Notes to the consolidated statement of financial position

[16] GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is broken down by segment as follows: > TABLE 068

Goodwill broken down by segment TABLE 068

in € million	2018	2017
Industrial Trucks & Services	**1,500.7**	**1,511.0**
LMH EMEA	817.2	817.7
STILL EMEA	549.2	549.7
KION Americas	21.3	23.5
KION APAC	112.9	120.1
Supply Chain Solutions	**1,924.2**	**1,871.5**
Dematic	1,924.2	1,871.5
Total goodwill	**3,424.8**	**3,382.5**

The change in goodwill in 2018 mainly resulted from currency effects.

The Group intends to retain and further strengthen the Linde, STILL, OM and KION brand names on a long-term basis. Brand names worth €466.2 million are assigned to the LMH EMEA CGU (31 December 2017: €466.2 million) and brand names worth €114.6 million to the STILL EMEA CGU (31 December 2017: €114.8 million). These assets are not amortised as they have an indefinite useful life. As at 31 December 2018, the brand names allocated to the KION APAC CGU had a carrying amount of €7.8 million (31 December 2017: €7.8 million) and had an indefinite useful life. The brand names allocated to the Supply Chain Solutions segment were worth €350.6 million as at 31 December 2018 (31 December 2017: €350.6 million) and essentially had an indefinite useful life. > TABLE 069

Intangible assets

TABLE 069

in € million	Goodwill	Brand names	Technology and development	Sundry intangible assets	Total
Balance as at 01/01/2017	**3,572.9**	**954.3**	**723.7**	**924.6**	**6,175.6**
Group changes	9.5	–	–	0.1	9.6
Currency translation adjustments	–199.8	–0.9	–59.8	–86.0	–346.5
Additions	–	–	75.4	28.8	104.2
Disposals	–	–	–	–0.3	–0.3
Amortisation	–	–0.2	–69.0	–148.2	–217.5
Impairment	–	–8.6	–	–	–8.6
Balance as at 31/12/2017	**3,382.5**	**944.6**	**670.3**	**719.0**	**5,716.5**
Gross carrying amount as at 31/12/2017	3,382.5	955.2	917.2	1,049.5	6,304.4
Accumulated amortisation	–	–10.6	–246.9	–330.5	–588.0
Balance as at 01/01/2018	**3,382.5**	**944.6**	**670.3**	**719.0**	**5,716.5**
Group changes	0.2	–	–	0.1	0.3
Currency translation adjustments	42.1	–0.2	16.1	21.0	78.9
Additions	–	–	84.0	26.7	110.7
Disposals	–	–	–0.2	–0.0	–0.2
Amortisation	–	–0.1	–76.6	–106.1	–182.8
Impairment	–	–	–	–1.7	–1.7
Reclassification	–	–	–4.0	4.0	–
Balance as at 31/12/2018	**3,424.8**	**944.3**	**689.7**	**662.9**	**5,721.6**
Gross carrying amount as at 31/12/2018	3,424.8	954.9	992.4	1,000.1	6,372.2
Accumulated amortisation	–	–10.6	–302.7	–337.3	–650.6

The total carrying amount for technology and development assets as at 31 December 2018 was €689.7 million (31 December 2017: €670.3 million). Development costs of €84.0 million were capitalised in the reporting year (2017: €75.4 million). Amortisation expenses of €76.6 million were also recognised (2017: €69.0 million); these expenses are reported under cost of sales. Research and development costs totalling €137.7 million (2017: €137.0 million) were expensed.

Other intangible assets relate in particular to licences, patents, software and customer relationships.

[17] LEASED ASSETS

The changes in leased assets in 2018 and 2017 were as follows:
> TABLE 070

Leased assets TABLE 070

in € million	2018	2017*
Balance as at 01/01/	**1,246.3**	**1,143.9**
Group changes	–	0.5
Currency translation adjustments	–9.7	–12.0
Additions	514.9	588.5
Disposals	–189.4	–169.1
Depreciation	–306.3	–305.6
Impairment	–0.4	–
Reclassification	6.4	0.1
Balance as at 31/12/	**1,261.8**	**1,246.3**
Gross carrying amount as at 31/12/	1,978.2	2,056.0
Accumulated depreciation	–716.4	–809.7

* Leased assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Leased assets are attributable to the Industrial Trucks & Services segment and relate to industrial trucks in the amount of €1,261.8 million (31 December 2017: €1,246.3 million) that are provided for use to external customers under operating leases in the direct leasing business or as part of the indirect leasing business.

Leased assets include assets provided to customers with a residual book value of €405.4 million (31 December 2017: €419.7 million) that are financed by means of sale and leaseback sub-lease transactions with leasing companies. Leased assets in connection with indirect leasing business are worth €639.5 million (31 December 2017: €724.4 million); the corresponding residual value obligations stood at €319.5 million (31 December 2017: €340.7 million).

Leased assets resulted in future lease payments expected to be paid by customers under operating leases amounting to €599.3 million (31 December 2017: €516.7 million).

The maturity structure of these expected future payments in the leasing business is shown in > TABLE 071.

Expected future payments from leasing business TABLE 071

in € million	2018	2017*
Payments from leasing business	**599.3**	**516.7**
due within one year	200.5	186.2
due in one to two years	153.5	126.3
due in two to three years	115.6	94.9
due in three to four years	76.8	62.8
due in four to five years	42.6	34.8
due in more than five years	10.3	11.8

* Leased assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[18] RENTAL ASSETS

The changes in rental assets in 2018 and 2017 were as follows:

> TABLE 072

Rental assets TABLE 072

in € million	2018	2017*
Balance as at 01/01/	**608.4**	**543.0**
Group changes	–	0.5
Currency translation adjustments	–8.6	–9.4
Additions	572.8	343.7
Disposals	–296.7	–93.7
Depreciation	–196.0	–175.8
Impairment	–2.9	–
Reclassification	–6.5	–
Balance as at 31/12/	**670.5**	**608.4**
Gross carrying amount as at 31/12/	1,081.6	933.2
Accumulated depreciation	–411.1	–324.8

* Rental assets for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Rental assets are allocated solely to the Industrial Trucks & Services segment and comprise assets in the short-term rental fleet. On the opposite side of the statement of financial position to the rental assets are liabilities from financial services of €307.1 million (31 December 2017: €0.0 million) arising from the financing of the short-term rental fleet by means of sale and leaseback sub-lease transactions and liabilities of €289.9 million recognised in other financial liabilities (31 December 2017: €515.7 million) arising on contracts entered into up to 31 December 2017.

[19] OTHER PROPERTY, PLANT AND EQUIPMENT

The changes in the carrying amounts of other property, plant and equipment are shown in > TABLE 073.

