Notes to the condensed consolidated interim financial statements

BASIS OF PRESENTATION

General information on the Company

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

The condensed consolidated interim financial statements and the interim group management report were prepared by the Executive Board of KION GROUP AG on 25 July 2017.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the six months ended 30 June 2017 have been prepared in line with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and other International Financial Reporting Standards (IFRSs) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council concerning the application of international accounting standards for interim financial statements. A condensed scope of interim reporting has been prepared in accordance with IAS 34.

All of the IFRSs and the related interpretations (IFRICs/SICs) of the IFRS Interpretations Committee (IFRS IC) that had been issued by the reporting date and that were required to be applied for financial years commencing on or after 1 January 2017 have been applied in preparing these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not contain all the information and disclosures required of a set of consolidated annual financial statements and should therefore be read in conjunction with the consolidated financial statements prepared for the year ended 31 December 2016.

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

FINANCIAL REPORTING STANDARDS RELEASED BUT NOT YET ADOPTED

In general, newly published standards and interpretations are to be applied by the entities included in the KION Group only from the date on which they must be adopted for the first time. An exception is IFRS 16 'Leases', which because of its interactions with IFRS 15 'Revenue from Contracts with Customers' is expected to be adopted early, on 1 January 2018.

Based on an analysis of the implications of the first-time adoption of IFRS 15, it is currently expected that the vast majority of today's new business and service business contracts as well as construction contracts will continue to satisfy the requirements for revenue recognition at a point in time or over time. Further analysis of the first-time adoption of IFRS 16 indicates that procurement leases previously recognised as operating leases must in future be recognised as a right of use asset plus a corresponding lease liability and will therefore result in a slight rise in total assets. Moreover, the assets and liabilities recognised in the statement of financial position are predicted to increase significantly as a result of applying IFRS 16 and IFRS 15 particularly in the area of indirect end customer financing. A not insignificant proportion of these sales transactions is expected to be recognised as leases. The implications of the first-time adoption of IFRS 9 'Financial Instruments', especially in relation to the subsequent measurement of financial assets, are currently still being analysed.

The effects of the first-time adoption of the other published but not yet applied standards and interpretations on the presentation of the financial position and financial performance of the KION Group are expected to be insignificant.

Basis of consolidation

A total of 24 German (31 December 2016: 25) and 116 foreign (31 December 2016: 114) subsidiaries were fully consolidated in addition to KION GROUP AG as at 30 June 2017.

In addition, nine joint ventures and associates were consolidated and accounted for using the equity method as at 30 June 2017, which was the same number as at 31 December 2016.

57 (31 December 2016: 60) subsidiaries with minimal business volumes or no business operations and other equity investments were not included in the consolidation.

Acquisitions

The purchase price allocation for the acquisition of Dematic should continue to be regarded as provisional as at 30 June 2017 because some individual aspects, particularly in relation to deferred taxes, have not yet been fully evaluated. The reported purchase price should additionally be viewed as provisional subject to contractual verification by KION.

In the reporting period, there were no material changes in connection with the ongoing purchase price allocation.

Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are fundamentally the same as those used for the year ended 31 December 2016. These condensed consolidated interim financial statements are based on the interim financial statements of the parent company and its consolidated subsidiaries prepared in accordance with the standard accounting policies applicable throughout the KION Group.

ASSUMPTIONS AND ESTIMATES

The preparation of these condensed IFRS consolidated interim financial statements requires the use of assumptions and estimates for certain line items that affect recognition and measurement in the statement of financial position and the income statement. The actual amounts realised may differ from estimates. Assumptions and estimates are applied in particular:

- In assessing the need for and the amount of impairment losses on intangible assets, property, plant and equipment, and inventories;
- In determining the useful life of non-current assets;
- In classifying leases;
- In recognising and measuring defined benefit pension obligations and other provisions;
- In recognising and measuring current and deferred taxes;
- In recognising and measuring assets acquired and liabilities assumed in connection with business combinations; and
- In evaluating the stage of completion in the case of long-term construction contracts.

The estimates may be affected, for example, by deteriorating global economic conditions, by changes to exchange rates or interest rates and by commodity prices. Production errors, the loss of key customers and changes in financing can also impact on the Company's performance going forward. Changes are recognised in profit or loss when they become known and assumptions are adjusted accordingly.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Net financial income / expenses

The change in financial income and financial expenses is mainly attributable to currency effects. At the time of the early repayment of certain financial liabilities (see also the 'Financial liabilities' section below), deferred borrowing costs of €2.7 million were recognised under financial expenses.

