted to €1.4 million (2016: €1.2 million). There were no loans or advances to members of the Supervisory Board in 2017. 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 (2016: €0.8 million).

[46] MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board

Gordon Riske

Chief Executive Officer (CEO)

Member of the Executive Board of KION Holding 2 GmbH, Wiesbaden (until 22 June 2017)

Chairman of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China
Chairman of the Board of Directors of Dematic NV (formerly Egemin Group NV), Zwijndrecht, Belgium (until 15 May 2017)
Non-Executive Director of Weichai Power Co., Ltd., Weifang, People's Republic of China

Member of the Executive Board of the non-profit Hertie Foundation, Frankfurt am Main

Dr Eike Böhm

Member of the Executive Board / CTO

Member of the Supervisory Board of e.GO Mobile AG, Aachen

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 Pvt. 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 Executive Board of KION Holding 2 GmbH, Wiesbaden (until 22 June 2017)

Chairman of the Supervisory Board of STILL GmbH, Hamburg

Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg

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 HORNBACH Baumarkt AG, Bornheim

Member of the Supervisory Board of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse

Member of the Supervisory Board of HORNBACH Management AG, Annweiler am Trifels

Özcan Pancarci¹

Deputy Chairman of the Supervisory Board

Chairman of the Plants I and II Works Council, 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

Birgit A. Behrendt

Vice President of Joint Ventures, Alliances and Commercial Affairs at Ford of Europe GmbH, Cologne

Member of the Supervisory Board of Ford Werke GmbH, Cologne

Member of the Board of Directors of Ford Sollers Holding LLC, Chelny, Russia

Member of the Audit Committee of Ford Sollers Holding LLC, Chelny, Russia

Holger Brandt² (until 11 May 2017)

Senior Vice President of the DACH Region at STILL GmbH, Hamburg

Stefan Casper¹ (since 11 May 2017)

Chairman of the Works Council of KION Warehouse Systems GmbH, Reutlingen

Dr Alexander Dibelius

Managing Partner at CVC Capital Partners (Deutschland) GmbH, Frankfurt am Main

Deputy Chairman of the Board of Directors of Breitling S.A., Grenchen, Switzerland

Member of the Board of Directors of CVC Capital Partners (Luxembourg) SARL, Luxembourg

Chairman of the Supervisory Board of Diebold Nixdorf AG, Paderborn

Chairman of the Supervisory Board of Diebold Nixdorf International GmbH, Paderborn

Member of the Board of Directors of Diebold Nixdorf Inc., Ohio, USA

Member of the Supervisory Board of Douglas GmbH, Düsseldorf

Member of the Supervisory Board of Douglas Holding AG, Düsseldorf

Member of the Supervisory Board of Kirk Beauty Investments SA, Luxembourg

Member of the Shareholders' Committee of Tipico Group Ltd., Malta

Joachim Hartig¹ (until 11 May 2017)

Former Organisational Development Advisor at Linde Material Handling GmbH, Aschaffenburg (retired)

Denis Heljic¹

Spokesperson for the STILL branches,

Chairman of the European Works Council and Deputy Chairman of the Works Council of STILL GmbH, Dortmund plant

Jiang Kui

President 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 Board of Directors of Ferretti 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
 Member of the Board of Directors of PSI, Delaware, USA
 Member of the Board of Directors of Shandong Heavy Industry India Private Ltd., Pune, India
 Member of the Board of Directors of Shantui Construction Machinery Co. Ltd. Jining, People's Republic of China
 Member of the Board of Directors of Weichai Power Co. Ltd., Weifang, People's Republic of China

Olaf Kunz¹

Head of Collective Bargaining at IG Metall District Office for the Coast, Hamburg
 Member of the Supervisory Board of STILL GmbH, Hamburg

Jörg Milla¹

Chairman of the Works Council of STILL GmbH, Hamburg
 Deputy Chairman of the Supervisory Board of STILL GmbH, Hamburg

Dr Christina Reuter

Head of Central Manufacturing Engineering & Operational Excellence for Space Equipment Operations at Airbus Defence and Space GmbH, Taufkirchen

Hans Peter Ring

Management Consultant, Munich
 Member of the Supervisory Board of Airbus Defence and Space GmbH, Taufkirchen
 Member of the Supervisory Board of Fokker Technologies Holding B.V., Papendrecht, Netherlands

Alexandra Schädler¹

Trade Union Secretary on the National Executive of IG Metall, Frankfurt am Main
 Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg (since 18 January 2017)

Dr Frank Schepp² (since 11 May 2017)

Vice President of Quality at KION GROUP AG, Frankfurt am Main (based in Aschaffenburg)

Tan Xuguang

Chairman of the Board of Directors and President of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China
 Chairman of the Board of Directors of Shandong Communications Industry Group Holding 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., Milan, Italy
 Chairman of the Board of Directors of Weichai Holding Group 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

Claudia Wenzel¹

Full-time works council member, HQ and plant 2 at Linde Material Handling GmbH, Aschaffenburg

Xu Ping

Partner and Member of the Management Committee at King & Wood Mallesons, Beijing, People's Republic of China

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 2017 are listed below. > **TABLE 126**