Other property, plant and equipment TABLE 073

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Advances paid and assets under construction	Total
Balance as at 01/01/2017*	**557.1**	**324.8**	**37.3**	**919.1**
Group changes	1.4	2.0	0.3	3.7
Currency translation adjustments	–13.1	–11.0	–1.1	–25.1
Additions	109.6	152.3	37.2	299.1
Disposals	–2.0	–2.7	–6.0	–10.8
Depreciation	–53.8	–129.0	–	–182.8
Impairment	–0.5	–5.8	–	–6.2
Reclassification	3.0	15.8	–20.9	–2.0
Balance as at 31/12/2017*	**601.7**	**346.5**	**46.7**	**994.9**
Gross carrying amount as at 31/12/2017	1,113.6	1,201.4	46.7	2,361.7
Accumulated depreciation	–511.9	–854.9	–	–1,366.8
Balance as at 01/01/2018	**601.7**	**346.5**	**46.7**	**994.9**
Group changes	–	0.0	–	0.0
Currency translation adjustments	–3.8	–0.5	0.1	–4.2
Additions	96.0	149.1	54.2	299.3
Disposals	–1.3	–2.6	–0.7	–4.6
Depreciation	–80.4	–125.9	–	–206.4
Impairment	–0.7	–0.6	–	–1.3
Reclassification	14.1	16.0	–30.0	0.0
Balance as at 31/12/2018	**625.5**	**382.0**	**70.3**	**1,077.8**
Gross carrying amount as at 31/12/2018	1,224.2	1,225.2	70.3	2,519.7
Accumulated depreciation	–598.7	–843.2	–	–1,441.9

* Other property, plant and equipment for 2017 were restated due to the initial application of IFRS 16

Land and buildings in the amount of €18.3 million (31 December 2017: €18.3 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

Other property, plant and equipment included a figure of €390.7 million for right-of-use assets related to procurement leases (31 December 2017: €347.4 million). Of this figure, €276.4 million was attributable to land and buildings (31 December 2017: €247.6 million) and €114.3 million to plant & machinery and office furniture & equipment (31 December 2017: €99.8 million). > TABLE 074

Right-of-use assets in other property, plant and equipment TABLE 074

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Total
Balance as at 01/01/2017*	**185.0**	**75.1**	**260.1**
Currency translation adjustments	–0.9	–1.1	–2.0
Additions	100.1	80.8	180.9
Disposals	–0.5	–0.7	–1.2
Depreciation	–36.0	–54.7	–90.8
Other	–	0.4	0.4
Balance as at 31/12/2017*	**247.6**	**99.8**	**347.4**
Gross carrying amount as at 31/12/2017	403.5	147.6	551.1
Accumulated depreciation	–155.9	–47.8	–203.7
Balance as at 01/01/2018	**247.6**	**99.8**	**347.4**
Currency translation adjustments	–0.6	–0.8	–1.4
Additions	81.5	69.6	151.1
Disposals	–0.4	–0.3	–0.7
Depreciation	–51.0	–53.8	–104.9
Other	–0.7	–0.2	–0.9
Balance as at 31/12/2018	**276.4**	**114.3**	**390.7**
Gross carrying amount as at 31/12/2018	483.6	214.6	698.2
Accumulated depreciation	–207.2	–100.2	–307.5

* Other property, plant and equipment for 2017 were restated due to the initial application of IFRS 16

The expense recognised in 2018 for procurement leases with a term of up to twelve months came to €13.0 million (2017: €14.6 million); the expense for procurement leases that relate to low-value assets was €5.1 million (2017: €3.2 million).

There were also obligations arising from short-term procurement leases that already existed as at 31 December 2018 but will be expensed in 2019 in an amount of €3.2 million (31 December 2017: €2.4 million).

[20] EQUITY-ACCOUNTED INVESTMENTS

The KION Group reported equity-accounted investments with a total carrying amount of €82.3 million as at 31 December 2018 (31 December 2017: €80.3 million).

The carrying amount of the equity-accounted investments mainly resulted from the shares (10.0 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg ('Linde Hydraulics'), the shares (45.0 per cent) in Linde Leasing GmbH, Wiesbaden, the shares (45.0 per cent) in Linde High Lift Chile S.A., Santiago de Chile, Chile, and the shares (50.0 per cent) in JULI Motorenwerk s.r.o, Moravany, Czech Republic. The associates and joint ventures can be seen in the list of shareholdings (see note [48]). Their financial information is summarised below. > TABLES 075–076

The amounts in the tables are based on the share held by the KION Group in the relevant associate or joint venture.

Summarised financial information associates TABLE 075

in € million	2018	2017
Total carrying amount	46.6	43.8
Profit (+)/loss (–) from continuing operations	6.6	5.2
Other comprehensive income	1.0	–0.7
Total comprehensive income	**7.6**	**4.5**

Summarised financial information joint ventures TABLE 076

in € million	2018	2017
Total carrying amount	35.7	36.4
Profit (+)/loss (–) from continuing operations	5.6	8.5
Other comprehensive income	0.1	1.3
Total comprehensive income	**5.7**	**9.7**

[21] LEASE RECEIVABLES

In the case of leases under which KION Group entities lease assets directly to end customers, the Group's net investment in the lease is reported as a lease receivable.

The amounts recognised as lease receivables are based on the following data: > TABLE 077

Maturity analysis of lease receivables TABLE 077

in € million	2018	2017
Nominal value of outstanding lease payments	**1,069.5**	**854.9**
due within one year	311.5	222.6
due in one to two years	256.9	209.4
due in two to three years	208.2	165.0
due in three to four years	152.2	129.9
due in four to five years	89.5	86.7
due in more than five years	51.2	41.4
Plus unguaranteed residual values	**135.7**	**107.3**
Less unearned financial income	**107.8**	**86.5**
Present value of outstanding lease payments	**1,097.3**	**875.8**

Outstanding lease payments include payments from non-cancellable leases amounting to €732.8 million (31 December 2017: €715.2 million).

[22] OTHER FINANCIAL ASSETS

The breakdown of other financial assets of €113.2 million (31 December 2017: €176.1 million) is shown in > TABLE 078.

Other financial assets TABLE 078

in € million	2018	2017
Investments in non-consolidated subsidiaries and other investments	–	36.0
Financial investments	5.2	–
Loans receivable	–	2.2
Financial receivables	1.1	–
Other financial investments	21.0	18.9
Derivative financial instruments	1.0	–
Sundry other financial assets	1.4	–
Other non-current financial assets	**29.8**	**57.1**
Derivative financial instruments	8.9	30.0
Financial receivables	34.7	30.3
Sundry other financial assets	39.8	58.7
Other current financial assets	**83.4**	**119.0**
Total other financial assets	**113.2**	**176.1**

The financial investments essentially comprise the equity investment in Balyo SA of €5.2 million. This equity investment, which has been assigned to the FVOCI category under IFRS 9 owing to the strategic partnership with the company, is now recognised at fair value through other comprehensive income without recycling to profit or loss upon disposal. As at 31 December 2017, this financial investment had been included under non-consolidated subsidiaries and other equity investments in an amount of €11.7 million.

As of 1 January 2018, the non-consolidated equity investments and the other equity investments not accounted for under the equity method are reported as other non-current assets (see note [23]).

Other financial investments comprise long-term investments that are held in order to cover the defined benefit obligation and do not qualify as plan assets.

[23] OTHER ASSETS

Other assets of €165.1 million (31 December 2017: €108.5 million) comprise the following: > TABLE 079

As at 31 December 2017, shares in non-consolidated equity investments and other equity investments not accounted for under the equity method had been reported as other non-current financial assets (see note [22]).

Pension assets relate to asset surpluses from two (31 December 2017: two) defined benefit plans in the United Kingdom, in which plan assets exceed the present value of the defined benefit obligation (see note [28]).

[24] INVENTORIES

The reported inventories break down as follows: > TABLE 080

The year-on-year expansion in inventories was largely attributable to increases in materials and supplies (53.5 per cent), work in progress (21.3 per cent) and finished goods (19.9 per cent). This overall expansion was due to short-term supply bottlenecks at suppliers in the Industrial Trucks & Services segment that mainly occurred in the first half of 2018 but had not been completely eliminated by 31 December 2018.

Other assets TABLE 079

in € million	2018	2017
Investments in non-consolidated subsidiaries and other investments	25.6	–
Pension assets	33.3	24.2
Other non-current assets	**58.9**	**24.2**
Deferred charges and prepaid expenses	49.0	40.2
Sundry tax receivables	57.2	44.0
Other current assets	**106.2**	**84.3**
Total other assets	**165.1**	**108.5**

Inventories TABLE 080

in € million	2018	2017
Materials and supplies	284.2	185.2
Work in progress	132.3	109.0
Finished goods and merchandise	550.6	459.0
Advances paid	27.8	15.4
Total inventories	**994.8**	**768.6**

In 2018, write-downs of €25.3 million were recognised on inventories (2017: €18.0 million). Reversals of write-downs had to be recognised in the amount of €6.5 million (2017: €7.5 million) because the reasons for the write-downs no longer existed.