Income taxes

In the consolidated interim financial statements, income taxes for the current reporting period are calculated on the basis of the expected income tax rate for the full year.

Earnings per share

Basic earnings per share is calculated by dividing the net income (loss) for the period accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (H1 2017: 110,680,763 no-par-value shares; H1 2016: 98,739,950 no-par-value shares; Q2 2017: 112,713,426 no-par-value shares; Q2 2016: 98,739,950 no-par-value shares). In the first half of 2017, the KION Group generated net income accruing to the shareholders of KION GROUP AG of €149.6 million (H1 2016: €95.5 million). Information about determining the net income (loss) for the period accruing to the KION GROUP AG shareholders can be found in the consolidated income statement. Basic earnings per share for the reporting period came to €1.35 (H1 2016: €0.97). The 164,486 no-par-value treasury shares repurchased by KION GROUP AG were not included in this figure as at 30 June 2017 (30 June 2016: 160,050).

Diluted earnings per share is calculated by adding the potential dilutive no-par-value shares that employees can obtain for free under the employee share option programme to the weighted average number of shares outstanding during the reporting period. The calculation of diluted earnings per share was based on a weighted average for the first half of 2017 of 110,729,900 no-par-value shares issued (H1 2016: 98,770,779 no-par-value shares; Q2 2017: 112,763,760 no-par-value shares; Q2 2016: 98,771,614 no-par-value shares). Diluted earnings per share for the reporting period came to €1.35 (H1 2016: €0.97).

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

The decrease in goodwill during the first six months of 2017, which declined by €162.6 million to €3,443.3 million (31 December 2016: €3,605.8 million), was mainly the result of currency effects.

Currency effects were also the reason why the value of the brand names fell by €30.0 million to €942.2 million (31 December 2016: €972.2 million). The total carrying amount for technology and development assets decreased by €52.6 million to €676.5 million (31 December 2016: €729.2 million). Of this reduction, €45.2 million was attributable to currency effects. The other reasons for the change are described in the 'Research and development' section of the interim group management report.

At €798.3 million, other intangible assets were well below their carrying amount as at 31 December 2016 (€929.5 million). This decrease was partly due to ongoing write-downs on the customer relationships acquired as part of the Dematic acquisition and on the order book, but primarily to the exchange-rate-related reduction in the carrying amount of the customer relationships acquired (€55.4 million).

Inventories

The rise in inventories compared with 31 December 2016 was largely attributable to the increase in work in progress (up by 15.3 per cent) and finished goods (up by 23.3 per cent). Write-downs of €5.5 million were recognised on inventories in the second quarter of 2017 (Q2 2016: €5.5 million) and of €9.1 million in the first half of 2017 (H1 2016: €9.0 million). Reversals of write-downs had to be recognised in the amount of €2.5 million in the second quarter of 2017 (Q2 2016: €0.7 million) and in the amount of €3.1 million in the first half of 2017 (H1 2016: €1.2 million) because the reasons for the write-downs no longer existed.

Trade receivables

The rise in trade receivables compared with 31 December 2016 was largely due to the increase of €15.0 million in receivables due from third parties and the increase of €25.9 million in construction contracts with a net credit balance due from customers. Receivables due from non-consolidated subsidiaries, equity-accounted investments and other equity investments rose by €10.1 million. Valuation allowances of €42.9 million (31 December 2016: €40.4 million) were recognised for trade receivables.

Equity

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG decided on 22 May 2017 to utilise the authorised capital created by the 2017 Annual General Meeting. The purpose of the capital increase was to partly refinance the bridge loan taken out for the acquisition of Dematic. The Company's share capital was increased by 8.55 per cent in return for cash contributions; shareholders' pre-emption rights were disapplied. 9.3 million new shares were issued, which increased the total number of shares from 108.79 million to 118.09 million. The gross proceeds from the capital increase came to €602.9 million. An amount of €593.6 million was paid into the capital reserves. The capital increase was entered in the commercial register on 23 May 2017.

The transaction costs of €2.9 million (net) that were directly attributable to the capital increase were recognised under capital reserves.

The total number of shares outstanding as at 30 June 2017 was 117,925,514 no-par-value shares (31 December 2016: 108,625,514 no-par-value shares). At the reporting date, KION GROUP AG held 164,486 treasury shares (31 December 2016: 164,486 treasury shares).

The distribution of a dividend of €0.80 per share (H1 2016: €0.77 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €86.9 million (H1 2016: €76.0 million).