List of shareholdings as at 31 December 2017

TABLE 126

No.	Name	Registered office	Country	Parent company	Shareholding 2017	Shareholding 2016	Note
1	KION GROUP AG	Wiesbaden	Germany				
Consolidated subsidiaries							
Domestic							
2	BlackForxx GmbH	Stuhr	Germany	21	100.00%	100.00%	
3	Dematic GmbH	Heusenstamm	Germany	82	100.00%	100.00%	
4	Dematic Logistics GmbH	Bielefeld	Germany	82	100.00%	100.00%	
5	Dematic Services GmbH	Heusenstamm	Germany	3	100.00%	100.00%	
6	Eisengießerei Dinklage GmbH	Dinklage	Germany	21	100.00%	50.00%	
7	Eisenwerk Weilbach GmbH	Wiesbaden	Germany	13	100.00%	100.00%	
8	Fahrzeugbau GmbH Geisa	Geisa	Germany	21	100.00%	100.00%	
9	KION Financial Services GmbH	Wiesbaden	Germany	13	100.00%	100.00%	
10	KION Information Management Services GmbH	Frankfurt am Main	Germany	1	100.00%	100.00%	
11	KION Warehouse Systems GmbH	Reutlingen	Germany	21	100.00%	100.00%	
12	Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan	Germany	13	100.00%	100.00%	
13	Linde Material Handling GmbH	Aschaffenburg	Germany	1	100.00%	100.00%	
14	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	13 & 15	99.64%	99.64%	
15	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	13	94.00%	94.00%	
16	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	13	100.00%	100.00%	
17	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	13	100.00%	100.00%	
18	LR Intralogistik GmbH	Wörth a. d. Isar	Germany	21	100.00%	100.00%	
19	Schrader Industriefahrzeuge GmbH & Co. KG	Essen	Germany	13	100.00%	100.00%	
20	STILL Financial Services GmbH	Hamburg	Germany	9	100.00%	100.00%	
21	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	13	100.00%	100.00%	
22	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	13	100.00%	100.00%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
23	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	25	74.00%	74.00%	
24	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	25	74.00%	74.00%	
25	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	13	74.00%	74.00%	
Foreign							
26	Dematic Holdings Pty. Ltd.	Belrose	Australia	82	100.00%	100.00%	
27	Dematic Pty. Ltd.	Belrose	Australia	26	100.00%	100.00%	
28	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	13	100.00%	100.00%	
29	Dematic NV (formerly: Egemin Group NV)	Zwijndrecht	Belgium	53 & 3	100.00%	100.00%	
30	STILL NV	Wijnegem	Belgium	21 & 91	100.00%	100.00%	
31	Dematic Sistemas e Equipamentos de Movimentação de Materiais Ltda.	São Paulo	Brazil	82 & 3	100.00%	100.00%	
32	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba / São Paulo	Brazil	21	100.00%	100.00%	
33	Dematic Logistics de Chile Ltda.	Santiago de Chile	Chile	51 & 115	100.00%	100.00%	
34	STILL DANMARK A/S	Kolding	Denmark	21	100.00%	100.00%	
35	BARTHELEMY MANUTENTION SAS	Vitrolles	France	41	82.00%	83.50%	
36	Bastide Manutention SAS	Bruguières	France	41	100.00%	100.00%	
37	Bretagne Manutention SAS (formerly: Bretagne Manutention S.A.)	Pacé	France	41	100.00%	100.00%	
38	Dematic SAS	Bussy-Saint-Georges	France	82	100.00%	100.00%	
39	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	42	100.00%	100.00%	
40	FENWICK-LINDE OPERATIONS SAS	Cenon sur Vienne	France	41	100.00%	–	[1]
41	FENWICK-LINDE SAS (formerly: FENWICK-LINDE S.A.R.L.)	Elancourt	France	42	100.00%	100.00%	
42	KION France SERVICES SAS	Elancourt	France	13	100.00%	100.00%	
43	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	41	74.04%	77.01%	
44	Manuchar SAS (formerly: Manuchar S.A.)	Gond Pontouvre	France	41	100.00%	100.00%	
45	MANUSOM SAS	Rivery	France	49	100.00%	100.00%	