[25] TRADE RECEIVABLES

The trade receivables break down as follows: > TABLE 081

Trade receivables TABLE 081

in € million	2018
Receivables from third parties	1,005.5
thereof receivables not due and overdue ≤ 90 days	917.6
thereof receivables overdue > 90 days ≤ 180 days	28.6
thereof receivables overdue > 180 days	23.4
thereof receivables adjusted for individual valuation allowances	35.9
Receivables from third parties measured at fair value through profit or loss (FVPL)	15.6
Trade receivables from non-consolidated subsidiaries, equity-accounted investments and other investments	53.2
Valuation allowances for trade receivables	–37.8
thereof valuation allowances for receivables not due and overdue ≤ 90 days	–1.5
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–1.9
thereof valuation allowances for receivables overdue > 180 days	–3.2
thereof individual valuation allowances	–31.1
Total trade receivables	**1,036.4**

in € million	2017*
Receivables from third parties	958.5
thereof receivables from third parties before valuation allowances	1,009.6
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–10.0
thereof valuation allowances for receivables overdue > 180 days	–25.8
thereof other valuation allowances	–15.3
Trade receivables from non-consolidated subsidiaries, equity-accounted investments and other investments	40.9
Total trade receivables	**999.4**

* Trade receivables for 2017 were restated due to the initial application of IFRS 15

Change in valuation allowances for trade receivables TABLE 082

in € million	2018	2017
Valuation allowances as at 31/12/	**51.1**	**40.4**
Remeasurement to equity for the initial application of IFRS 9	–14.8	–
Valuation allowances as at 01/01/	**36.3**	**40.4**
Additions	10.4	20.6
Reversals	–3.3	–6.3
Utilisations	–5.1	–2.4
Currency translation adjustments	–0.5	–1.2
Valuation allowances as at 31/12/	**37.8**	**51.1**

The change in valuation allowances for trade receivables is presented in > TABLE 082. The average loss rates used for the recognition of valuation allowances for expected losses vary depending on the Operating Unit and the period by which the receivable is past due. They currently range from 0.0 per cent to 4.0 per cent.

[26] CASH AND CASH EQUIVALENTS

The change in cash and cash equivalents is shown in the consolidated statement of cash flows. For more detailed information, please also refer to note [38]. > TABLE 083

Cash and cash equivalents TABLE 083

in € million	2018	2017
Balances with banks, cash and cheques	171.6	172.8
Pledged cash	3.7	0.4
Total cash and cash equivalents	**175.3**	**173.2**

[27] EQUITY

Subscribed capital and capital reserves

As at 31 December 2018, the Company's share capital amounted to €118.1 million, which was unchanged on 31 December 2017, and was fully paid up. It was divided into 118.1 million no-par-value shares.

The Annual General Meeting on 11 May 2017 voted to create new authorised capital that will enable the KION Group to continue to meet its funding needs quickly and flexibly. Subject to the consent of the Supervisory Board, the Executive Board is authorised until 10 May 2022 to increase the Company's share

capital by up to €10.879 million by way of an issue of up to 10,879,000 new no-par-value bearer shares (2017 Authorised Capital).

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG decided on 22 May 2017 to utilise some of the authorised capital created by the 2017 Annual General Meeting. The share capital was increased against cash contributions by issuing 9.3 million new no-par-value bearer shares. 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 total number of shares outstanding as at 31 December 2018 was 117,924,442 no-par-value shares (31 December 2017: 117,929,171 no-par-value shares). Between 10 September 2018 and 27 September 2018, a further 66,000 treasury shares (KEEP 2017: 60,000 treasury shares) were repurchased via the stock exchange at an average price of €54.17 (2017: €72.15) in order to provide the shares for employees' own investments and the free shares under the KEEP 2018 employee share option programme. The total cost was €3.6 million ((2017: €4.3 million). Due to the issue of 22,580 bonus shares under KEEP 2015 (KEEP 2014: 27,363 bonus shares) and 38,691 no-par-value shares (2017: 36,294 no-par-value shares) under KEEP 2018, KION GROUP AG held 165,558 treasury shares at the reporting date (31 December 2017: 160,829). These treasury shares are not dividend-bearing and do not confer any voting rights. Further details on the KEEP employee share option programme can be found in note [45]. In February 2019, a further 13,674 no-par-value shares were issued for participants' own investments under KEEP 2018.

As at 31 December 2018, KION Group employees held options on a total of 43,655 no-par-value shares (31 December 2017: 50,166 no-par-value shares). The share options granted under the employee share option programme are not dividend-bearing and do not confer any voting rights.

Retained earnings

The changes in retained earnings are shown in the consolidated statement of changes in equity in > TABLE 043. The retained earnings comprise the net income (loss) for the financial year and past contributions to earnings by the consolidated entities, provided they have not been distributed.

The figure for retained earnings in 2017 decreased owing to the effects of the transition to IFRS 9, IFRS 15 and IFRS 16, which are described in note [6].

The distribution of a dividend of €0.99 per share (2017: €0.80 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €116.8 million in May 2018 (2017: €86.9 million).

Appropriation of profit

KION GROUP AG's net profit for 2018 was €236.3 million, of which €94.8 million will be transferred to other revenue reserves. The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on 9 May 2019 that an amount of €141.5 million be appropriated from the distributable profit of €141.7 million for the payment of a dividend of €1.20 per dividend-bearing share. It is also proposed that the remaining sum of €0.2 million be carried forward to the next accounting period. This equates to a dividend payout rate of 35 per cent of net income.

Accumulated other comprehensive income (loss)

The breakdown of accumulated other comprehensive income (loss) is shown in > TABLE 043.

The currency translation adjustment contains the exchange differences arising from the financial statements prepared in a foreign currency of foreign subsidiaries, associates and joint ventures.

The gains/losses on the defined benefit obligation are the result of remeasuring defined benefit pension obligations (see also note [28]).

The gains/losses on hedge reserves are the effective portion of the changes in the fair value of hedging instruments in documented hedges. The gains/losses on financial investments relate to the remeasurement of the equity investment in Balyo SA

at fair value (FVOCI category under IFRS 9; 2017: AfS category under IAS 39).

The gains/losses from equity-accounted investments contain the share of other comprehensive income (loss) from associates and joint ventures accounted for under the equity method.

Non-controlling interests

Non-controlling interests in companies in the KION Group amounted to €3.3 million (31 December 2017: €4.4 million).

[28] RETIREMENT BENEFIT OBLIGATION

The retirement benefit obligation is recognised for obligations to provide current and future post-employment benefits. Post-employment benefit plans are classified as either defined benefit plans or defined contribution plans, depending on the substance of the plan as derived from its principal terms and conditions.

Defined contribution plans

In the case of defined contribution pension plans, the Group pays contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The Group does not enter into any obligations above and beyond the payment of contributions to an external pension fund. The amount of future pension benefits is based solely on the amount of the contributions paid by the employer (and in some cases the beneficiaries themselves) to the external pension fund, including income from the investment of these contributions. The total expense arising from defined contribution plans amounted to €93.3 million in 2018 (2017: €92.9 million). Of this total, contributions paid by employers into government-run schemes came to €76.7 million (2017: €72.8 million). The defined contribution plan expense is reported within the functional costs.