Retirement benefit obligation

For the purposes of the interim report, a qualified estimate of the defined benefit obligation was made based on the change in actuarial parameters in the period under review.

The retirement benefit obligation was lower than it had been at the end of 2016 owing to actuarial gains resulting mainly from higher discount rates in the eurozone. The present value of the defined benefit obligation was calculated on the basis of the discount rates shown in > TABLE 25.

Discount rate TABLE 25

	30/06/2017	31/12/2016
Germany	2.15%	1.90%
UK	2.55%	2.55%
USA	3.80%	4.05%
Other (weighted average)	1.51%	1.35%

The change in estimates in relation to defined benefit pension entitlements resulted in an increase in equity of €37.1 million as at 30 June 2017 (after deferred taxes). Furthermore, in June 2017, employer contributions of €5.5 million were made to plan assets for a defined benefit pension plan in the USA due to the statutory minimum funding provisions that apply. Overall, the net defined benefit obligation decreased to €935.5 million (31 December 2016: €978.7 million).

Financial liabilities

The KION Group undertook two financing measures to partly refinance the bridge loan (acquisition facilities agreement, AFA), drawn down in an amount of €2,543.2 million, that it had taken out to fund the Dematic acquisition. In the first quarter of 2017, a promissory note with a nominal value totalling €1,010.0 million was issued. Then in May 2017, a capital increase generated gross proceeds of €602.9 million. The funds from these financing measures were used to fully repay tranche A2 of the AFA of €343.2 million and tranche B of the AFA of €1,200.0 million. The third tranche of the bridge loan, which has a volume of €1,000.0 million, matures in October 2021.

The promissory note for €1,010.0 million is divided into several tranches that mature in May 2022, April 2024 and April 2027 and have floating-rate as well as fixed coupons. Directly attributable transaction costs of €3.1 million were incurred in connection with the issuance of the promissory note. These were deducted from the fair value of each tranche on initial recognition and will be expensed over subsequent periods. In the first quarter of 2017, the KION Group entered into a number of interest-rate derivatives in order to hedge the interest-rate risk resulting from the floating-rate tranches. The interest-rate derivatives were recognised using cash flow hedge accounting.

In the second quarter of 2017, the fixed-term tranche of €350.0 million drawn down under the senior facilities agreement (SFA) was reduced to an outstanding amount of €270.0 million by a partial repayment of €80.0 million. As at 30 June 2017, an amount of €160.4 million had been drawn down from the revolving credit facility agreed under the SFA, which includes other loan liabilities and contingent liabilities. The drawdowns under the revolving credit facility are classified as short term.

All covenants were complied with as at the end of the half-year period.

OTHER DISCLOSURES

Information on financial instruments

The carrying amounts and fair values of financial assets and liabilities in accordance with IFRS 7 are shown in > TABLE 26.

Whereas lease liabilities arising from sale and leaseback transactions stood at €1,037.5 million (31 December 2016: €1,007.2 million), lease receivables arising from sale and leaseback transactions amounted to €669.5 million (31 December 2016: €663.4 million) and leased assets under sale and leaseback transactions totalled €390.3 million (31 December 2016: €367.5 million).

The liabilities from finance leases recognised within other financial liabilities comprise liabilities arising from the financing of industrial trucks for short-term rental of €451.8 million (31 December 2016: €440.0 million) and residual value obligations of €17.2 million (31 December 2016: €16.7 million). Within other financial liabilities, the KION Group has also recognised liabilities from finance leases amounting to €28.2 million (31 December 2016: €21.0 million) arising from procurement leases, which are classified as finance leases due to their terms and conditions. Other financial liabilities also included designated leasing credit lines that have been drawn down in an amount of €24.5 million (31 December 2016: €8.3 million).

The non-consolidated subsidiaries and other equity investments that are shown as at 30 June 2017 in > TABLE 26 are, with the exception of the equity investment in Balyo SA, carried at cost less impairment losses, as observable fair values are not available and reliable results cannot be obtained using other permitted measurement techniques. At present there is no intention to sell these financial instruments. Because Balyo SA successfully floated on the stock market in June 2017, this equity investment is carried at fair value.