46	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	49	100.00%	100.00%	
47	SM Rental SAS	Roissy Charles de Gaulle	France	41	100.00%	100.00%	
48	STILL Location Services SAS	Marne la Vallée	France	42	100.00%	100.00%	
49	STILL SAS	Marne la Vallée	France	42	100.00%	100.00%	
50	URBAN LOGISTIQUE SAS	Elancourt	France	22	100.00%	100.00%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
51	Dematic Ltd.	Banbury	UK	82	100.00%	100.00%	
52	Dematic Group Ltd.	Banbury	UK	85	100.00%	100.00%	
53	Dematic Holdings UK Ltd.	Banbury	UK	82	100.00%	–	[1]
54	Dematic Services Ltd.	Banbury	UK	84	100.00%	100.00%	
55	Egemin UK Ltd.	Huntingdon	UK	29	100.00%	100.00%	
56	FSU Investments Ltd.	Banbury	UK	82	100.00%	100.00%	
57	KION FINANCIAL SERVICES Ltd.	Basingstoke	UK	72	100.00%	100.00%	
58	Linde Castle Ltd.	Basingstoke	UK	62	100.00%	100.00%	
59	Linde Creighton Ltd.	Basingstoke	UK	62	100.00%	100.00%	
60	Linde Holdings Ltd.	Basingstoke	UK	72	100.00%	100.00%	
61	Linde Jewsbury's Ltd.	Basingstoke	UK	62	100.00%	100.00%	
62	Linde Material Handling (UK) Ltd.	Basingstoke	UK	60	100.00%	100.00%	
63	Linde Material Handling East Ltd.	Basingstoke	UK	62	100.00%	100.00%	
64	Linde Material Handling Scotland Ltd.	Basingstoke	UK	62	100.00%	100.00%	
65	Linde Material Handling South East Ltd.	Basingstoke	UK	62	100.00%	100.00%	
66	Linde Severnside Ltd.	Basingstoke	UK	62	100.00%	100.00%	
67	Linde Sterling Ltd.	Basingstoke	UK	62	100.00%	100.00%	
68	Mirror Bidco Ltd.	Banbury	UK	85	100.00%	100.00%	
69	SDI Group Ltd.	Banbury	UK	56 & 82	100.00%	100.00%	
70	SDI Group UK Ltd.	Banbury	UK	69	100.00%	100.00%	
71	STILL Materials Handling Ltd.	Exeter	UK	72	100.00%	100.00%	
72	Superlift UK Ltd.	Basingstoke	UK	13	100.00%	100.00%	
73	KION India Pvt. Ltd.	Pune	India	111	100.00%	100.00%	
74	Linde Material Handling (Ireland) Ltd.	Walkinstown	Ireland	60	100.00%	100.00%	
75	Baoli EMEA S.p.A. (formerly: STILL ITALIA S.p.A.)	Lainate	Italy	21	100.00%	100.00%	
76	Dematic S.r.l.	Cernusco sul Naviglio	Italy	82	100.00%	100.00%	
77	Emhilia Material Handling S.p.A.	Modena	Italy	79	100.00%	100.00%	
78	KION Rental Services S.p.A.	Milan	Italy	75 & 79 & 80	100.00%	100.00%	
79	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	13	100.00%	100.00%	
80	OM Carrelli Elevatori S.p.A.	Lainate	Italy	13 & 75	100.00%	100.00%	
81	Dematic Ltd.	Mississauga	Canada	82	100.00%	100.00%	
82	Dematic Group S.à r.l.	Senningerberg	Luxembourg	83	100.00%	100.00%	
83	Dematic Holding S.à r.l.	Senningerberg	Luxembourg	52	100.00%	100.00%	
84	DH Services Luxembourg Holding S.à r.l.	Senningerberg	Luxembourg	1	100.00%	100.00%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
85	DH Services Luxembourg S.à r.l.	Senningerberg	Luxembourg	54	100.00%	100.00%	
86	Dematic (Malaysia) Sdn. Bhd.	Shah Alam	Malaysia	109	100.00%	100.00%	
87	Dematic Logistics de Mexico S. de R.L. de C.V.	Monterrey	Mexico	51 & 115	100.00%	100.00%	
88	DMTC Technology Services, S. de R.L. de C.V.	Monterrey	Mexico	51 & 115	100.00%	100.00%	
89	Dematic Trading de Mexico S. de R.L. de C.V.	Mexico City	Mexico	51 & 115	100.00%	100.00%	
90	Dematic B.V. (formerly: Egemin Handling Automation B.V.)	Gorinchem	Netherlands	5	100.00%	100.00%	
91	STILL Intern Transport B.V.	Hendrik Ido Ambacht	Netherlands	21	100.00%	100.00%	
92	STILL Norge AS	Heimdal	Norway	21	100.00%	100.00%	
93	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	80	100.00%	100.00%	
94	Linde Material Handling Austria GmbH (formerly: Linde Fördertechnik GmbH)	Linz	Austria	13 & 93	100.00%	100.00%	
95	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	21	100.00%	100.00%	
96	Dematic Poland Sp. z o.o.	Poznań	Poland	3	100.00%	100.00%	