Defined benefit plans

In the case of defined benefit plans, the beneficiaries are granted a specific benefit by the Group or an external pension fund. Due to future salary increases, the benefit entitlement at the retirement age of the beneficiary is likely to be higher than the amount granted as at the reporting date. Pensions are often adjusted after an employee reaches retirement age. The amount of the Group's obligation, which is defined as the actuarial present value of the obligation to provide the level of benefits currently earned by each beneficiary, is expressed as the present value of the defined benefit obligation (DBO) including adjustments for future salary and pension increases.

The KION Group currently grants pensions to almost all employees in Germany and a number of foreign employees. These pensions consist of fixed benefit entitlements and are therefore reported as defined benefit plans in accordance with IFRS. As at 31 December 2018, the KION Group had set up defined benefit plans in 13 countries. For all of the significant defined benefit plans within the Group, the benefits granted to employees are determined on the basis of their individual income, i.e. either directly or by way of intermediate benefit arrangements. The largest of the KION Group's defined benefit plans – together accounting for 92.7 per cent of the global defined benefit obligation (31 December 2017: 93.0 per cent) – are in Germany, the United Kingdom and the US.

Germany

In Germany, the pension benefits granted comprise Company-funded pension entitlements and employees' payment of part of their salary into the pension scheme. The existing pension plans were closed to new entrants with effect from 1 January 2018. As part of the restructuring of the pension plans, the guaranteed rate of return on contributions and the pension factors used for the annuitisation of capital commitments were adjusted to reflect conditions in financial markets.

The contributions to the new pension plans will be invested in investment funds under contractual trust arrangements; returns on plan assets will be passed on to the pension beneficiaries when an insured event occurs. Members of the Executive Board and other executives are predominantly covered by individual pension plans. For details of the pension entitlements of KION GROUP AG Executive Board members, please refer to the information in note [46]. The amount of the benefits paid to executives depends on the type of entitlement. A very small proportion of pension benefits are granted in the form of final-salary-linked benefit obligations. The overwhelming majority of the existing pension entitlements are a combination of a defined benefit obligation and a defined contribution component. The pension plan for senior managers was closed to new entrants with effect from 1 January 2018. The revised pension plan is structured in the same way as the aforementioned plan for employees covered by collective pay agreements and those not subject to such agreements. Different contributions are granted to senior managers depending on their role.

Beside the securities-linked pension entitlements, some of the KION Group's pension obligations in Germany under the closed plans are financed by way of contractual trust arrangements (CTAs). The assets transferred to the trustee qualify as plan assets within the meaning of IAS 19. The trustees are required to follow a defined investment strategy and guidelines. There are no statutory minimum funding requirements. In the event of the Company's insolvency, the company pension scheme in Germany is to a large extent protected by law by the insolvency protection scheme (Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, PSVaG).

United Kingdom

In the United Kingdom, defined benefit pension obligations predominantly relate to two plans. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits. The amount of the pension depends on employees' length of service and final salary.

The two plans were closed to new employees more than ten years ago. Each plan is monitored by its own board of trustees, which oversees the running of the plan as well as its funded status and the investment strategy. The members of the board of trustees comprise people appointed by the company involved and selected plan beneficiaries.

Under UK law, the board of trustees is obliged to have a valuation of the plan carried out at least every three years. The trustees and the Company are currently assessing the valuation of the pension plans as at 1 January 2018. A new agreement with the trustees is expected to be reached in 2019.

In addition, collateral in rem in the form of charges on the real estate of Group companies in the UK and flexible collateral in respect of the rental fleets of UK dealers within a maximum overall limit of approximately €20.0 million were extended for the benefit of the pension funds. The term of this collateral is limited to 1 July 2021, and the overall limit will not be reduced by payments made by the KION Group. The likelihood of the guarantee being used is deemed low in view of the position of the individual companies with regard to their current and future financial and earnings situations.

United States

Following the acquisition of Dematic, the KION Group maintains three main defined benefit pension plans in the US. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits.

Unionised employees receive pension entitlements on the basis of fixed amounts for each month of service. Salaried employees receive benefits that generally depend on their period of service and on their average final salary fixed on the date the plan concerned was frozen. These defined benefit plans have been frozen for some time now in relation to future periods of service.

Two of the plans are subject to statutory minimum funding provisions that each specify a certain coverage ratio and provide for annual payments to maintain the required ratio. In 2018, a one-off sum of €17.8 million was paid.

Other countries

Furthermore, significant asset volumes are invested in external pension funds with restricted access in Switzerland and the Netherlands. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. They also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

Measurement assumptions

In accordance with IAS 19 'Employee Benefits', pension provisions are recognised to cover obligations arising from the current and future pension entitlements of active and (after the vesting period has expired) former employees of the KION Group and their surviving dependants. The discount rate used to calculate the defined benefit obligation at each reporting date is determined on the basis of current capital market data and long-term assumptions about future salary and pension increases in accordance with the best estimate principle. These assumptions vary depending on the economic conditions affecting the currency in which benefit obligations are denominated and in which fund assets are invested, as well as capital market expectations.

Benefit obligations are calculated on the basis of current biometric probabilities as determined in accordance with actuarial principles. The calculations also include assumptions about future employee turnover based on employee age and years of service and about the probability of retirement. The defined benefit obligation is calculated on the basis of the significant weighted-average assumptions as at the reporting date shown in > TABLE 084.

The assumed discount rate is determined on the basis of the yield as at the reporting date on AA-rated, fixed-interest senior corporate bonds with maturities that match the expected maturities of the pension obligations. Pension obligations in foreign companies are calculated on a comparable basis taking into account any country-specific requirements.

Future increases in salaries are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The biometric mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 2018, the Heubeck 'Richttafeln 2018 G' mortality tables have been used as the biometric basis in Germany. The S2PA tables (standard mortality tables for self-administered

Assumptions underlying provisions for pensions and other post-employment benefits TABLE 084

	Germany		UK		USA		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	1.90%	1.95%	2.65%	2.35%	4.25%	3.60%	1.43%	1.41%
Salary increase rate	2.75%	2.75%	4.12%	4.12%	–	–	1.74%	1.49%
Pension increase rate	1.75%	1.75%	3.37%	3.37%	–	–	0.26%	0.27%

pension schemes (SAPS) based on normal health) are applied to the two defined benefit plans in the United Kingdom. In the US, calculations use the modified RP-2014 mortality tables with the generational projection from the Mortality Improvement Scale MP-2016.

The actuarial assumptions not listed in > TABLE 084, such as employee turnover, invalidity, etc., are determined in accordance with recognised forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

The significant weighted-average assumptions shown in > TABLE 085 were applied to the calculation of the net interest cost and the cost of benefits earned in the current year (current service cost).

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (known as remeasurements) are recognised immediately in other comprehensive income (loss) in accordance with IAS 19. This serves to ensure that the pension liability in the statement of financial position is the present value of the defined benefit obligation.

In the case of externally funded pension plans, this present value of the defined benefit obligation is reduced by the fair value of the assets of the external pension fund (plan assets). If the plan assets exceed the present value of the defined benefit obligation (net assets), a corresponding asset is recognised in accordance with IAS 19. IAS 19.64 in conjunction with the supplementary explanatory information in IFRIC 14 states that the recognition of an asset for an excess of plan assets is only permitted if the company concerned, in its function as the employer, gains economic benefits in the form of reductions in future contributions to the plan or in the form of refunds from the plan (this is the case for the defined benefit plans in the United Kingdom). If the present value of the defined benefit obligation is not covered by the plan assets, the net obligation is reported under the retirement benefit obligation.

In two defined benefit plans in the United Kingdom, plan assets exceed the present value of the defined benefit obligation. Stipulations limiting the asset to be recognised in the statement of financial position do not apply.

