THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your overseas listed foreign shares ("**H Shares**") in Weichai Power Co., Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation of offer to acquire, purchase or subscribe for any securities.

WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2338)

POSSIBLE MAJOR TRANSACTION

POSSIBLE ACQUISITION OF SHARES IN KION THROUGH EXERCISE OF THE SUPERLIFT CALL OPTION

A letter from the Board is set out on pages 6 to 21 of this circular.

A notice convening the EGM (as defined in this circular) of Weichai Power Co., Ltd. (the "Company") to be held at the Company's conference room at 197, Section A, Fu Shou East Street, High Technology Development Zone, Weifang, Shandong Province, the People's Republic of China on 15 November 2013 has been issued by the Company on 30 September 2013.

A reply slip and form of proxy used at the EGM were despatched by the Company on 30 September 2013. If you are eligible and intend to attend the EGM, please complete and return such reply slip in accordance with the instructions printed thereon on or before Saturday, 26 October 2013. Whether or not you intend to be present at the said meeting, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the registered office of the Company at Securities Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish.

23 October 2013

CONTENTS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"2012 Announcements"	the Company's announcements dated 31 August 2012 and 20 December 2012 and the Company's overseas regulatory announcement dated 28 December 2012 relating to the Framework Agreement and the transactions contemplated thereunder, including, *inter alia*, the grant of the Call Options
"2013 Announcements"	the Company's announcements dated 7 March 2013, 22 April 2013, 3 June 2013, 27 June 2013 and 2 July 2013, and the notice convening the relevant extraordinary general meeting issued by the Company on 7 March 2013 relating to, *inter alia*, the possible exercise of the Call Options and the exercise of the KION Call Option
"A Share(s)"	the A Share(s), being ordinary share(s) issued in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
"Acquisitions"	(i) the subscription of new shares in the capital of KION representing 25% of the enlarged share capital of KION after completion; and (ii) the acquisition of 70% of the interest in LHY Co, further details of which are set out in the 2012 Announcements
"April EGM"	the meaning as ascribed to it under the section headed "1. Introduction" in this circular
"Articles of Association"	the articles of association of the Company
"ASBES"	the Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China
"Board"	the board of Directors
"Call Options"	KION Call Option and Superlift Call Option

"Cap Amount"	the estimated maximum aggregate investment amount of EUR400,000,000 (equivalent to approximately HK$4,190,920,000) to be paid by the Company upon the exercise of the Call Options as set out in the section headed "5. Authorisation from the Shareholders' general meeting to the Board in connection with the exercise of the Call Options" in the First Circular
"Company"	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held on 15 November 2013 to consider and, if thought fit, approve, *inter alia*, the exercise of the Superlift Call Option
"Enlarged Group"	the Group as enlarged by the acquisition of shares in KION through the full exercise of the Superlift Call Option
"EU"	the European Union
"EUR" or "€"	Euro, the lawful currency of the European Union
"EURIBOR"	the Euro Interbank Offered Rate
"First Circular"	the Company's circular dated 28 March 2013 in respect of the possible acquisition of shares in KION through the exercise of the Call Options
"Framework Agreement"	the framework agreement dated 31 August 2012 entered into among the Company, KION, KION Group GmbH, LMH, Superlift and KMB (as supplemented by certain amendment agreements entered into among the Company, Weichai Lux, KION, KION Group GmbH, LMH, Superlift and KMB)
"Further Acquisition"	the meaning as ascribed to it under the section headed "1. Introduction" in this circular
"Group"	the Company and its subsidiaries (as defined in the Listing Rules)

"H Share(s)"	the H Share(s), being the overseas listed foreign share(s) issued in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the main board of the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
"IPO"	the initial public offering of the shares of KION, which has been completed and the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013
"KION"	KION Group AG (formerly known as KION Holding 1 GmbH), a stock corporation incorporated in Germany whose shares are listed on the Frankfurt Stock Exchange
"KION Call Option"	the call option granted to Weichai Lux to subscribe for new shares in KION pursuant to the terms of the KION Shareholders' Agreement, further details of which are set out in the section headed "2. Possible exercise of the Call Options — (a) KION Call Option" in the First Circular
"KION Group"	KION and its subsidiaries
"KION Group GmbH"	KION Group GmbH, a limited liability company incorporated in Germany and an indirect wholly owned subsidiary of KION
"KION Shareholders' Agreement"	the shareholders' agreement as of 27 December 2012 (as supplemented) entered into in accordance with the terms of the Framework Agreement among Weichai Lux, KION, Superlift and KMB

"KMB"	Kion Management Beteiligungs GmbH & Co. KG, a limited partnership established in Germany which holds approximately 2.99% of the issued share capital of KION as at the Latest Practicable Date
"Latest Practicable Date"	17 October 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch
"LHY Co"	Linde Hydraulics GmbH & Co. KG, a limited partnership established in Germany which is a 70% owned subsidiary of the Company, further details of which are disclosed in the 2012 Announcements
"Linde Hydraulics"	the hydraulics business operated by a business unit/department of LMH, which is principally engaged in the business of development, manufacturing, production, sale and marketing, and servicing of hydraulic pumps, hydraulic motors, hydraulic valves, gears and gear drives, ancillary castings and foundry of hydraulic components
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LMH"	Linde Material Handling GmbH, a limited liability company incorporated in Germany and an indirect wholly owned subsidiary of KION
"order intake"	the number of new trucks and/or service offerings ordered by a customer in a specified time period, as expressed in units or in Euro, as the context may require
"Post KION Investment Equity Value"	the meaning as ascribed to it under the sub-section headed "2. Possible exercise of the Superlift Call Option — Exercise price" in this circular
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of RMB1.00 each in the capital of the Company

"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Superlift"	Superlift Holding, S.à r.l., a limited liability company incorporated in Luxembourg, 100% owned by funds advised by Kohlberg Kravis Roberts & Co. L.P. and Goldman Sachs Capital Partners which holds approximately 48.61% of the issued share capital of KION as at the Latest Practicable Date
"Superlift Call Option"	the call option granted by Superlift to Weichai Lux to purchase shares in KION from Superlift pursuant to the terms of the KION Shareholders' Agreement, further details of which are set out in the section headed "2. Possible exercise of the Superlift Call Option" in this circular
"Superlift Funding Loan"	has the meaning as ascribed to it under the section headed "3. The potential IPO of KION" in the First Circular
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Weichai Lux"	Weichai Power (Luxembourg) Holding S.à r.l., a company incorporated in Luxembourg and a wholly-owned subsidiary of the Company
"%"	per cent.

(The exchange rate used for the purpose of this circular is at EUR1 = HK$10.4773)

WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2338)

Executive Directors:
Tan Xuguang *(Chairman)*
Xu Xinyu
Li Dakai
Fang Hongwei
Sun Shaojun
Zhang Quan

Non-executive Directors:
Chen Xuejian
Yeung Sai Hong
Julius G. Kiss
Han Xiaoqun
Jiang Kui
Gordon Riske

Independent Non-executive Directors:
Liu Zheng
Li Shihao
Loh Yih
Chu, Howard Ho Hwa
Zhang Zhenhua
Li Luwen

Supervisors:
Sun Chengping
Jiang Jianfang
Lu Wenwu

Registered office:
197, Section A
Fu Shou East Street
High Technology Industrial
Development Zone
Weifang City
Shandong Province
The People's Republic of China

Principal place of business in Hong Kong:
Room 3407–3408
34/F, Gloucester Tower
Landmark
15 Queen's Road Central
Hong Kong

23 October 2013

To: *Holders of H Shares*
Holders of A Shares

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTION

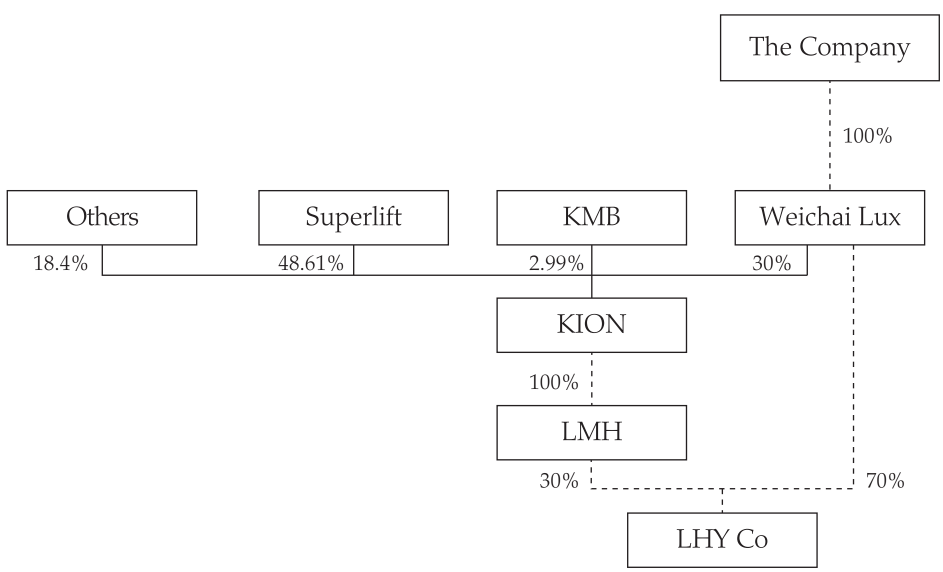
POSSIBLE ACQUISITION OF SHARES IN KION THROUGH EXERCISE OF THE SUPERLIFT CALL OPTION

1. INTRODUCTION

Reference is made to the 2012 Announcements, pursuant to which the Company announced that the Framework Agreement has been entered into in respect of the Acquisitions and that certain options, including the Call Options, have been granted. Reference is also made to the First Circular and the 2013 Announcements, which set out, *inter alia*, the details in respect of the possible exercise of the Call Options and the exercise of the KION Call Option. Further, reference is made to the Company's announcement dated 26 September 2013 and the notice convening the EGM issued by the Company on 30 September 2013 in respect of the possible exercise of the Superlift Call Option.

Following the completion of the Acquisitions on 27 December 2012 (Central European Time) and the exercise of the KION Call Option, the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013 (Central European Time) and the Company (through its wholly owned subsidiary, Weichai Lux) was, as at the Latest Practicable Date, the holder of 30% of the issued share capital of KION and 70% of the interest in LHY Co.

For illustrative purposes, the relationship between the Group, KION and LHY Co as at the Latest Practicable Date is set out as follows:



Note: Dotted lines denote interest indirectly held in the respective companies.

At the extraordinary general meeting of the Company held on 22 April 2013 (the "**April EGM**"), in view of the then uncertainty in respect of the structure of the IPO and in turn the actual exercise price of the Call Options, in order to allow the Board to have the flexibility in exercising the Call Options, the Shareholders' meeting has approved in advance the possible exercise of the Call Options with the aggregate of the exercise price of the Call Options not exceeding the Cap Amount and authorised the Board to handle matters relating to the exercise of the Call Options. As disclosed in the Company's announcements dated 27 June 2013, the consideration paid by Weichai Lux for the exercise of the KION Call Option was calculated at EUR24 per KION share, aggregating EUR328,380,000 (equivalent to approximately HK$3,440,535,774), which amount is within the Cap Amount of EUR400,000,000 (equivalent to approximately HK$4,190,920,000), as approved at the April EGM.

As further detailed in the sub-section headed "2. Possible exercise of the Superlift Call Option — Exercise price" below, as at the Latest Practicable Date, the estimated exercise price of the Superlift Call Option shall be in the sum of EUR95,333,723 (equivalent to approximately HK$998,840,016), which, when aggregated with the consideration paid by Weichai Lux for the exercise of the KION Call Option, would amount to EUR423,713,723 (equivalent to approximately HK$4,439,375,790) and exceed the Cap Amount. The reason for the Cap Amount being exceeded is due to a change in the estimated capital structure of KION for the purpose of the IPO. In order to optimise its capital structure, KION Group originally planned to decrease leverage by a combination of (i) the capitalisation of the Superlift Funding Loan, (ii) the exercise of the KION Call Option by Weichai, and (iii) the IPO. After analysing the financial information of publicly traded peer companies, KION decided to lower its Net Debt/EBITDA ratio to 2.6x. Under this original scenario, the total consideration payable by Weichai for the exercise of the KION Call Option and the Superlift Call Option was calculated to be approximately EUR400,000,000.

In June 2013, KION initiated pre-roadshow in respect of its IPO. The investor's feedback during this period was generally positive, but many investors expressed concerns about KION's relatively high leverage ratio. Investors believed that the IPO valuation and pricing could be adversely affected if KION could not further decrease its targeted leverage ratio. In order to ensure a successful IPO, KION decided to increase its planned IPO issue size which would effectively lower its Net Debt/EBITDA ratio to approximately 2.2x. Due to such increase in the total issued capital of KION, the exercise price required to be paid by Weichai Lux to increase its shareholding in KION's issued capital to 30% through the exercise of KION Call Option became higher than the original estimate. This resulted in the Cap Amount being exceeded when aggregating the estimated exercise price of the Superlift Call Option with the consideration paid by Weichai Lux for the exercise of the KION Call Option. As such, the Company is required to re-comply with the relevant shareholders' approval requirements under the Listing Rules in respect of the exercise of the Superlift Call Option. The exercise of the Superlift Call Option, when aggregated with the Acquisitions and the exercise of the KION Call Option will remain a major transaction under the Listing Rules.

As at the Latest Practicable Date, KION has 98,900,000 shares in issue. Assuming full exercise of the Superlift Call Option and based on the number of the total issued shares of KION as at the Latest Practicable Date, the Company would (through its wholly owned subsidiary, Weichai Lux) acquire from Superlift further 3,263,700 shares of KION, representing 3.3% of the issued share capital of KION (such further acquisition is referred to as the "**Further Acquisition**") and become a holder of 32,933,700 shares of KION, representing 33.3% of the issued share capital of KION.

The purpose of this circular is to provide you with, among other things, the details of the Superlift Call Option and other information in accordance with the Listing Rules.

2. POSSIBLE EXERCISE OF THE SUPERLIFT CALL OPTION

The principal terms of the Superlift Call Option are summarised as follow:

Parties	:	Superlift as grantor and Weichai Lux (a wholly owned subsidiary of the Company) as grantee.
Option shares	:	Weichai Lux is entitled to purchase from Superlift such amount of shares of KION representing 3.3% of KION's issued share capital at the time of the exercise.

Exercise period	:	The Superlift Call Option is exercisable by Weichai Lux (i) at any time after 27 December 2012, being the date of completion of the Acquisitions, until 30 June 2013 or (ii) during any time within the six months after the completion of the IPO. The Superlift Call Option shall expire in any event at the end of 31 December 2015, if it has not been exercised and completed before that date. Since the IPO has completed on 28 June 3013, the Superlift Call Option is exercisable on or before 28 December 2013.
Exercise price	:	The exercise price equals to the sum of (i) EUR61,644,000 (the "**Post KION Investment Equity Value**", equivalent to approximately HK$645,862,681); and (ii) the pro-rata portion of the aggregate amount of any additional capital contribution, made to KION after the date of completion of the Acquisitions and up to the date of completion of the Superlift Call Option ("**Additional Contribution(s)**"); and (iii) deducting therefrom the pro-rata portion of the aggregate amount of dividends or other distributions made by KION to its shareholders after the date of the completion of the Acquisitions and up to the date of exercise of the Superlift Call Option ("**Post Completion Distributions**"). For calculation purposes of the amount of the Additional Contributions, each Additional Contribution against issuance of new shares shall be adjusted as if it had been made at the Post Kion Investment Equity Value. Since (i) the Superlift Funding Loan in the amount of EUR118,053,844 (equivalent to approximately HK$1,236,885,540) has been converted into new shares of KION; (ii) the KION Call Option has been exercised by Weichai Lux to subscribe for new KION shares at a consideration of EUR328,380,000 (equivalent to approximately HK$3,440,535,774), and (iii) an aggregate amount of EUR413,423,712 (equivalent to approximately HK$4,331,564,258) has been raised by KION in the IPO, having adjusted the above capital contributions as if each had been made at the Post Kion Investment Equity Value and assuming there are no further Additional Contributions or Post Completion Distribution after the Latest Practicable Date, the exercise price of the Superlift Call Option shall be in the amount of EUR95,333,723 (equivalent to approximately HK$998,840,016)

If Weichai Lux exercises the Superlift Call Option, the exercise price shall be settled by Weichai Lux after all requisite conditions precedent (as set out in the sub-paragraph headed "Conditions precedent" below) are met. The closing shall be subject to a long-stop period of three months after the date of the relevant sale and transfer agreement which has to be concluded between Superlift and Weichai Lux within one month following the exercise of the Superlift Call Option. The period of four months in total is the estimated maximum period required for entering into a sale and transfer agreement in respect of the KION shares and completion of the conditions precedent thereto in connection with the exercise of the Superlift Call Option.

The exercise price was determined after arm's length commercial negotiations between the parties to the Framework Agreement and the KION Shareholders' Agreement based on the initial investment price for the Acquisitions.

With respect to the process on the negotiation and determination of the consideration for the Acquisitions, after arm's length commercial negotiations based on publicly available information, the Company and KION based their further negotiation process on a preliminary initial price for the Acquisitions. Subsequently, KION provided information to the Company and its advisory team, including financial adviser, accounting and tax adviser, industry consultant and legal advisers, to conduct further due diligence.

A combination of factors were considered when assessing the initial price for the investments in KION, including:

(a) a review of the business performance of KION;

(b) an evaluation of the trends of the forklift truck industry;

(c) an evaluation of the scale, sales and production capabilities, products, technologies and brands of KION and benchmarking against its industry peers;

(d) an evaluation of strategic benefits that may arise from the strategic collaboration between the Company and KION; and

(e) comparable analyses by the Company's financial adviser, including:

(i) a review of the then current and historical market trading multiples of comparable companies in the forklift truck industry; and

(ii) a review of the transaction multiples of comparable precedents involving forklift truck companies.

Based on the above analyses, the initial price was considered within the range acceptable for further negotiation. The Company continued to further negotiate with KION and managed to lower the consideration for the Acquisitions further.

Based on the factors above, the Board approved the Acquisitions on 31 August 2012 and considered the amount of the consideration to be fair and reasonable and in the interest of the Shareholders as a whole.

Conditions precedent : Pursuant to the KION Shareholders' Agreement, the exercise of the Superlift Call Option is conditional upon the satisfaction (or where permitted under applicable law, waiver) of the following conditions:

(i) the Company being granted all necessary merger control clearances with regard to the acquisition of further shares in KION;

(ii) the Company obtaining clearance under the German Foreign Trade Regulation, if necessary;

(iii) the Company obtaining all necessary PRC governmental approval for the acquisition of further shares in KION through the exercise of the Superlift Call Option;

(iv) the necessary approval in relation to the acquisition of further shares in KION through the exercise of the Superlift Call Option being granted by the Shareholders; and

(v) there being no injunction or other court order or governmental order in a member state of the European Union, the United States and Switzerland prohibiting the acquisition of further shares in KION by Weichai Lux.

As at the Latest Practicable Date, the condition precedent under sub-paragraph (ii) has been satisfied and the Company has no intention to waive any of the other conditions precedent set out above.

Pursuant to the terms of the KION Shareholders' Agreement, as soon as Weichai Lux holds 30% or more of the shares in KION, the parties shall take, within the given legal framework, all actions in order to ensure that three out of eight shareholder representatives of the supervisory board of KION (the supervisory board consists of sixteen members, eight of them being shareholder representatives and eight of them being employee representatives) are members who are nominated by Weichai Lux, among which one shall be an independent supervisory board member. As at the Latest Practicable Date, Mr. Tan Xuguang (an executive Director and Chairman of the Company), Mr. Jiang Kui (a non-executive Director) and Mr. John Feldmann, being the nominees of Weichai Lux, served as shareholder representatives on the supervisory board of KION. Although Mr. John Feldmann does not hold any position in the Group, he has, in addition to KION, served on the supervisory boards of numerous companies, including Bilfinger Berger SE, Cognis GmbH, BASF Coatings GmbH, Wintershall Holding AG and Wintershall AG. Prior to joining the KION Group, Mr. Feldmann held various senior positions within the BASF group and has extensive experience in business management. Mr. Feldmann obtained his diploma in chemistry at the University of Hamburg, Germany, in 1977, where he subsequently received a PhD in chemistry.

In addition, pursuant to the KION Shareholders' Agreement, in the event that Weichai Lux shall, upon the exercise of the KION Call Option and the Superlift Call Option, hold at least 33.3% of the issued share capital of KION after the completion of the IPO, and either Superlift or Weichai Lux desires to transfer any of its KION shares, the other relevant shareholder will be entitled to exercise a right of first offer to purchase such shares. Further, the parties under the KION Shareholders' Agreement agreed that if following the completion of the IPO, Weichai Lux holds at least 33.3% of the issued share capital of KION, they will support, within the given legal framework, the election of a member of the supervisory board designated by Weichai Lux to become the chairman of the supervisory board of KION.

The German stock corporation has a mandatory two-tier board system: The management board (Vorstand) is the executive body in charge of the actual management of the company, whereas the supervisory board's (Aufsichtsrat) powers are limited to supervisory functions, which include, in addition to certain approval requirements, as set out below, reporting and consultation rights vis-a-vis the management board.

The supervisory board will appoint the members of the management board and may revoke an appointment, but only for cause (e.g. in case of material breach by a member of the management board of its duties). The supervisory board shall be in charge of the supervision of the management board of KION, and major business decisions (including major business combinations, acquisitions, restructurings, divestitures, investments, financing arrangements and other significant matters outside the normal course of business) shall require the prior consent of the supervisory board. In addition to matters reserved for supervisory board approval under the rules of procedure for the management board, the supervisory board may specify further matters that are subject to its approval (provided that they relate to material transactions or other matters outside the normal business). On the other hand, the supervisory board has no right to interfere with the normal day to day business of the corporation or to give specific directions to the management board.

The chairman of supervisory board shall convene and chair the meetings of the supervisory board. The chairman also has an important role in coordinating the work of the supervisory board and its committees and is the primary contact person for the management board. Further, the chairman has a casting vote in the event of a tie. This may be important also because under the German employee co-determination system half of the supervisory board's members are employee representatives.

3. INFORMATION ON KION AND SUPERLIFT

(a) KION

Insofar as the Company is aware, KION is the holding company of the KION Group. The KION Group, comprising of various entities which carry business under six brands, namely Linde, STILL, Fenwick, OM STILL, Baoli and Voltas, is the largest manufacturer of industrial trucks in Europe and the second largest manufacturer globally by revenue and units. In China, the KION Group is a leading international supplier. The Linde and STILL brands serve the premium segment worldwide. Fenwick is the largest supplier of material-handling products in France, while OM STILL is a market leader in Italy. The Baoli brand focuses on the economy segment, in particular in China and other emerging markets, and Voltas is one of the two market leaders in India. KION has completed its IPO and the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013 (Central European Time). As at the Latest Practicable Date, the opening share price of KION on the Frankfurt Stock Exchange was EUR29.10.

As of the Latest Practicable Date, as KION held more than 10% of the fixed partnership capital in LHY Co (an indirect non-wholly owned subsidiary of the Company), KION is a connected person (as defined under the Listing Rules) of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for their respective direct or indirect interest in KION, the other ultimate beneficial owners of KION are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

Set out below is the audited financial information of KION for the two financial years ended 31 December 2011 and 31 December 2012 prepared based on IFRS:

	For the year ended 31 December 2012	**For the year ended 31 December 2011**
	EUR'000	*EUR'000*
	(audited)	(audited)
Revenue	4,726,664	4,368,395
Earnings (loss) before taxation	310,628	(58,885)
Net income (loss) after taxation	161,088	(92,926)

Based on the audited consolidated financial information of KION prepared based on IFRS, as of 31 December 2012, the audited net asset value of KION was approximately EUR660 million.

(b) Superlift

Insofar as the Company is aware, Superlift is an investment holding company incorporated in Luxembourg and is 100% owned by funds advised by Kohlberg Kravis Roberts & Co. L.P. and Goldman, Sachs & Co. Superlift holds 48.61% of the issued share capital of KION as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the Latest Practicable Date, Superlift and its respective ultimate beneficial owners are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

4. AUTHORISATION FROM THE SHAREHOLDERS' GENERAL MEETING TO THE BOARD IN CONNECTION WITH THE EXERCISE OF THE SUPERLIFT CALL OPTION

As disclosed in the First Circular and pursuant to the April EGM, in view of the then uncertainty in respect of the structure of the IPO and in turn the actual exercise price of the Call Options, in order to allow the Board to have the flexibility in exercising the Call Options, the Shareholders' meeting has approved in advance the possible exercise of the Call Options with the aggregate of the exercise price of the Call Options not exceeding the Cap Amount and authorised the Board to handle matters relating to the exercise of the Call Options. As disclosed in the Company's announcements dated 27 June 2013, the consideration payable by Weichai Lux for the exercise of the KION Call Option was calculated at EUR24 per KION share, aggregating EUR328,380,000 (equivalent to approximately HK$3,440,535,774) which amount is within the Cap Amount as approved at the April EGM. As at the Latest Practicable Date, no decision has been made as to whether the Superlift Call Option will be exercised and any such decision is a matter for the Board to deliberate. Shareholders should note, however, that the Superlift Call Option is only exercisable on or before 28 December 2013.

As set out in the sub-section headed "2. Possible exercise of the Superlift Call Option — Exercise price" above, as at the Latest Practicable Date, the estimated exercise price of the Superlift Call Option shall be in the sum of EUR95,333,723 (equivalent to approximately HK$998,840,016) which was calculated based on 3,263,700 KION shares to be acquired and the price of approximately EUR29.21 per KION share (being the price per KION share determined based on the Post KION Investment Equity Value). The consideration payable by Weichai Lux in respect of the proposed exercise of the Superlift Call Option will be settled in cash and it is expected that this will be funded out of the Group's financial resources.

When aggregating the aforementioned estimated exercise price of the Superlift Call Option (i.e. EUR95,333,723 (equivalent to approximately HK$998,840,016)) with the actual consideration paid by Weichai Lux for the exercise of the KION Call Option (i.e. EUR328,380,000 (equivalent to approximately HK$3,440,535,774)), the total consideration would amount to EUR423,713,723 (equivalent to approximately HK$4,439,375,790) which exceed the Cap Amount. As such, the Company is required to re-comply with the relevant shareholders' approval requirements under the Listing Rules in respect of the Further Acquisition. The exercise of the Superlift Call Option, when aggregated with the Acquisitions and the exercise of the KION Call Option, will remain a major transaction under the Listing Rules.