Carrying amounts and fair values broken down by class TABLE 26

	30/06/2017		31/12/2016	
in € million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-consolidated subsidiaries and other investments	29.1	29.1	22.2	22.2
Loans receivable	2.8	2.8	4.6	4.6
Financial receivables	37.9	37.9	21.3	21.3
Other financial investments	19.2	19.2	20.7	20.7
Lease receivables[1]	756.8	763.3	731.5	740.8
Trade receivables	1,047.5	1,047.5	998.9	998.9
thereof construction contracts with a net credit balance due from customers[2]	129.0	129.0	103.1	103.1
Other financial receivables	88.5	88.5	60.6	60.6
thereof non-derivative receivables	52.1	52.1	50.3	50.3
thereof derivative financial instruments	36.4	36.4	10.3	10.3
Cash and cash equivalents	157.0	157.0	279.6	279.6
Financial liabilities				
Liabilities to banks	1,474.7	1,482.3	3,175.8	3,188.6
Promissory note	1,007.0	1,010.6	–	–
Other financial liabilities to non-banks	8.9	8.9	7.2	7.2
Lease liabilities[1]	1,037.5	1,041.0	1,007.2	1,017.5
Trade payables	947.5	947.5	802.2	802.2
Other financial liabilities	608.2	609.9	571.9	576.7
thereof non-derivative liabilities	90.2	90.2	71.8	71.8
thereof liabilities from finance leases[1]	497.2	498.9	477.7	482.5
thereof derivative financial instruments	20.7	20.7	22.4	22.4

1 as defined by IAS 17
2 as defined by IAS 11

FAIR VALUE MEASUREMENT AND ASSIGNMENT TO CLASSIFICATION LEVELS

The following tables show the assignment of fair values to the individual classification levels as defined by IFRS 13 for financial instruments measured at fair value. > TABLES 27 – 28

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

Financial instruments measured at fair value TABLE 27

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	30/06/2017
Financial assets				**46.5**
thereof investments in non-consolidated subsidiaries and other investments	9.7			9.7
thereof other financial investments	0.5			0.5
thereof derivative instruments		36.4		36.4
Financial liabilities				**20.7**
thereof derivative instruments		20.6	0.1	20.7

Financial instruments measured at fair value TABLE 28

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	31/12/2016
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

of the currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date.

The financial liabilities allocated to Level 3 relate to a call option of Weichai Power on 10.0 per cent of the shares in Linde Hydraulics. The unobservable inputs that were significant to fair value measurement as at the reporting date were unchanged compared with the end of 2016. Unrealised gains of €0.2 million in connection with the call option were recognised in net financial income/expenses in the first half of 2017 (H1 2016: €0.1 million).

In order to eliminate default risk to the greatest possible extent, the KION Group only ever 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. No financial instruments were transferred between Levels 1, 2 or 3 in the first six months of 2017.

Variable remuneration

KEEP EMPLOYEE SHARE OPTION PROGRAMME

As at 30 June 2017, KION Group employees held options on a total of 66,406 no-par-value shares (31 December 2016: 67,106). The total number of bonus shares granted therefore declined by 700 forfeited bonus shares in the first half of 2017. A pro-rata expense of €0.4 million for six months was recognised for bonus shares under functional costs in the first half of 2017 (H1 2016: €0.3 million).

KION PERFORMANCE SHARE PLAN (PSP) FOR MANAGERS

The 2017 tranche of the long-term, 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. At the beginning of the performance period on 1 January 2017, the managers were allocated a total of 0.2 million phantom shares for this tranche with a specific fair value. The allocation was based on a particular percentage of each manager's individual gross annual remuneration at the time of grant.

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 relating to the current tranches as at 30 June 2017 was €16.8 million (31 December 2016: €9.7 million). Of this amount, €9.4 million related to the 2015 tranche (31 December 2016: €7.1 million), €5.6 million to the 2016 tranche (31 December 2016: €2.6 million) and €1.8 million to the 2017 tranche.

KION PERFORMANCE SHARE PLAN (PSP) FOR THE EXECUTIVE BOARD

As part of the KION GROUP AG performance share plan, the Executive Board members are allocated phantom shares over a fixed period (three years). At the beginning of the performance period on 1 January 2017, the Executive Board members were allocated a total of 0.1 million phantom shares for this tranche with a specific fair value. The shares were allocated on the basis of an allocation value in euros specified in each Executive Board member's service contract.

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 relating to the current tranches as at 30 June 2017 was €12.5 million (31 December 2016: €7.6 million). Of this amount, €8.0 million related to the 2015 tranche (31 December 2016: €6.0 million), €3.6 million to the 2016 tranche (31 December 2016: €1.6 million) and €1.0 million to the 2017 tranche.

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.

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').