Assumptions underlying pensions expenses TABLE 085

	Germany		UK		USA		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	1.95%	1.90%	2.35%	2.55%	3.60%	4.05%	1.41%	1.35%
Salary increase rate	2.75%	2.75%	4.12%	4.12%	–	–	1.49%	2.51%
Pension increase rate	1.75%	1.75%	3.37%	3.47%	–	–	0.27%	0.28%

Statement of financial position

The change in the present value of the defined benefit obligation (DBO) is shown in > TABLE 086.

Changes in defined benefit obligation TABLE 086

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Present value of defined benefit obligation as at 01/01/	**1,001.4**	**974.7**	**428.9**	**448.5**	**210.0**	**218.1**	**124.2**	**127.8**	**1,764.4**	**1,769.1**
Group changes	–	0.5	–	–	–	–	–	–	–	0.5
Exchange differences	–	–	–4.6	–17.4	9.3	–28.2	2.0	–4.6	6.7	–50.2
Current service cost	36.7	35.5	0.9	1.0	0.2	0.1	3.6	4.0	41.4	40.6
Past service cost (+) and income (–)	–	–	1.4	–	–	–	–	–0.1	1.4	–0.1
Interest expense	18.8	18.0	9.9	10.9	7.6	7.7	1.7	1.4	38.0	38.1
Employee contributions	3.7	3.5	–	–	–	–	1.0	1.0	4.7	4.5
Pension benefits directly paid by company	–15.9	–15.6	–	–	–	–0.4	–1.5	–1.9	–17.5	–17.9
Pension benefits paid by funds	–1.6	–1.2	–19.9	–16.6	–7.6	–7.7	–2.7	–2.7	–31.9	–28.3
Liability transfer out to third parties	–0.2	–0.5	–	–	–	–	1.9	0.1	1.7	–0.4
Actuarial gains (–) and losses (+) arising from										
changes in demographic assumptions	0.5	–	–10.6	–0.4	–0.6	5.0	0.0	–0.0	–10.7	4.6
changes in financial assumptions	15.1	–11.8	–18.7	2.8	–17.2	14.2	–0.7	–0.7	–21.4	4.5
experience adjustments	2.9	–1.7	1.9	0.1	1.0	1.2	0.7	0.0	6.6	–0.5
Present value of defined benefit obligation as at 31/12/	**1,061.2**	**1,001.4**	**389.1**	**428.9**	**202.7**	**210.0**	**130.2**	**124.2**	**1,783.3**	**1,764.4**
thereof unfunded	459.5	436.9	0.0	0.0	7.2	7.3	39.0	37.6	505.7	481.8
thereof funded	601.7	564.5	389.1	428.9	195.5	202.6	91.3	86.6	1,277.6	1,282.6

The DBO in the other countries was predominantly attributable to subsidiaries in Switzerland (2018: €54.7 million; 2017: €50.2 million) and the Netherlands (2018: €35.9 million; 2017: €35.7 million).

The change in the fair value of plan assets is shown in > TABLE 087.

Employees in Germany paid a total of €3.7 million (2017: €3.5 million) into the KION pension plan in 2018.

The payments expected for 2019 amount to €22.2 million (in 2017: €26.1 million for 2018), which includes direct payments of pension benefits amounting to €19.8 million (in 2017: €19.3 million for 2018) that are not covered by corresponding reimbursements from plan assets.

The reconciliation of funded status and net defined benefit obligation to the amounts reported in the consolidated statement of financial position as at 31 December is shown in > TABLE 088.

Overall, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 43.4 per cent (2017: 44.5 per cent).

The changes in the retirement benefit obligations reported in the statement of financial position are shown in > TABLE 089.

Statement of cash flows

In the case of obligations not covered by external assets, payments to beneficiaries are made directly by the Company and therefore have an impact on cash flow from operating activities. If the benefit obligations are backed by external assets, the payments are made from existing plan assets and have no effect on the Company's cash flow. Instead, any contributions made to the external pension fund by the Company result in a cash outflow for operating activities.

Changes in plan assets TABLE 087

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fair value of plan assets as at 01/01/	**93.8**	**86.3**	**448.7**	**455.7**	**165.0**	**167.0**	**78.4**	**81.4**	**785.9**	**790.4**
Group changes	–	–	–	–	–	–	–	–	–	–
Exchange differences	–	–	–5.0	–17.9	7.7	–21.9	1.7	–3.9	4.4	–43.6
Interest income on plan assets	1.8	1.6	10.4	11.1	6.1	5.6	0.9	0.8	19.2	19.1
Employee contributions	3.7	3.5	–	–	–	–	1.0	1.0	4.7	4.5
Employer contributions	0.8	0.9	0.3	3.9	17.6	3.9	1.1	1.3	19.7	10.0
Pension benefits paid by funds	–1.6	–1.2	–19.9	–16.6	–7.6	–7.7	–2.7	–2.7	–31.9	–28.3
Liability transfer out to third parties	–0.0	–0.1	–	–	–	–	1.8	–	1.8	–0.1
Remeasurements	2.3	2.9	–15.2	12.4	–17.0	18.0	–0.4	0.6	–30.4	33.9
Fair value of plan assets as at 31/12/	**100.7**	**93.8**	**419.1**	**448.7**	**171.7**	**165.0**	**82.0**	**78.4**	**773.5**	**785.9**

Funded status and net defined benefit obligation

TABLE 088

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Present value of the funded defined benefit obligation	–601.7	–564.5	–389.1	–428.9	–195.5	–202.6	–91.3	–86.6	–1,277.6	–1,282.6
Fair value of plan assets	100.7	93.8	419.1	448.7	171.7	165.0	82.0	78.4	773.5	785.9
Surplus (+)/deficit (–)	**–501.1**	**–470.7**	**30.0**	**19.8**	**–23.7**	**–37.6**	**–9.3**	**–8.1**	**–504.1**	**–496.7**
Present value of the unfunded defined benefit obligation	–459.5	–436.9	–0.0	–0.0	–7.2	–7.3	–39.0	–37.6	–505.7	–481.8
Net liability (–)/net asset (+) as at 31/12/	**–960.5**	**–907.5**	**30.0**	**19.8**	**–30.9**	**–45.0**	**–48.2**	**–45.8**	**–1,009.7**	**–978.5**
Reported as "retirement benefit obligation"	–960.5	–907.5	–3.3	–4.4	–30.9	–45.0	–48.2	–45.8	–1,043.0	–1,002.7
Reported as "Other non-current assets"	–0.0	–	33.3	24.2	–	–	–	–	33.3	24.2

Changes in retirement benefit obligation

TABLE 089

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Balance as at 01/01/	**907.5**	**888.3**	**4.4**	**5.0**	**45.0**	**51.2**	**45.8**	**46.4**	**1,002.7**	**991.0**
Group changes	–	0.5	–	–	–	–	–	–	–	0.5
Exchange differences	–	–	–0.0	–0.2	1.6	–6.3	0.3	–0.8	1.9	–7.3
Total service cost	36.7	35.5	0.1	0.0	0.2	0.1	3.6	3.9	40.6	39.5
Net interest expense	17.0	16.5	0.1	0.1	1.5	2.1	0.7	0.6	19.3	19.3
Pension benefits directly paid by company	–15.9	–15.6	–	–	–	–0.4	–1.5	–1.9	–17.5	–17.9
Employer contributions to plan assets	–0.8	–0.9	–0.3	–0.3	–17.6	–3.9	–1.1	–1.3	–19.8	–6.4
Liability transfer out to third parties	–0.2	–0.4	–	–	–	–	0.1	0.1	–0.2	–0.3
Remeasurements	16.2	–16.4	–1.0	–0.3	0.2	2.4	0.5	–1.3	15.9	–15.6
Balance as at 31/12/	**960.5**	**907.5**	**3.3**	**4.4**	**30.9**	**45.0**	**48.2**	**45.8**	**1,043.0**	**1,002.7**

For the main pension entitlements in the KION Group, a sum of €17.5 million (2017: €17.9 million) was paid directly by the Company and a sum of €31.9 million (2017: €28.3 million) was paid from plan assets in the reporting year. Cash contributions to plan assets in 2018 amounted to €19.7 million (2017: €10.0 million).