As set out in the sub-section headed "2. Possible exercise of the Superlift Call Option — Exercise period" above, the Superlift Call Option is exercisable by Weichai Lux (i) at any time after 27 December 2012 until 30 June 2013, or (ii) during any time within the six months after 28 June 2013. Since the per share exercise price of the Superlift Call Option is determined based on the Post KION Investment Equity Value, it remains the same whenever the Superlift Call Option is exercised. Given the fluctuations of the stock market and with a view to maximize investment returns, the Board considers that it is in the interest of the Company to assess the performance of the KION, especially the price of the KION shares relative to the per share exercise price of the Superlift Call Option, before making an informed decision to exercise the Superlift Call Option. Therefore, the Superlift Call Option was not exercised before the completion of the IPO.

In consideration of the current market volatility and the risk of share price fluctuations of the KION shares, in order for the Board to give a better assessment of the latest development of the macro-economic conditions, the outlook of the forklift truck industry, the business performance and the prevailing stock price of KION at a time closer to the expiry of the exercise period of the Superlift Call Option, the Company will only convene the necessary Board meeting at a later stage to determine if the Superlift Call Option will be exercised. In order to allow the Board to have the flexibility in exercising the Superlift Call Option (should they decide to do so), the Company proposes to ask its Shareholders to approve in advance the possible exercise of the Superlift Call Option at the exercise price of EUR95,333,723 and to authorise the Board to exercise the full power to handle matters relating to the exercise of the Superlift Call Option.

As the exercise of the Superlift Call Option is subject to the decision of the Board and the satisfaction (or waiver) of certain conditions, the Superlift Call Option may or may not be exercised. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Shareholders will be informed, by way of an announcement to be published by the Company on the Company's website and the Stock Exchange's website, if the Board approves any action in relation to the exercise of the Superlift Call Option. Details including the decision of the Board, the relevant factors considered by the Board on exercising the Superlift Call Option and the consideration payable by Weichai Lux will be disclosed in such announcement in the event that the Board decides to exercise the Superlift Call Option.

5. REASONS FOR THE EXERCISE OF THE SUPERLIFT CALL OPTION

The Group is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines, diesel engines for use in construction machinery, heavy-duty trucks, heavy-duty gearboxes and engine and heavy-duty truck parts and components.

As set out above, the Company (through its wholly owned subsidiary, Weichai Lux) was, as at the Latest Practicable Date, a holder of 30% of the issued share capital of KION. Upon completion of the Further Acquisition, the Company's shareholding in KION would increase to 33.3%.

Pursuant to the KION Shareholders' Agreement, in the event that Weichai Lux shall, upon the exercise of the KION Call Option and the Superlift Call Option, hold at least 33.3% of the issued share capital of KION after the completion of the IPO, and either Superlift or Weichai Lux desires to transfer any of its KION shares, the other relevant shareholder will be entitled to exercise a right of first offer to purchase such shares. Further, the parties under the KION Shareholders' Agreement agreed that if following the completion of the IPO, Weichai Lux holds at least 33.3% of the issued share capital of KION, they will support, within the given legal framework, the election of a member of the supervisory board designated by Weichai Lux to become the chairman of the supervisory board of KION.

In 2012, the KION Group experienced sustained demand for new trucks and service offerings, and the increased capacity utilization levels of industrial trucks in its key markets accelerated the replacement cycle for its customers and had a positive impact on the volume of replacement investments and demand for service offerings. This demand resulted in an increase of order intake which positively impacted its revenue. KION's revenue grew by 8%, or EUR359 million, to EUR4,727 million for the year ended 31 December 2012. During 2012, KION also generated a positive net profit as well as operating cash flow as compared to the loss suffered by KION for the years ended 31 December 2010 and 2011, which demonstrated an improved business prospect of KION. Following the successful listing of the shares of KION on the Frankfurt Stock Exchange, a further development in KION's business performance is expected and the Board considers that a further increase of its interest in KION would be in the interests of the Company and the Shareholders as a whole.

The increase in the Company's shareholding interest in KION, the right of first offer and the potential chairmanship of the supervisory board are considered to be consistent with the Company's strategy of long term development and collaboration with KION. The Company and KION have, pursuant to the terms of the Framework Agreement, formed a strategic industrial cooperation through which the parties have, amongst others, established or will establish long term supply relationships and will share certain distribution network and supply chain, and they have further agreed to explore possible collaboration in areas that are of mutual interest to both parties. The Company considers that with the prevailing share price closely below the relevant per share exercise price, it will be difficult for the Company to acquire the same number of shares representing 3.3% of the issued shares of KION on the open market at a consideration lower than the exercise price of the Superlift Call Option, since such a major purchase would push the share price of the KION shares higher. In view of the macro-economic policy currently in place and the volatility of the capital market, the share price of KION, being one of the factors considered by the Company in assessing the performance of KION and the outlook of the forklift truck industry, has been subject to fluctuations. Hence, the Board considers it in the interest of the Company to determine, at a later stage, if the Superlift Call Option will be exercised. Further, other than the prevailing share price of KION, the Board will also take to account other factors, including the right of first offer and the potential chairmanship of the supervisory board of KION which are provided pursuant to the KION Shareholders' Agreement before determining whether the Superlift Call Option will be exercised. As at the Latest Practicable Date, other than the possible acquisition of shares in KION through the exercise of the Superlift Call Option, the Company has no intention to further increase its interest in KION.

In light of the above, and based on the information presently available to the Directors (including, *inter alia*, the overall market conditions and the operational situations of the KION Group), the Directors (including the independent non-executive directors) believe that the terms of the exercise of the Superlift Call Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. FINANCIAL EFFECTS OF THE EXERCISE OF THE SUPERLIFT CALL OPTION

Upon the exercise of the Superlift Call Option, the Company will become a holder of 33.3% of the issued share capital of KION. KION will not become a subsidiary of the Company following the Further Acquisition and the results, assets and liabilities of KION will not be consolidated into the accounts of the Enlarged Group.

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effects of the exercise of the Superlift Call Option on the assets and liabilities of the Group upon completion.

Based on the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total assets and total liabilities of the Group would remain unchanged because KION's financial results will not be consolidated into the accounts of the Enlarged Group.

7. LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the exercise of the Superlift Call Option when aggregated with (i) the Acquisitions, (ii) the granting of certain put options in respect of LHY Co as set out in the 2012 Announcements, and (iii) the exercise of the KION Call Option would be more than 25% but less than 100%, the exercise of the Superlift Call Option will remain a major transaction for the Company and is subject to reporting, announcement and shareholders' approval requirements.

8. WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

(a) Waiver from the requirement to prepare an accountant's report on KION

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, an accountant's report on KION should be contained in this circular. Such accountant's report is required to include the financial information of KION for each of the three financial years ended 31 December 2012 and the interim accounts for a period ended six months or less from the date of this circular. The accountant's report should be prepared using accounting policies that are materially consistent with those of the Company and in accordance with the requirements under Chapter 4 of the Listing Rules.

Since KION will not become a subsidiary of the Company following the exercise of the Superlift Call Option and Rule 14.67(6)(a)(i) of the Listing Rules stipulates that the Stock Exchange may, in such a case, relax the said requirement for the preparation of an accountant's report, thus, the Company has applied for a waiver from preparing an accountant's report on KION in accordance with Rule 14.67(6)(a)(i) of the Listing Rules on the following grounds:

(1) KION is not and will not be a subsidiary of the Company after completion of the exercise of the Superlift Call Option. Save for the financial information published by KION in the public domain, the Group has no access to the underlying supporting documents and the books and records of KION for the purpose of preparing the audited financial statements of KION in accordance with the relevant requirements of the Listing Rules.

(2) By exercising the Superlift Call Option, the Company (through its wholly owned subsidiary, Weichai Lux) shall purchase from Superlift such amount of shares of KION representing 3.3% of KION's issued share capital at the time of the exercise. Such transaction is a private commercial transaction between Weichai Lux and Superlift, and KION is not obliged nor required to assist the Company to prepare the relevant accountant's report required by the Listing Rules.

(3) In the First Circular, the Company has already included an accountant's report prepared by Deloitte Touche Tohmatsu on the financial information of KION for each of the three years ended 31 December 2012, which has complied in part with the requirements under Rule 14.67(6)(a)(i) of the Listing Rules, as such report has covered the first three years of the financial period required thereunder.

With respect to the last six months ended 30 June 2013, KION has already published its reviewed interim condensed consolidated interim financial statements, which is publicly available on KION's website.

(4) KION is now a public company whose shares are listed on the Frankfurt Stock Exchange. It is required, under the regime of the Frankfurt Stock Exchange, to

publish financial information to the market on a regular basis. KION has indicated that it is not prepared to disclose additional financial information other than that it has disclosed to the market in accordance with the applicable German laws and regulations.

(5) KION is a company incorporated in Germany with approximately 200 subsidiaries/joint ventures/equity investments in both Germany and overseas countries. As disclosed in note 49 to the accountant's report contained in Appendix II of the First Circular, there were no differences in the significant accounting policies adopted by the Company and by KION that would result in a significant impact on KION's net profit (loss) for each of the three years ended 31 December 2012 and KION's net assets (liabilities) at the end of each of the three years ended 31 December 2012, save for the adoption of different accounting policies by KION and the Company in respect of the impairment loss of property, plant and equipment and other intangible assets (the relevant reconciliation was disclosed in note 49 to the abovementioned accountant's report).

As the relevant exercise period of the Superlift Call Option will expire after 28 December 2013, it would be unduly burdensome for the Company to engage professional accountants to prepare an accountant's report on KION as required by the Listing Rules.

The Company has applied to the Stock Exchange and was granted a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountant's report on KION in this circular. In place of an accountant's report of KION prepared in strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules, the following financial information on KION has been included in this circular:

(1) a copy of the accountant's report prepared by Deloitte Touche Tohmatsu on the financial information of KION for each of the three years ended 31 December 2012, which was included in the First Circular (as Appendix II) in connection with the possible acquisition of shares in KION through exercise of the Call Options;

(2) a copy of KION's published unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013, which is publicly available on KION's website. Such financial statements have been prepared in line with the International Accounting Standards (IAS) 34 "Interim Financial Reporting" and other International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been reviewed by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaf; and

(3) a confirmation from the Directors in respect of the interim financial statements of KION for the six months ended 30 June 2013, that the board of directors of the Company believe that (i) there are no material differences in respect of net assets and net profit between such financial statements which

have been prepared under IFRS as adopted by the EU and the financial statements had they been prepared under the ASBES; and (ii) for the six months ended 30 June 2013, there have been no material changes in the accounting policies of KION and the Company that would result in material differences between the accounting policies of the Company and KION in respect of the net assets and net profit of KION, and Ernst & Young Hua Ming LLP, the reporting accountants of the Company, also confirming the aforesaid based on certain agreed upon procedures performed.

(b) Waiver from strict compliance from Rule 14.67(7) of the Listing Rules

Pursuant to Rule 14.67(7) of the Listing Rules, a circular issued in relation to an acquisition constituting a major transaction is required to contain, among other matters, a management discussion and analysis of results of the business, company or companies being acquired covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the accountant's report.

As the accountant's report of KION will not be prepared by the Company based on the reasons set out in the section headed "8. Waivers from strict compliance with the Listing Rules – (a) Waiver from the requirement to prepare an accountant's report on KION" above and that save for the financial information published by KION in the public domain, the Company has no access to additional financial information of KION for the purpose of preparing the relevant management discussion and analysis, the Company has applied to the Stock Exchange and was granted a waiver from strict compliance with Rule 14.67(7) of the Listing Rules.

9. EGM

The EGM will be held at the Company's conference room at 197, Section A, Fu Shou East Street, High Technology Development Zone, Shandong Province, the People's Republic of China on Friday, 15 November 2013 at 10:00 a.m. to consider and, if thought fit, approve, *inter alia*, the exercise of the Superlift Call Option and to authorise the Board to exercise the full power to handle matters relating to the exercise of the Superlift Call Option.

If you intend to attend the EGM, please complete and return the reply slip despatched by the Company on 30 September 2013 in accordance with the instructions printed thereon as soon as possible and in any event by no later than 26 October 2013.

The proxy form for use at the EGM was also despatched by the Company on 30 September 2013. Holders of A Shares may use the forms of proxy published by the Company on the website of The Shenzhen Stock Exchange instead. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the Company's registered office at Securities Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the exercise of the Superlift Call Option. As such, no Shareholders would be required to abstain from voting in favour of the resolutions approving the exercise of the Superlift Call Option at the EGM.

10. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares of the Company will be closed from 16 October 2013 to 15 November 2013, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 15 October 2013.

11. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the exercise of the Superlift Call Option is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the relevant resolution to approve the possible exercise of the Superlift Call Option.

12. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
the Board of Directors
Tan Xuguang
Chairman and CEO

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2012 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.weichai.com):

- the Company's annual report for the year ended 31 December 2010 published on 15 April 2011 (pages 80 to 216);
- the Company's annual report for the year ended 31 December 2011 published on 18 April 2012 (pages 81 to 316); and
- the Company's annual report for the year ended 31 December 2012 published on 29 April 2013 (pages 87 to 344).

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 August 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding interest-bearing bank borrowings of approximately RMB10,430 million as follows:

	As at 31 August 2013 *RMB million*
Current bank borrowings	1,530
Non-current bank borrowings due within one year	162
Non-current bank borrowings	8,738
	10,430

Details of such bank borrowings and other borrowings which are secured, guaranteed or unsecured are set out below:

	As at 31 August 2013 *RMB million*
secured	117
guaranteed	8,725
unsecured	1,588
	10,430

As at 31 August 2013, the Group had total available bank credit facilities of approximately RMB50,335 million of which approximately RMB32,784 million had not been utilised.

Collateral

As at 31 August 2013, certain bank loans of the Group were secured by the pledge of the following:

	As at 31 August 2013
	RMB million
Property, plant and equipment	102
Land use right	53
Construction in process	73
	228

Liabilities under acceptance

As at 31 August 2013, the Group had liabilities under acceptance of approximately RMB5,684 million.

Company bonds issued

As at 31 August 2013, the Group issued company bonds of approximately RMB3,491 million.

Contingent liabilities

1. Exposure to confirmation risks

Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Group, entered into a tri-party cooperation agreement with distributors and endorsing bank. Distributors will deposit guarantee money of not lower than 30% to the bank and apply for establishment of bank acceptance bill according to the amount of credit facility provided by the bank. Shaanxi Heavy-duty Motor Company Limited assumes security obligation in favour of the distributors for the difference between amount of notes and guarantee money. As at 31 August 2013, the open position of outstanding acceptance bill was RMB1,467 million.

2. Finance lease business

Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Group, entered into a cooperation agreement with each of Shanzhong Finance Leasing Co., Ltd. and CBD Leasing Co., Ltd. ("finance lease companies"). It is agreed by and between the two parties that the finance lease companies shall provide finance lease service to Shaanxi Heavy-duty Motor Company Limited or its distributors. Shaanxi Heavy-duty Motor

Company Limited shall provide joint liability guarantee in respect of the leasee's failure to pay the instalment payments and interests under the finance lease. As at 31 August 2013, the risk exposure of possible joint liabilities was RMB661 million.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 31 August 2013, any term loans or other borrowings or indebtedness in the nature of borrowing such as bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees, or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account of the Enlarged Group's available financial resources including internally generated cash flows, credit facilities and cash on hand and also the effect of the possible exercise of the Superlift Call Option, the Enlarged Group have sufficient working capital for its present requirements, that is for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is cautiously optimistic about the development trend of its related industries in 2013 and expects to step up efforts in developing its technological reserves in areas including new energy sources, hybrid systems and automobile electronics, and proactively upgrade industrial-related technologies. The Company will further seek support from relevant State policies to push forward the implementation of development plans in relation to hydraulic components for construction machinery. In addition, the Company will, on a coordinated basis, further consider expanding the domestic and international markets and internationalising its business, and accelerate the coordinated development of its business in complete vehicles, power chains, hydraulics controlling parts and other automobile components, in order to fully utilise the synergetic advantage of the brands, technology, resources and management of the domestic and overseas companies, enhance international brand image, and boost the overall capability to manage risks.

The exercise of the Superlift Call Option will enable the Company to increase its shareholding in KION to 33.3%, and further, the chairman of the supervisory board of KION will be a board member designated by Weichai Lux.

The Company considers that such increase in the shareholding in KION serves as an indication of the Company's further commitment on the development and long-term cooperation with KION.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

28 March 2013

The Directors
Weichai Power Co., Ltd.

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding KION Holding 1 GmbH (the "**KION**") and its subsidiaries (hereinafter collectively referred to as the "**KION Group**") for each of the three years ended 31 December 2012 (the "**Relevant Periods**"), for inclusion in the circular of Weichai Power Co., Ltd. (the "**Company**") dated 28 March 2013 (the "**Circular**"), in connection with the possible acquisition of shares in KION through exercise of the call options.

KION was formed with articles of association dated 24 October 2006, and entered in the commercial register at the Wiesbaden Local Court in Germany under reference HRB22785 on 21 February 2007.

Superlift Holding S.à.r.l, ("Superlift"), incorporated in Luxemburg with limited liabilities, was the immediate and ultimate holding company of KION.

KION Group is principally engaged in manufacture and sale of industrial trucks (forklift trucks and warehouse trucks). KION is an investment holding company. Details of principal subsidiaries of KION as at the date of this report are set out in note 46 to Section A of this report.

The audited financial statements issued by KION for the Relevant Periods were prepared in accordance with International Financial Reporting Standards as adopted by European Union (the "**Underlying Financial Statements**") and were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, certified public accountants registered in Germany, in accordance with the German generally accepted standards for the audit of the financial statements promulgated by the Institut der Wirtschaftsprüfer. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft considers that the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer are comparable, in all material respects, to the International Standards on Auditing, promulgated by the International Federation of Accountants. Details of the auditors for the audited financial statements of the principal subsidiaries of KION are set out in note 46 to Section A of this report.

For the purpose of this report, we have examined the Underlying Financial Statements and performed such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information of the KION Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements after making certain reclassification adjustments to the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the executive board of KION (the ("**Executive Board**") who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the KION Group at 31 December 2010, 31 December 2011 and 31 December 2012 and of the results and cash flows of the KION Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2010 €'000	2011 €'000	2012 €'000
Revenue	5	3,534,474	4,368,395	4,726,664
Cost of sales		(2,684,353)	(3,256,378)	(3,429,914)
Gross profit		850,121	1,112,017	1,296,750
Selling expenses		(483,639)	(520,547)	(562,404)
Research and development costs		(103,255)	(119,526)	(124,454)
Administrative expenses		(247,526)	(283,322)	(313,190)
Other income	7	59,585	81,503	294,374
Other expenses	8	(45,879)	(70,043)	(59,530)
Share of profit of equity investments		3,569	11,192	15,912
Other financial result		1,660	1,886	2,655
Financial income	9	88,349	73,664	62,084
Financial expense	10	(354,405)	(345,709)	(301,569)
(Loss) profit before tax		(231,420)	(58,885)	310,628
Income tax credit (expense)	11	34,722	(34,041)	(149,540)
(Loss) profit for the year	12	(196,698)	(92,926)	161,088
Other comprehensive income (expense)	14			
Impact of exchange differences		37,260	6,476	2,765
(Losses) gains on employee benefits		(28,658)	8,394	(151,311)
Gains (losses) on cash flow hedges		10,022	(8,149)	6,074
(Losses) gains from equity investments		(125)	532	(26)
Other comprehensive income (expense), net of tax, for the year		18,499	7,253	(142,498)
Total comprehensive (expense) income for the year		(178,199)	(85,673)	18,590
(Loss) profit for the year attributable to:				
Shareholders of KION		(198,655)	(95,093)	159,008
Non-controlling interests		1,957	2,167	2,080
		(196,698)	(92,926)	161,088
Total comprehensive (expense) income for the year attributable to:				
Shareholders of KION		(180,155)	(87,840)	16,554
Non-controlling interests		1,956	2,167	2,036
		(178,199)	(85,673)	18,590

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
	Notes	**2010**	**2011**	**2012**
		€'000	*€'000*	*€'000*
ASSETS				
Non-current assets				
Goodwill	*17*	1,507,010	1,537,996	1,473,245
Other intangible assets	*18*	986,410	977,555	933,961
Leased assets	*19*	156,125	167,354	191,322
Rental assets	*20*	321,188	356,682	395,093
Property, plant and equipment	*21*	590,343	553,816	500,345
Equity investments	*22*	37,841	36,545	154,835
Lease receivables	*23*	246,808	242,840	267,140
Other non-current financial assets	*24*	17,474	25,732	50,171
Deferred tax assets	*25*	241,772	261,963	264,974
		4,104,971	4,160,483	4,231,086
Current assets				
Inventories	*26*	535,529	625,369	549,927
Trade receivables	*27*	633,265	676,553	625,462
Lease receivables	*23*	120,950	118,381	132,129
Current income tax receivables		4,550	4,953	5,501
Other current financial assets	*24*	106,790	107,096	106,778
Cash and cash equivalents	*28*	252,884	373,451	562,357
		1,653,968	1,905,803	1,982,154
Total assets		5,758,939	6,066,286	6,213,240
EQUITY AND LIABILITIES				
Subscribed capital	*29*	500	500	500
Capital contributions for carrying out the approved capital increase	*29*	–	–	1,132,552
Capital reserves	*29*	348,483	348,483	348,483
Accumulated losses	*29*	(711,504)	(806,429)	(647,687)
Accumulated other comprehensive income (expense)	*29*	(44,471)	(37,218)	(179,672)
(Deficit) equity attributable to the equity holder of KION		(406,992)	(494,664)	654,176
Non-controlling interests		7,070	7,077	6,159
Total (deficit) equity		(399,922)	(487,587)	660,335

	Notes	At 31 December 2010 €'000	2011 €'000	2012 €'000
Non-current liabilities				
Shareholder loan	*30*	615,250	643,132	–
Retirement benefit obligation	*31*	374,063	382,914	546,520
Non-current financial liabilities	*32*	2,772,417	2,777,354	2,300,656
Lease liabilities	*33*	278,814	300,061	329,185
Non-current provisions	*34*	164,299	96,168	89,120
Other non-current financial liabilities	*35*	260,153	303,789	355,078
Deferred tax liabilities	*25*	334,930	339,054	308,821
		4,799,926	4,842,472	3,929,380
Current liabilities				
Current financial liabilities	*32*	106,470	227,376	51,775
Trade payables	*36*	508,108	634,092	646,044
Lease liabilities	*33*	169,929	146,728	145,830
Current income tax liabilities		6,661	15,439	84,958
Current provisions	*34*	95,902	183,678	137,888
Other current financial liabilities	*35*	471,865	504,088	557,030
		1,358,935	1,711,401	1,623,525
Total liabilities		6,158,861	6,553,873	5,552,905
Total equity and liabilities		5,758,939	6,066,286	6,213,240
Net current assets		295,033	194,402	358,629
Total assets less current liabilities		4,400,004	4,354,885	4,589,715

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Accumulated other comprehensive income (expense)							
	Subscribed capital €'000	Capital contributions for carrying out the approved capital increase €'000	Capital reserves €'000	Accumulated profit (losses) €'000	Cumulative translation adjustment €'000	Gains (losses) on defined benefit obligation €'000	Hedging reserve €'000	(Losses) gains from equity investments €'000	Total equity attributable to shareholders of KION €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 January 2010	500	–	348,483	(516,199)	(79,286)	41,156	(24,841)	–	(230,187)	17,144	(213,043)
Loss for the year	–	–	–	(198,655)	–	–	–	–	(198,655)	1,957	(196,698)
Other comprehensive income (expense) for the year	–	–	–	–	37,261	(28,658)	10,022	(125)	18,500	(1)	18,499
Total comprehensive income (expense) for the year	–	–	–	(198,655)	37,261	(28,658)	10,022	(125)	(180,155)	1,956	(178,199)
Dividends	–	–	–	–	–	–	–	–	–	(2,143)	(2,143)
Effects on the acquisition of non-controlling interests	–	–	–	(1,496)	–	–	–	–	(1,496)	(10,419)	(11,915)
Other changes	–	–	–	4,846	–	–	–	–	4,846	532	5,378
Balance as at 31 December 2010	500	–	348,483	(711,504)	(42,025)	12,498	(14,819)	(125)	(406,992)	7,070	(399,922)
Loss for the year	–	–	–	(95,093)	–	–	–	–	(95,093)	2,167	(92,926)
Other comprehensive income (expense) for the year	–	–	–	–	6,476	8,394	(8,149)	532	7,253	–	7,253
Total comprehensive income (expense) for the year	–	–	–	(95,093)	6,476	8,394	(8,149)	532	(87,840)	2,167	(85,673)
Dividends	–	–	–	–	–	–	–	–	–	(2,209)	(2,209)
Other changes	–	–	–	168	–	–	–	–	168	49	217
Balance as at 31 December 2011	500	–	348,483	(806,429)	(35,549)	20,892	(22,968)	407	(494,664)	7,077	(487,587)
Profit for the year	–	–	–	159,008	–	–	–	–	159,008	2,080	161,088
Other comprehensive income (expense)	–	–	–	–	2,765	(151,267)	6,074	(26)	(142,454)	(44)	(142,498)
Total comprehensive income (expense) for the year	–	–	–	159,008	2,765	(151,267)	6,074	(26)	16,554	2,036	18,590
Capital increase	–	1,137,784	–	–	–	–	–	–	1,137,784	–	1,137,784
Transaction costs	–	(5,232)	–	–	–	–	–	–	(5,232)	–	(5,232)
Dividends	–	–	–	–	–	–	–	–	–	(2,405)	(2,405)
Effect on the acquisition of non-controlling interests	–	–	–	(425)	–	–	–	–	(425)	(549)	(974)
Other changes	–	–	–	159	–	–	–	–	159	–	159
Balance as at 31 December 2012	500	1,132,552	348,483	(647,687)	(32,784)	(130,375)	(16,894)	381	654,176	6,159	660,335

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Operating activities			
(Loss) profit for the year	(196,698)	(92,926)	161,088
Adjustments for:			
Income tax (credit) expense	(34,722)	34,041	149,540
Net financial expenses	266,056	272,045	239,485
Depreciation and amortisation/ Impairment of non-current assets (excluding leased and rental assets)	180,094	192,068	184,042
Impairment of leased and rental assets	165,477	163,953	181,227
Other non-cash (income) expenses	12,295	9,943	(142,530)
Loss (gain) on disposal of non-current assets	4,987	6,428	(103,814)
Operating cash flow before movements in working capital	397,489	585,552	669,038
Change in working capital:			
Change in leased and rental assets	(129,572)	(208,691)	(245,764)
Change in lease receivables and lease liabilities	(57,440)	26,056	24,592
Change in inventories	(45,685)	(75,242)	20,513
Change in trade receivables	(103,890)	(36,829)	56,850
Change in trade payables	145,491	114,886	(3,928)
Cash payments for defined benefit obligations	(29,420)	(21,038)	(23,311)
Change in other provisions	(14,994)	13,989	(39,884)
Change in other operating assets	7,195	334	(26,686)
Change in other operating liabilities	43,072	30,346	37,020
Cash generated from operations	212,246	429,363	468,440
Income taxes paid	(12,957)	(42,553)	(54,432)
Cash inflow from operating activities	199,289	386,810	414,008

	Year ended 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Investing activities			
Cash receipts from disposal of non-current assets	4,177	3,408	7,353
Cash payments for purchase of non-current assets	(123,462)	(133,005)	(155,101)
(Advances to) Repayments from affiliated companies	(1,799)	2,879	(5,510)
Dividends received	2,854	6,599	5,317
Interest income received	3,623	3,397	4,488
Acquisitions of subsidiaries, net of cash acquired	(7,638)	(32,916)	(9,703)
Cash proceeds from sale of entities (excluding cash and cash equivalents)	–	–	259,746
Cash payments for sundry assets	(1,003)	(2,942)	(2,538)
Cash (outflow) inflow from investing activities	(123,248)	(152,580)	104,052
Financing activities			
Dividends paid to non-controlling interests	(2,143)	(2,209)	(2,405)
Cash paid for increased ownership interests (after control)	(9,535)	(1,461)	(10,373)
Cash receipts from decreased ownership interests (after control)	–	82	138
Capital contributions for carrying out the approved capital increase	–	–	467,000
Proceeds from borrowings	56,742	632,691	7,676
Loan financing costs paid	(5,978)	(24,579)	(14,549)
Transaction costs for carrying out the approved capital increase	–	–	(1,095)
Repayment of borrowings	(152,447)	(537,018)	(664,577)
Repayment of other capital borrowings	(42,133)	(21,052)	(2,723)
Cash (payments) receipts for forward foreign exchange hedging contracts	–	(13,714)	20,490
Interest paid	(134,716)	(147,455)	(129,712)
Cash outflow from financing activities	(290,210)	(114,715)	(330,130)

	Year ended 31 December		
	2010	2011	2012
	€'000	*€'000*	*€'000*
Net (decrease) increase in cash and cash equivalents	(214,169)	119,515	187,930
Cash and cash equivalents at the beginning of the year	463,408	252,884	373,451
Effect of foreign exchange rate changes on cash and cash equivalents	3,645	1,052	976
Cash and cash equivalents at the end of the year	252,884	373,451	562,357

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The registered office of KION Holding 1 GmbH is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the KION Group has consistently adopted International Financial Reporting Standards ("**IFRS**"), which are effective for the accounting periods beginning on 1 January 2012 throughout the Relevant Periods.