The following tables show information on the KION Group's operating segments for the second quarter of 2017 and 2016 and for the first half of 2017 and 2016. > TABLES 29 – 32

Segment report Q2 2017

TABLE 29

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	1,416.4	595.0	5.1	–	2,016.4
Intersegment revenue	0.6	1.0	60.7	–62.4	–
Total revenue	1,417.0	596.0	65.8	–62.4	2,016.4
Earnings before taxes	**158.7**	**21.9**	**83.7**	**–109.5**	**154.9**
Financial income	14.9	57.3	7.3	–6.8	72.7
Financial expenses	–23.2	–48.9	–17.1	7.6	–81.5
= Net financial expenses/income	–8.3	8.4	–9.8	0.8	–8.8
EBIT	**167.0**	**13.5**	**93.5**	**–110.3**	**163.7**
+ Non-recurring items	–0.5	3.1	2.9	–	5.6
+ PPA items	0.2	44.8	0.0	–	45.0
= Adjusted EBIT	**166.7**	**61.4**	**96.4**	**–110.3**	**214.2**
Profit from equity-accounted investments	12.6	0.0	0.0	–	12.6
Capital expenditure[1]	35.2	11.3	3.2	–	49.7
Amortisation and depreciation[2]	28.3	51.8	4.0	–	84.1
Order intake	1,513.7	452.3	65.8	–61.3	1,970.5

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

Segment report Q2 2016

TABLE 30

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	1,311.4	27.5	5.0	–	1,343.8
Intersegment revenue	0.3	0.3	51.3	–51.9	–
Total revenue	1,311.7	27.8	56.3	–51.9	1,343.8
Earnings before taxes	**137.5**	**–3.5**	**–5.8**	**–34.3**	**94.0**
Financial income	14.2	0.0	3.4	–3.0	14.6
Financial expenses	–24.8	–0.2	–15.4	3.0	–37.4
= Net financial expenses/income	–10.6	–0.2	–11.9	–0.1	–22.8
EBIT	**148.2**	**–3.3**	**6.1**	**–34.2**	**116.8**
+ Non-recurring items	1.0	1.6	14.5	–	17.1
+ PPA items	6.9	0.0	0.0	–	6.9
= Adjusted EBIT	**156.0**	**–1.7**	**20.7**	**–34.2**	**140.8**
Profit from equity-accounted investments	9.4	0.0	0.0	–	9.4
Capital expenditure[1]	31.1	0.5	5.0	–	36.6
Amortisation and depreciation[2]	33.6	1.5	4.5	–	39.6
Order intake	1,377.8	44.7	56.3	–51.7	1,427.1

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

Segment report Q1 – Q2 2017

TABLE 31

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	2,739.3	1,077.2	11.3	–	3,827.8
Intersegment revenue	0.9	1.8	118.6	–121.3	–
Total revenue	2,740.2	1,079.0	129.9	–121.3	3,827.8
Earnings before taxes	**276.7**	**–6.0**	**231.0**	**–286.2**	**215.6**
Financial income	26.1	61.6	19.1	–13.7	93.1
Financial expenses	–44.7	–63.5	–42.2	12.6	–137.7
= Net financial expenses/income	–18.6	–1.8	–23.0	–1.1	–44.6
EBIT	**295.3**	**–4.1**	**254.1**	**–285.0**	**260.2**
+ Non-recurring items	0.0	8.5	6.7	–	15.3
+ PPA items	0.4	91.2	0.0	–	91.6
= Adjusted EBIT	**295.8**	**95.5**	**260.8**	**–285.0**	**367.1**
Segment assets	8,833.0	4,425.7	1,494.3	–3,602.8	11,150.2
Segment liabilities	4,631.0	2,037.5	5,117.5	–3,615.0	8,171.0
Carrying amount of equity-accounted investments	79.3	0.0	0.0	–	79.3
Profit from equity-accounted investments	12.0	0.0	0.0	–	12.0
Capital expenditure[1]	64.0	22.3	6.1	–	92.4
Amortisation and depreciation[2]	55.5	104.9	8.3	–	168.7
Order intake	2,928.3	913.6	129.9	–119.6	3,852.3
Number of employees[3]	23,245	7,022	676	–	30,943

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 30/06/2017; allocation according to the contractual relationships