Income statement

In accordance with IAS 19, actuarial computations are performed for benefit obligations in order to determine the amount to be expensed in each period in accordance with fixed rules. The expenses recognised in the income statement for pensions and similar obligations consist of a number of components that must be calculated and disclosed separately.

The service cost is the new pension entitlement arising in the financial year and is recognised in the income statement. It is calculated as the present value of that proportion of the expected defined benefit obligation when the pension is paid attributable to the year under review on the basis of the maximum length of service achievable by each employee.

Past service cost arises if there is a change to the pension entitlement and it is recognised immediately in full.

The net interest cost/income, which is calculated by multiplying the net liability (present value of the defined benefit obligation minus plan assets) or the net assets (if the plan assets exceed the present value of the defined benefit obligation) at the start of the year by the discount rate, is also recognised in the income statement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the income statement for 2018 is shown in > TABLE 090.

The KION Group's net financial expenses include a net interest cost of €18.8 million (2017: €18.9 million). All other components of pension expenses are recognised under functional costs.

The actual total return on plan assets in 2018 was minus €11.2 million (2017: plus €53.1 million).

Cost of defined benefit obligation TABLE 090

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Current service cost	36.7	35.5	0.9	1.0	0.2	0.1	3.6	4.0	41.4	40.6
Past service cost (+) and income (–)	–	–	1.4	–	–	–	–	–0.1	1.4	–0.1
Total service cost	**36.7**	**35.5**	**2.3**	**1.0**	**0.2**	**0.1**	**3.6**	**3.9**	**42.8**	**40.5**
Interest expense	18.8	18.0	9.9	10.9	7.6	7.7	1.7	1.4	38.0	38.1
Interest income on plan assets	–1.8	–1.6	–10.4	–11.1	–6.1	–5.6	–0.9	–0.8	–19.2	–19.1
Net interest expense (+)/income (–)	**17.0**	**16.5**	**–0.5**	**–0.2**	**1.5**	**2.1**	**0.7**	**0.6**	**18.8**	**18.9**
Total cost of defined benefit obligation	**53.7**	**52.0**	**1.8**	**0.8**	**1.7**	**2.2**	**4.4**	**4.5**	**61.5**	**59.5**

Accumulated other comprehensive income (loss) TABLE 091

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated other comprehensive income/loss as at 01/01/	**–334.0**	**–350.4**	**–45.1**	**–57.1**	**7.9**	**11.6**	**–24.0**	**–26.0**	**–395.1**	**–421.9**
Exchange differences	–	–	0.4	2.1	0.4	–1.3	–0.3	0.7	0.4	1.5
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	–18.5	13.5	27.4	–2.5	16.8	–20.4	–0.1	0.8	25.6	–8.7
Gains (+) and losses (–) arising from remeasurements of plan assets	2.3	2.9	–15.2	12.4	–17.0	18.0	–0.4	0.6	–30.4	33.9
Accumulated other comprehensive income/loss as at 31/12/	**–350.2**	**–334.0**	**–32.6**	**–45.1**	**8.1**	**7.9**	**–24.8**	**–24.0**	**–399.4**	**–395.1**

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognised in the statement of comprehensive income in 2018 is presented in > TABLE 091.

The components of the remeasurements of the defined benefit obligations are listed in > TABLE 086.

The gains and losses on the remeasurement of plan assets are attributable entirely to experience adjustments. The changes in estimates relating to defined benefit pension entitlements resulted in a €0.2 million decrease in equity as at 31 December 2018 after deduction of deferred taxes (31 December 2017: increase of €18.7 million).

Composition of plan assets

The plan assets of the main pension plans consist of the following components: > TABLE 092

Fair value of plan assets TABLE 092

	Germany		UK		USA		Other		Total	
in € million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Shares	27.0	26.7	34.8	53.8	76.9	72.6	10.3	10.1	149.0	163.1
Fixed-income securities	27.9	28.8	332.0	362.9	80.8	78.9	12.6	12.1	453.3	482.7
Real estate	7.2	6.7	–	–	–	–	7.8	5.4	15.0	12.1
Insurance policies	–	–	–	–	–	–	35.9	46.3	35.9	46.3
Other	38.6	31.6	52.3	32.0	14.1	13.5	15.4	4.5	120.4	81.6
Total plan assets	**100.7**	**93.8**	**419.1**	**448.7**	**171.7**	**165.0**	**82.0**	**78.4**	**773.5**	**785.9**
thereof total assets that do not have a quoted price in active markets	**14.3**	**9.0**	**15.8**	**7.9**	**–**	**–**	**48.0**	**47.8**	**78.0**	**64.7**
Insurance policies	–	–	–	–	–	–	35.9	46.3	35.9	46.3
Other	14.3	9.0	15.8	7.9	–	–	12.1	1.5	42.1	18.4

Sensitivity analysis

The present value of the defined benefit obligation is based on the significant assumptions detailed in > TABLE 084 above. If one assumption were to vary and the other assumptions remained unchanged, the impact on the present value of the defined benefit obligation would be as shown in > TABLE 093.

The sensitivity analysis shown in > TABLE 093 is not representative of an actual change in the present value of the defined benefit obligation because variations in the significant assumptions are unlikely to occur in isolation as, to some extent, the assumptions are interrelated. Sensitivity is determined using the same methods (projected unit credit method) as for the measurement of the obligation recognised in the consolidated statement of financial position as at 31 December 2018.

Future pension benefit payments

The pension benefit payments shown in > TABLE 094 are forecast for the next ten years for the defined benefit pension entitlements in existence as at 31 December 2018. The expected pension benefits break down into future benefits to be paid directly by the employer (for 2019: €19.8 million) and future benefits to be paid from existing plan assets (for 2019: €36.3 million).

As at the reporting date, the average duration of the defined benefit obligation, weighted on the basis of the present value of the defined benefit obligation, was 21.5 years in Germany (2017: 22.2 years), 14.3 years in the United Kingdom (2017: 15.5 years), 12.9 years in the US (2017: 14.1 years) and 15.7 years in the other countries (2017: 16.0 years).

Sensitivity defined benefit obligation TABLE 093

in € million		2018	2017
Discount rate	Increase by 1.0 percentage point	–280.2	–279.7
	Reduction by 1.0 percentage point	377.0	373.1
Salary increase rate	Increase by 0.5 percentage point	17.7	18.7
	Reduction by 0.5 percentage point	–17.9	–18.7
Pension increase rate	Increase by 0.25 percentage point	39.5	42.2
	Reduction by 0.25 percentage point	–37.9	–40.2
Life expectancy	Increase by 1 year	63.7	61.7

Expected payments for pension benefits TABLE 094

in € million	Germany	UK	USA	Other	Total
2019	24.2	18.6	9.2	4.1	56.2
2020	22.0	18.5	9.7	4.4	54.7
2021	23.2	18.4	10.2	4.9	56.8
2022	25.8	18.5	10.6	4.4	59.2
2023	29.1	18.5	10.9	4.9	63.4
2024 to 2028	163.8	93.0	57.5	26.8	341.2

Risks

The funding ratio, the defined benefit obligation and the associated costs depend on the performance of financial markets. The return on plan assets is assumed to equal the discount rate, which is determined on the basis of the yield earned on AA-rated, fixed-interest senior corporate bonds. If the actual return on plan assets falls below the discount rates applied, the net obligation arising out of the pension plans increases. The amount of the net obligation is also particularly affected by the discount rates, and the current low level of interest rates – especially in the eurozone – is resulting in a comparatively large net obligation.