At the date of this report, the following new and revised standards, amendments and interpretations are issued but are not yet effective. The KION Group has not early adopted these standards, amendments and interpretations.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised 2011)	Employee Benefits[1]
IAS 27 (as revised 2011)	Separate Financial Statements[1]
IAS 28 (as revised 2011)	Investments in Associates and Joint Ventures[1]
Amendment to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

The Executive Board anticipates that the application of the new and revised standards, amendments or interpretations, other than that set out below, will have no material impact on the Financial Information.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Executive Board anticipates that the adoption of IFRS 9 in the future may have impact on amounts reported in respect of the KION Group's available-for-sale financial assets which are currently stated at cost less impairment and will be measured at fair value upon adoption. Presently, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with IFRS. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information includes all of the parent company's subsidiaries. Intragroup balances, transactions, income and expenses, and gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognised on temporary differences resulting from consolidation entries.

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

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

Total comprehensive income and expense of a subsidiary is attributed to the owners of KION and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Acquisitions are accounted for using the acquisition method. The identifiable assets acquired and the liabilities assumed on the acquisition date are recognised separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value. The amount recognised as goodwill is calculated as the amount by which the sum of the consideration transferred, the amount of non-controlling interests in the acquiree and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the group's interest in the acquiree's net assets. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the difference is recognised in income.

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

For acquisitions achieved in stages, previously held equity interests are recognised at their fair value on the date the KION Group obtains control. The difference between their carrying amount and fair value is recognised in the profit and loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units.

Transaction costs are immediately recognised in the profit and loss. Contingent consideration elements are included at fair value at the date of acquisition when determining the purchase consideration. Contingent consideration elements may consist of equity instruments or financial liabilities. Depending on the classification, changes in their fair value are reflected in subsequent measurements.

Revenue recognition

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

Sale of goods

With the exception of items classified as 'sale with risk', revenue from the sale of goods is recognised when the KION Group delivers goods to a customer, the goods are accepted by the customer and the flow of benefits to the KION Group is considered to be probable. If a customer is expected to accept goods but has yet to do so, the corresponding revenue is only recognised when the goods are accepted. Appropriate provisions are recognised for risks relating to the sale of goods. In the case of revenue from agreements classified as 'sale with risk', the revenue is deferred over the term of the agreement if the risks and rewards remain substantially with the KION Group. The term 'sale with risk' is discussed in the following section and under 'Rental assets' below.

Rendering of services

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

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

Interest income

Interest income is recognised proportionately in accordance with the effective interest method.

Royalties

Income from royalties is deferred in accordance with the substance of the relevant agreements and recognised pro rata.

Cost of sales

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

Government grants

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

Financial income and expenses

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

Interest income and expense are recognised in profit and loss in accordance with the effective interest method.

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

Dividends are recognised in income when a resolution on distribution has been passed. They are reported in the income statement under other financial income/expenses.

Goodwill

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

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

For the purposes of internal and external reporting, the activities of the KION Group are broken down into the LMH, STILL, Financial services and Other segments on the basis of their characteristics and risk profile.

The relevant CGUs for the purpose of goodwill impairment testing are the LMH and STILL segments and the Voltas Material Handling Private Limited, Pune, India (referred to below as VHM) CGU, which is assigned to the Other segment, as the structure of the internal reporting and management system, including the decision-relevant forecasts by the KION Group, is based on these CGUs.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows used in the calculation are the operating cash flows taken from financial forecasts approved by KION's management and also used for internal management purposes.

Other intangible assets

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

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

The brand name of VMH is subject to an usage right with a contractually limited term and it will therefore be amortised over its useful life.

Development costs are capitalised if the following can be demonstrated:

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

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

Leases/rental

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

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

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

Leased assets

If the economic ownership of leased assets remains with a KION Group company as the lessor under an operating lease, the assets are reported as leased assets in a separate item on the face of the statement of financial position. The leased assets are carried at cost and depreciated over the term of the underlying leases. Lease-related income is recognised on a straight-line basis over the terms of the leases.

In the case of these long-term leases, industrial trucks are generally sold to leasing companies. The industrial trucks are then leased back to companies in the KION Group, who sub-lease them to customers (described below as 'sale and leaseback sub-leases'). Long-term leases generally have a term of four to five years. If, in the case of sale and leaseback sub-leases, the risks and rewards incidental to the head lease are substantially borne by KION Group companies, the corresponding assets are reported as non-current leased assets. If substantially the risks and rewards are transferred to the end customer, a corresponding lease receivable is recognised. Long-term customer leases are funded for terms that match those of the leases; funding items are recognised as lease liabilities.

Rental assets

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

In the case of short-term rentals, LMH and STILL brand companies rent industrial trucks to customers directly. Short-term rental agreements usually have a term of one day to one year. The significant risks and rewards remain with the LMH and STILL brand companies.

As part of 'sale with risk' business, industrial trucks are sold to finance partners who then enter into leases with end customers. If LMH and STILL brand companies provide material residual value guarantees or a customer default guarantee, these transactions, which are classified as sale agreements under civil law, are recognised in accordance with the provisions on lessors with operating leases in conjunction with the IFRS principles for revenue recognition. In this case, the trucks are recognised as assets in the statement of financial position at their cost on the date of the sale and written down to their guaranteed residual value, or zero, over the term of the lease between the finance partner and end customer. If the KION Group provides a residual value guarantee, an amount equivalent to the residual value obligation is recognised under other financial liabilities. The purchase consideration paid by the finance partner is recognised as deferred income and released to revenue on a pro rata basis over the term of the lease between the finance partner and the end customer.

Property, plant and equipment

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

The cost of property, plant and equipment is reduced by the amount of any government grants received. Expenses for maintenance and repairs are recognised in income to the extent that they are not required to be capitalised. Borrowing costs are capitalised for certain items of property, plant and equipment whose acquisition or production exceeds one year and the definition of a qualifying asset is met. As was the case in 2011 and 2012, there were no qualifying assets for each of the Relevant Periods.

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

KION Group companies also lease property, plant and equipment for their own use using finance leases, which are recognised as property, plant and equipment. In this case, the lower of the fair value and present value of future lease payments is recognised at the inception of the lease. A corresponding liability to the lessor is recognised under other financial liabilities in the statement of financial position.

Property, plant and equipment covered by finance leases is depreciated over the shorter of its useful life or the term of the lease, unless title to the leased assets passes to the lessee when the lease expires, in which case the property, plant and equipment is depreciated and the other financial liabilities are reversed over the useful life of the leased assets.

The difference between total finance lease liabilities and the fair value of the financed leased assets represents the finance charge which is recognised in the income statement over the term of the lease at a constant rate of interest on the outstanding balance in each period. At the end of the lease term, the leased assets are either returned or purchased, or the contract is extended.

If there are certain indications of impairment, property, plant and equipment assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount, which is defined as the higher of value in use and fair value less costs to sell. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognised for the asset.

The KION Group calculates the recoverable amount primarily on the basis of value in use. In determining value in use, the expected future cash flows are discounted using a risk-adjusted discount rate, taking into account the current and future level of earnings and segment-specific, technological, economic and general trends.

If an impairment test for an item of property, plant and equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill and, subsequently, the assets must be written down in proportion to their relative carrying amounts. If the reason for an impairment loss recognised in prior years no longer applies, impairment losses not exceeding the amortised cost of the asset concerned are reversed. This does not apply to goodwill.

Equity investments

In accordance with the equity method, associates and joint ventures are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. In subsequent periods, the KION Group's interest in the profit or loss generated after acquisition is recognised in income. Other changes in the equity of associates and joint ventures are recognised in other comprehensive income (loss) in the consolidated financial statements in proportion to the KION Group's interest in the associate or joint venture.

If the KION Group's interest in the losses made by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the KION Group, no additional losses are recognised. Any goodwill arising from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture. When an associate or joint venture is sold, the KION Group's interest in its goodwill is taken into account in determining the gain or loss on disposal.

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the investment in question is tested for impairment.

Other financial assets

The investments in non-consolidated affiliated companies and (long-term) equity investments that are reported in other non-current financial assets are carried at cost less impairment losses, as observable fair values are not available and reliable results cannot be obtained using other permitted measurement techniques. At present there is no intention to sell these financial instruments. At each reporting date, financial assets or groups of financial assets are tested for impairment. Impairment losses are recognised in income as appropriate.

Primary financial assets are initially recognised and derecognised in the financial statements on their settlement dates.

Under IAS 39 ('Financial Instruments: Recognition and Measurement'), securities allocated to current or non-current financial assets are classified according to those carried at fair value through profit and loss (FAHfT), available for sale (AfS) and held to maturity (HtM).

The KION Group did not designate any securities as carried at fair value through profit and loss (FAHfT) in the Relevant Periods. The FAHfT category therefore only includes financial derivatives that do not form part of a formally documented hedge.

Available-for-sale financial instruments (AfS) are carried at fair value. Equity investments for which no market price is available, are recorded at cost. Unrealised gains and losses, including deferred taxes, are reported in other comprehensive income (loss) until they are realised.

In the first period they are recognised, other financial assets which are categorised as loans and receivables ('LaR') are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Appropriate valuation allowances are recognised for identifiable individual risks. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

Carrying amounts are tested for impairment on every reporting date and whenever indications of impairment arise. If there is an objective indication of impairment (such as a borrower being in significant financial difficulties), an impairment loss must be recognised directly in the income statement.

If objective facts in favour of reversing impairment losses are present on the reporting date, reversals are recognised in an appropriate amount. Reversals may not exceed the amortised cost that would have been recorded if the impairment loss had not been recognised. In the case of debt instruments, reversals of impairment losses are recognised in the income statement.

Held-to-maturity financial assets are carried at amortised cost less impairment losses in accordance with the effective interest method.

Income taxes

In the consolidated financial statements, current and deferred taxes are recognised on the basis of the tax laws of the jurisdictions involved. Deferred taxes are recognised in other comprehensive income (loss) if they relate to transactions also recognised in other comprehensive income (loss).

Deferred tax assets and liabilities are recognised in accordance with the liability method for all temporary differences between the IFRS carrying amounts and the tax base, as well as for temporary consolidation measures.

Deferred tax assets also include tax refund claims that arise from the expected utilisation of existing tax loss carryforwards and interest carryforwards in subsequent years and whose utilisation is reasonably certain according to current forecasts. On the basis of this estimate, deferred tax assets were recognised on certain interest carryforwards for the first time in 2010.

Deferred taxes are determined on the basis of the tax rates that will apply or are expected to apply at the realisation date in accordance with the current legal situation in each country concerned. In accordance with the provisions in IAS 12, deferred tax assets and liabilities are not discounted.

Deferred tax assets are offset against deferred tax liabilities to the extent that they have the same maturity and relate to the same taxation authority.

Inventories

Inventories are carried at the lower of cost and net realisable value.

The acquisition costs of raw materials and merchandise are calculated on the weighted average method. The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overhead and production-related depreciation directly attributable to the production process. Administrative costs and social insurance/employee benefits are included to the extent that they are attributable to the production process. Borrowing costs as defined by IAS 23 are not a component of cost as inventories are not qualifying assets as defined by IAS 23.4. Cost of inventories are recognised is an average value or a value determined in accordance with the FIFO method.

Net realisable value is the selling price that can be realised less the estimated costs of completion and the estimated costs necessary to make the sale.

Write-downs are recognised for inventory risks resulting from duration of storage, impaired recoverability, etc. Write-downs are reversed up to a maximum of cost if the reasons for their recognition no longer apply.

Receivables

In the first period they are recognised, receivables and other assets are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Appropriate valuation allowances are recognised for identifiable individual risks. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

Derivative financial instruments

Derivative financial instruments comprise currency forwards and interest-rate swaps and are used for hedging purposes to mitigate exchange-rate and interest-rate risks.

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), all derivative financial instruments are measured at their fair value irrespective of an entity's purpose or intention in entering into the derivative contract. Changes in the fair value of derivative financial instruments in a formally documented hedge are reported in the income statement (for fair value hedges) or in other comprehensive income (loss) (for cash flow hedges).

Hedge accounting

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

At the inception of the hedging relationship the KION Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the KION Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

In the case of cash flow hedges, derivatives are employed to hedge future cash flow risks from existing underlying transactions or planned transactions. The effective portion of changes in the fair value of derivatives is initially recognised in other comprehensive income (loss). The ineffective portion of the changes in fair value is recognised immediately in net financial income/expenses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

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

Hedge accounting is discontinued when the KION Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Further information on risk management and accounting for derivative financial instruments can be found under note 39.

Retirement benefit obligation

The retirement benefit obligation is calculated in accordance with the projected unit credit method. Future pension obligations are measured on the basis of the pro rata vested benefit entitlements as at the reporting date and discounted to their present value. The calculations include assumptions about future changes in certain parameters, such as expected salary and pension increases and biometric factors affecting the amount of future benefits. Pension provisions are reduced by the fair value of the plan assets used to cover the KION Group's benefit obligations. Plan assets are measured at fair value.

Actuarial gains and losses, including deferred taxes, are recognised in other comprehensive income (loss). The cost of additions to pension provisions is allocated to functional costs. The interest cost on pension obligations and the expected return on plan assets are reported in net financial income/expenses. Further details can be found in note 31.

Provisions

Provisions are recognised when the KION Group has a legal or constructive obligation to a third party as the result of a past event that is probable to lead to a future outflow of resources and that can be reliably estimated. A provision is recognised in the amount of the mean of the range of probabilities. Measurement includes indirect and direct costs.

Provisions for identifiable risks and contingent liabilities are recognised in the amount that represents the best estimate of the cost required to settle the obligations existing on the reporting date. Recourse claims are not taken into account. The settlement amount also includes estimated future cost increases as of the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability. Accrued interest is recognised in interest expense.

Warranty provisions are recognised on the basis of past or estimated future claim statistics. Individual provisions are recognised for claims that are known to the KION Group. The corresponding expense is recognised in cost of sales at the date on which the revenue is recognised.

Provisions for expected losses from onerous contracts and other business obligations are measured on the basis of the work yet to be performed.

A restructuring provision is recognised when a KION Group company has prepared a detailed, formal restructuring plan and this plan has raised a valid expectation in those affected that the company will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring and not associated with the ongoing activities of the company concerned.

Shareholder loan, financial liabilities, other financial liabilities, trade payables

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the KION Group's accounting policies, which are described in note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment on goodwill

Goodwill is tested for impairment annually at the level of the cash-generating unit to which goodwill is allocated, by considering the KION Group's three-year planning combined with the growth forecasts for the subsequent two years thereafter and assuming division-specific growth rates for the period thereafter. Any material changes to these factors might result in the recognition of impairment losses. Further information on goodwill can be found in note 17.

Defined benefit pension obligations

Defined benefit pension obligations are calculated on the basis of actuarial parameters. As differences due to actuarial gains and losses are recorded in other comprehensive income (loss), any change in these parameters would not affect the net profit for the Relevant Periods. For further details about sensitivity analysis of the impact of certain assumptions, please refer to the information about provisions in note 31.

Income tax expense

Significant estimates are involved in calculating provisions for tax. These estimates may change on the basis of new information and experience. Where necessary, the KION Group's accounting departments receive assistance from external legal advisers and tax consultants when making the estimates required.

Other provisions

The recognition and measurement of other provisions is based on an estimate taking into consideration the probability of the future outflow of resources, supplemented by past experience and the circumstances known to the KION Group at the reporting date. Accordingly, the actual outflow of resources for a given event may be different from the amount recognised in other provisions. Further details can be found in note 34.

Valuation of deferred tax assets

Deferred tax assets on tax loss carryforwards and interest carryforwards are recognised on the basis of an estimate of the future recoverability of the tax benefit, i.e. an assumption as to whether sufficient taxable income or tax relief will be available against which the carried forwards can be utilised. The actual amount of taxable income in future periods, and hence the actual utilisation of tax loss carryforwards and interest carryforwards, may be different from the estimates made when the corresponding deferred tax assets were recognised.

5. REVENUE

Revenue represents revenue arising on sale of industrial trucks, rental business and leasing, and after sales services income for the Relevant Periods. An analysis of the KION Group's revenue for the Relevant Periods is as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Sales of goods	2,537,393	3,275,131	3,443,363
Rendering of services	594,724	652,119	855,691
Rental income	402,357	441,145	427,610
	3,534,474	4,368,395	4,726,664

6. SEGMENT INFORMATION

IFRS 8 specifies the 'management approach' for defining operating segments. Under this approach, the internal reports that are regularly used by the chief operating decision-maker to make decisions on the allocation of resources to a segment and to assess the performance of a segment are used as the basis for determining the operating segments. The chief operating decision-maker in the KION Group is the Executive Board.

The Executive Board has divided the KION Group into four segments namely the Linde Material Handling Brand ("LMH"), STILL Brand ("STILL"), Financial Service ("FS") and Other.

LMH

LMH brand comprises the group entities dealing with the material-handling products under the Linde, Fenwick and Baoli brands.

STILL

The STILL brand comprises the group entities dealing with the forklifts, warehouse handling equipment and tow tractors and pioneering material flow services under STILL and OM brands.

FS

The purpose of the FS segment is to act as an internal partner for the brand segments, providing finance solutions that promote sales. The FS activities include internal financing of short-term rental fleets, the financing of long-term leasing business for KION Group customers, and risk management. When long-term leasing business is being conducted, FS operates as a contractual partner to external customers and provides the necessary funding in conjunction with external financial partners. When short-term business is being transacted, FS's contractual relationship is with the LMH and STILL brand segments or with the external financial partners. Besides management of residual-value risk, risk management also includes the credit risk management system, which was refined as part of the work involved in transferring financial services activities to a separate segment. Transactions with other segments are presented in the same way as business conducted on an arm's-length basis. The regular (interest) margin income that FS generates from its business activities reflects prevailing market conditions. Surpluses from leasing that exceed this interest rate are reflected in the producer margin within the operating profit generated by the LMH and STILL brand segments.

Other

The 'Other' segment comprises the companies operating under the Voltas brand as well as companies engaged in investment holding and provision of service in the KION Group.

Segment revenue and results

The basis for segment reporting on financial performance is a presentation based on data from continuing operations and excluding non-recurring items. In addition to the above items, other net financial income/expenses and the share of profit (loss) of equity investments are also excluded from the performance indicator segment results.

The non-recurring items mainly comprise severance payments, social plan costs, costs relating to the planned transfers of production and consultancy costs. Also non-recurring items for the year ended 31 December 2011 and 2012 included the changes in purchase consideration in respect of acquisition of subsidiaries in prior years and the remeasurement of an existing equity investment in an entity, over which a controlling influence can be exerted following the acquisition of additional shares. In addition, non-recurring items for the year ended 31 December 2012 also include the gain from disposal of the controlling interest in Linde Hydraulics (note 45(d)). The KION acquisition items comprise a net writedown on the fair value adjustments identified as part of the purchase price allocation (PPA).

Segment reports are prepared in accordance with the same accounting policies as the Financial Information, as described in note 3.

Intra-segment transactions are generally conducted on an arm's length basis.

	LMH	STILL	FS	Other	Adjustments	Total
	€'000	€'000	€'000	€'000	€'000	€'000
For the year ended 31 December 2010						
Segment revenue	2,247,295	1,408,578	353,590	159,868	(634,857)	3,534,474
Inter-segment revenue	(204,868)	(151,742)	(127,874)	(150,373)	634,857	–
Revenue from external customers/consolidated revenue	2,042,427	1,256,836	225,716	9,495	–	3,534,474
Segment results	136,796	18,339	2,161	(22,010)	4,076	139,362
Non-recurring items						(75,695)
KION acquisition items						(29,031)
Financial income						88,349
Financial expense						(354,405)
Loss before tax						(231,420)
For the year ended 31 December 2011						
Segment revenue	2,853,514	1,666,804	479,760	223,309	(854,992)	4,368,395
Inter-segment revenue	(251,927)	(204,836)	(214,864)	(183,365)	854,992	–
Revenue from external customers/consolidated revenue	2,601,587	1,461,968	264,896	39,944	–	4,368,395
Segment results	279,359	100,180	2,701	67,971	(85,603)	364,608
Non-recurring items						(115,483)
KION acquisition items						(35,965)
Financial income						73,664
Financial expense						(345,709)
Loss before tax						(58,885)
For the year ended 31 December 2012						
Segment revenue	3,132,247	1,676,590	509,326	250,937	(842,436)	4,726,664
Inter-segment revenue	(229,084)	(192,758)	(212,571)	(208,023)	842,436	–
Revenue from external customers/consolidated revenue	2,903,163	1,483,832	296,755	42,914	–	4,726,664
Segment results	330,357	122,609	1,402	44,432	(60,641)	438,159
Non-recurring items						153,407
KION acquisition items						(41,453)
Financial income						62,084
Financial expense						(301,569)
Profit before tax						310,628

Segment assets and liabilities

The following is an analysis of the KION Group's assets and liabilities by reportable and operating segment.

	LMH	STILL	FS	Other	Adjustments	Total
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
At 31 December 2010						
Segment assets/consolidated total assets	4,086,051	1,951,953	774,824	632,090	(1,685,979)	5,758,939
Segment liabilities/consolidated total liabilities	1,404,059	968,884	733,594	4,700,799	(1,648,475)	6,158,861
At 31 December 2011						
Segment assets/consolidated total assets	4,425,263	1,983,278	840,005	708,616	(1,890,876)	6,066,286
Segment liabilities/consolidated total liabilities	1,495,301	1,064,798	798,845	5,043,405	(1,848,476)	6,553,873
At 31 December 2012						
Segment assets/consolidated total assets	4,513,827	2,068,249	1,040,559	902,292	(2,311,687)	6,213,240
Segment liabilities/consolidated total liabilities	1,461,278	1,191,605	998,854	4,205,982	(2,304,814)	5,552,905

Other segment information

	LMH	STILL	FS	Other	Adjustments	Total
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
For the year ended 31 December 2010						
Carrying amount of equity investments	33,433	4,408	–	–	–	37,841
Capital expenditures*	70,477	34,150	–	18,835	–	123,462
Depreciation**	176,363	99,196	64,175	16,956	(18,096)	338,594
For the year ended 31 December 2011						
Carrying amount of equity investments	31,898	4,647	–	–	–	36,545
Capital expenditures*	75,952	43,270	–	13,783	–	133,005
Depreciation**	167,602	95,111	71,020	16,319	(21,060)	328,992
For the year ended 31 December 2012						
Carrying amount of equity investments	135,499	6,148	13,188	–	–	154,835
Capital expenditures*	89,139	51,115	53	14,794	–	155,101
Depreciation**	174,903	100,317	51,180	17,735	–	344,135

* Excluding leased and rental assets

** Including leased and rental assets

Segment revenue broken down by customer location

	2010	2011	2012
	€'000	*€'000*	*€'000*
Germany	899,817	1,174,777	1,225,236
European Union ("EU") excluding Germany	1,820,151	2,114,588	2,253,227
Rest of Europe	151,807	203,530	247,648
America	232,673	280,611	324,175
Asia	301,879	434,814	485,636
Rest of world	128,147	160,075	190,742
Total segment revenue	3,534,474	4,368,395	4,726,664

Segment revenue information about products

Revenues from each group of similar products within the reportable segments are as follows:

	2010	2011	2012
	€'000	*€'000*	*€'000*
Sale of new industrial trucks	1,775,628	2,364,235	2,651,483
Hydraulics	119,901	172,662	167,771
Service offering	1,638,945	1,831,498	1,907,410
– After sales	970,668	1,065,731	1,149,791
– Rental business	402,361	441,152	427,610
– Used trucks	187,246	218,982	212,974
– Other	78,670	105,633	117,035
Total revenue	3,534,474	4,368,395	4,726,664

Segment revenue information about major customers

There are no relationships with individual customers that generate revenue deemed to be significant as a proportion of total consolidated revenue.