Segment report Q1 – Q2 2016

TABLE 32

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	2,508.3	47.3	9.0	–	2,564.5
Intersegment revenue	0.4	0.3	100.3	–101.1	–
Total revenue	2,508.7	47.6	109.3	–101.1	2,564.5
Earnings before taxes	**231.9**	**–5.0**	**–50.1**	**–34.3**	**142.5**
Financial income	28.4	0.0	11.4	–6.3	33.5
Financial expenses	–48.1	–0.3	–54.7	6.3	–96.8
= Net financial expenses/income	–19.7	–0.3	–43.3	–0.1	–63.3
EBIT	**251.6**	**–4.7**	**–6.9**	**–34.2**	**205.8**
+ Non-recurring items	2.7	2.2	15.1	–	20.0
+ PPA items	13.6	0.0	0.0	–	13.6
= Adjusted EBIT	**267.8**	**–2.5**	**8.3**	**–34.2**	**239.4**
Segment assets	8,626.9	162.1	622.7	–2,682.7	6,729.1
Segment liabilities	4,396.2	93.3	3,241.0	–2,691.9	5,038.7
Carrying amount of equity-accounted investments	77.1	0.0	0.0	–	77.1
Profit from equity-accounted investments	9.6	0.0	0.0	–	9.6
Capital expenditure[1]	56.4	0.7	7.2	–	64.3
Amortisation and depreciation[2]	67.0	2.2	8.7	–	77.9
Order intake	2,635.2	79.8	109.4	–100.6	2,723.8
Number of employees[3]	22,733	495	576	–	23,804

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 30/06/2016; allocation according to the contractual relationships

The non-recurring items in the first half of the year, which totalled €15.3 million (H1 2016: €20.0 million), were primarily incurred in connection with Dematic and relate to the integration and the start-up costs for the new factory in Monterrey, Mexico.

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.

Related party disclosures

In addition to the subsidiaries included in the condensed consolidated interim financial statements, the KION Group has direct or indirect business relationships with a number of non-consolidated subsidiaries, joint ventures and associates in the course of its ordinary business activities. According to IAS 24, related parties include entities that have control or significant influence over KION GROUP AG.

Weichai Power Co. Ltd., Weifang, China, indirectly holds 43.3 per cent of the shares in KION GROUP AG (31 December 2016: 43.3 per cent) and is the largest single shareholder. 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 2016.

The revenue generated by the KION Group in the first half of 2017 and second quarter of 2017 from selling goods and services to related parties is shown in > TABLE 33 along with the receivables that were outstanding at the reporting date. The receivables include a loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. The total commitment is €5.3 million, of which €4.0 million had been disbursed up to 30 June 2017. The loan has a variable interest rate. No valuation allowances for receivables from related parties had been recognised as at the reporting date, a situation that was unchanged on 31 December 2016.

The goods and services obtained from related parties in the first half of 2017 and second quarter of 2017 are shown in > TABLE 34 along with the liabilities that were outstanding at the reporting date.

Related party disclosures: receivables and sales

TABLE 33

	Receivables		Sales of goods and services			
in € million	30/06/2017	31/12/2016	Q2 2017	Q2 2016	Q1–Q2 2017	Q1–Q2 2016
Non-consolidated subsidiaries	30.8	22.8	9.8	6.3	16.3	11.4
Equity-accounted associates	26.6	19.7	39.8	43.4	80.2	84.7
Equity-accounted joint ventures	4.1	2.3	18.3	15.1	29.7	25.6
Other related parties*	7.1	4.7	4.6	3.3	10.2	6.5
Total	**68.6**	**49.5**	**72.5**	**68.0**	**136.4**	**128.2**

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

Related party disclosures: liabilities and purchases

TABLE 34

	Liabilities		Purchases of goods and services			
in € million	30/06/2017	31/12/2016	Q2 2017	Q2 2016	Q1–Q2 2017	Q1–Q2 2016
Non-consolidated subsidiaries	14.4	13.1	5.2	8.9	9.6	16.9
Equity-accounted associates	12.0	9.2	31.7	31.1	64.8	62.2
Equity-accounted joint ventures	55.0	54.4	20.6	20.4	42.6	38.4
Other related parties*	2.0	1.6	5.4	5.1	10.1	8.6
Total	**83.4**	**78.3**	**62.9**	**65.6**	**127.1**	**126.1**

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

Material events after the reporting date

Between the reporting date of these interim financial statements and 25 July 2017, there were no events or developments that would have led to a material change in the recognition or measurement of the individual assets and liabilities reported as at 30 June 2017 or that it would be necessary to disclose.

Wiesbaden, 25 July 2017

The Executive Board



Gordon Riske



Dr Eike Böhm



Ching Pong Quek



Dr Thomas Toepfer