The plan assets are predominantly invested in corporate bonds and inflation-linked UK government bonds, particularly in the United Kingdom. The market risk attaching to plan assets – above all in the case of equities – is mitigated by defining an investment strategy and investment guidelines and constantly monitoring the assets' performance. Moreover, a downward trend in financial markets could have a significant effect on minimum funding requirements, some of which apply outside Germany.

The KION Group also bears the full risk of possible future pension adjustments resulting from changes in longevity and inflation.

Payroll-based contributions to the KION pension plan made by employees in Germany are invested in fund units. If the actual returns on these fund units fall below the minimum rate of return that has been guaranteed to participating employees, the KION Group's personnel expenses rise.

[29] FINANCIAL LIABILITIES

The financial liabilities reported by the KION Group as at 31 December 2018 essentially comprised interest-bearing liabilities to banks and the promissory notes. The liabilities to banks were predominantly attributable to the loan for the financing of the Dematic acquisition and liabilities under the syndicated loan agreement.

> TABLE 095 shows the contractual maturity structure of the financial liabilities.

Liabilities to banks

Senior facilities agreement

KION GROUP AG signed a syndicated loan agreement (senior facilities agreement, SFA), originally for €1,500.0 million, with a syndicate of international banks on 28 October 2015. As at 31 December 2018, the SFA consisted solely of a revolving credit facility of €1,150.0 million. This has a variable interest rate and, following the agreement in 2018 of an extension to its term, it can be drawn down until February 2023. As at 31 December 2018, the amount drawn down was €101.8 million (31 December 2017: €184.7 million, which included other loan liabilities and contingent

Maturity structure of financial liabilities TABLE 095

in € million	2018	2017
Liabilities to banks	**826.4**	**1,253.7**
due within one year	221.9	236.5
due in one to five years	604.5	1,017.2
due in more than five years	–	–
Promissory notes	**1,214.3**	**1,007.3**
due within one year	–	–
due in one to five years	744.5	744.0
due in more than five years	469.8	263.3
Other financial liabilities to non-banks	**4.6**	**7.7**
due within one year	4.6	7.4
due in one to five years	–	0.3
due in more than five years	–	–
Total current financial liabilities	**226.5**	**243.9**
Total non-current financial liabilities	**1,818.7**	**2,024.8**

liabilities). The drawdowns under the revolving credit facility are classified as short term.

Acquisition facilities agreement

On 4 July 2016, KION GROUP AG reached agreement with a group of banks on a bridge loan to finance the acquisition of Dematic (acquisition facilities agreement, AFA), originally in an amount of €3,000.0 million. As at 31 December 2018, it consisted solely of a floating-rate loan in a nominal amount of €600.0 million that is due to mature in October 2021.

At the end of 2017, this loan had a nominal amount of €1,000.0 million. It was partly repaid in 2018 using the funds from the issuance of a further promissory note of €200.0 million and using cash received from operating activities. As a result of the early repayment, previously deferred borrowing costs of €1.9 million were recognised under financial expenses.

Promissory notes

In 2018, a promissory note was issued in a nominal amount of €200.0 million. It will mature in June 2025 and has both floating-rate and fixed coupons. The resulting funds were used to repay part of the floating-rate loan under the AFA. Directly attributable transaction costs of €0.5 million were incurred in connection with the issuance of the promissory note. These were deducted from the fair value on initial recognition and will be expensed over subsequent periods. The KION Group has entered into an interest-rate derivative to hedge the risk of a change in the fair value of the tranche with a fixed coupon. This is accounted for as a fair value hedge (see note [41]).

The promissory note issued in 2017 in a nominal amount totalling €1,010.0 million is divided into three tranches with varying maturities and floating-rate or fixed coupons: a tranche of €746.0 million maturing in May 2022, a tranche of €236.5 million maturing in April 2024 and a tranche of €27.5 million maturing in April 2027. Issuance of this promissory note resulted in directly attributable transaction costs of €3.2 million. These were deducted from the fair value of each tranche on initial recognition and will be expensed over subsequent periods. The KION Group has entered into a number of interest-rate derivatives in order to hedge the interest-rate risk resulting from the floating-rate tranches of this promissory note. The interest-rate derivatives are accounted for as cash flow hedges (see note [41]).

The SFA, AFA and promissory notes are not collateralised. KION GROUP AG has issued guarantees to the banks for all of the payment obligations under the SFA and AFA and it is the borrower in respect of all the payment obligations resulting from the promissory notes.

> TABLE 096 gives details of the changes in financial liabilities and lists the applicable terms and conditions.

Credit terms TABLE 096

	Interest rate	Carrying amount		Maturity
in € million		2018	2017	
Multicurrency Revolving Credit Facility (SFA)	EURIBOR + Margin	101.8	178.0	2023
Term Loan Facility (AFA)	EURIBOR + Margin	597.3	994.1	2021
Promissory note (5 years term)	EURIBOR + Margin/ fixed rate	744.5	744.0	2022
Promissory note (7 years term)	EURIBOR + Margin/ fixed rate	235.9	235.8	2024
Promissory note (7 years term)	EURIBOR + Margin/ fixed rate	206.4	–	2025
Promissory note (10 years term)	EURIBOR + Margin/ fixed rate	27.4	27.4	2027
Other liabilities to banks	Various currencies and interest terms	127.2	81.6	
Other financial liabilities to non-banks		4.6	7.7	
Total financial liabilities		**2,045.2**	**2,268.7**	

Covenants

Among other stipulations, the contractual terms of the SFA, AFA and promissory notes set out certain covenants. In addition, there is a financial covenant that involves ongoing testing of adherence to a defined maximum level of leverage. Non-compliance with the covenants or with the defined maximum level of leverage as at a particular reporting date may potentially give lenders a right of termination or lead to an increase in interest payments.

All covenants were complied with in the past financial year, as was the case in 2017.

[30] LIABILITIES FROM FINANCIAL SERVICES

The liabilities from financial services relate to the financing of the long-term leasing business and residual value obligations arising from the indirect leasing business in an amount of €1,165.3 million (31 December 2017: €437.4 million) and to the financing of industrial trucks for the short-term rental fleet in an amount of €307.1 million (31 December 2017: €0.0 million).
> TABLE 097

Liabilities from financial services

TABLE 097

in € million	2018	2017
Non-current liabilities from financial services	**924.4**	**261.0**
thereof from leasing business	601.9	261.0
thereof from short-term rental fleet financing	244.6	–
thereof from asset-backed securities	77.9	–
thereof other	–	–
Current liabilities from financial services	**548.0**	**176.4**
thereof from leasing business	157.7	79.7
thereof from short-term rental fleet financing	62.5	–
thereof from leasing credit facilities	307.3	85.7
thereof from asset-backed securities	20.4	–
thereof other	–	11.0

Liabilities from financial services arising from the leasing business encompass liabilities from financing by means of sale and leaseback sub-lease transactions with leasing companies in an amount of €440.2 million (31 December 2017: €0.0 million). They also include residual value obligations of €319.5 million (31 December 2017: €340.7 million) resulting from the indirect leasing business.

Furthermore, liabilities from financial services include liabilities from lease facilities in an amount of €307.3 million (31 December 2017: €85.7 million) and liabilities from the issuance of notes (securitisation) through K-Lift S.A., Luxembourg, in an amount of €98.3 million (31 December 2017: €0.0 million). On the opposite side of the statement of financial position, there are lease receivables funded from these resources worth €580.0 million (31 December 2017: €58.3 million) and leased assets of €212.5 million (31 December 2017: €27.4 million).