Non-current assets broken down by company location

The regional breakdown of non-current assets excluding financial assets, financial instruments, deferred tax assets and post-employment benefits ("Adjusted Non-current Assets") is as follows:

	2010	2011	2012
	€'000	*€'000*	*€'000*
Germany	2,711,755	2,703,550	2,552,611
EU excluding Germany	661,375	665,590	695,537
Rest of Europe	19,992	24,492	27,858
America	30,609	34,672	46,240
Asia	88,213	116,428	122,176
Rest of world	49,132	48,671	49,544
Adjusted Non-current Assets	3,561,076	3,593,403	3,493,966

7. OTHER INCOME

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Gain on disposal of subsidiaries	–	–	211,763
Foreign currency exchange rate gains	18,554	22,600	18,926
Changes in contingent consideration in respect of acquisition of subsidiaries in prior years	–	11,971	4,557
Profit from release of deferred lease profits	6,952	6,886	10,593
Income from reversal of provisions	5,038	6,638	5,196
Rental income	2,231	2,155	2,677
Gains on disposal of non-current assets	1,077	1,381	4,045
Reversal of impairment losses on non-current assets	1,546	–	–
Sundry income	24,187	29,872	36,617
Total other income	59,585	81,503	294,374

8. OTHER EXPENSES

	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Impairment of non-current assets	8,522	27,032	21,134
Foreign currency exchange rate losses	16,949	19,467	23,277
Losses on disposal of property, plant and equipment	5,966	7,963	3,334
Sundry other expenses	14,442	15,581	11,785
Total other expenses	45,879	70,043	59,530

9. FINANCE INCOME

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Interest income from leases	25,528	24,414	22,451
Other interest and similar income	3,433	3,369	4,794
Total interest income	28,961	27,783	27,245
Foreign currency exchange rate gains (financing)	36,141	23,149	12,108
Return on pension plan assets	23,247	22,732	22,731
Total financial income	88,349	73,664	62,084

10. FINANCIAL EXPENSES

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Interest expense from loans	167,347	135,737	121,100
Interest cost of defined benefit obligation	41,434	42,436	43,809
Interest cost of leases	35,951	37,738	39,636
Interest cost of shareholder loan	27,882	27,882	27,653
Interest expense from corporate bond	–	25,395	34,458
Amortisation of finance costs	8,333	11,359	11,422
Interest cost of non-current financial liabilities	3,263	2,574	2,192
Other interest expense and similar charges	16,318	10,324	13,667
Total interest expenses	300,528	293,445	293,937
Foreign currency exchange rate losses (financing)	53,877	52,264	7,632
Total financial expense	354,405	345,709	301,569
Interest expenses for borrowings repayable:			
Within five years	339,890	320,314	262,371
Over five years	14,515	25,395	39,198
Total financial expense	354,405	345,709	301,569

Borrowing costs capitalised during the Relevant Periods are calculated by applying following capitalisation rate per annum to the expenditure on qualifying assets:

	Year ended 31 December		
	2010	**2011**	**2012**
	%	%	%
Capitalisation rate	6.34	5.94	NA

11. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Current taxes			
Current year	26,865	46,747	113,317
(Over) Underprovision in the prior periods	(11,868)	2,602	8,820
	14,997	49,349	122,137
Deferred taxes			
Current year	(50,030)	(16,712)	25,930
Change in tax rates and tax legislation	311	1,404	1,473
	(49,719)	(15,308)	27,403
	(34,722)	34,041	149,540

The current corporate income tax rate in Germany is 15.0%. Taking into account the average trade tax rate of 13.9% and the solidarity surcharge (5.5% of corporate income tax), the combined tax rate for companies in Germany was 29.8% during the year ended 31 December 2010 and 2011, and 29.9% during the year ended 31 December 2012.

The income tax rates for foreign companies used in the calculation of deferred taxes are between 10.0% and 37.8% for the year ended 31 December 2010, 10.0% and 38.5% for the year ended 31 December 2011 and 10.0% and 38.1% for the year ended 31 December 2012.

The table below shows the reconciliation of expected income tax credit (expense) to effective income tax credit (expense). The KION Group reconciliation is an aggregation of the individual company-specific reconciliations prepared in accordance with relevant local tax rates. The expected tax rate applied in the reconciliation is at 29.8% for the year ended 31 December 2010 and 2011, and 29.9% for the year ended 31 December 2012.

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
(Loss) profit before tax	(231,420)	(58,885)	310,628
Anticipated income taxes	68,894	17,548	(93,002)
Deviations due to the trade tax base	(2,026)	(3,087)	(3,882)
Deviations from the anticipated tax rate	3,289	13,560	(322)
Change in valuation allowance on deferred taxes	(1,999)	(9,765)	(623)
Losses for which deferred taxes have not been recognised	(11,108)	(17,372)	(19,972)
Change in tax rates and tax legislation	(311)	(1,404)	(1,473)
Interest carryforwards without the recognition of deferred taxes *(note)*	(34,073)	(31,786)	(7,113)
Non-deductible expenses	(14,608)	(8,556)	(20,244)
Tax-exempt income	34	1,903	20,924
Over(under) provision in other periods	11,868	(2,602)	(8,820)
Deferred taxes prior periods	16,055	5,001	(11,168)
Other	(1,293)	2,519	(3,845)
Tax credit (charge) for the year	34,722	(34,041)	(149,540)

Note: The amount represented the interest expenditure that KION Group incurred during the Relevant Periods which cannot be deducted against the income of the period in which the interest was incurred but carried forward and are only deductible in the future subject to certain restrictions.

Details of the deferred taxation are set out in note 25.

12. (LOSS) PROFIT FOR THE YEAR

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Depreciation and amortisation/Impairment of non-current assets (excl. leased and rental assets)	180,094	192,068	184,042
Depreciation/Impairment of leased and rental assets	165,477	163,953	181,227
Loss (gain) on disposal of non-current assets	4,987	6,428	(139,019)
Total staff costs, including directors' emoluments *(note 13)*	968,000	1,064,000	1,203,000
Defined contribution plans	48,867	56,118	63,895
Auditors' remunerations	800	970	960
Minimum lease payments under operating lease	100,928	105,224	99,437
Cost of inventories recognised as an expense	2,684,353	3,256,378	3,429,914

13. EMOLUMENTS OF EXECUTIVE BOARD, SUPERVISORY BOARD AND HIGHEST PAID EMPLOYEES

(a) Executive Board

The following persons are member of the Executive Board during the Relevant Periods:

Gordon Riske, chief executive officer
Harald Pinger, chief financial officer (until 31 August 2012)
Dr. Thomas Toepfer, chief financial officer (since 1 September 2012)
Klaus Hofer, chief human resources officer (since 1 October 2011)

The remuneration paid to the Executive Board comprises a fixed salary and non-cash benefits, pension entitlements and performance-related components. The variable performance-related components are paid each year on the basis of the KION Group's performance. The pension entitlements consist of retirement, disability and surviving dependants' benefits. The summary of the compensation paid to the Executive Board during the Relevant Periods is as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Short term remuneration	4,550	4,755	5,551
Termination benefits	–	–	6,000
Post-employment benefits	366	386	436
Share-based payments	133	68	39
	5,049	5,209	12,026

The amount of loans or advances were made to members of the Executive Board which is also the maximum amount, totalling €151,000, €Nil and €Nil, respectively, during the year ended 31 December 2010, 2011 and 2012.

The total remuneration paid to members of the Executive Board who has ceased as Executive Board during the Relevant Periods amounted to €Nil, €162,000 and €165,000, respectively, during the year ended 31 December 2010, 2011 and 2012, are included in the above total remuneration.

(b) Supervisory Board

The following persons are member of the Supervisory Board during the Relevant Periods:

Dr. John Feldmann, Chairman (since 28 September 2011)
Manfred Wennemer, Chairman (until 28 June 2011)
Johannes P. Huth, Chairman (from 29 June 2011 to 28 September 2011)
Jochim Hartig, Deputy Chairman *(note)*
Holger Brandt (since 19 March 2012) *(note)*
Dr. Alexandra Dibelius
Denis Heljic (until 19 March 2012) *(note)*
Dr. Martin Hintze
Jiang Kui (since 27 December 2012)
Thiilo Kämmerer *(note)*
Dr. Roland Köstler *(note)*
Peter Kolb *(note)*
Kay Pietsch *(note)*
Silke Scheiber
Dr. Michael SüB (until 26 December 2012)
Philip Wack (from 29 June 2011 to 27 September 2011)
Hans-Peter Weiβ *(note)*

Note: They are employee representatives.

The total remuneration paid to the members of the Supervisory Board for the performance of their duties at KION Group amounted to €822,000, €1,071,000 and €953,000 respectively, for the years ended 31 December 2010, 31 December 2011 and 31 December 2012.

There were no loans or advances to members of the Supervisory Board during the Relevant Periods.

Furthermore, the members of the Supervisory Board did not receive any remuneration or benefits for services provided as individuals, such as consulting or brokerage activities.

In addition to their remuneration as members of the Supervisory Board, the employee representatives also receive remuneration as employees of the KION Group that is unrelated to their work on the Supervisory Board.

Remuneration paid to employee representatives for their work as employees totaled €514,000, €539,000 and €550,000 respectively, for the years ended 31 December 2010, 31 December 2011 and 31 December 2012.

(c) Employees

The five highest paid individuals of the KION Group included the all members of the Executive Board for the Relevant Periods. The details of the remuneration of the five highest paid individuals for the Relevant Periods are as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Short term remuneration	6,494	7,003	6,105
Post-employment benefits	423	425	963
Share-based payments	133	68	39
	7,050	7,496	7,107

Their emoluments are within the following bands:

	Number of individuals Year ended 31 December		
	2010	**2011**	**2012**
HK$9,000,001 to HK$9,500,000	1	–	–
HK$10,000,001 to HK$10,500,000	–	–	1
HK$10,500,001 to HK$11,000,000	1	–	–
HK$11,000,001 to HK$11,500,000	1	1	2
HK$11,500,001 to HK$12,000,000	–	2	–
HK$17,500,001 to HK$18,000,000	–	–	1
HK$18,000,001 to HK$18,500,000	1	–	–
HK$18,500,001 to HK$19,000,000	–	1	–
HK$21,000,001 to HK$21,500,000	1	–	–
HK$22,000,001 to HK$22,500,000	–	1	1

During the Relevant Periods, no emoluments were paid by the KION Group to any of the members of the Executive Board and Supervisory Board or the five highest paid individuals (including Executive Board, Supervisory Board and employees) as an inducement to join or upon joining the KION Group or as compensation for loss of office. None of the members of the Executive Board and Supervisory Board waived any emoluments during the Relevant Periods.

14. OTHER COMPREHENSIVE INCOME (EXPENSES)

Other comprehensive income (expenses) and the respective tax effects for the Relevant Periods are summarised as follows:

	Impact of exchange differences	**Gains (losses) on employee benefits**	**Gains (losses) on cash flow hedges**	**Gains (losses) on equity investments**	**Total**
	€'000	*€'000*	*€'000*	*€'000* *(Note)*	*€'000*
For the year ended 31 December 2010					
Other comprehensive income (expenses) before tax	37,260	(39,462)	15,391	(125)	13,064
Tax effect	–	10,804	(5,369)	–	5,435
Other comprehensive income (expenses) after tax	37,260	(28,658)	10,022	(125)	18,499
For the year ended 31 December 2011					
Other comprehensive income (expenses) before tax	6,476	13,995	(11,381)	532	9,622
Tax effect	–	(5,601)	3,232	–	(2,369)
Other comprehensive income (expenses) after tax	6,476	8,394	(8,149)	532	7,253
For the year ended 31 December 2012					
Other comprehensive income (expenses) before tax	2,755	(214,109)	7,650	(26)	(203,730)
Tax effect	10	62,798	(1,576)	–	61,232
Other comprehensive income (expenses) after tax	2,765	(151,311)	6,074	(26)	(142,498)

Note: Gain (losses) on equity investments represents the share of other comprehensive income (expense) of associates or jointly controlled entity.

15. DIVIDEND

KION did not declare or paid any dividend during the Relevant Periods.

16. (LOSS) EARNINGS PER SHARE

No information of (loss) earnings per share of KION Group has been presented for the Relevant Periods as KION's subscribed capital is not divided by share and provision of such information is not meaningful for the purpose of this report.

17. GOODWILL

	Year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
COST:			
At the beginning of the year	1,504,796	1,507,010	1,537,996
Effect of foreign currency exchange differences	778	150	(542)
Arising from acquisition of subsidiaries	1,511	–	185
Eliminated on disposal of subsidiaries	(75)	(699)	(80,700)
Group changes	–	31,535	16,306
At the end of the year	1,507,010	1,537,996	1,473,245

Goodwill is allocated to the CGUs as follows:

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
LMH	954,802	971,873	907,835
STILL	552,208	552,208	552,208
Other	–	13,915	13,202
Total goodwill	1,507,010	1,537,996	1,473,245

During the year ended 31 December 2011, the goodwill of €14,700,000 arising from the acquisition of the forklift truck and warehouse technology business of Voltas Limited, Mumbai, India, has been allocated to the 'Other' segment. The carrying value of this goodwill was reduced to €13,915,000 at 31 December 2011 after the exchange adjustments on consolidation.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows used in the calculation are the operating cash flows taken from financial forecasts approved by KION's management and also used for internal management purposes. The cash flows forecast for the next five years are included in the calculation for the impairment test. The financial forecasts are based on assumptions relating to the development of the global economy, commodity prices and exchange rates. The budget for next year, the medium-term planning for the next second and third years and the market forecasts for the next fourth and fifth years were used to determine the cash flows. Cash flows beyond the five-year planning horizon were extrapolated for the LMH and STILL CGUs using a growth rate of 1% for each of the Relevant Periods. A growth rate of 2 per cent for VMH (the forklift truck and warehouse technology business of Voltas Limited) for the Relevant Periods was used for determining cash flows into perpetuity to reflect forecasted trends for the high-growth market of India.

CGU cash flows are discounted using a discount rate based on a weighted average cost of capital ("WACC") as adjusted for current market assessments of the specific risks to individual CGUs. The underlying capital structure for the LMH and STILL CGUs is determined by comparing peer group companies in the same sector. The major assumptions used are as follows:

	At 31 December		
	2010	**2011**	**2012**
Beta factor derived from the peer group	1.09	1.03	1.08
Yield curve data from the European Central Bank	3.45%	3.40%	2.5%
Market risk premium taken from empirical studies of the capital markets by the Institute of Public Auditors in Germany ("IDW")	5.5%	5.5%	6.0%
Country risk premium			
LMH	0.0%	0.0%	0.2%
STILL	0.0%	0.0%	0.5%
The risk-adjusted cost of borrowing before tax	5.5%	5.3%	4.4%
Leverage ratio	32.2%	25.4%	22.7%
Pre-tax interest rate for:			
LMH	10.3%	10.5%	10.7%
STILL	10.3%	10.4%	11.0%

To determine the country-specific WACC for VMH, the following assumptions are used:

	2010	**2011**	**2012**
Leverage beta	NA	1.10	1.07
Risk-free interest rate for India	NA	7.3%	8.7%
Market risk premium derived from empirical data of the capital markets	NA	5.5%	6.0%
Country risk premium	NA	2.3%	3.0%
The risk-adjusted cost of borrowing before tax	NA	11.3%	10.6%
Leverage ratio	NA	25.4%	22.7%
Pre-tax interest rate for VMH	NA	14.6%	21.5%

A country risk premium was not taken into consideration for the LMH and STILL CGUs because the KION Group mainly operates in the European market, except that of 2012 which considered the country risk relating to the KION Group's operation outside European market.

Based on the assessment of the Executive Board, no impairment on the goodwill was required during the Relevant Periods.

18. OTHER INTANGIBLE ASSETS

	Brand names	Technology and development costs	Sundry intangible assets	Total
	€'000	*€'000*	*€'000*	*€'000*
At 31 December 2010				
Cost	591,018	406,879	214,386	1,212,283
Accumulated amortisation	–	(145,685)	(80,188)	(225,873)
Net carrying value	591,018	261,194	134,198	986,410
At 31 December 2011				
Cost	594,609	449,864	236,275	1,280,748
Accumulated amortisation	(230)	(198,141)	(104,822)	(303,193)
Net carrying value	594,379	251,723	131,453	977,555
At 31 December 2012				
Cost	594,494	426,727	232,942	1,254,163
Accumulated amortisation	(546)	(208,835)	(110,821)	(320,202)
Net carrying value	593,948	217,892	122,121	933,961

Movements of other intangible assets during the Relevant Periods are as follows:

	Brand names	Technology and development costs	Sundry intangible assets	Total
	€'000	*€'000*	*€'000*	*€'000*
Balance as at 1 January 2010	590,340	263,463	142,655	996,458
Group changes	–	–	234	234
Effect of foreign currency exchange differences	678	304	2,744	3,726
Additions	–	47,538	21,582	69,120
Disposals	–	–	3	3
Amortisation	–	(47,328)	(27,360)	(74,688)
Impairment	–	(3,044)	(5,420)	(8,464)
Reversal of impairment	–	–	21	21
Reclassification	–	261	(261)	–
Balance as at 31 December 2010	591,018	261,194	134,198	986,410
Group changes	2,982	–	7,634	10,616
Effect of foreign currency exchange differences	524	(14)	225	735
Additions	99	53,363	16,755	70,217
Disposals	–	(1)	(163)	(164)
Amortisation	(244)	(52,544)	(27,359)	(80,147)
Impairment	–	(10,236)	(25)	(10,261)
Reclassification	–	(39)	188	149
Balance as at 31 December 2011	594,379	251,723	131,453	977,555
Group changes	–	–	4,691	4,691
Effect of foreign currency exchange differences	(85)	366	230	511
Additions	–	51,247	18,923	70,170
Disposals	–	(25,094)	(3,433)	(28,527)
Amortisation	(346)	(55,527)	(29,828)	(85,701)
Impairment	–	(4,758)	(67)	(4,825)
Reclassification	–	(65)	152	87
Balance as at 31 December 2012	593,948	217,892	122,121	933,961

At 31 December 2010, 2011 and 2012, brand names amounting to €585,918,000, €587,782,000 and €587,755,000, respectively are considered to have indefinite useful lives which are stated at cost less impairment. Their impairment were assessed annually by reference to the CGU of which the respective brands allocated to. Details of the method and assumptions used to assess impairment are set out in note 17.

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

	Years
Brand names with definite useful lives	5
Technology	10
Development costs	5–10
Sundry intangible assets	
– Customer relationships/client base	10
– Patents and licences	3–15
– Software	3–8

The development costs incurred during the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Development cost incurred for the year	100,421	110,109	115,416
Less: Amount capitalised	(47,538)	(53,363)	(51,247)
	52,883	56,746	64,169
Amortisation	47,328	52,544	55,527
Impairment	3,044	10,236	4,758
Amount charged to profit or loss	103,255	119,526	124,454

To implement long-term structural and efficiency measures, KION Group announced the consolidation of its European production sites which included the closing the plants in Bari, Italy and Montataire, France during the year ended 31 December 2011 ("Production Transfer"). The production capacity of these plants was shifted to other production facilities with the aim of improving the capacity utilisation of the European plants. The Executive Board assessed the recoverable amount of the development costs attributable to these two plants amounting to €10,236,000 were fully impaired. The impairment losses related to the STILL segment.

Impairment losses of €4,825,000 were recognised on these assets during the year ended 31 December 2012 to reflect the lack of opportunities to use them in future as a result of the planned closure of production sites. Of this amount, €4,741,000 relates to capitalised development costs. The impairment losses related to the LMH segment.

Sundry intangible assets relate primarily to the intangible assets identified through the purchase price allocation for the acquisition of the KION Group, such as the customer base.

19. LEASED ASSETS

	For the year 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Balance at the beginning of the year	168,313	156,125	167,354
Group changes	–	3,110	–
Effect of foreign currency exchange differences	5,283	(451)	708
Additions	44,534	101,916	135,096
Disposals	(15,836)	(42,661)	(60,589)
Depreciation	(46,475)	(49,961)	(51,171)
Reclassification	306	(724)	(76)
Balance at the end of the year	156,125	167,354	191,322
Represented by:			
Cost	446,696	455,893	453,945
Accumulated depreciation	(290,571)	(288,539)	(262,623)
Net carrying value	156,125	167,354	191,322

During the Relevant Periods, leased assets are attributable solely to the Financial Services segment and relate to industrial trucks in the amount of €155,849,000, €167,164,000 and €191,192,000 respectively and to office furniture and equipment in the amount of €276,000, €190,000 and €130,000 respectively.

Leased assets include assets leased over the long term with a residual value of €111,731,000, €120,742,000 and €142,668,000, respectively, at 31 December 2010, 2011 and 2012 that are funded by means of sale and leaseback transactions with leasing companies and leased assets with a residual value of €44,388,000, €46,612,000, €48,653,000 that are largely funded internally or by means of bank loans, respectively, at 31 December 2010, 2011 and 2012.

The following table shows the maturity structure of the minimum lease rentals under non-cancellable operating lease obligations:

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Within one year	53,965	66,613	80,127
In the second to fifth year	75,510	94,768	106,082
Over five years	471	759	3,391
Cash receipts from minimum lease payments	129,946	162,140	189,600

20. RENTAL ASSETS

	For the year 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Balance at beginning of the year	342,732	321,188	356,682
Group changes	–	7,580	1,529
Effect of foreign currency exchange differences	10,757	(929)	1,496
Additions	132,857	186,854	193,796
Disposals	(46,780)	(42,532)	(28,191)
Depreciation	(119,002)	(113,992)	(130,056)
Reclassification	624	(1,487)	(163)
Balance at end of the year	321,188	356,682	395,093
Represented by:			
Cost	924,912	923,739	912,994
Accumulated depreciation	(603,724)	(567,057)	(517,901)
Net carrying value	321,188	356,682	395,093
The breakdown of rental assets by contract type is shown in the following table:			
Assets held for operating lease purpose	234,225	289,979	328,232
Sale with risk	86,963	66,703	66,861
Net carrying value	321,188	356,682	395,093

During the Relevant Periods, the acquisitions amounting to €74,891,000, €102,336,000 and €110,145,000, respectively, and disposals amounting to €31,310,000, €28,437,000 and €19,764,000 were attributable to the LMH segment. Acquisitions amounting to €57,966,000, €84,518,000 and €85,372,000 respectively for the year ended 31 December 2010, 2011 and 2012 and disposals amounting to €15,470,000, €14,095,000 and €10,152,000 respectively for the year ended 31 December 2010, 2011 and 2012 were attributable to the STILL segment.

21. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *€'000*	**Plant, machinery, and office furniture and equipment** *€'000*	**Advances paid and assets under construction** *€'000*	**Total** *€'000*
At 31 December 2010				
Cost	654,846	959,792	11,345	1,625,983
Accumulated depreciation	(288,237)	(747,403)	–	(1,035,640)
Net carrying value	366,609	212,389	11,345	590,343
At 31 December 2011				
Cost	652,313	1,014,798	20,076	1,687,187
Accumulated depreciation	(307,076)	(826,295)	–	(1,133,371)
Net carrying value	345,237	188,503	20,076	553,816
At 31 December 2012				
Cost	637,632	887,996	15,646	1,541,274
Accumulated depreciation	(315,356)	(725,573)	–	(1,040,929)
Net carrying value	322,276	162,423	15,646	500,345

Movements of property, plant and equipment during the Relevant Periods are as follows:

	Land and buildings	Plant, machinery and office furniture and equipment	Advances paid and assets under construction	Total
	€'000	€'000	€'000	€'000
Balance as at 1 January 2010	357,029	249,427	9,227	615,683
Group changes	–	1,017	–	1,017
Effect of foreign currency exchange differences	9,628	3,693	212	13,533
Additions	13,472	39,906	10,835	64,213
Disposals	(2,176)	(1,221)	(2,813)	(6,210)
Depreciation	(16,272)	(82,158)	–	(98,430)
Impairment	–	(58)	–	(58)
Reversal of impairment	203	1,322	–	1,525
Reclassification	4,725	461	(6,116)	(930)
Balance as at 31 December 2010	366,609	212,389	11,345	590,343
Group changes	4,404	1,061	779	6,244
Effect of foreign currency exchange differences	3,686	1,165	(291)	4,560
Additions	2,049	47,161	13,627	62,837
Disposals	(9,951)	(9)	(609)	(10,569)
Depreciation	(15,987)	(68,902)	–	(84,889)
Impairment	(8,796)	(7,975)	–	(16,771)
Reclassification	3,223	3,613	(4,775)	2,061
Balance as at 31 December 2011	345,237	188,503	20,076	553,816
Group changes	3,023	(173)	–	2,850
Effect of foreign currency exchange differences	(319)	(142)	(58)	(519)
Additions	9,937	65,700	17,520	93,157
Disposals	(19,006)	(30,374)	(6,215)	(55,595)
Depreciation	(14,105)	(63,102)	–	(77,207)
Impairment	(12,347)	(3,962)	–	(16,309)
Reclassification	9,856	5,973	(15,677)	152
Balance as at 31 December 2012	322,276	162,423	15,646	500,345

The above items of property, plant and equipment are depreciated on a straight-line basis at the following estimated useful life:

	Years
Buildings	10-25
Plant and machinery	6-15
Office furniture and equipment	3-15

Land and buildings in the amount of €12,293,000, €12,168,000 and €4,244,000 respectively at 31 December 2010, 31 December 2011 and 31 December 2012 were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

As a result of the announced Production Transfer set out in Note 18, the Executive Board has assessed the recoverable amount of the property, plant and equipment in the related plants. An amount of €8,796,000 related to land and buildings and an amount of €7,975,000 to plant and machinery as well as office furniture and equipment which would not be moved to other European plants under the announced Production Transfer were considered to be fully impaired and accordingly impairment losses of €16,771,000 was recognised during the year ended 31 December 2011. The impairment losses related to the STILL segment.