97	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	13	100.00%	100.00%	
98	STILL POLSKA Sp. z o.o.	Gadki	Poland	21	100.00%	100.00%	
99	STILL MATERIAL HANDLING ROMANIA SRL	Giurgiu	Romania	13 & 21	100.00%	100.00%	
100	OOO "Linde Material Handling Rus"	Moscow	Russia	13 & 7	100.00%	100.00%	
101	OOO "STILL Forklifttrucks"	Moscow	Russia	13 & 21	100.00%	100.00%	
102	Linde Material Handling AB	Örebro	Sweden	13	100.00%	100.00%	
103	Linde Material Handling Financial Services AB	Örebro	Sweden	102	100.00%	–	[1]
104	Nordtruck AB	Örnsköldsvik	Sweden	102	100.00%	25.00%	
105	STILL Sverige AB	Malmö	Sweden	21	100.00%	100.00%	
106	Dematic Suisse Sagl	Lugano	Switzerland	82	100.00%	100.00%	
107	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	13	100.00%	100.00%	
108	STILL AG	Otelfingen	Switzerland	21	100.00%	100.00%	
109	Dematic S.E.A. Pte. Ltd.	Singapore	Singapore	82	100.00%	100.00%	
110	KION South Asia Pte. Ltd.	Singapore	Singapore	13	100.00%	100.00%	
111	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	13	100.00%	100.00%	
112	Linde Material Handling Slovenská republika s.r.o.	Trenčín	Slovakia	13 & 122	100.00%	100.00%	
113	STILL SR, spol. s.r.o.	Nitra	Slovakia	21 & 125	100.00%	100.00%	
114	Linde Viličar d.o.o.	Celje	Slovenia	13	100.00%	100.00%	
115	Dematic Logistic Systems S.A.U.	Coslada	Spain	82	100.00%	100.00%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
116	Islavista Spain S.A.U.	L'Hospitalet de Llobregat	Spain	13	100.00%	100.00%	
117	KION Rental Services S.A.U.	Barcelona	Spain	116	100.00%	100.00%	
118	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	116	100.00%	100.00%	
119	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	116	100.00%	100.00%	
120	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	13	100.00%	100.00%	
121	KION Supply Chain Solutions Czech, s.r.o.	Český Krumlov	Czech Republic	52	100.00%	100.00%	
122	Linde Material Handling Česká republika s.r.o.	Prague	Czech Republic	13 & 21	100.00%	100.00%	
123	Linde Material Handling Parts Distribution CZ s.r.o.	Český Krumlov	Czech Republic	13	100.00%	100.00%	
124	Linde Pohony s.r.o.	Český Krumlov	Czech Republic	13	100.00%	100.00%	
125	STILL ČR spol. s.r.o.	Prague	Czech Republic	13 & 21	100.00%	100.00%	
126	STILL Regional Service Center, s.r.o.	Prague	Czech Republic	21	100.00%	–	[1]
127	STILL ARSER İş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	21	51.00%	51.00%	
128	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	13	100.00%	100.00%	
129	STILL Kft.	Környe	Hungary	21	100.00%	100.00%	
130	Dematic Corp.	Grand Rapids	United States	68	100.00%	100.00%	
131	KION North America Corp.	Summerville	United States	13	100.00%	100.00%	
132	Dematic International Trading Ltd.	Shanghai	People's Republic of China	82	100.00%	100.00%	
133	Dematic Logistics Systems Ltd.	Suzhou	People's Republic of China	82	100.00%	100.00%	
134	Egemin Asia Pacific Automation Ltd.	Causeway Bay – Hong Kong	People's Republic of China	29	100.00%	100.00%	
135	Egemin (Shanghai) Trading Company Ltd.	Shanghai	People's Republic of China	134	100.00%	100.00%	
136	KION ASIA (HONG KONG) Ltd.	Kwai Chung – Hong Kong	People's Republic of China	13	100.00%	100.00%	
137	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jiangjiang	People's Republic of China	136	100.00%	100.00%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
138	Linde Material Handling Hong Kong Ltd.	Kwai Chung - Hong Kong	People's Republic of China	13	100.00%	100.00%	
139	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	People's Republic of China	13	100.00%	100.00%	