The maturities of the liabilities from financial services are shown in > TABLE 098.

[31] LEASE LIABILITIES

Lease liabilities relate solely to finance lease obligations arising from sale and leaseback sub-lease transactions entered into up to 31 December 2017 for the financing of long-term leases with end customers.

Whereas lease liabilities stood at €740.6 million (31 December 2017: €1,131.1 million), lease receivables arising from sale and leaseback sub-lease transactions entered into up to 31 December 2017 amounted to €514.3 million (31 December 2017: €739.2 million) and leased assets under sale and leaseback sub-lease transactions totalled €268.6 million (31 December 2017: €419.7 million).

The amounts recognised as lease liabilities (the present value of future lease payments) are based on the maturities shown in > TABLE 099.

Maturity analysis of liabilities from financial services — TABLE 098

in € million	2018	2017
Total future payments from financial services (gross)	**1,539.9**	**456.1**
due within one year	589.7	187.2
due in one to two years	244.8	69.6
due in two to three years	240.9	68.2
due in three to four years	209.2	59.2
due in four to five years	172.7	48.8
due in more than five years	82.5	23.2

Maturity analysis of lease liabilities — TABLE 099

in € million	2018	2017
Total future lease payments (gross)	**801.6**	**1,203.9**
due within one year	291.5	363.1
due in one to two years	217.5	359.4
due in two to three years	158.9	255.3
due in three to four years	94.4	148.5
due in four to five years	30.0	42.9
due in more than five years	9.4	34.7

[32] OTHER PROVISIONS

Other provisions relate to the following items: > TABLE 100

Other provisions TABLE 100

in € million	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
Balance as at 01/01/2018	**81.6**	**95.8**	**67.2**	**244.6**
thereof non-current	21.8	53.8	20.1	95.6
thereof current	59.8	42.1	47.2	149.0
Group changes	0.1	–	0.0	0.1
Additions	39.2	31.7	30.1	101.0
Utilisations	–25.8	–40.4	–17.0	–83.3
Reversals	–15.0	–13.3	–13.7	–42.0
Additions to accrued interest	0.0	0.2	0.0	0.2
Currency translation adjustments	0.3	0.1	–0.3	0.2
Other adjustments	0.6	5.8	–1.1	5.3
Balance as at 31/12/2018	**81.0**	**80.0**	**65.2**	**226.2**
thereof non-current	23.5	52.5	22.9	98.9
thereof current	57.5	27.5	42.2	127.2

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks, spare parts and automation solutions. It is expected that the bulk of the cash payments will be incurred within the next two years after the reporting date.

The provisions for personnel comprise provisions for partial retirement obligations, long-service awards, annual bonuses, severance pay, obligations under social plans and obligations relating to variable remuneration. The provisions for partial retirement obligations are recognised on the basis of individual contractual arrangements and agreements under collective bargaining law.

Other obligations comprise, among others, provisions for restructuring, litigation and expected losses from onerous contracts.

[33] CONTRACT BALANCES

Of the contract assets of €119.3 million (31 December 2017: €100.3 million), €114.7 million was attributable to project business contracts with a net credit balance due from customers (31 December 2017: €100.3 million) and €4.5 million to other contract assets (31 December 2017: €0.0 million). Of the contract assets recognised as at 1 January 2018, €88.1 million was billed in 2018 (2017: €61.3 million). By contrast, contract assets rose year on year because the goods and services provided by the KION Group before the agreed payment deadlines increased by €213.8 million in the reporting year (2017: €177.7 million). As had been the case in the previous year, no write-downs were recognised on contract assets.

Of the contract liabilities, €498.7 million was attributable to project business contracts with a net debit balance due to customers (31 December 2017: €255.9 million) and €71.4 million to prepayments received from customers (31 December 2017: €68.5 million). Contract liabilities are recognised as revenue as soon as the contractual goods and services have been provided. The revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to €292.6 million (2017: €265.7 million). Contract liabilities rose year on year, in particular because the prepayments received from customers increased by €221.8 million to €558.3 million in the reporting year (2017: €336.5 million).

[34] TRADE PAYABLES

As at 31 December 2018, trade payables of €904.2 million (31 December 2017: €923.9 million) included liabilities to non-consolidated subsidiaries, equity-accounted investments and other equity investments of €23.7 million (31 December 2017: €23.7 million).

[35] OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following items: > TABLE 101

Other financial liabilities TABLE 101

in € million	2018	2017*
Liabilities from short-term rental fleet financing	185.0	350.6
Liabilities from procurement leases	327.1	287.5
Derivative financial instruments	7.9	1.9
Sundry other financial liabilities	4.7	23.6
Other non-current financial liabilities	**524.6**	**663.6**
Liabilities from short-term rental fleet financing	104.9	165.1
Liabilities from procurement leases	94.2	81.7
Derivative financial instruments	6.4	3.3
Liabilities from accrued interest	15.2	14.5
Sundry other financial liabilities	67.9	34.1
Other current financial liabilities	**288.6**	**298.6**
Total other financial liabilities	**813.2**	**962.2**

* Other financial liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

The non-current derivative financial instruments consist of a number of interest-rate derivatives that were entered into in order to hedge the interest-rate risk resulting from the floating-rate tranches of the promissory note.

Liabilities from short-term rental fleet financing relate to the financing of the short-term rental fleet by means of sale-and-leaseback sub-lease transactions entered into up to 31 December 2017 in the amount of €289.9 million (31 December 2017: €515.7 million).

The amounts recognised as liabilities from short-term rental fleet financing and from procurement leases are based on the maturities shown in > TABLE 102.

Maturity analysis of other financial liabilities TABLE 102

	Procurement leases		Financing short-term rental fleet	
in € million	2018	2017*	2018	2017*
Total future payments (gross)	**464.1**	**402.0**	**315.0**	**552.0**
due within one year	105.8	90.6	122.8	189.1
due in one to two years	79.7	70.0	86.6	163.6
due in two to three years	57.5	50.1	53.8	102.0
due in three to four years	45.7	39.5	34.4	65.2
due in four to five years	34.0	29.4	12.2	23.1
due in more than five years	141.3	122.3	5.2	9.1

* Other financial liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[36] OTHER LIABILITIES

Other liabilities comprise the following items: > TABLE 103

Other liabilities TABLE 103

in € million	2018	2017*
Deferred income	473.5	585.4
Other non-current liabilities	**473.5**	**585.4**
Deferred income	250.0	267.9
Personnel liabilities	266.8	253.0
Social security liabilities	51.6	48.2
Tax liabilities	105.8	110.8
Other current liabilities	**674.2**	**679.9**
Total other liabilities	**1,147.6**	**1,265.3**

* Other liabilities for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

[37] CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

The contingent liabilities include guarantees to external parties. In addition, guarantees of €2.3 million related to contingent liabilities assumed jointly with another shareholder of a joint venture (31 December 2017: €1.6 million). > TABLE 104

Contingent liabilities TABLE 104

in € million	2018	2017
Liabilities on guarantees	89.5	48.2

Litigation

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group believes it is unlikely that these ongoing lawsuits will require funds to be utilised that exceed the provisions recognised.

Other financial commitments

Sundry other financial commitments included future payment obligations to an associate amounting to €1.3 million (31 December 2017: €1.3 million). > TABLE 105

Other financial commitments TABLE 105

in € million	2018	2017*
Commitments under licence and support agreements	99.7	56.1
Capital expenditure commitments in property, plant and equipment	59.0	51.6
Other financial commitments	1.3	1.3
Total other financial commitments	**160.0**	**109.0**

* Other financial commitments for 2017 were restated due to the initial application of IFRS 15 and IFRS 16