The KION Group recognised impairment losses of €16,309,000 in 2012, predominantly in connection with the planned closure of production sites. Of this amount, €12,347,000 related to land and buildings, and €3,962,000 to plant and machinery as well as office furniture and equipment. The impairment losses related to the LMH segment.

Plant and machinery as well as office furniture and equipment include assets from procurement lease (finance leases) amounting to €23,851,000, €15,695,000 and €15,517,000, respectively as at 31 December 2010, 2011 and 2012. The corresponding liabilities are reported as other financial liabilities.

22. EQUITY INVESTMENTS

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Interests in associates			
Unlisted equity investment, at cost	9,807	8,584	123,521
Share of post-acquisition profits and other comprehensive income and net of dividend income received	18,737	18,212	18,931
	28,544	26,796	142,452
Interests in joint ventures			
Unlisted equity investment, at cost	6,686	6,686	6,686
Share of post-acquisition profits and other comprehensive income and net of dividend income received	2,611	3,063	5,697
	9,297	9,749	12,383
Carrying value	37,841	36,545	154,835

The details of these associates and jointly controlled entities are set out in Notes 47 and 48 respectively.

Their key financial figures are as follows:

	For the year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Associates (100 percent)			
Revenue	562,596	540,068	569,374
Net income	9,214	10,960	15,260
Jointly controlled entities (100 percent)			
Revenue	77,086	107,874	132,036
Net income	1,321	5,612	4,764

	At 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Associates (100 percent)			
Assets	611,561	576,103	1,073,037
Liabilities	529,526	494,021	712,873
Jointly controlled entities (100 percent)			
Assets	46,410	51,546	54,999
non-current assets	28,070	25,115	24,209
current assets	18,340	26,431	30,790
Liabilities	26,419	26,223	30,225
non-current liabilities	2,053	2,699	4,744
current liabilities	24,366	23,524	25,481

23. LEASE RECEIVABLES

For leases where KION Group companies lease assets directly to customers as part of the KION Group's financing activities, the KION 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:

	At 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Gross lease receivables			
due within one year	140,737	135,897	150,995
due in the second to fifth year	260,835	254,724	282,293
due in more than five years	9,544	9,105	10,164
	411,116	399,726	443,452
Present value of outstanding minimum lease payments			
due within one year	120,950	118,381	132,129
due in the second to fifth year	237,571	234,043	257,328
due in more than five years	9,237	8,797	9,812
	367,758	361,221	399,269
Shown in the Financial Information as:			
Non-current	246,808	242,840	267,140
Current	120,950	118,381	132,129
	367,758	361,221	399,269
Unrealised financial income	43,358	38,505	44,183

Gross investments include minimum lease payments from non-cancellable sub-leases amounting to €336,585,000, €326,930,000 and €345,499,000, respectively, at 31 December 2010, 31 December 2011 and 31 December 2012.

Lease receivables include the unguaranteed residual values accruing to the benefit of the KION Group in the amount of €39,640,000, €38,714,000 and €44,051,000, respectively, at 31 December 2010, 31 December 2011 and 31 December 2012.

Lease receivables also include receivables in the amount of €3,013,000, €1,684,000 and Nil, respectively, at 31 December 2010, 31 December 2011 and 31 December 2012 that have been sold but whose significant risks and rewards remain with the KION Group due to default and residual-value guarantees. Corresponding liabilities in the same amounts have been recognised.

24. OTHER FINANCIAL ASSETS

An analysis of KION Group's other financial assets is as follows:

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Pension assets	10,263	19,958	22,759
Investments in affiliated companies	2,224	1,956	3,919
Other investments	2,253	2,253	2,253
Loans receivable	1,907	795	730
Derivative financial instruments	–	–	19,740
Non-current securities	827	770	770
Other non-current financial assets	17,474	25,732	50,171
Derivative financial instruments	23,706	23,277	4,202
Financial receivables from affiliated companies and related companies	7,459	4,277	8,477
Financial receivables from third parties	658	1,074	1,110
Deferred charges and prepaid expenses	16,647	14,030	20,357
Sundry financial assets	58,320	64,438	72,632
Other current financial assets	106,790	107,096	106,778
Total other financial assets	124,264	132,828	156,949

Pension assets relate to asset surpluses from defined benefit plans. As at the end of reporting period, the present values of defined benefit obligations are netted against the fair value of plan assets. If the plan assets exceed the obligation, this results in an asset.

The sundry financial assets essentially include receivables from value added tax amounting to €20,864,000, €21,782,000 and €37,178,000, respectively as at 31 December 2010, 2011 and 2012.

Other financial assets include non-derivative financial receivables amounting to €35,416,000, €36,237,000 and €35,236,000, respectively as of the end of each Relevant Periods that fall within the scope of IFRS 7.

The non-current derivative financial instruments include the put option on the remaining shares in Linde Hydraulics amounting €19,740,000 at 31 December 2012.

25. DEFERRED TAXATION

Deferred taxes are recognised for temporary differences between the tax base and the carrying amounts. Deferred taxes are determined on the basis of the tax rates that will apply or are expected to apply at the realisation date in accordance with the current legal situation in each country concerned.

During the years ended 31 December 2011 and 2012, no deferred taxes have been recognised on differences of €100,146,000 and €96,090,000, respectively, between the carrying amounts and the tax base for equity investments in the subsidiaries (outside basis differences) because the KION Group is in a position to manage the timing of the reversal of temporary differences and there are no plans to dispose of investments in the foreseeable future.

Deferred tax assets include the following items in the statements of financial position:

Deferred tax assets

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Intangible assets and property, plant and equipment	65,130	86,789	107,051
Financial assets	705	1	4,141
Current assets	26,485	34,697	33,832
Deferred charges and prepaid expenses	2,922	6,065	8,622
Provisions	88,501	101,669	122,356
Liabilities	163,136	200,678	250,973
Deferred income	47,953	46,386	46,428
Tax loss carryforwards and interest carryforwards	95,341	70,230	30,917
Offsetting	(248,401)	(284,552)	(339,346)
Total deferred tax assets	241,772	261,963	264,974

Deferred tax liabilities include the following items in the statements of financial position:

Deferred tax liabilities

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Intangible assets and property, plant and equipment	444,580	456,138	452,436
Financial assets	3,097	3,139	3,259
Current assets	97,701	113,340	150,410
Deferred charges and prepaid expenses	15	8,588	398
Provisions	28,837	29,838	23,706
Liabilities	8,003	9,749	15,361
Deferred income	1,098	2,814	2,597
Offsetting	(248,401)	(284,552)	(339,346)
Total deferred tax liabilities	334,930	339,054	308,821

The deferred tax liabilities essentially relate to the purchase price allocation in the acquisition of the KION Group, particularly for intangible assets and property, plant and equipment.

Deferred tax assets amounting to €161,119,000, €211,398,000 and €233,162,000, respectively, at 31 December 2010, 2011 and 2012 have not been recognised because it is unlikely that the corresponding benefit can be utilised, details of which are set out below.

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Tax loss carried forwards	74,263	91,636	108,630
Interest carried forwards	81,844	116,060	123,952
Others	5,012	3,702	580
	161,119	221,398	233,162

Deferred taxes are recognised on tax loss carryforwards and interest carryforwards to the extent that sufficient future taxable income is expected to be generated against which the losses can be utilised. Of the deferred tax assets amounting to €9,198,000 recognised on interest carried forward for the first time in 2010, €2,243,000 and Nil was written down in 2011 and 2012, respectively because, based on the information available at the reporting date, a lower amount was expected to be used in future.

The total amount of unrecognised deferred tax assets relating to loss carryforwards of €74,263,000, €91,636,000 and €108,630,000, respectively at 31 December 2010, 2011 and 2012 concerns tax losses that can be carried forward indefinitely.

As of 31 December 2010, 2011 and 2012, the KION Group's tax loss carryforwards in Germany amounted to €400,286,000, €381,941,000 and €289,786,000, respectively, for corporate income tax and €288,910,000, €263,525,000 and €270,800,000, respectively for trade tax. There were also foreign tax loss carryforwards totalling €183,353,000, €187,438,000 and €190,476,000, respectively.

The total amount of unrecognised deferred tax assets relating to interest carryforwards in Germany of €342,252,000, €464,939,000 and €463,461,000, respectively, at the end of each reporting period concern interest that can be carried forward indefinitely.

26. INVENTORIES

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Materials and supplies	120,019	150,949	119,980
Work in progress	72,294	98,387	74,954
Finished goods and merchandise	337,249	370,714	349,049
Advances paid	5,967	5,319	5,944
Total inventories	535,529	625,369	549,927

The KION Group recognised impairment losses of €6,179,000 in 2011, predominantly in connection with the planned transfers of production. The impairment losses related to the STILL segment.

27. TRADE RECEIVABLES

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Trade receivables from third parties	648,339	701,125	657,835
Less: allowance for doubtful debts	(47,125)	(49,565)	(50,532)
	601,214	651,560	607,303
Trade receivables from affiliated companies	4,011	3,150	3,487
Trade receivables from associated companies and joint ventures	28,040	21,843	14,672
Total trade receivables	633,265	676,553	625,462

Payments terms are different depending on countries, operating segment and customers status. For sale of goods, payment terms are up to 90 to 120 days. For rendering of services, payment terms are shortened to no credit period. The aged analysis of the KION Group's trade receivables, net of allowances for doubtful debts, presented based on due date at the end of each reporting period is as follows:

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Not yet overdue	493,781	539,560	485,621
Within 90 days	123,480	121,594	126,245
More than 90 days	16,004	15,399	13,596
	633,265	676,553	625,462

Before accepting any new customer, the KION Group assesses the potential customer's credit quality and defines its credit limits based on the findings from background search of the customers and the historical payment records. The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship with the KION Group and the repayment history of these customers were good.

Information relating to receivables which are past due but not impaired are set out in note 39(b).

Information relating to movements of allowance on doubtful receivables are set out in note 38(b).

28. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Cash held by banks, on hand and cheque	252,572	372,957	561,865
Pledged cash	–	494	492
Current securities	312	–	–
Total cash and cash equivalents	252,884	373,451	562,357

The cash held by banks and pledged cash carry interest at market rates are as follows:

	As at 31 December		
	2010	2011	2012
	%	%	%
Range of interest rates, per annum	0.26 to 0.57	0.73 to 0.80	0.18 to 0.63

Pledged cash of Nil, €494,000 and €492,000, respectively at 31 December 2010, 2011 and 2012 represents cash pledged as collateral in relation to the SFA, details of which are found in Note 32 below.

29. DEFICIT/EQUITY ATTRIBUTABLE TO THE EQUITY HOLDER OF KION

Subscribed capital and capital reserve

At the end of each reporting period, the KION's subscribed capital was fully contributed and amounted to €500,000.

Also, as at the end of each reporting period, capital reserve amounted to €348,483,000 which was resulted from a capital contribution by a shareholder.

Capital contribution for carrying out the approved capital increase

In December 2012 the shareholders' meeting of KION approved a resolution to increase the capital by €779,000 to €1,279,000. The Company assumed a share of €320,000 as part of this capital increase and, on 27 December 2012, paid in the associated capital contribution, including a premium, of €467,000,000 in cash. The remaining share of €459,000 was taken by the current shareholder Superlift and was also paid on 27 December 2012 through capitalisation of a shareholder loan (non-cash capital contribution) amounting to €670,784,000.

The capital increase was entered in the commercial register on 14 January 2013. The capital contributions paid by the Company and Superlift were therefore recognised in equity under the line item 'Capital contributions for carrying out the approved capital increase' as at 31 December 2012.

Retained earnings

The development of retained earnings is shown in the consolidated statement of changes in equity.

The retained earnings comprise the net loss for the financial year and past contributions to earnings by the consolidated companies, provided they have not been distributed.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) includes the currency translation differences arising from the translation of the financial statements of foreign subsidiaries, the effects of the fair value measurement of derivative financial instruments designated in cash flow hedge relationships, the KION's proportionate share of other comprehensive income adjustments related to equity investments, and the actuarial gains and losses in connection with defined benefit pension obligations.

30. SHAREHOLDER LOAN

KION and Superlift signed an agreement on a shareholder loan for the amount of €500,000,000 on 27 December 2006. The last maturity date for repayment of the loan was most recently stipulated as 31 December 2021. The loan principal and the associated interest are both unsecured and are repayable on the due date. The interest rate was fixed at 5.5% per annum effective from 1 September 2007 and is payable on the outstanding loan principal. The outstanding principal and interest amounting to €670,784,000 was capitalised as a subscription of new capital issued as set out in Note 29.

31. 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 KION Group pays contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The KION Group does not enter into any obligations above and beyond the payment of contributions to an external pension fund. The amount of future 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 €48,867,000, €56,118,000 and €63,895,000, respectively, for the year ended 31 December 2010, 2011 and 2012. Of this total, contributions paid by employers into government-run plans amounted to €46,480,000, €53,337,000 and €59,682,000, respectively, for the year ended 31 December 2010, 2011 and 2012. The defined contribution plan expense is reported within the functional costs.

Defined benefit plans

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. For all of the significant defined benefit plans within the KION 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.

Pension provisions are recognised to cover obligations arising from the current and future pension entitlements of active and former employees of the KION Group and their surviving dependants.

Some of KION Group's pension obligations in Germany are financed by way of contractual trust arrangements (CTAs). In the United Kingdom, Switzerland and the Netherlands, significant plan assets are invested in external pension funds with restricted access.

In the case of defined benefit plans, the beneficiaries are granted a specific benefit by the KION 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 at the reporting date. Pensions are often adjusted after an employee reaches retirement age. The amount of the KION 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, which includes adjustments for future salary and pension increases.

The actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out for the Relevant Periods by Merss Towers Watson. The present value of the defined benefit obligation, the related current service cost and past service cost were measured by using the projected unit credit method.

Measurement assumptions

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 mortality 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 of different regions in which the group entities operate is calculated on the basis of the following weighted-average assumptions as at the reporting date:

	Germany			United Kingdom ("UK")			Other		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
Discount rate	5.45%	5.65%	3.50%	5.45%	4.85%	4.35%	4.15%	4.01%	2.57%
Rate of remuneration increase	2.75%	2.75%	2.75%	4.17%	4.18%	4.17%	2.28%	2.31%	2.36%
Rate of pension increase	1.75%	1.75%	1.75%	3.65%	3.18%	2.94%	0.76%	0.38%	0.26%

The assumed discount rate is determined on the basis of the yield as at the reporting date on investment-grade, fixed-interest 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 countryspecific requirements.

The expected return on plan assets is determined on the basis of the plan's policy regarding the asset classes in which it invests. Expected returns are based on the current yields on government bonds with corresponding maturities, adjusted for specific credit spreads for the different asset classes. The expected return on plan assets is recognised as income in the relevant period. The differences between expected and actual income on plan assets represent experience adjustments and are recognised in other comprehensive income in the year in which they arise.

The rate of remuneration increase relates to expected future increases in salaries, which are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 31 December 2009, the modified Heubeck 2005 G mortality tables have been used in Germany as the basis; the modified tables include a somewhat higher life expectancy for males than the unmodified tables.

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

The assumptions applied in calculating the defined benefit obligation as at 31 December 2010, 31 December 2011 and 31 December 2012 also apply to the calculation of the interest cost and the cost of pension entitlements arising in the current year (current service cost).

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (actuarial gains and losses) are recognised immediately in other comprehensive income. This serves to ensure that the pension liability on the face of the statement of financial position is always the actuarial present value of obligations not funded by plan assets.

In the case of external pension funds, the actuarial present value of the pension obligations, as calculated in accordance with the projected unit credit method, is reduced by the fair value of the assets of the external pension funds. If the assets of the external pension funds exceed the pension obligations, the recognition of an asset for this excess of pension plan assets over pension obligations is only permitted if the company concerned is entitled to receive a refund of this excess or a reduction in future contributions in its function as the employer responsible for the benefits under the plan. If pension obligations are not covered by the assets of an external pension fund, the net obligation is reported in pension provisions.

Plan assets for the defined benefit plans in the UK exceed the pension obligations. The requirements which limit the asset to be recognised on the statement of financial position do not apply.

Impact on financial position

The change in the present value of the defined benefit obligation is as follows:

	Germany			UK			Other			For the year ended 31 December		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Present value of defined benefit as at January 1	331,745	381,913	389,271	328,057	362,716	390,396	62,977	75,681	79,362	722,779	820,310	859,029
Group changes	1,890	–	(67,354)	–	–	(6,866)	–	284	(247)	1,890	284	(74,467)
Exchange differences	–	–	–	11,005	10,769	10,265	5,135	973	197	16,140	11,742	10,462
Current service cost	10,411	11,894	11,881	1,514	1,245	1,443	2,390	3,103	2,919	14,315	16,242	16,243
Interest cost	19,733	20,526	21,680	18,801	19,132	19,061	2,900	2,778	3,068	41,434	42,436	43,809
Employee contributions	–	–	–	174	135	84	708	781	834	882	916	918
Actuarial losses (gains)	28,081	(14,150)	201,473	22,471	12,665	21,707	4,617	103	17,471	55,169	(1,382)	240,651
Pension benefits paid by the KION Group	(9,947)	(10,697)	(11,306)	–	–	–	(1,693)	(1,946)	(2,255)	(11,640)	(12,643)	(13,561)
Pension benefits paid from plan assets	–	–	–	(19,306)	(16,312)	(16,947)	(2,361)	(1,584)	(2,972)	(21,667)	(17,896)	(19,919)
Liability transfer out to third parties	–	(215)	(232)	–	–	–	–	–	–	–	(215)	(232)
Past service cost	–	–	–	–	46	327	1,442	–	–	1,442	46	327
Gains on the curtailment of a plan	–	–	–	–	–	–	(434)	(811)	–	(434)	(811)	–
Present value of defined benefit as at December 31	381,913	389,271	545,413	362,716	390,396	419,470	75,681	79,362	98,377	820,310	859,029	1,063,260
thereof unfunded	173,889	177,739	231,397	–	–	–	22,245	22,148	28,186	196,134	199,887	259,583
thereof funded	208,024	211,532	314,016	362,716	390,396	419,470	53,436	57,214	70,191	624,176	659,142	803,677

The increase in the present value of the defined benefit obligations arising from actuarial losses during the year ended 31 December 2010 and 2012 is largely attributable to the low discount rates for Germany pension plans as compared to those of previous years.

The reduction in the present value of the defined benefit obligations arising from actuarial gains during the year ended 31 December 2011 relate to the year-over-year increase in the discount rates applicable to pension plans in Germany (€14,150,000) and is almost totally offset by the increase in the present value of defined benefit obligations arising from actuarial losses relating to the year-over-year decrease in the discount rates applicable to pension plans in the United Kingdom (€12,665,000).

The effects of the restructuring programme on the defined benefit obligation are reported in the Relevant Periods as gains on the curtailment of a plan.

The following table shows the change in the fair value of plan assets:

	Germany			UK			Other			For the year ended 31 December		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Fair value of plan assets as at 1 January	25,322	34,956	38,217	336,095	369,270	406,404	40,093	50,907	50,309	401,510	455,133	494,930
Group changes	–	–	(1,834)	–	–	(4,093)	–	–	–	–	–	(5,927)
Exchange differences	–	–	–	11,272	11,309	10,680	4,759	842	185	16,031	12,151	10,865
Expected return on plan assets	1,443	1,936	2,184	19,868	18,736	18,296	1,936	2,060	2,251	23,247	22,732	22,731
Actuarial (losses) gains	(809)	1,325	1,449	14,766	17,364	17,786	3,393	(4,975)	6,077	17,350	13,714	25,312
Employer contributions	9,000	–	–	6,401	5,902	7,299	2,379	2,278	2,219	17,780	8,180	9,518
Employee contributions	–	–	–	174	135	84	708	781	834	882	916	918
Pension benefits paid by funds	–	–	–	(19,306)	(16,312)	(16,947)	(2,361)	(1,584)	(2,972)	(21,667)	(17,896)	(19,919)
Fair value of plan assets as at 31 December	34,956	38,217	40,016	369,270	406,404	439,509	50,907	50,309	58,903	455,133	494,930	538,428

In 2010, employer contributions included a non-recurring payment of €9,000,000 into a German CTA. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. For companies outside Germany, decisions also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

The payments expected for the following year are analysed as follows:

	As at 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Expected employer contribution to plan assets	8,156	8,831	11,195
Direct payments of pension benefits that are not covered by corresponding reimbursements from plan assets	12,415	13,014	13,306
	20,571	21,845	24,501

The reconciliation of funded status and net defined benefit obligation to the amounts reported on the face of the consolidated statement of financial position as at 31 December is shown in the following table:

	Germany			UK			Other			At 31 December		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Present value of the partially or fully funded defined benefit obligation	208,024	211,532	314,016	362,716	390,396	419,470	53,436	57,214	70,191	624,176	659,142	803,677
Fair value of plan assets	34,956	38,217	40,016	369,270	406,404	439,509	50,907	50,309	58,903	455,133	494,930	538,428
Deficit (surplus)	173,068	173,315	274,000	(6,554)	(16,008)	(20,039)	2,529	6,905	11,288	169,043	164,212	265,249
Present value of the unfunded defined benefit obligation	173,889	177,739	231,397	–	–	–	22,245	22,148	28,186	196,134	199,887	259,583
Total deficit	346,957	351,054	505,397	(6,554)	(16,008)	(20,039)	24,774	29,053	39,474	365,177	364,099	524,832
Unrecognised past service income	–	–	–	–	–	–	(1,377)	(1,143)	(1,071)	(1,377)	(1,143)	(1,071)
Net defined benefit obligation as at 31 December	346,957	351,054	505,397	(6,554)	(16,008)	(20,039)	23,397	27,910	38,403	363,800	362,956	523,761
Reported as "retirement benefit obligation"	346,957	351,054	505,397	3,709	3,950	2,720	23,397	27,910	38,403	374,063	382,914	546,520
Reported as "other non-current financial assets"	–	–	–	(10,263)	(19,958)	(22,759)	–	–	–	(10,263)	(19,958)	(22,759)

In addition, the KION pension plan for employees of the KION Group in Germany holds plan assets of €16,840,000, €18,474,000 and €19,486,000, respectively, at 31 December 2010, 31 December 2011 and 31 December 2012 which are wholly offset by corresponding liabilities relating to the direct pension entitlement plan.

Impact on cash flows

In the case of obligations not covered by external assets, payments to beneficiaries are made directly by the KION Group and therefore have an impact on cash flows 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 KION Group's cash flow. Instead, any contributions made to the external pension fund by the KION Group result in net cash used for operating activities.

The details of cash flow information are as follows:

	For the year ended 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Payment of pension benefit from:			
KION	11,640	12,643	13,561
Plan assets	21,667	17,896	19,919
	33,307	30,539	33,480
Contribution to plan assets	17,780	8,180	9,518
Pension benefit payments transferred to external pension funds	–	215	232

Profit or loss

Actuarial computations are performed for benefit obligations in order to determine the amount to be expensed in each period in a systematic way. The expenses recognised in the profit and loss for pensions and similar obligations consist of a number of components that are calculated and disclosed separately.

The service cost is the new pension entitlement arising in the financial year and is recognised in the profit and loss. It is calculated as the actuarial 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.

The interest cost (i.e. the expense arising from increase in the defined benefit obligation since the end of the previous year because the benefits are one period closer to settlement using the discount rate assumed for the year under review) is recognised in the profit and loss, as is the expected return on plan assets in the case of benefits covered by external plan assets.

An unrecognised past service cost arises if there is a change to the pension entitlement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the consolidated statement of comprehensive income for the Relevant Periods is as follows:

	Germany			UK			Other			Total		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Current service cost	10,411	11,894	11,881	1,514	1,245	1,443	2,390	3,103	2,919	14,315	16,242	16,243
Interest cost	19,733	20,526	21,680	18,801	19,132	19,061	2,900	2,778	3,068	41,434	42,436	43,809
Expected return on plan assets	(1,443)	(1,936)	(2,184)	(19,868)	(18,736)	(18,296)	(1,936)	(2,060)	(2,251)	(23,247)	(22,732)	(22,731)
Past service cost	–	–	–	–	46	327	79	131	72	79	177	399
Gains on the curtailment of a plan	–	–	–	–	–	–	(434)	(708)	–	(434)	(708)	–
Total cost of defined benefit obligation	28,701	30,484	31,377	447	1,687	2,535	2,999	3,244	3,808	32,147	35,415	37,720

Overall, the KION Group reported an expense of €18,187,000, €19,704,000 and €21,078,000, respectively, for each of the Relevant Periods under net financial income/expenses. This amount comprised the interest cost of pension obligations and the expected return on plan assets. All other components of pension expenses are recognised under functional costs.

The actual total return on plan assets was €40,597,000, €36,446,000 and €48,045,000, respectively, for the year ended 31 December 2010, 2011 and 2012.

Other comprehensive income (expense)

The breakdown of actuarial gains and losses on the defined benefit obligation recognised as other comprehensive income (expenses) for the Relevant Periods are as follows:

	Germany			UK			Other			Total		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Accumulated other comprehensive income (expense) as at 1 January	94,873	65,983	81,458	(31,985)	(40,769)	(37,014)	(3,137)	(4,925)	(10,160)	59,751	20,289	34,284
Group changes	–	–	–	–	–	2,235	–	–	–	–	–	2,235
Gains (losses) on the measurement of defined benefit obligation	(28,081)	14,150	(201,473)	(22,471)	(12,665)	(21,707)	(4,617)	(103)	(17,471)	(55,169)	1,382	(240,651)
Gains (losses) on plan assets	(809)	1,325	1,449	14,766	17,364	17,786	3,393	(4,975)	6,077	17,350	13,714	25,312
Exchange differences	–	–	–	(1,079)	(944)	(965)	(564)	(157)	(40)	(1,643)	(1,101)	(1,005)
Accumulated other comprehensive income (expense) as at 31 December	65,983	81,458	(118,566)	(40,769)	(37,014)	(39,665)	(4,925)	(10,160)	(21,594)	20,289	34,284	(179,825)
thereof actuarial gains and losses	65,983	81,458	(118,566)	(40,769)	(37,014)	(39,665)	(6,829)	(10,160)	(21,594)	18,385	34,284	(179,825)
thereof effect of reduction in future contributions (IFRIC 14)	–	–	–	–	–	–	1,904	–	–	1,904	–	–

Primarily experience adjustments to plan assets had changed other comprehensive income by attributable to shareholders of KION a decrease of €28,658,000 as at 31 December 2010 (after deferred taxes), an increase of €8,394,000 as at 31 December 2011 (after deferred taxes) and a decrease of €151,267,000 as at 31 December 2012 (after taxes). The amount attributable to non-controlling interests for the year ended 31 December 2010, 2011 and 2012 were €1,000, Nil and €44,000,000, respectively.