Non-consolidated subsidiaries

Domestic

140	Comnovo GmbH	Dortmund	Germany	13	100.00%	–	[1]
141	KION IoT Systems GmbH	Frankfurt am Main	Germany	1	100.00%	–	[1]
142	Klaus Pahlke Betriebsführungs-GmbH	Haan	Germany	13	100.00%	100.00%	
143	Linde Material Handling Rental Services GmbH	Aschaffenburg	Germany	13	100.00%	–	[1]
144	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	80	100.00%	100.00%	[R]
145	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.00%	100.00%	
146	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	13	100.00%	100.00%	
147	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	25	74.00%	74.00%	
148	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	25	74.00%	74.00%	
149	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	25	74.00%	74.00%	

Foreign

150	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	62 & 13	100.00%	100.00%	[R]
151	NDC Automation Pty. Ltd.	Belrose	Australia	27	100.00%	100.00%	[R]
152	NDC Manage Pty. Ltd.	Belrose	Australia	27	100.00%	100.00%	[R]
153	Baoli France SAS	Elancourt	France	42	100.00%	100.00%	
154	SCI Champ Lagarde	Elancourt	France	41	100.00%	100.00%	
155	Castle Lift Trucks Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
156	Creighton Materials Handling Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
157	D.B.S. Brand Factors Ltd.	Basingstoke	UK	67	100.00%	100.00%	[R]
158	Fork Truck Rentals Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
159	Fork Truck Training Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
160	Lancashire (Fork Truck) Services Ltd.	Basingstoke	UK	67	100.00%	100.00%	[R]
161	Linde Heavy Truck Division Ltd.	Basingstoke	UK	62	100.00%	100.00%	
162	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	UK	59	100.00%	100.00%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
163	Reddwerks Ltd.	Banbury	UK	130	100.00%	100.00%	[R]
164	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	UK	67	100.00%	100.00%	[R]
165	Sterling Mechanical Handling Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
166	Trifik Services Ltd.	Basingstoke	UK	62	100.00%	100.00%	[R]
167	Urban Logistics (UK) Ltd.	Basingstoke	UK	22	100.00%	100.00%	
168	Handling & Storage Equipment (Ireland) Ltd.	Walkinstown	Ireland	74	100.00%	100.00%	[R]
169	Carest SRL	Lainate	Italy	80	100.00%	100.00%	[R]
170	COMMERCIALE CARRELLI S.r.l.	Lainate	Italy	75 & 78	100.00%	100.00%	[R]
171	QUALIFT S.p.A.	Verona	Italy	79	100.00%	100.00%	
172	URBAN LOGISTICA S.R.L.	Lainate	Italy	22	100.00%	100.00%	
173	WHO Real Estate UAB	Vilnius	Lithuania	25	74.00%	74.00%	
174	Linde Material Handling (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	111	100.00%	100.00%	
175	Linde Viljuškari d.o.o.	Vrčin	Serbia	94	100.00%	100.00%	
176	IBER-MICAR S.L.	Gavà	Spain	13	100.00%	100.00%	
177	Dematic Thailand Co. Ltd.	Bangkok	Thailand	109 & 200	73.89%	73.89%	
178	Linde Material Handling (Thailand) Co., Ltd.	Pathum Thani	Thailand	111	100.00%	100.00%	
179	Baoli Material Handling Europe s.r.o.	Prague	Czech Republic	137	100.00%	100.00%	
180	Použitý Vozík CZ, s.r.o.	Prague	Czech Republic	122	100.00%	100.00%	
181	Urban Transporte spol. s.r.o.	Moravany	Czech Republic	22	100.00%	100.00%	
182	TOV "Linde Material Handling Ukraine"	Kiev	Ukraine	13 & 7	100.00%	100.00%	

Associates (equity-accounted investments)

Domestic

183	Carl Beuthauser Kommunal- und Fördertechnik GmbH & Co. KG	Hagelstadt	Germany	13	25.00%	25.00%	
184	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	13	21.00%	21.00%	
185	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	13	10.00%	10.00%	
186	Pelzer Fördertechnik GmbH	Kerpen	Germany	13	24.96%	24.96%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
Foreign							
187	Linde High Lift Chile S.A.	Santiago de Chile	Chile	13	45.00%	45.00%	
188	Labrosse Equipement SAS (formerly: Labrosse Equipement S.A.)	Saint-Péray	France	41	34.00%	34.00%	
189	Normandie Manutention SAS (formerly: Normandie Manutention S.A.)	Saint-Etienne du Rouvray	France	41	34.00%	34.00%	
Joint Ventures (equity-accounted investments)							
Domestic							
190	Linde Leasing GmbH	Wiesbaden	Germany	13	45.00%	45.00%	
Foreign							
191	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	13 & 21	50.00%	50.00%	
Associates (at cost)							
Domestic							
192	JETSCHKE GmbH	Hamburg	Germany	13	21.00%	21.00%	
193	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	13	10.00%	10.00%	
194	MV Fördertechnik GmbH	Blankenhain	Germany	13	25.00%	25.00%	
195	Supralift Beteiligungs- und Kommunikations-gesellschaft mbH	Hofheim am Taunus	Germany	13	50.00%	50.00%	
196	Supralift GmbH & Co. KG	Hofheim am Taunus	Germany	13	50.00%	50.00%	
Foreign							
197	Chadwick Materials Handling Ltd.	Corsham	UK	62	48.00%	48.00%	
198	Bari Servizi Industriali S.C.A R.L.	Modugno	Italy	80	25.00%	25.00%	
199	Carretilas Elevadoras Sudeste S.A.	Murcia	Spain	118	38.54%	38.54%	
200	Dematic Holding (Thailand) Co., Ltd.	Bangkok	Thailand	109	48.90%	48.90%	
201	Motorové závody JULI CZ s.r.o.	Moravany	Czech Republic	13	50.00%	50.00%	
202	DEMATIC ELECTROMECHANICAL SYSTEMS MIDDLE EAST L.L.C.	Dubai	United Arab Emirates	3	49.00%	49.00%	

List of shareholdings as at 31 December 2017 (continued)

TABLE 126

No.	Name	Registered office	Country	Parent company	Share-holding 2017	Share-holding 2016	Note
Financial investments							
Foreign							
203	Balyo SA	Moissy-Cramayel	France	13	6.48%	10.00%	[2]
204	TPZ Linde Viličari Hrvatska d.o.o.	Zagreb	Croatia	13	20.00%	20.00%	[2]

[1] New during 2017

[2] 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 2017 amounted to €2.1 million (2016: €1.8 million) for the audit of the financial statements, €0.1 million (2016: €0.0 million) for other attestation services, €0.0 million (2016: €0.0 million) for tax consultancy services and €0.1 million (2016: €0.1 million) for other services.

[49] COMPLY-OR-EXPLAIN STATEMENT REGARDING THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)

In December 2017, the Executive Board and Supervisory Board of KION GROUP AG submitted their comply-or-explain statement for 2017 relating to the recommendations of the German Corporate Governance Code government commission pursuant to section 161 AktG. The comply-or-explain statement has been made permanently available to shareholders on the website of KION GROUP AG at kiongroup.com/comply_statement.

[50] EVENTS AFTER THE REPORTING DATE

In January 2018, the term of the revolving credit facility of €1,150.0 million agreed under the SFA was extended by a year, which means the KION Group can now utilise this credit facility until February 2023.

[51] INFORMATION ON PREPARATION AND APPROVAL

The Executive Board of KION GROUP AG prepared the consolidated financial statements on 21 February 2018 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.

Frankfurt am Main, 21 February 2018

The Executive Board



Gordon Riske



Dr Eike Böhm



Ching Pong Quek



Dr Thomas Toepfer

Independent auditors' report

To KION GROUP AG, Wiesbaden/Germany

Report on the audit of the consolidated financial statements and the combined management report

Audit opinions

We have audited the consolidated financial statements of KION GROUP AG, Wiesbaden/Germany, and its subsidiaries (Group) – which comprise the consolidated balance sheet as at 31 December 2017, the group income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the business year from 1 January to 31 December 2017 as well as the notes to the consolidated financial statements including a summary of significant accounting methods. In addition, we have audited the combined management report on the entity and the Group of KION GROUP AG, Wiesbaden/Germany, for the business year from 1 January to 31 December 2017. In conformity with German legal regulations we have not audited the parts of the combined management report specified in the Chapter “Other information” of our independent auditors' report with regard to their content.

In our opinion, based on our knowledge obtained during the audit

- the accompanying consolidated financial statements in all material respects comply with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) German Commercial Code (HGB) and give a true and fair view of the net assets and financial position in accordance with German principles of proper accounting as at 31 December 2017 as well as its results of operations for the business year from 1 January to 31 December 2017, and
- the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects, this combined management report is consistent

with the consolidated financial statements, complies with the German statutory requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the parts of the combined management report detailed in the Chapter “Other information”.

Pursuant to Sec. 322 (3) Sentence 1 of the German Commercial Code (HGB), we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements and the combined management report.

Basis for audit opinions

We conducted our audit of the consolidated financial statements and combined management report in accordance with Sec. 317 of the German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014, hereinafter “EU Audit Regulation”), and German generally accepted standards for the audit of consolidated financial statements promulgated by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer] (IDW). Our responsibilities under these requirements and principles are further described in the Chapter “Auditors' responsibility for the audit of the consolidated financial statements and the combined management report” of our independent auditors' report. We are independent of the group entities in accordance with European and German commercial law and rules of professional conduct and we have fulfilled our other ethical responsibilities applicable in Germany in accordance with these requirements. In addition, pursuant to Article 10 (2) Lit. f) of the EU Audit Regulation, we declare that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the business year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon but we do not provide a separate opinion on these matters.

In the following we present the key audit matters in our view:

- 1) Recoverability of the goodwill and brand names with indefinite useful life
- 2) Recognition of leases as regards sales
- 3) Realisation of revenue regarding construction contracts in the Supply Chain Solutions business segment

Our presentation of these key audit matters has been structured as follows:

- a) Description (including reference to corresponding information within the consolidated financial statements)
- b) Auditors' response

1) Recoverability of the goodwill and brand names with indefinite useful life

- a. As at 31 December 2017, the goodwill and brand names with indefinite useful life in the consolidated financial statements amount to mEUR 3,382.5 (30.1% of total assets) and mEUR 943.7 (8.4% of total assets), respectively. The goodwill and brand names with indefinite useful life are tested by Management for impairment each year. This impairment test is conducted regardless of whether there are external or internal indicators for an impairment. The impairment test is conducted at the level of the operating entities as cash-generating units by determining the corresponding realisable amount and comparing that realisable amount with the corresponding carrying value. The realisable amount is determined using the

discounted cash flow method on the basis of KION GROUP AG's budget consisting of the operative three-years plan (budget 2018 and medium-term budget 2019 to 2020) as well as of a projection concerning two further years, which is adjusted using assumptions about long-term growth rates. The result of this measurement highly depends on the Legal representative's estimation of the forecast cash flows of the corresponding operating entities as well as the discount rate used (weighted average cost of capital – WAAC) and, therefore, is subject to great uncertainty. Therefore and due to the underlying complexity of the valuation models applied, this matter was of particular significance in the scope of our audit.

The entity's information on the goodwill and brand names with indefinite useful life is provided in Note [7] and [17] of the consolidated financial statements.

- b. During our audit, we, among other things, obtained an understanding of the method applied during the impairment test, the budget process of KION as well as the determination of the cashgenerating units and assessed the determination of the WACC. In this context, we considered the Group's adherence to the budget process over the past years.