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

	Germany			UK			Other			Total		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Securities	6,123	6,862	7,134	78,395	73,583	86,922	7,020	7,187	8,462	91,538	87,632	102,518
Fixed-income securities	12,754	12,580	18,301	258,959	267,739	259,556	11,233	11,499	11,743	282,946	291,818	289,600
Real estate	2,552	2,859	1,551	282	331	–	3,510	3,593	3,888	6,344	6,783	5,439
Insurance policies	–	–	–	–	–	–	27,506	26,353	32,600	27,506	26,353	32,600
Other	13,527	15,916	13,030	31,634	64,751	93,031	1,638	1,677	2,210	46,799	82,344	108,271
Total plan assets	34,956	38,217	40,016	369,270	406,404	439,509	50,907	50,309	58,903	455,133	494,930	538,428

The plan assets do not include any real estate or other assets used by the KION Group itself. The increase in the Other category is largely attributable to the change in the portfolio structure of the four large plans in the United Kingdom and concerns inflation-linked UK government bonds. The expected return in the Relevant Years for the main investment categories of plan assets are as follows:

	Germany			UK			Other		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
Securities	8.15%	7.45%	7.35%	7.10%	6.73%	5.77%	5.00%	7.10%	6.80%
Fixed-income securities	4.19%	3.50%	3.74%	4.27%	4.81%	4.31%	3.50%	2.90%	2.40%
Real estate	6.01%	5.20%	5.10%	0.00%	6.50%	6.50%	4.25%	4.60%	4.60%
Insurance policies	0.00%	0.00%	0.00%	5.61%	0.00%	0.00%	4.64%	3.88%	4.69%
Other	7.01%	6.68%	6.68%	0.00%	4.17%	3.19%	2.50%	6.40%	6.00%
Weightage average expected return	5.70%	5.54%	5.71%	5.82%	5.21%	4.43%	4.33%	4.26%	4.51%

The expected return on plan assets was determined on the basis of the plan's policy regarding the asset classes in which it invests. Expected returns are based on the current yields on government bonds with corresponding maturities, adjusted for specific credit spreads for the different asset classes. The expected return on plan assets is recognised as income in the relevant period. The differences between expected and actual income on plan assets represent experience adjustments and are recognised in other comprehensive income in the year in which they arise.

The present value of the defined benefit obligation is based on the assumptions detailed above. If the discount rate were to increase or decrease by a 0.25% as at 31 December 2010, 2011 and 2012, pension entitlements would be €32,312,000, €35,632,000 and €43,458,000 lower or €34,559,000, €35,747,000 and €45,463,000 higher, respectively. Other comprehensive income, after tax, would be €23,147,000, €25,999,000 and €31,611,000 higher or €24,757,000, €26,036,000 and €33,081,000 lower.

History of experience adjustments

	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Present value of defined benefit obligation as at 31 December	820,310	859,029	1,063,260
Experience adjustments arising on the plan liabilities	(76)	(144)	6,566
Fair value of plan assets as at 31 December	455,133	494,930	538,428
Experience adjustments arising on the plan assets	17,350	13,714	25,312
Surplus in total	365,177	364,099	524,832
Unrecognised past service cost and income	(1,377)	(1,143)	(1,071)
Net defined benefit obligation as at 31 December	363,800	362,956	523,761

While the actuarial gains and losses on the present value of the obligation only result in part from experience adjustments, the actuarial gains or losses on the fair value of the plan assets are entirely attributable to experience adjustments.

32. NON-CURRENT FINANCIAL LIABILITIES

	At 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Liabilities to banks			
due within one year	103,282	223,979	51,152
due in more than one year but not exceeding two years	108,592	18,099	246,897
due in more than two years but not exceeding five years	2,355,532	2,267,811	1,445,175
due in more than five years	304,481	–	115,224
	2,871,887	2,509,889	1,858,448
Capital market liability			
due in more than five years	–	487,508	489,495
Other financial liabilities			
due within one year	3,188	3,397	623
due in more than five years	3,812	3,936	3,865
	7,000	7,333	4,488
	2,878,887	3,004,730	2,352,431
Less: Amount due within one year shown as current financial liabilities	106,470	227,376	51,775
Amount due after one year shown as non-current financial liabilities	2,772,417	2,777,354	2,300,656

Loan agreement

In connection with its acquisition of Linde AG's material-handling business, the KION Group signed a loan agreement (a senior facilities agreement and a subordinated facility agreement, referred to below as 'SFA') for a total original amount of €3,300,000,000 with the lead banks Barclays Bank Plc, Bayerische Hypo- und Vereinsbank AG, Credit Suisse (London branch), Goldman Sachs International Bank, Lehman Commercial Paper Inc. (UK branch) and Mizuho Corporate Bank Ltd. on 23 December 2006. The loans provided under the SFA carry variable interest rates. Transaction costs of €31,578,000, €20,175,000 and €23,637,000 reduced the carrying amount of the loans, respectively, at 31 December 2010, 31 December 2011 and 31 December 2012. These costs have been allocated pro rata to each of the tranches and expensed over their respective terms.

The following material amendments were made to the SFA in subsequent years:

- Under amendments made to the SFA on 8 March 2007 the subordinated facility agreement was totally replaced by a senior facilities agreement and unused credit lines totalling €200,000,000 were returned, thereby reducing the total amount of the SFA to €3,100,000,000.

- Under amendments made to the SFA on 23 September 2009 the financial covenants applicable during the term of the loan were modified. At the same time, an additional credit line of €100,000,000 and an increase in the collateral security provided for this facility were agreed. Furthermore, the interest rates payable on existing credit lines were raised by between 0.25% and 1.50% points. The amounts of these interest-rate increases primarily fall due in the form of bullet payments at maturity (payments in kind, or PIKs). All the interest payable on the new credit line of €100,000,000 falls due in the form of a bullet payment at maturity. The company making this credit line available is Superlift Funding S.à. r.l., Luxembourg, which is a related party to the KION Group.

Corporate bond

The KION Group issued a corporate bond for €500,000,000 through the subsidiary KION Finance S.A., Luxembourg, in April 2011. Of the bond's total par value of €500,000,000, €325,000,000 carries at a fixed interest rate of 7.875% per annum, while €175,000,000 carries a floating interest rate based on three-month EURIBOR plus a margin of 4.25% points. The interest on the fixed-rate tranche is paid semi-annually, while interest on the floating-rate tranche is paid once a quarter. The bond's principal is redeemed as a bullet payment on maturity. Borrowing costs of €12,492,000 and €10,505,000 reduced the carrying amount of the bond, respectively, as at 31 December 2011 and 31 December 2012. These costs have been allocated pro rata to each of the tranches and expensed over their respective terms. The corresponding liability is reported as a capital market liability.

Changes in net financial debt

The KION Group uses its financial debt as a key internal figure for analysing the changes in its financial liabilities. Financial liabilities take into account the gross carrying amounts of the liabilities to banks and the capital market liability before borrowing costs. The key figure 'net financial debt' is calculated by deducting cash and cash equivalents.

The table below gives a breakdown of the KION Group's net financial debt as at the end of each reporting period:

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Corporate bond - fixed rate (2011/2018) – gross	–	325,000	325,000
Corporate bond - floating rate (2011/2018) – gross	–	175,000	175,000
Liabilities to banks (gross)	2,893,713	2,530,064	1,882,085
Other financial liabilities to non-bank	7,000	7,333	4,488
Financial debt	2,900,713	3,037,397	2,386,573
Less: Cash and cash equivalents	252,884	373,451	562,357
Net financial debt	2,647,829	2,663,946	1,824,216
Less: Capitalised borrowing costs	21,826	32,667	34,142
Net financial debt after borrowing costs	2,626,000	2,631,279	1,790,074
Financial debt after borrowing costs	2,878,887	3,004,730	2,352,431

The table below gives details of the changes in financial debt and lists the applicable terms and conditions:

	Interest rate	Notional amount			Maturity
		2010	2011	2012	
		€'000	€'000	€'000	
Term Loan Facility Term B1 (EUR)	EURIBOR + MARGIN	911,162	690,881	138,503	2014
Term Loan Facility Term B2 (EUR)	EURIBOR + MARGIN	–	–	411,117	2017
Term Loan Facility Term B1 (USD)	LIBOR + MARGIN	296,873	310,560	108,014	2014
Term Loan Facility Term B2 (USD)	LIBOR + MARGIN	–	–	79,129	2017
Term Loan Facility Term C1 (EUR)	EURIBOR + MARGIN	869,985	663,033	286,645	2015
Term Loan Facility Term C2 (EUR)	EURIBOR + MARGIN	–	–	382,818	2017
Term Loan Facility Term C1 (USD)	LIBOR + MARGIN	296,873	310,560	227,105	2015
Term Loan Facility Term C2 (USD)	LIBOR + MARGIN	–	–	81,271	2017
Term Loan Facility Term D	EURIBOR + MARGIN	201,167	201,742	–	2012
Term Loan Facility Term G	EURIBOR + MARGIN	105,779	111,210	115,951	2018
Term Loan Facility H1a (Corporate bond - fixed rate)	Fixed rate	–	325,000	325,000	2018
Term Loan Facility H1b (Corporate bond - floating rate)	3-M-EURIBOR+MARGIN	–	175,000	175,000	2018
Multicurrency Revolving Credit Facility	EURIBOR + MARGIN	–	132,691	–	2012
Multicurrency Capex Restructuring and acquisition Facility	EURIBOR + MARGIN	162,131	71,596	18,216	2013
Other liabilities to banks	Various currencies and interest terms	49,743	37,791	33,316	
Other financial liabilities to non-banks		7,000	7,333	4,488	
Total financial debt		2,900,713	3,037,397	2,386,573	
Less: capitalised borrowing costs		(21,826)	(32,667)	(34,142)	
Total financial debt after borrowing costs		2,878,887	3,004,730	2,352,431	

Financial covenants

The SFA and the contractual terms and conditions governing the issuance of the corporate bond require compliance with certain requirements, or undertakings and certain covenants among other things. The SFA also requires compliance with specific financial covenants during the term of the agreement. The financial covenants specify required ratios for the financial position and financial performance of the KION Group. The covenants are expressed in the form of key figures relating to leverage, available liquidity, EBITDA, interest paid and capital expenditures. If these requirements or financial covenants are breached, this may, for example, give lenders the right to terminate the SFA or permit bondholders to call the corporate bond prior to its maturity date.

All the financial covenants were met in the past financial year.

Loan collateral

Under the SFA, the KION Group is under an obligation to provide collateral for its obligations and liabilities. This obligation also includes to the corporate bond (newly added SFA tranches H1a und H1b), under which the funds from the corporate bond accrued to the KION Group. A total of 21, 26 and 26 KION Group companies (guarantors) in five countries - Germany, the UK, France, Spain and Italy - had provided the necessary collateral, respectively, at 31 December 2010, 31 December 2011 and 31 December 2012. The year-over-year change in the companies participating in the SFAS was largely attributable to the fact that the financial services companies established in 2011 had become a party to the SFA.

The collateral includes guarantees, the assignment of shares in the guarantors (with the exception of shares in KION GROUP GmbH), the assignment of bank accounts and guarantor receivables, the assignment of claims arising from and in connection with the share purchase agreement between Linde Material Handling GmbH and

Linde AG dated 5 November 2006, relating to the shares in the former KION GROUP GmbH, the assignment of shares in KION Information Management Services GmbH and assignments and transfers of title to intellectual property rights by guarantors in Germany. The statutory provisions in the United Kingdom and the agreements entered into require that all the assets of the UK guarantor are pledged as security.

The details of carrying amount of assets pledged as collaterals are as follows:

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Financial assets	709,051	791,985	600,713
Property, plant and equipment	125	–	–

33. LEASE LIABILITIES

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Lease liabilities relating to:			
Finance lease obligations arising from sales and leaseback	617,547	669,035	738,760
Obligations arising from residual-value guarantees	17,814	15,765	21,379
Procurement leases	26,288	16,712	15,216
	661,649	701,512	775,355

The amounts recognised as lease liabilities are based on the following data:

	At 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Total minimum lease payments (gross)			
due within one year	278,967	260,230	272,268
due in one to five years	427,041	490,680	562,502
due in more than five years	18,212	18,693	21,177
	724,220	769,603	855,947
Present value of minimum lease payments			
due within one year	250,552	230,381	238,034
due in one to five years	393,335	452,988	517,041
due in more than five years	17,762	18,143	20,280
	661,649	701,512	775,355
Interest included in minimum lease payments	62,571	68,091	80,592
Presented as other financial liabilities *(Note 35)*:			
Non-current	132,283	171,070	208,136
Current	80,623	83,653	92,204
Presented as lease liabilities:			
Non-current	278,814	300,061	329,185
Current	169,929	146,728	145,830
	661,649	701,512	775,355

34. PROVISION

	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
	€'000	€'000	€'000	€'000
Balance as at 1 January 2010	55,185	156,369	56,238	267,792
Changes in group of consolidated entities	–	226	180	406
Additions	31,635	15,754	34,561	81,950
Utilisations	(24,680)	(44,458)	(14,898)	(84,036)
Reversals	(2,499)	(1,204)	(8,151)	(11,854)
Additions to accrued interest	–	3,516	530	4,046
Exchange differences	814	385	698	1,897
Other adjustments	–	3,305	(3,305)	–
Balance as at 31 December 2010	60,455	133,893	65,853	260,201
Changes in group of consolidated entities	150	134	811	1,095
Additions	34,864	75,844	24,297	135,005
Utilisations	(18,964)	(61,592)	(23,405)	(103,961)
Reversals	(2,454)	(2,816)	(11,255)	(16,525)
Additions to accrued interest	136	2,630	39	2,805
Exchange differences	419	10	274	703
Other adjustments	343	–	180	523
Balance as at 31 December 2011	74,949	148,103	56,794	279,846
Changes in group of consolidated entities	(454)	(4,906)	5,644	284
Additions	18,001	27,498	33,402	78,901
Utilisations	(21,590)	(40,935)	(23,792)	(86,317)
Reversals	(6,846)	(30,078)	(11,053)	(47,977)
Additions to accrued interest	–	2,166	2	2,168
Exchange differences	278	–	25	303
Other adjustments	43	(11,865)	11,622	(200)
Balance as at 31 December 2012	64,381	89,983	72,644	227,008

	At 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Provision show in the Financial Information as:			
Non-current liabilities	164,299	96,168	89,120
Current liabilities	95,902	183,678	137,888
	260,201	279,846	227,008

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks and spare parts. It is expected that the bulk of the costs will be incurred within the next two years after the end of each reporting period.

The provisions for personnel comprise provisions for partial retirement obligations, long-service awards, annual bonuses and severance pay. The provision for partial retirement obligations is recognised on the basis of individual contractual arrangements. The KION Group recognised restructuring provisions of €74,465,000 in 2011, predominantly in connection with the planned transfers of production.

Other obligations largely comprise provisions for guarantees and litigation.

35. OTHER FINANCIAL LIABILITIES

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Liabilities from finance lease *(Note 33)*	132,283	171,070	208,136
Deferred income	124,948	118,455	132,662
Sundry other liabilities	2,922	14,264	4,323
Derivative financial instruments *(Note)*	–	–	9,957
Other non-current financial liabilities	260,153	303,789	355,078
Liabilities from finance lease *(Note 33)*	80,623	83,653	92,204
Deferred income	81,274	86,551	84,357
Personnel liabilities	94,573	128,349	161,637
Derivative financial instruments *(Note)*	30,030	17,742	33,613
Social security liabilities	35,460	38,894	40,460
Tax liabilities	35,683	50,269	65,857
Advances received from third parties	40,682	41,981	37,596
Liabilities on bills of exchange	2,303	3,799	2,295
Liabilities from accrued interest	2,049	10,360	9,588
Sundry current financial liabilities	69,188	42,490	29,423
Other current financial liabilities	471,865	504,088	557,030
Total other financial liabilities	732,018	807,877	912,108

Note:

The derivative financial liabilities include foreign currency forwards and interest-rate swaps contracts that have negative fair values as at the reporting date. Furthermore, the derivative financial liabilities at 31 December 2012 include the fair value of two call options on the remaining shares in Linde Hydraulics amounting to €16,520,000.

Other financial liabilities include non-derivative liabilities amounting to €156,053,000, €180,226,000 and €159,207,000, respectively as of the end of each Relevant Periods that fall within the scope of IFRS 7.

36. TRADE PAYABLES

The aged analysis of the KION Group's trade payables, presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Within 90 days	292,958	396,971	370,438
More than 90 days	215,150	237,121	275,606
	508,108	634,092	646,044

37. KION MANAGEMENT PARTNERSHIP PLAN ("MPP")

Arrangements for managers to invest in KION have been in place since 2007. These arrangements are governed by the "Shareholders' and co-investment agreement on the implementation of the management partnership plan for the KION Group" (the "Co-invest Agreement")) dated 14 June 2007, entered into by Superlift Holding S.à r.l., KION and KION Management Beteiligungs GmbH & Co. KG ("KION Management"). The managers who have joined the management partnership plan are also parties to the co-invest agreement.

During the Relevant Periods, KION Management held an equity interest of 14.61% in KION until 13 January 2013. In total, the Executive Board holds an interest of €3,400,000 in the limited partner capital of KION Management, which equates to an indirect interest of 3.31% in the share capital of KION. In addition to the KION Group's Executive Board, around 300 executives around the world have purchased shares in KION Management. The shares are sold at their fair value and shareholdings are divided into virtual 'A', 'B', and 'C' shares. Different terms and conditions concerning payment of the purchase price and rights to purchase attach to these virtual shares. The purchase price for 'A' shares became payable when participants joined the programme, while KION Management Beteiligungs GmbH granted participants interest-bearing loans for the purchase price of the 'B' and 'C' shares. The vesting conditions and resulting purchase rights for 'B' shares accrue to participants in equal, annual tranches over a period of five years. By contrast, managers become eligible to purchase 'C' shares if the targets for revenue, earnings before interest and tax and amortisation and operating cash flow set in the business plan are achieved over a five-year period or predefined target returns are achieved if the KION Group is sold or there is a change of control.

In 2010, the performance-related vesting conditions for the 'C' shares relating to the 2009–2012 bonus period were adjusted to take into account the revised long-term KION business plan, which is in turn based on the amended loan terms in the supplementary agreement to the SFA dated 23 September 2009. The change in vesting conditions affects a total of 1,034 shares with an expected exercise price of €16 thousand each. The agreement had one year remaining as at 31 December 2011. The total fair value of this adjustment was €1,044,000. The fair value of the individual purchase rights amounted to €1,000. The number of purchase options outstanding as at the reporting date remained unchanged at 1,034, of which 229, 584 and 876 were exercisable, respectively, at 31 December 2010, 31 December 2011 and 31 December 2012.

The fair value of the new vesting conditions was calculated using the Black-Scholes model based on a share price of €11,000. The risk-free interest rate on the reference date for the calculation was 1.6%. The expected holding period for the options is three years. The expected volatility is 32% and it was calculated by taking the implied volatility of a peer group. Expected dividends were not taken into account.

Expenses incurred by the management partnership plan amounted to €590,000, €295,000 and €159,000, respectively, for each of the Relevant Periods.

38. INFORMATION ON FINANCIAL INSTRUMENTS

The KION Group uses both primary and derivative financial instruments.

The following section summarises the relevance of these financial instruments for the KION Group.

(a) Carrying amounts by class and category

The following table shows the measurement categories, financial assets held-for-trading ("FAHft"), available-for-sale financial assets ("Afs"), loans and receivables ("LaR"), held-to-maturity financial assets ("HtM"), financial liabilities at amortised cost ("Flac") and financial liabilities held-for-trading. The table below shows the carrying amounts and fair values of financial assets and liabilities:

		Categories						
	Carrying amount	**FAHft**	**AfS**	**LaR**	**HtM**	**FLaC**	**FLHft**	**Fair value**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
At 31 December 2010								
Financial assets								
Loan receivable	1,907	–	–	1,907	–	–	–	1,907
Financial receivables	8,117	–	–	8,117	–	–	–	8,117
Available-for-sale investments	825	–	825	–	–	–	–	825
Lease receivables	367,758	–	–	–	–	–	–	374,358
Trade receivables	633,265	–	–	633,265	–	–	–	633,265
Other receivables								
Non-derivative receivables	35,416	–	–	35,416	–	–	–	35,416
Derivative financial instruments	23,706	23,706	–	–	–	–	–	23,706
Cash and cash equivalents	252,884	–	–	–	–	–	–	252,884
Financial liabilities								
Liabilities to banks	2,871,887	–	–	–	–	2,871,887	–	2,871,887
Other financial liabilities	7,000	–	–	–	–	7,000	–	7,000
Shareholder loan	615,250	–	–	–	–	615,250	–	554,358
Lease liabilities	448,743	–	–	–	–	–	–	445,743
Trade payables	508,108	–	–	–	–	508,108	–	508,108
Other liabilities								
Non-derivative liabilities	156,053	–	–	–	–	156,053	–	156,053
Liabilities from finance leases	212,906	–	–	–	–	–	–	212,906
Derivative financial instruments	30,030	–	–	–	–	–	30,030	30,030
At 31 December 2011								
Financial assets								
Loans receivable	795	–	–	795	–	–	–	795
Financial receivables	5,351	–	–	5,351	–	–	–	5,351
Available-for-sale investments	768	–	768	–	–	–	–	768
Lease receivables	361,221	–	–	–	–	–	–	362,319
Trade receivables	676,553	–	–	676,553	–	–	–	676,553
Other receivables								
Non-derivative receivables	36,237	–	–	36,237	–	–	–	36,237
Derivative financial instruments	23,277	23,277	–	–	–	–	–	23,277
Cash and cash equivalents	373,451	–	–	–	–	–	–	373,451

	Carrying amount	Categories						Fair value
		FAHft	AfS	LaR	HtM	FLaC	FLHft	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial liabilities								
Liabilities to banks	2,509,889	–	–	–	–	2,509,889	–	2,509,889
Capital market liability	487,508	–	–	–	–	487,508	–	388,750
Other financial liabilities	7,333	–	–	–	–	7,333	–	7,333
Shareholder loan	643,132	–	–	–	–	643,132	–	530,045
Lease liabilities	446,789	–	–	–	–	–	–	446,326
Trade payables	634,092	–	–	–	–	634,092	–	634,092
Other liabilities								
Non-derivative liabilities	180,226	–	–	–	–	180,226	–	180,226
Liabilities from finance leases	254,723	–	–	–	–	–	–	254,723
Derivative financial instruments	17,742	–	–	–	–	–	17,742	17,742

At 31 December 2012

	Carrying amount	FAHft	AfS	LaR	HtM	FLaC	FLHft	Fair value
Financial assets								
Loan receivable	730	–	–	730	–	–	–	730
Financial receivables	9,587	–	–	9,587	–	–	–	9,587
Available-for-sale investments	768	–	768	–	–	–	–	768
Lease receivables	399,269	–	–	–	–	–	–	398,229
Trade receivables	625,462	–	–	625,462	–	–	–	625,462
Other receivables								
Non-derivative receivables	35,236	–	–	35,236	–	–	–	35,236
Derivative financial instruments	23,942	23,942	–	–	–	–	–	23,942
Cash and cash equivalents	562,357	–	–	–	–	–	–	562,357
Financial liabilities								
Liabilities to banks	1,858,448	–	–	–	–	1,858,448	–	1,858,448
Capital market liability	489,495	–	–	–	–	489,495	–	489,495
Other financial liabilities	4,488	–	–	–	–	4,488	–	4,488
Lease liabilities	475,015	–	–	–	–	–	–	475,086
Trade payables	646,044	–	–	–	–	646,044	–	646,044
Other liabilities								
Non-derivative liabilities	141,138	–	–	–	–	141,138	–	141,138
Liabilities from finance leases	300,340	–	–	–	–	–	–	300,340
Derivative financial instruments	43,570	–	–	–	–	–	43,570	43,570

(b) Change in valuation allowance

	For the year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
At the beginning of the year	48,614	47,125	49,565
Group changes	–	626	(483)
Additions (cost of valuation allowances)	13,912	10,547	12,010
Reversals	(9,466)	(3,092)	(2,829)
Utilisations	(4,212)	(5,425)	(7,573)
Currency translation adjustments	(1,723)	(216)	(158)
At the end of the year	47,125	49,565	50,532

(c) Net impact on financial instruments by category

The net impact on financial instruments are as follows:

	For the year ended 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Loans and receivables (LaR)	9,223	2,062	(1,594)
Available-for-sale investments (AfS)	15	13	13
Financial assets held-for-trading (FAHfT)	39,381	14,360	8,950
Financial liabilities held-for-trading (FLHfT)	(27,063)	(10,109)	(11,923)
Financial liabilities carried at amortised cost (FLaC)	(220,979)	(225,277)	(179,209)

The above gains and losses do not include losses arising on hedging transactions amounting to €88,087,000, €18,464,000 and €19,861,000, respectively during the year ended 31 December 2010, 2011 and 2012 because these losses form part of a documented hedge.

(d) Fair value measurement

The majority of the funding, loans, investments, other non-derivative receivables and liabilities, trade receivables and trade payables held by the KION Group have short remaining terms to maturity. The carrying amounts of these financial instruments approximate their fair values.

The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of observable market information at the end of reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency forwards is calculated on the basis of the forward rates at the end of reporting period. In the KION Group, all interest-rate swaps and currency forwards are classified as level 2 measurements as defined by IFRS 7.

The fair value of the put and call options on the remaining shares in Linde Hydraulics was determined using the Black-Scholes model. The main input variables for the model were the options' base exercise price, which may be modified by individual, specific, contractually agreed factors if necessary, and the fair value of the remaining shares in Linde Hydraulics. As at 31 December 2012 the fair value of the put option was €19,740,000 and the fair value of the call options was €16,520,000. The base exercise price of the put option is €77,429,000. The base exercise price of the two call options totals €116,143,000. The options are classified as level 3.