Regarding the impairment test, we audited the appropriateness of the expected future cash flows mainly by comparing the information with the operative budget (2018) approved by the Supervisory Board and with the medium-term budget (2019 to 2020) approved by the Legal representatives and by examining the key valuation assumptions and parameters for plausibility based on expectations about macroeconomic and industry-specific trends. As a significant portion of the value in use has been determined based on projected cash flows for the period following the five-year budget (period of perpetuity), we also audited in particular the sustained growth rate applied for the period of perpetuity based on industry-specific market expectations. With respect to the evaluation of the discount rate, we consulted internal valuation specialists, who convinced themselves of the appropriateness of the discount

rate used based on market comparisons. Due to the great significance of the goodwill and the brand names with indefinite useful life in the consolidated financial statements, we finally conducted sensitivity analyses with regard to both the growth expectations of the future cash flows from the operating entities and the applied discount rate.

2) Recognition of leases as regards sales

a. To a great extent, KION uses leases as a sales instrument in the business segment Industrial Trucks & Services. The corresponding agreements comprise contracts, under which the KION entities qualify as contract parties, and those, under which the lease object was sold to external financial partners. The following three contract types are primarily used:

- Single Step Lease: The lease object is directly leased to the consumer.
- Sale and Leaseback Sublease: The lease object is sold to a financial partner and subsequently leased back. At the same time, the lease object is also rented out under a sublease contract to the consumer.
- Indirect consumer financing: The (lease) object is sold to a financial partner, who rents it out to a consumer.

As at 31 December 2017, the carrying value of the lease receivables and of the lease assets amounts to mEUR 875.8 (finance leases) (7.8% of total assets) and mEUR 1,173.7 (operating leases and indirect consumer financing, which does not meet the requirements under IAS 18) (10.5% of total assets), respectively. Single-step leases and sale-and-leaseback sublease contract types are classified as finance leases or operating leases within the meaning of IAS 17. Revenue realisation with respect to the indirect consumer financing is governed by IAS 18 and, consequently, depends on whether the material benefits and risks are transferred to the financial partner. If the requirements for realisation of revenue according to IAS 18 are not met, the purchase price paid by the financing party is recognised as deferred charge and proportionately recognised as revenue over the term of the lease agreement between financing party and consumer.

Group-wide, consistent lease applications shall ensure that the recognition, categorisation and classification of the various contract types according to the IFRS are complete and correct. The determination of the criteria and parameters in these applications are subject to the Legal representative's judgement. The classification and entry routines of the lease applications are updated, programmed and managed centrally in Germany while the contract input is performed locally in the operating or the Group's own financial services entities. In the financial year 2017, in this context, a new lease application was introduced in the operating group entities, with this new application replacing the previous applications in selected component areas.

Due to the high transaction volume in connection with the various contract types, any errors in this area may considerably affect the consolidated financial statements. For this reason, the assessment of the accounting for leases was of particular significance in the scope of our audit.

The entity's information on the accounting for leases is provided in the Notes [7], [18], [19], [22], [31] and [34].

b. As part of our audit, we first updated our understanding of the process including our understanding of the existing contract types as well as the entity's internal controls regarding leases.

In the light of our understanding of the organisational composition and the overall process, the audit on the one hand focused on the lease applications used and on the other hand on the completeness and accuracy of the data input in the individual component areas.

With respect to the lease applications used, we examined, where required, the appropriateness, implementation and effectiveness of the IT controls in line with our audit strategy. As part of this examination, we consulted internal IT specialists.

In a next step, we obtained an understanding of whether the automated entry and classification routines used in the lease applications comply with the relevant IFRS. To this end, we first examined the KION Accounting Manual, which represents

the basis for routine programming, for conformity with the IFRS. In addition, we assessed whether the entry and classification routines have been appropriate. To this end, regarding the lease applications, which have already been used in the prior year, we examined, on the one hand, the revision protocols of the financial year for compliance with the KION Accounting Manual. On the other hand, we made examinations on a sample basis both in the form of random samples and judgemental selections by making sure that all contract types used were subject to the examination. Based on the data inputs, we assessed for each selected contract whether the results of the lease applications comply with the relevant IFRS.

We examined the data inputs made in the financial year in the individual component areas for accuracy directly in the operating entities on a sample basis in the form of mathematical and statistical methods and extrapolated any identified deviations to the corresponding basic population. In this context, apart from the accuracy, we audited the appropriate cut-off and completeness of the data inputs on the basis of the original contracts. Where required, we received confirmations of third parties to assess the completeness of the entered contracts.

Due to the introduction of a new lease application in selected group entities in the financial year, we additionally examined the required migration of the historical contract data for completeness and accuracy and the entry and classification routines for appropriateness. This examination was performed in the form of a reconciliation of the assessed results of the lease applications and comparison between the transferred and the migrated contract data.

3) Realisation of revenue regarding construction contracts in the Supply Chain Solutions business segment

- a. In the business segment Supply Chain Solutions, KION's revenue increased from mEUR 364.7 to mEUR 2,001.8 in the financial year 2017 primarily due to the acquisition of the Dematic group in November 2016. Accordingly, the business segment's contribution to the Group's total revenue increased from 6.5% to 26.2% due to the full-year effect.

Construction contracts, the determination of which is based on the percentage of completion of the individual projects, make up a significant portion of the revenue in the business segment Supply Chain Solutions as they amount to mEUR 1,725.6 and account for 86.2% of the business segment's total revenue. The percentage of completion is determined based on the proportion of the contract costs that have already been incurred to the total estimated contract costs as at the balance sheet date.