As at 31 December 2012 the net value calculated from the options on the remaining shares in Linde Hydraulics came to €3,220,000. If the fair value of the shares had been 10% lower on the reporting date, the net value from the options would have increased by €8,310,000 to a total of €11,530,000 and resulted in an additional gain of €8,310,000. A rise of 10% in the fair value of the shares in Linde Hydraulics would have decreased the net value from the options by €9,010,000 to a total of €5,790,000 and resulted in an expense of €9,010,000.

In order to minimise default risk to the greatest possible extent, the KION Group only enters into derivatives with counterparties holding a high credit rating.

With the exception of derivative financial instruments and available-for-sale assets, all financial assets and liabilities are measured at amortised cost.

Details of the financial assets and financial liabilities measured at fair value at the end of each reporting period are as follows:

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Financial assets			
Available-for-sale investments	825	768	768
Derivative instruments	23,706	23,277	23,942
Financial liabilities			
Derivative instruments	30,030	17,742	43,570

The fair value of available-for-sale assets is determined on the basis of quoted prices in an active market. These assets are classified as level 1 as defined by IFRS 7.

39. FINANCIAL RISK REPORTING

(a) Capital management

One of the prime objectives of capital management is to ensure liquidity at all times. Measures aimed at achieving these objectives include the optimisation of the capital structure, the reduction of liabilities and ongoing KION Group cash flow planning and management. Besides the supplementary agreement to the SFA in 2009, long-term financing requirements were also covered by the issuance of the corporate bond (see 'Credit terms' table).

Close cooperation between local units and the KION Group head office ensures that the local legal and regulatory requirements faced by foreign group companies are considered in the capital management process.

Net financial debt before borrowing costs – defined as the difference between financial liabilities and cash and cash equivalents – is the key performance measure used in liquidity planning at KION Group level. Lease liabilities and other financial liabilities are excluded from this figure, which were €2,626,003,000, €2,631,279,000 and €1,790,074,000 at 31 December 2010, 31 December 2011 and 31 December 2012.

(b) Credit risk

For financial assets, default risk is defined as the risk that a counterparty will default, and therefore is limited to a maximum of the carrying amount of the assets relating to the counterparty involved. The potential default risk attaching to financial assets is mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees.

Specific valuation allowances for defaults are recognised to reflect the risk arising from primary financial instruments. Financial transactions are only entered into with selected partners holding good credit ratings. Investments in interest-bearing securities are limited to investment-grade securities.

In certain finance and operating activities, the KION Group is subject to credit risk, i.e. the risk that partners will fail to meet their contractual obligations. This risk is limited by diversifying business partners based on certain credit ratings. The KION Group only enters into transactions with business partners and banks holding a good credit rating and subject to fixed limits. Counterparty risks involving our customers are managed by the individual group companies.

The following table shows the age structure of receivables as at the end of each reporting period.

	Carrying amount	Neither overdue nor impaired	Overdue and impaired	Not impaired but up to and including 90 days overdue	90 days overdue
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
At 31 December 2010					
Financial receivables	8,117	8,117	–	–	–
Lease receivables	367,758	367,758	–	–	–
Trade receivables	633,265	493,781	10,101	114,472	13,896
Other non-derivative receivables	35,416	35,060	21	–	83
At 31 December 2011					
Financial receivables	5,351	5,351	–	–	–
Lease receivables	361,221	361,221	–	–	–
Trade receivables	676,553	539,560	4,286	117,666	10,727
Other non-derivative receivables	36,237	35,189	643	–	41
At 31 December 2012					
Financial receivables	9,587	9,587	–	–	–
Lease receivables	399,269	399,269	–	–	–
Trade receivables	625,462	485,621	16,835	110,210	5,499
Other non-derivative receivables	35,236	34,492	734	1	9

Impairment losses are based on the credit risk associated with the receivables and are assessed primarily using factors such as a customer's credit rating and historical pattern of meeting payment terms.

Some of the receivables that were overdue as at the end of each reporting period, but for which no impairment losses had been reported, were offset by corresponding collateral. Apart from this item, the KION Group did not hold any significant collateral.

(c) Liquidity risk

A liquidity risk arises if a company is unable to meet its financial liabilities. The KION Group maintains a liquidity reserve in the form of lines of credit and cash in order to ensure financial flexibility and solvency. The age structure of financial liabilities is reviewed continuously and was improved by issuing the corporate bond.

The following table shows all of the contractually agreed payments under recognised financial liabilities at the end of each reporting period, including derivative financial instruments with negative fair values.

		Undiscounted cash out flow		
	Carrying amount	Within one year	In the second to fifth year	Over five years
	€'000	€'000	€'000	€'000
At 31 December 2010				
Primary financial liabilities				
Gross liabilities to banks	2,893,713			
Borrowing costs	(21,826)			
Net liabilities to banks	2,871,887	192,543	3,132,989	370,561
Other financial liabilities	7,000	3,188	–	6,059
Shareholder loan	615,250	–	–	782,618
Lease liabilities	448,743	189,201	289,627	12,352
Trade payables	508,108	508,108	–	–
Other financial liabilities	368,959	245,819	137,414	5,860
Derivative financial liabilities				
Derivatives with negative fair value	30,030			
Cash in		175,364	40,867	–
Cash out		203,057	41,809	–
At 31 December 2011				
Primary financial liabilities				
Gross liabilities to banks	2,530,064			
Borrowing costs	(20,175)			
Net liabilities to banks	2,509,889	307,224	2,643,650	–
Capital market liability	500,000			
Borrowing costs	(12,492)			
	487,508	34,864	143,062	556,723
Other financial liabilities	7,333	3,397	–	6,090
Shareholder loan	643,132	–	–	928,194
Lease liabilities	446,789	165,739	312,512	11,905
Trade payables	634,092	634,092	–	–
Other financial liabilities	434,949	274,717	178,168	6,788
Derivative financial liabilities				
Derivatives with negative fair value	17,742			
Cash in		295,698	32,127	–
Cash out		(291,278)	(36,919)	–

	Carrying amount	Undiscounted cash out flow Within one year	In the second to fifth year	Over five years
	€'000	€'000	€'000	€'000
At 31 December 2012				
Primary financial liabilities				
Gross liabilities to banks	1,882,085			
Borrowing costs	(23,637)			
Net liabilities to banks	1,858,448	124,369	1,994,386	149,793
Capital market liability	500,000			
Borrowing costs	(10,505)			
	489,445	33,677	138,368	517,912
Other financial liabilities	4,488	623	–	5,269
Trade payables	646,044	646,044	–	–
Lease liabilities	475,015	166,802	344,613	12,974
Other financial liabilities	459,542	264,668	217,889	8,203
Derivative financial liabilities				
Derivatives with negative fair value	27,050			
Cash in		438,150	5,005	–
Cash out		(452,648)	(13,751)	–

The calculation of future cash flows for derivative financial liabilities includes all currency forwards and interest rate swaps that have negative fair values as at the end of the reporting period.

Bank guarantee lines (e.g. sureties, performance bonds) had been issued under the ancillary facility agreements for a total amount in the low double-digit millions as at 31 December 2010, 2011 and 2012. They included guarantees payable 'on first demand'. No guarantees were utilised during the Relevant Periods.

The volume of business for which factoring amounted to €19,853,000, €17,844,000 and €20,024,000, respectively for each of the reporting periods. Because all material risks and rewards are assigned to the purchaser, these assets are derecognised in full.

(d) Risks from financial services

The KION Group's leasing activities mean that it may be exposed to residual value risks from the marketing of machinery and equipment that is returned by the lessee at the end of a long-term lease and subsequently sold or re-leased. Residual values in the markets for used trucks are therefore constantly monitored and forecasted.

KION regularly assesses its overall risk position arising from financial services, recognising write-downs, valuation allowances or provisions to cover the risks it identifies. It immediately takes into account any changes in residual values when calculating new leases.

The increased marketing activities for used trucks and the overall increase in demand help to stabilise the residual values of the KION Group's industrial trucks and therefore serve to mitigate risk.

In addition, residual values are mainly based on remarketing agreements that continued to achieve positive outcomes in 2011. Under these agreements, any residual-value risk is transferred to the leasing company concerned. Group-wide standards to ensure that residual values are calculated conservatively reduce risk and provide the basis on which to create the transparency required. KION also has an IT system for residual-value risk management.

The KION Group mitigates its liquidity risk and interest-rate risk by ensuring that most of its transactions and the terms of funding loans are in line with the KION Group's expectation on the economic environment. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks ensure that the KION Group has sufficient liquidity.

In order to eliminate exchange-rate risk, KION generally funds its leasing business in the local currency used in each market.

Because of low default rates, counterparty risk has not been significant to date in the KION Group. KION did not identify any material year-over-year changes in 2011. KION's losses from defaults are also mitigated by its receipt of the proceeds from the sale of repossessed trucks. In addition, it primarily offers financial services indirectly via selected funding partners, and KION bears the counterparty risk in less than 5% of cases. The credit risk management system was refined as part of the work involved in transferring financial services activities to a separate segment. In particular, this involved revising procedures on operational and organisational structure as well as processes for risk management and control.

(e) Exchange-rate risk

In accordance with its treasury risk policy, the KION Group hedges exchange rate risks both locally at the level of the individual companies and centrally via KION GROUP GmbH in order to meet the prescribed minimum hedging ratios.

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

At an entity level, hedges are entered into for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm obligations not reported in the statement of financial position. These hedges are generally classified as cash flow hedges for accounting purposes.

Foreign-currency forwards are also employed to hedge the exchange rate risks resulting from internal financing.

The following table shows an overview of the foreign-currency forwards entered into by the KION Group.

		Fair value At 31 December			Notional Amount At 31 December		
		2010	2011	2012	2010	2011	2012
		€'000	€'000	€'000	€'000	€'000	€'000
Foreign-currency forwards	Hedge	3,762	1,765	2,865	109,653	73,758	89,240
(assets)	Trading	19,824	21,500	1,337	639,473	363,277	103,671
Foreign-currency forwards	Hedge	4,236	8,650	1,006	89,900	189,351	29,765
(liabilities)	Trading	3,595	2,471	7,448	79,335	103,018	414,160

The currency options bought and sold in 2008, each with a notional value of US$780,000,000, were closed in 2011. The income generated by the sale totalled €1,649,000. No new options have been entered into.

Significant exchange rate risks from financial instruments are measured on the basis of value at risk (VaR) as part of internal Group management. VaR figures are calculated using historical variance-covariance analyses. Correlations and volatilities are calculated on the basis of the 250 working days prior to the reporting date (unweighted).

Exchange rate risks from financial instruments as defined by IFRS 7, are only included in calculating value at risk if the financial instruments are denominated in a currency other than the functional currency of the reporting entity concerned. This means that exchange rate risks resulting from the translation of the separate financial statements of subsidiaries into the KION Group reporting currency, i.e. currency translation risk, are not included.

The value at risk in respect of currency risk was €19,968,000, €54,676,000 and €42,302,000, respectively, at end of each reporting period. Value at risk is the loss that is not expected to be exceeded over a holding period of one year with a confidence level of 97.7 per cent at end of each reporting period.

(f) Interest-rate risk

Interest-rate risk within the KION Group is managed centrally. The basis for decision-making includes sensitivity analyses of interest-rate risk positions in key currencies.

The table below shows the cumulative effect of an increase or decrease of 100 basis points (bps) in the relevant interest-rate curves, with a rate of 0 per cent constituting the lower limit of the calculation

Interest rate sensitivity

	At 31 December					
	2010 +100 bps	**2010 -100 bps**	**2011 +100 bps**	**2011 -100 bps**	**2012 +100 bps**	**2012 -100 bps**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Other comprehensive income (expense)	34,714	(32,600)	28,702	(18,031)	16,020	(1,627)
(Loss) profit for the year	(17,226)	18,454	(9,358)	9,358	(8,469)	8,469

The KION Group essentially funds itself by drawing down loans under its agreed credit facilities. Interest-rate derivatives - mainly interest-rate swaps - are used to hedge the resulting interest-rate risk.

Interest rate swap

		Fair value At 31 December			Notional Amount At 31 December		
		2010	**2011**	**2012**	**2010**	**2011**	**2012**
		€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Interest-rate swaps (assets)	Hedge	46	–	–	70,000	–	–
	Trading	–	–	–	–	–	–
Interest-rate swaps (liabilities)	Hedge	20,769	6,621	18,596	2,493,706	2,070,000	1,670,000
	Trading	–	–	–	–	–	–

The interest-rate caps purchased in 2009 and with a notional value of €1,250,000,000 expired in 2011 as planned. No new interest-rate options have been entered into.

(g) Hedging currency risk

In accordance with its treasury risk policy, the KION Group applies hedge accounting in hedging the exchange rate risks arising from highly probable future revenues in various currencies. Foreign-currency derivatives with settlement dates in the same month as the expected cash flows from the KION Group's operating activities are used as hedges.

The effectiveness of the KION Group's hedging transactions is assessed on the basis of forward rates using the hypothetical derivative approach under the cumulative dollar-offset method. The effective portion of the changes in the fair value of foreign-currency derivatives is recognised in accumulated other comprehensive income (expense) and only reversed when the corresponding hedged item is recognised in profit or loss.

Because of the short-term nature of the KION Group's payment terms, reclassifications to the profit or loss and the recognition of the corresponding cash flows generally take place in the same reporting period. A foreign-currency receivable or liability is recognised when goods are dispatched or received. Hedge accounting continues until the corresponding payment is received, with the changes in the fair value of the derivative being recognised in the profit or loss, thereby largely offsetting the effect of the measurement of the receivable at the end of each reporting period.

The changes in fair value recognised and reclassified in other comprehensive income are shown in the consolidated statement of comprehensive income. The ineffective portion of the changes in the fair value of the hedging transactions is recognised directly in the profit or loss. There were no significant ineffective portions for the Relevant Periods.

In total, foreign-currency cash flows of €199,554,000, €263,109,000 and €114,329,000 were hedged and designated as hedged items, respectively, for the year ended 31 December 2010, 2011 and 2012.

(h) Hedging of interest-rate risk

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

The KION Group is essentially financed by the utilisation of loans with variable interest rates and in different currencies. Interest-rate derivatives denominated in various currencies were used to hedge the resulting interest rate risk for the Relevant Periods. Because the KION Group used interest-rate swaps to transform 40%, 51% and 48% of its variable-rate exposure into fixed-rate obligations as at 31 December 2010, 2011 and 2012, it is not fully benefiting from the low level of market interest rates. During the year ended 31 December 2010, an additional 44% of interest rate exposure is hedged by means of interest rate caps against on-month Euribor rising above 1.75% per annum. The individual hedges were designated at the time the swaps were entered into.

The effective portion of the hedges was recognised in other comprehensive income (expense). The cumulative effectiveness of the hedging transactions was almost 100% during the Relevant Periods.

In total, variable portions of future interest payments amounting to €54,999,000, €27,196,000 and €6,340,000, respectively, at the end of each reporting period were designated as hedged items.

40. PLEDGE OF ASSETS

At the end of the each reporting period, certain assets of KION Group were pledged as collateral for the retirement benefit obligation and financial liabilities. The details of the pledge assets are set out in notes 20, 21 and 31.

41. CAPITAL COMMITMENTS

	As at 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Capital expenditure commitments in property, plant and equipment	5,660	6,109	7,191
Capital expenditure commitments in intangible assets	1,205	1,630	2,597
Other financial commitments	17,290	16,958	18,530

42. LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2010	2011	2012
	€'000	€'000	€'000
Nominal minimum lease payments (gross)	208,874	205,394	194,216
due within one year	63,621	58,856	38,808
due in one to five years	96,175	104,634	90,394
due in more than five years	49,078	41,904	65,014

The minimum lease payments relate to payments for leased buildings, machinery, office furniture and equipment (procurement leases) as well as payments for industrial trucks refinanced with a sale and leaseback and subleased to end customers (sale and leaseback sub-leases).

	Procurement leases As at 31 December			Sale-and-leaseback subleases As at 31 December		
	2010	2011	2012	2010	2011	2012
	€'000	€'000	€'000	€'000	€'000	€'000
Minimum lease payments (cash out)	158,406	151,486	142,074	50,468	53,908	52,142
due within one year	39,844	38,134	21,329	23,777	20,722	17,479
due in one to five years	69,484	71,452	55,745	26,691	33,182	34,649
due in more than five years	49,078	41,900	65,000	–	4	14
Minimum lease payments (cash in)	–	–	–	16,795	11,257	6,843
due within one year	–	–	–	8,358	5,813	3,572
due in one to five years	–	–	–	8,437	5,440	3,268
due in more than five years	–	–	–	–	4	3

43. CONTINGENT LIABILITIES

	As at 31 December		
	2010	2011	2012
	€'000	*€'000*	*€'000*
Liabilities on bills of exchange	2,303	3,516	4,445
Liabilities on guarantees	1,098	2,129	3,197
Collateral security for third-party liabilities	–	69	65
Total contingent liabilities	3,401	5,714	7,707

Litigation

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The KION is a party in a number of pending lawsuits in various countries. It cannot assume with any degree of certainty that it 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 believes it is remote that these ongoing lawsuits will result in additional provisions.

44. RELATED PARTY TRANSACTIONS

The KION Group has direct or indirect business relationships with a number of joint ventures and associates in the course of its ordinary business activities. Transactions with these companies are conducted on an arm's length basis. The related companies that are controlled by the KION Group or that are able to exercise significant influence over the KION Group are included in Notes 13 and 30 and as follows:

Related parties

Superlift Holding S.à r.l., Luxembourg, Parent company
Kohlberg Kravis Roberts & Co. L.P., New York, USA Entity with significant influence
Goldman, Sachs & Co., New York, USA Entity with significant influence
Superlift Funding S.à r.l., Luxembourg Affiliated company

Superlift Funding S.à r.l., Luxembourg

Under a supplementary loan agreement dated 23 September 2009, investment funds advised by Kohlberg Kravis Roberts & Co. L.P. ('KKR') and Goldman Sachs Capital Partners extended the SFA to include an additional loan of €100,000,000 to be paid via Superlift Funding S.à r.l., Luxembourg. The purpose of the supplementary loan was to further strengthen the operational and strategic options for the KION Group. Both the loan amount and the associated interest are repayable as a bullet payment on maturity (payment in kind, 'PIK').

Shareholder loan agreement

On 27 December 2006, KION Holding 1 GmbH (then Neggio Holding 1 GmbH) entered into a shareholder loan agreement with Superlift Holding S.à r.l., Luxembourg, for €500,000,000 of principal. The maturity date for the loan is 31 December 2021. Both the unsecured loan principal and the associated interest are repayable as a bullet payment on maturity (payment in kind, 'PIK'). Since 1 September 2007, the loan has been subject to interest at a rate of 5.5% per annum. The carrying amount of the loan including accrued interest at €615,250,000, €643,132,000, respectively, as at 31 December 2010 and 2011. The shareholder loan amounting to €670,784,000 (including accrued interest) was converted into equity with effect from 27 December 2012.

Advisory agreement

On 8 May 2007, KION Group GmbH, Kohlberg, Kravis Roberts & Co. L.P. ('KKR') and Goldman, Sachs & Co. entered into an advisory agreement under the terms of which KKR and Goldman Sachs are to perform advisory services for the KION Group. These advisory services relate, in particular, to financial and strategic issues. The annual advisory fee payable to KKR and Goldman, Sachs & Co. amounted to €4,609,000, €4,624,000 and €4,763,000, respectively, and they have been recognised as an expense.

As at the end of the reporting period, the receivables due from related parties were as follows:

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Associates	22,249	17,262	10,845
Joint ventures	2,880	2,964	2,622
Other related parties	7,545	4,825	5,901

As at the end of the reporting period, the liabilities due to related parties were as follows:

	As at 31 December		
	2010	**2011**	**2012**
	€'000	*€'000*	*€'000*
Associates	41,537	39,955	35,861
Joint ventures	3,490	4,719	6,051
Other related parties	730,686	769,255	132,529

The remuneration of key management personnel comprising the Executive Board and Supervisory Board are set out in Note 13.

45. ACQUISITION/DISPOSAL OF BUSINESSES

(a) Acquisition of Creighton Material Handling Ltd. during the year ended 31 December 2012

The KION Group acquired the business operations of the UK dealer Creighton on 28 February 2012. To this end, the KION Group acquired 100% of the share capital and voting rights in Creighton Materials Handling Ltd., Birmingham, United Kingdom (registered office relocated to Basingstoke, United Kingdom, on 28 February 2012), which itself holds 51% of the share capital and voting rights in Linde Creighton Ltd., Basingstoke. The KION Group already held the other 49% of the share capital and voting rights in Linde Creighton Ltd. before the business combination. Creighton's business operations include an investment of 100% in McLEMAN FORK LIFT SERVICES LTD., Basingstoke, United Kingdom. The acquisition has enabled the KION Group to further strengthen the leading position of Linde and the brand's UK distribution and service network.

The equity-accounted carrying amount of the investment in Linde Creighton Ltd. immediately prior to the acquisition date came to €3,635,000. Remeasurement of the investment of 49% previously held resulted in a fair value of €11,387,000. The difference of €7,752,000 (amount on the acquisition date) was taken to income and recognised under the share of profit (loss) of equity-accounted investments on the face of the consolidated income statement.

The incidental acquisition costs incurred by this business combination amounted to €60,000 and have been recognised as an expense for the current period and reported as administrative expenses on the face of the consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition

	Fair value at the acquisition date *€ thousand*
Other intangible assets	5,017
Property, plant and equipment	5,437
Deferred taxes (net)	1,025
Inventories	4,029
Trade receivables	8,036
Cash and cash equivalents	2,149
Other assets	5,131
Provisions	(7,907)
Liabilities	(15,472)
Net assets acquired	7,445

The gross amounts of the receivables acquired as part of this transaction, which largely constitute trade receivables, totalled €8,183,000. At the acquisition date it was assumed that €147,000 of these trade receivables was irrecoverable. Revenue rose by €50,076,000 as a result of the acquisition. The net income (loss) reported for 2012 contains a profit of €1,382,000 attributable to the entity acquired. If this business combination had been completed by 1 January 2012, this would have had no further material impact on either the revenue or the net income (loss) reported by the KION Group for 2012.

Goodwill arising an acquisition:	
Consideration transferred	11,852
Plus: Previously held share of equity	11,387
Less: Net assets acquired	(7,445)
	15,794

The purchase price allocation for the acquisition described above had been finalised by 31 December 2012. Goodwill represents the strategic and geographical synergies that the KION Group is able to derive from the business combination. The goodwill arising from this acquisition is currently not tax deductible.

(b) Acquisition of forklift truck and warehouse technology business of Voltas Limited during the year ended 31 December 2011

In April 2011, the KION Group and Voltas Limited, Mumbai, India, together established Voltas Material Handling Private Limited ("VMH") to develop, manufacture, sell and service forklift trucks and warehouse trucks. VMH, acquired the forklift truck and warehouse technology business of Voltas Limited on 1 May 2011. KION indirectly holds 66% of the share capital and voting rights in VMH via Linde Material Handling Asia Pacific Pte. Ltd., Singapore.

As a KION Group brand that manufactures in India, Voltas will focus most of its efforts on this market. Its product range includes warehouse trucks, diesel trucks and electric forklift trucks with load capacities of between 1.5 tonnes and 16 tonnes. VMH has a network of 25 branches and authorised dealers throughout India. Since becoming part of the KION Group, VMH has in eight months ended 31 December 2011 generated revenue of €22,027,000 and earned net profit of approximately €19,000. It is not possible to calculate the revenue and net income that would have been earned if VMH had been acquired at 1 January 2011 because no reliable IFRS figures are available for the period prior to April 2011.

A total of 131 Voltas Limited employees were taken on.

The incidental acquisition costs incurred by this business combination amounted to €780,000 and have been recognised as an expense for the year ended 31 December 2011 and reported as administrative expenses on the face of the consolidated statement of comprehensive income.

Owing to further contractual arrangements, the newly established company has been fully consolidated and, consequently, a liability of €8,920,000 was recognised at the acquisition date. This estimated fair value also represents the upper limit for the purchase price. This purchase price obligation may decrease consistent with defined key figures. The table below shows the provisional impact of the acquisition of Voltas Limited's forklift truck and warehouse technology business on the consolidated financial statements of KION.

Consideration transferred

	€'000
Cash	16,141
Other payables	8,920
Consideration transferred	25,061

Assets acquired and liabilities recognised at the date of acquisition

	Fair value at the acquisition date *€'000*
Other intangible assets	5,102
Property, plant and equipment	974
Deferred taxes (net)	2,306
Inventories	4,311
Trade receivables	3,040
Other assets	32
Provisions	(1,199)
Liabilities	(4,205)
Net assets acquired	10,361

The gross amounts of the receivables acquired as part of this transaction, which largely constitute trade receivables, totalled €3,164,000. At the acquisition date it was estimated that €124,000 of these trade receivables was irrecoverable. The goodwill arising from the acquisition of VMH is expected to be tax deductible.

Goodwill arising on acquisition

	€'000
Consideration transferred	25,061
Less: net assets acquired (X)	(10,361)
Goodwill arising on acquisition of VMH	14,700

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Net cash outflow on acquisition of VMH

	€'000
Cash consideration paid	16,141

(c) Other acquisitions during the year ended 31 December 2011

The dealer Cailotto Carrelli S.p.A., Verona, Italy (100 per cent of the company's share capital and voting rights) was acquired on 4 April 2011.

In addition, KION Group acquired the remaining share capital and voting rights (51%) in the dealer Linde Sterling Ltd., Basingstoke, United Kingdom, effective on 15 June 2011.

The carrying amount of the equity investment in Linde Sterling Ltd. immediately prior to the acquisition date was €3,238,000. As a result of the remeasurement of the equity investment (49%) on the date of acquisition, €4,102,000 was recognised in the income statement and reported as profit from equity investments.

Furthermore, the newly established company OOO ''Linde Material Handling Rus'', Moscow, Russian Federation, acquired the business of the dealer Liftec in Russia on 2 December 2011. The consideration paid included trade receivables in the amount of €5,039,000 that were offset, a cash payment of €4,903,000 and contingent consideration with a fair value of €2,879,000. This estimated fair value at the acquisition date also represents the upper limit for the purchase price. The contingent consideration may be reduced in line with defined revenue targets for 2012 and 2013 and is payable in 2014 if targets are met.