The revenue highly depends on estimations subject to the legal representative's judgement particularly concerning the total contract costs and the resulting percentage of completion. Also taking into account the high amount of revenue related to construction contracts in the consolidated financial statements, this matter is of particular significance in the scope of our audit.

The information in the notes to the consolidated financial statements concerning revenue realisation from construction contracts in the business segment Supply Chain Solutions is provided in Notes [7] and [8].

- b. As part of our audit, we deepened our knowledge of the processes concerning the project business including our understanding of the corresponding internal controls of the Group. We examined the appropriateness of the internal controls' design and implementation regarding the estimation of the percentage of completion and continued review of contract costs.

Based on that, we assessed the estimations made for individual projects, which were selected based on risk considerations. To this end, we examined the current cost reports and project calculations taking into account the customer contracts with respect to the percentage of completion of the selected projects. To this end, we additionally consulted the employees responsible for the relevant projects on matters such as the current project phase, any risks including penalties and changes to original assumptions and requested declarations on unexpected project developments, which were compared with supplementary evidence. In addition, we have convinced ourselves, where required, of the project

progress on site and have taken into account the adherence to the budget planning based on retrospective analyses of selected projects.

Other information

The legal representatives are responsible for the other information. The other information comprises the following documents received prior to the date of this independent auditors' report:

- the Group's statement on business management specified in the combined management report,
- The assurance pursuant to Sec. 297 (2) Sentence 4 German Commercial Code (HGB) to the consolidated financial statements and assurance pursuant to Sec. 315 (1) Sentence 5 German Commercial Code (HGB) to the Group management report, and
- The remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report as well as our independent auditors' report.

In addition, the other information comprises the separate non-financial Group report, which is expected to be published to KION GROUP AG's website by 30 April 2018.

Our audit opinions on the consolidated financial statements and the combined management report do not extend to cover the other information, and accordingly we do not issue an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be substantially misstated.

Responsibilities of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the requirements of the IFRS, as adopted in the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) German Commercial Code (HGB) in all material respects, so that the consolidated financial statements in accordance with German principles of proper accounting give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls they have identified as necessary in order to enable the preparation of consolidated financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the consolidated financial statements, the Legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they have the responsibility to disclose matters related to going concern, as applicable. In addition, they are responsible for using the going concern basis of accounting, unless this conflicts with the Group's intention to liquidate the Group or wind down operations or there is no realistic alternative.

In addition, the Legal representatives are responsible for the preparation of the combined management report, which as a whole provides a suitable view of the Company's position, is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. Furthermore, the Legal representatives are responsible for such arrangements and measures (systems) which it has deemed necessary in order to enable the preparation of a combined management report in accordance with the German commercial law to be applied and to furnish sufficient and appropriate evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditors' responsibility for the audit of the consolidated financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatements, whether intentional or unintentional, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the findings of the audit, is in accordance with German legal regulations, and appropriately presents the opportunities and risks of future development, as well as to issue an independent auditors' report that includes our opinions on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 of the German Commercial Code (HGB) and the EU Audit Regulation and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the combined management report.

As part of an audit, we exercise professional judgement and maintain professional scepticism. We also

- identify and assess the risks of material misstatements in the consolidated financial statements and in the combined management report, whether intentional or unintentional, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of the accounting policies used by the Legal representatives and the reasonableness of accounting estimates and related disclosures made by the Legal representatives.

- conclude on the appropriateness of the legal representative's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our independent auditors' report to the related disclosures in the consolidated financial statements and combined management report, or, if such disclosures are inadequate, to modify our corresponding opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with the IFRS, as applicable in the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) German Commercial Code (HGB).
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its legal consistency and the view provided of the Group's position.
- perform audit procedures on the forward-looking information presented by the Legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we particularly evaluate the significant assumptions underlying the forward-looking information by the Legal representatives and evaluate the correct derivation of forward-looking information from these assumptions. We do not issue an independent opinion on the forward-looking information or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking information.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control, which we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our independent auditors' report on the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Other information pursuant to Article 10 EU Audit Regulation

We were appointed by the annual general meeting on 11 May 2017 to audit the consolidated financial statements. We were engaged by the Supervisory Board on 16 May 2017 and 20/27 November 2017. We have been engaged continuously as the auditor of the consolidated financial statements of KION GROUP AG, Wiesbaden/Germany, which was named KION 1 Holding GmbH until 12 June 2013, since the business year 2007. Since the financial year 2013, the entity has been a public interest entity within the meaning of Sec. 319a (1) Sentence 1 German Commercial Code (HGB).

We confirm that the audit opinions contained in this independent auditors' report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation ("Prüfungsbericht").

Responsible Auditor

The auditor responsible for the audit is Kirsten Gräbner-Vogel.

Frankfurt am Main/Germany, 21 February 2018

Deloitte 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 group management report, which is combined with the Company's management report, 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.

Frankfurt am Main, 21 February 2018

The Executive Board



Gordon Riske



Dr Eike Böhm



Ching Pong Quek



Dr Thomas Toepfer