The incidental acquisition costs incurred by these business combinations total €1,720,000 and have been recognised as an expense for the current period and reported as administrative expenses in the consolidated statement of comprehensive income.

The table below shows the overall impact of these acquisitions on the Financial Information of KION based on the provisional figures available at the respective acquisition date.

Consideration transferred

	€'000
Cash	16,798
Fair value of contingent consideration	2,879
Other payables	10,019
Consideration transferred	29,696

Assets acquired and liabilities recognised at the date of acquisition

	Fair value at the acquisition date *€'000*
Other intangible assets	8,556
Property, plant and equipment	15,704
Deferred taxes (net)	290
Inventories	5,967
Trade receivables	8,079
Cash and cash equivalents	23
Other assets	1,701
Provisions	(1,449)
Liabilities	(25,360)
Deferred taxes (net)	(525)
Net assets acquired	12,986

Revenue for the year ended 31 December 2011 increased by €35,720,000 as a result of the remaining acquisitions. The net loss for the year ended 31 December 2011 reported for 2011 contains a loss of approximately €70,000 for the entities acquired. If these business combinations had been completed by 1 January 2011, this would have had no material impact on either the revenue or the net loss reported by the KION Group.

Goodwill arising on acquisition

	€'000
Consideration transferred	29,696
Less: net assets acquired (X)	(12,986)
Goodwill arising on acquisition of other subsidiaries	16,710

The purchase price allocations for the acquisitions described above were only provisional as at 31 December 2011 because some details had not yet been fully evaluated. Goodwill represents the strategic, technological and geographical synergies that the KION Group is able to derive from the business combinations. None of the goodwill arising from the other acquisitions is currently tax deductible.

Net cash outflow on acquisition of other subsidiaries

	€'000
Cash consideration paid	16,798
Less: cash and cash equivalents acquired of	(23)
	16,775

(d) Disposal of Linde Hydraulics GmbH & Co. KG ("Linde Hydraulics")

With effect from 27 December 2012, the KION Group sold and deconsolidated its controlling interest of 70% in Linde Hydraulics to the Company.

Before the disposal, significant assets and liabilities of the former hydraulics business of the KION Group, including land and buildings plus shares in the subsidiaries Linde Hydraulics Ltd., Abingdon, United Kingdom, and Linde Hydraulics Corporation, Canfield, USA, were transferred to Linde Hydraulics. As part of the transaction, Weichai Power granted the KION Group a put option on the remaining 30% equity interests in Linde Hydraulics. KION Group also granted Weichai Power two call options relating to these shares. The put option, which is reported in other financial assets, is measured at fair value. The call options, also measured at fair value, are reported in other financial liabilities.

Consideration received:

	€'000
Cash received	262,870
Escrow	8,130
Fair value of put and call options	3,220
Total consideration received	274,220

Analysis of assets and liabilities over which control was lost:

	€'000
Non-current assets	164,669
Current assets	63,330
Cash and cash equivalents	3,467
Non-current liabilities	(68,414)
Current liabilities	(30,328)
Net assets disposed of	132,724

Gain on disposal of a subsidiary

	€'000
Consideration received and receivable	274,220
Cost incurred on disposal	(38,425)
Fair value of residual equity interest recognised as equity investment (investment in associate)	108,692
Net assets disposed of	(132,724)
	211,763

Net cash inflow arising on disposal

	€'000
Cash consideration received	262,870
Less: gain and cash equivalents disposed of	(3,467)
	259,403

Escrow amount €8 million has been impaired.

46. PRINCIPAL SUBSIDIARIES

Details of KION's principal subsidiaries at the end of each reporting period and at the date of this report are as follows:

Name of entity	Date and place of incorporation/ establishment	Place of operations	Issued and fully paid up capital/ registered capital	Equity attributable to the KION Group at 31 December			At the date of this report	Principal activities
				2010	2011	2012		
				%	%	%		
BlackForxx GmbH[1]	Germany 5 Sep 1985	Stuhr Germany	EUR50,000	100	100	100	100	Sales Trucks
Eisenwerk W eilbach GmbH[1]	Germany 31 May 1935	Wiesbaden Germany	EUR26,000	–	100	100	100	Holding
Fahrzeugbau GmbH Geisa[2]	Germany 26 Jun 1990	Geisa Germany	EUR26,000	100	100	100	100	Factory/ Sales Trucks
KION GROUP GmbH[2]	Germany 24 Oct 2006	Wiesbaden Germany	EUR25,000	100	100	100	100	Holding
KION Holding 2 GmbH[2]	Germany 24 Oct 2006	Wiesbaden Germany	EUR25,000	100	100	100	100	Holding
KION Information Management Services GmbH[2]	Germany 14 May 2007	Wiesbaden Germany	EUR25,000	100	100	100	100	IT Services
KION Warehouse Systems GmbH[2]	Germany 19 Nov 1985	Reutlingen Germany	EUR10,000,000	100	100	100	100	Factory/ Sales Trucks
Klaus Pahlke GmbH & Co. Fördertechnik KG[2]	Germany 1 Jan 1991	Haan Germany	EUR800,000	100	100	100	100	Sales Trucks
Linde Material Handling GmbH[2]	Germany 30 Oct 2006	Aschaffenburg Germany	EUR25,000	100	100	100	100	Factory/ Sales Trucks
LMH Immobilien GmbH & Co. KG[1]	Germany 4 Jul 2006	Aschaffenburg Germany	EUR10,000	99.64	99.64	99.64	99.64	Real Estate
LMH Immobilien Holding GmbH & Co. KG[1]	Germany 4 Jul 2006	Aschaffenburg Germany	EUR10,000	94	94	94	94	Real Estate
LMH Immobilien Holding Verwaltungs-GmbH[1]	Germany 9 Jun 2006	Aschaffenburg Germany	EUR25,000	100	100	100	100	Real Estate
LMH Immobilien Verwaltungs-GmbH[1]	Germany 9 Jun 2006	Aschaffenburg Germany	EUR25,000	100	100	100	100	Real Estate
OM Deutschland GmbH[1]	Germany 16 Dec 1992	Neuhausen a.d. Fildern Germany	EUR26,000	100	100	100	100	Dormant company
Schrader Industriefahrzeuge GmbH & Co. KG[2]	Germany 25 Aug 1995	Essen Germany	EUR112,800	100	100	100	100	Sales Trucks
STILL GmbH[2]	Germany 11 Aug 1952	Hamburg Germany	EUR55,000,000	100	100	100	100	Factory/ Sales Trucks
URBAN-TRANSPORTE GmbH[2]	Germany 20 Jan 1965	Unterschleiß heim Germany	EUR51,000	100	100	100	100	Logistics
Linde Material Handling Pty. Ltd.[2]	Australia 6 Apr 1970	Huntingwood Australia	AUD133,500,000	100	100	100	100	Sales Trucks
STILL N.V.[2]	Belgium 7 Dec 1978	Wijnegem Belgium	EUR900,000	100	100	100	100	Sales Trucks
KION South America Fabricação de Equipamentos para Armazenagem Ltda.[3]	Brazil 28 Oct 1983	Rio de Janeiro Brazil	BRL59,837,000	100	100	100	100	Factory/ Sales Trucks
Linde (China) Forklift Truck Corporation Ltd.[3]	China 29 Dec 1993	Xiamen China	CNY900,000,000	100	100	100	100	Factory/ Sales Trucks

Name of entity	Date and place of incorporation/ establishment	Place of operations	Issued and fully paid up capital/ registered capital	Equity attributable to the KION Group at 31 December			At the date of this report	Principal activities
				2010	2011	2012		
				%	%	%		
KION Baoli (Jiangsu) Forklift Co., Ltd.(3)	China 29 Aug 2008	Jiangjiang China	CNY265,000,000	92	97.34	97.34	97.34	Factory/ Sales Trucks
STILL DANMARK A/S(2)	Denmark 12 May 1957	Kolding Denmark	DKK15,000,000	100	100	100	100	Sales Trucks
BARTHELEMY MANUTENTION SAS(2)	France 1 Jan 1977	Vitrolles France	EUR1,245,000	90.41	90.41	90.41	90.41	Sales Trucks
Bastide Manutention SAS(2)	France 7 Mar 1966	Toulouse France	EUR510,000	100	100	100	100	Sales Trucks
Bretagne Manutention S.A.(2)	France 5 Oct 1972	Pacé France	EUR1,500,000	54.27	54.27	54.27	54.27	Sales Trucks
FENWICK-LINDE S.A.R.L.(2)	France 20 Dec 1988	Elancourt France	EUR67,000,000	100	100	100	100	Factory/ Sales Trucks
LOIRE OCEAN MANUTENTION SAS(2)	France 18 Sep 1970	St. Herblain France	EUR1,714,000	89.91	88.98	88.98	88.98	Sales Trucks
Manuchar S.A.(2)	France 19 Sep 1989	Gond Pontouvre France	EUR500,000	80	80	80	80	Sales Trucks
OM PIMESPO FRANCE S.A.S.(2)	France 13 Sep 1977	Mitry Mory France	EUR50,000	100	100	100	100	Dormant company
SAS Société Angoumoisine de Manutention - SAMA(2)	France 1 Jan 1991	Champniers France	EUR2,000,000	100	100	100	100	Sales Trucks
MANUSOM SAS(2)	France 30 Sep 2010	Rivery France	EUR303,000	50.13	50.13	50.13	50.13	Sales Trucks
SM Rental SAS(2)	France 28 Feb 1989	Roissy Charles de Gaulle France	EUR200,000	100	100	100	100	Sales Trucks
STILL SAS(2)	France 22 Jun 1961	Marne la Vallée France	EUR21,967,000	100	100	100	100	Sales Trucks
KION France SERVICES SAS(2)	France 30 Oct 2006	Elancourt France	EUR132,777,000	100	100	100	100	Holding
Lansing Linde Severnside Ltd.(2)	United Kingdom 22 Jul 1994	Basingstoke U.K.	GBP1,638,000	100	100	100	100	Dormant company
Linde Castle Ltd.(2)	United Kingdom 12 Feb 1993	Basingstoke U.K.	GBP1,373,000	74.50	100	100	100	Sales Trucks
Linde Heavy Truck Division Ltd.(2)	United Kingdom 19 Mar 1964	Basingstoke U.K.	GBP28,500,000	100	100	100	100	Factory/ Sales Trucks
Linde Holdings Ltd.(2)	United Kingdom 10 Feb 1966	Basingstoke U.K.	GBP135,956,000	100	100	100	100	Holding
Linde Hydraulics Ltd.(2)	United Kingdom 24 Mar 1970	Abingdon U.K.	GBP1,000,000	100	100	–	–	Sales Hydraulics
Linde Jewsbury's Ltd.(2)	United Kingdom 12 Feb 1993	Basingstoke U.K.	GBP5,906,000	100	100	100	100	Sales Trucks
Linde Sterling Ltd.(2)	United Kingdom 12 Feb 1993	Basingstoke U.K.	GBP2,000,000	–	100	100	100	Sales Trucks
Linde Creighton Ltd.(2)	United Kingdom 12 Feb 1993	Basingstoke U.K.	GBP2,001,000	–	–	100	100	Sales Trucks
Linde Material Handling (UK) Ltd.(2)	United Kingdom 17 Feb 1937	Basingstoke U.K.	GBP74,576,000	100	100	100	100	Sales Trucks/ Holding
Linde Material Handling East Ltd.(2)	United Kingdom 12 Feb 1993	Basingstoke U.K.	GBP1,433,000	100	100	100	100	Sales Trucks

Name of entity	Date and place of incorporation/ establishment	Place of operations	Issued and fully paid up capital/ registered capital	Equity attributable to the KION Group at 31 December			At the date of this report	Principal activities
				2010	2011	2012		
				%	%	%		
Linde Material Handling Scotland Ltd.(2)	United Kingdom 9 Oct 1997	Basingstoke U.K.	GBP2,500,000	100	100	100	100	Sales Trucks
Linde Material Handling South East Ltd.(2)	United Kingdom 6 Oct 1997	Basingstoke U.K.	GBP3,300,000	100	100	100	100	Sales Trucks
Linde Severnside Ltd.(2)	United Kingdom 3 Oct 1997	Basingstoke U.K.	GBP6,057,000	100	100	100	100	Sales Trucks
OM PIMESPO (UK) Ltd.(2)	United Kingdom 29 Aug 1973	Basingstoke U.K.	GBP4,100,000	100	100	100	100	Dormant company
STILL Materials Handling Ltd.(2)	United Kingdom 27 Nov 1979	Leyland U.K	GBP28,700,000	100	100	100	100	Sales Trucks
Superlift UK Ltd.(2)	United Kingdom 18 Dec 2006	Basingstoke U.K.	EUR161,233,000	100	100	100	100	Holding
Trifik Services Ltd.(2)	United Kingdom 5 Jan 1979	Basingstoke U.K.	GBP10,000	100	100	100	100	Dormant company
Linde Material Handling Hong Kong Ltd.(2)	Hong Kong 23 Jun 1995	Kwai Chung Hong-Kong	HKD7,000,000	100	100	100	100	Sales Trucks
KION ASIA (HONG KONG) Ltd.(3)	Hong Kong 15 Aug 2008	Kwai Chung Hong-Kong	HKD273,991	100	100	100	100	Holding
Voltas Material Handling Private Limited(2)	India 1 May 2011	Mumbai India	INR1,206,000	–	66	100	100	Factory / Sales Trucks
Linde Material Handling (Ireland) Ltd.(2)	Ireland 1 Jun 1989	Walkinstown Ireland	–	100	100	100	100	Sales Trucks
COMMERCIALE CARRELLI S.r.l.(2)	Italy 21 May 1980	Lainate Italy	EUR500,000	100	100	100	100	Sales Trucks
Linde Material Handling Italia S.p.A.(2)	Italy 23 Dec 1961	Buguggiate Italy	EUR2,600,000	100	100	100	100	Sales Trucks
Cailotto Carrelli S.p.A.(2)	Italy 4 Apr 2011	Verona Italy	EUR1,000,000	–	100	100	100	Sales Trucks
OM Carrelli Elevatori S.p.A.(2)	Italy 2 Feb 1988	Lainate Italy	EUR20,000,000	100	100	100	100	Factory / Sales Trucks
STILL ITALIA S.p.A.(2)	Italy 12 Dec 1975	Lainate Italy	EUR500,000	100	100	100	100	Holding
KION Rental Services S.p.A. (formerly: STILL NOLO S.r.l.)(2)	Italy 8 Nov 1999	Milan Italy	EUR800,000	100	100	100	100	Leasing
Linde Vilicari Hrvatska d.o.o.(2)	Crotia 12 Sep 1995	Samobor Croatia	HRK4,019,000	100	100	100	100	Sales Trucks
KION Finance S.A.(2)	Luxembourg 28 Mar 2011	Luxembourg	EUR31,000	–	100	100	100	Finance
STILL Intern Transport B.V.(2)	Netherlands 1 Jul 1969	Hendrik Ido Ambacht Netherlands	EUR45,000	100	100	100	100	Sales Trucks
Linde Fördertechnik GmbH(2)	Austria 12 Nov 1991	Linz Austria	EUR1,100,000	100	100	100	100	Sales Trucks
STILL Ges.m.b.H.(2)	Austria 5 Dec 1962	Wiener Neudorf Austria	EUR1,100,000	100	100	100	100	Sales Trucks
AUSTRO OM PIMESPO Fördertechnik GmbH(1)	Austria 27 May 1997	Linz Austria	EUR145,000	100	100	100	100	Holding

Name of entity	Date and place of incorporation/ establishment	Place of operations	Issued and fully paid up capital/ registered capital	Equity attributable to the KION Group at 31 December 2010 %	2011 %	2012 %	At the date of this report	Principal activities
Linde Material Handling Polska Sp. z o.o.[(2)]	Poland 6 Sep 1991	Warschau Poland	PLN8,822,000	100	100	100	100	Sales Trucks
STILL POLSKA Spólka z o.o.[(2)]	Poland 17 Nov 1994	Gadki Poland	PLN5,638,000	100	100	100	100	Sales Trucks
OOO "STILL Forklifttrucks"[(2)]	Russia 12 Apr 2005	Moskau Russia	RUB12,650,000	100	100	100	100	Sales Trucks
OOO "Linde Material Handling Rus"[(3)]	Russia 23 Jun 2011	Moskau Russia	RUB1,200,000	–	100	100	100	Sales Trucks
STILL MOTOSTIVUITOARE S.R.L.[(1)]	Romania 25 Mar 2008	Giurgiu County Romania	RON5,489,000	100	100	100	100	Sales Trucks
Linde Material Handling AB[(2)]	Sweden 7 May 1997	Örebro Sweden	SEK5,000,000	100	100	100	100	Sales Trucks
STILL Sverige AB[(2)]	Sweden 5 Jun 1906	Stockamöllan Sweden	SEK100,000	100	100	100	100	Sales Trucks
Linde Lansing Fördertechnik AG[(2)]	Switzerland 29 May 1957	Dietlikon Switzerland	CHF1,000,000	100	100	100	100	Sales Trucks
STILL AG[(2)]	Switzerland 19 Feb 1971	Otelfingen Switzerland	CHF250,000	100	100	100	100	Sales Trucks
Linde Material Handling Asia Pacific Pte. Ltd.[(2)]	Singapore 5 Oct 1994	Singapore	EUR2,440,000	100	100	100	100	Sales Trucks
Linde Material Handling Slovenska republika s.r.o.[(2)]	Slovakia 3 Aug 1993	Trencin Slovakia	EUR33,000	100	100	100	100	Sales Trucks
STILL SR, spol. s r.o.[(2)]	Slovakia 9 Apr 2002	Nitra Slovakia	EUR7,000	100	100	100	100	Sales Trucks
Linde Vilicar d.o.o.[(2)]	Spain 25 May 1995	Celje Slovakia.	EUR21,000	100	100	100	100	Sales Trucks
IBER-MICAR S.L.[(2)]	Spain 9 Dec 1996	Gava Spain	EUR31,000	100	100	100	100	Sales Trucks
Islavista Spain S.A.U.[(2)]	Spain 1 Dec 2006	Barcelona Spain	EUR27,725,000	100	100	100	100	Holding
Linde Holding de Inversiones, SRL[(2)]	Spain 3 Sep 1982	Pallejá Spain	EUR19,228,000	100	100	100	100	Holding
Linde Material Handling Ibérica, S.A.U.[(2)]	Spain 21 Jul 1982	Pallejá Spain	EUR7,724,000	100	100	100	100	Sales Trucks
STILL, S.A.[(2)]	Spain 18 Sep 1962	Barcelona Spain	EUR3,006,000	100	100	100	100	Sales Trucks
Linde Material Handling (Pty) Ltd.[(2)]	South Africa 6 Feb 1996	Linbro Park South Africa	ZAR1,011,000	100	100	100	100	Sales Trucks
Linde Material Handling Ceská republika s r.o.[(2)]	Czech Republic 5 Oct 1990	Prag Czech Republic	CZK20,000,000	100	100	100	100	Sales Trucks
Linde Pohony s r.o.[(2)]	Czech Republic 7 Oct 1992	Ceský Krumlov Czech Republic	CZK26,000,000	100	100	100	100	Factory/ Sales Trucks
STILL CR spol. s r.o.[(2)]	Czech Republic 26 Jan 1993	Prag Czech Republic	CZK30,000,000	100	100	100	100	Sales Trucks
Linde Magyarország Anyagmozgatási Kft. (formerly: Linde Fördertechnik Ungarn GmbH)[(2)]	Hungary 19 Jan 1996	Dunaharaszti Hungary	HUF55,000,000	100	100	100	100	Sales Trucks

Name of entity	Date and place of incorporation/ establishment	Place of operations	Issued and fully paid up capital/ registered capital	Equity attributable to the KION Group at 31 December			At the date of this report	Principal activities
				2010	2011	2012		
				%	%	%		
STILL Kft.[2]	Hungary 26 Nov 1992	Környe Hungary	HUF71,000,000	100	100	100	100	Sales Trucks
Linde Hydraulics Corporation[1]	United States 13 Feb 1970	Canfield United States	USD1,500,000	100	100	–	–	Sales Hydraulics
Linde Material Handling North America Corporation[1]	United States 18 Dec 1998	Summerville United States	USD26,290,000	100	100	100	100	Factory/ Sales Trucks
IBERCARRETILLAS. S.A.[2]	Spain 17 May 1995	El Prat de Llobregat Spain	EUR379,000	100	–	100	100	Sales Trucks
Kion South Asia Pte Ltd[3]	Singapore 29 Apr 12	Singapore	–	–	–	100	100	Sales Truck

The above table lists the subsidiaries of the KION Group which, in the opinion of the Executive Board, principally affected the results or assets of the KION Group. To give details of other subsidiaries would, in the opinion of the Executive Board, result in particulars of excessive length.

(1) There is no local auditing acquirement.

(2) These companies are audited by Deloitte Touche Tohmatsu member firms.

(3) These companies are audited by local Certified Public Accountants firms.

47. ASSOCIATES

Details of KION's associates at the end of each reporting period and at the date of this report are as follows:

Name of entity	Date and place of incorporation/ establishment	Place of operations	Issued and fully paid up capital/ registered capital	Equity attributable to the KION Group at 31 December			At the date of this report	Principal activities
				2010	2011	2012		
				%	%	%		
Beutlhauser-Bassewitz GmbH & Co. KG	Germany 14 Feb 1963	Hagelstadt Germany	EUR256,000	25.00	25.00	25.00	25.00	Sales Trucks
Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Germany 25 Sep 1963	Hamburg Germany	EUR260,000	21.00	21.00	21.00	21.00	Sales Trucks
Linde Leasing GmbH	Germany 7 May 1986	Wiesbaden Germany	EUR600,000	45.00	45.00	45.00	45.00	Leasing
MV Fördertechnik GmbH	Germany 27 Aug 1991	Blankenhain Germany	EUR52,000	25.00	25.00	25.00	25.00	Sales Trucks
Pelzer Fördertechnik GmbH	Germany 14 Oct 1981	Kerpen-Sindorf Germany	EUR666,000	24.96	24.96	24.69	24.69	Sales Trucks
Willenbrock Fördertechnik Holding GmbH	Germany 5 Nov 1992	Bremen Germany	EUR4,000,000	23.00	23.00	23.00	23.00	Holding
Linde High Lift Chile S.A.	Chile 31 Mar 1998	Santiago de Chile Chile	CLP3,054,979	45.00	45.00	45.00	45.00	Sales Trucks
Linde Creighton Ltd.	United Kingdom 12 Feb 1993	Basingstoke U.K.	GBP2,001,000	49.00	49.00	–	–	Sales Truck
Linde Sterling Ltd.	United Kingdom 12 Feb 1993	Basingstoke U.K.	GBP2,000,000	49.00	–	–	–	Sales Truck
Linde High Lift Peru S.A.C.	Peru 13 Aug 2009	Lima Peru	PEN1,424	45.00	45.00	45.00	45.00	Sales Trucks
Linde Hydraulics GmbH & Co. KG	Germany 1 Oct 2012	Aschaffenburg Germany	EUR100	–	–	25.00	25.00	Factory/Sales Hydraulics

48. JOINTLY CONTROLLED ENTITIES

Details of KION's jointly controlled entities at the end of each reporting period and at the date of this report are as follows:

Name of entity	Date and place of incorporation/ establishment	Place of operations	Issued and fully paid up capital/ registered capital	Equity attributable to the Group at 31 December			At the date of this report	Principal activities
				2010	2011	2012		
				%	%	%		
Eisengießerei Dinklage GmbH	Germany 22 Mar 1974	Dinklage Germany	EUR100	50.00	50.00	50.00	50.00	Engineering
JULI Motorenwerk s.r.o.	Czech Republic 18 Feb 1993	Moravany Czech Republic	CZK200,000	50.00	50.00	50.00	50.00	Engineering

49. ADDITIONAL INFORMATION RELATING TO THE FINANCIAL IMPACT ON THE ADOPTION OF SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

On 15 February 2006, the Ministry of Finance of the People's Republic of China (the "MoF") formally announced the issuance of the Accounting Standards for Business Enterprises ("ASBEs") which consist of a new Basic Standard and 38 Specific ASBEs. The MoF also issued pronouncements to enhance the ASBE for the convergence to IFRSs. The ASBEs and the subsequent pronouncements cover nearly all of the topics under the current IFRSs literature and the Company has adopted ASBEs and the subsequently pronouncements according to their respective effective periods.

Although the ASBEs are substantially relevant to the Company and the KION Group in line with IFRSs, there are still some differences between the ASBEs and IFRSs. Some of the key differences relevant to the Company and the KION Group are:

- ASBE 8 prohibits the reversal of all impairment losses where IAS 36 only prohibits the reversal of the impairment of goodwill.

- For presentation purposes, the ASBEs restrict certain options available under IFRSs, for example, expenses shall be analysed by function for income statement presentation purposes, the direct method is required for cash flow statements and only the gross presentation is allowed for government.

The Company accounted for the KION Group as it associates and using the equity method of accounting. Under the equity method, investments in the KION Group are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the share of the profit or loss and other comprehensive income of the KION Group by the Company and its subsidiaries (the "Weichai Group"). When the Weichai Group's share of losses of the KION Group's exceeds the Weichai Group's interest in the KION Group (which includes any long-term interests that, in substance, form part of the Weichai Group's net investment in the KION Group), the Weichai Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Weichai Group has incurred legal or constructive obligations or made payments on behalf of the KION Group.

As set out in Note 3 to Section A of this report, for KION Group, if the reason for an impairment loss of property, plant and equipment and other intangible assets recognised in prior years no longer applies, impairment losses not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the assets are reversed. However, in accordance with accounting policy of the Company, once an impairment loss of property, plant and equipment and other intangible assets were recognised, it will not be reversed in the subsequent reporting periods.

During the year ended 31 December 2010, impairment loss of property plant and plant and intangible assets amounting to €1,525,000 and €21,000 were reversed.

If the Company's accounting policies are adopted, the net asset or liabilities of the KION Group at the end of each Relevant Periods will be net liabilities of €401,468,000, net liabilities of €489,133,000 and net assets of €658,789,000 and net loss or profit for each of the year ended 31 December 2010, 2011 and 2012 will be net loss of €198,244,000, net loss of €92,926,000 and net profit of €161,088,000, respectively.

In the opinion of the directors of the Company and the Executive Board of KION, there were no other difference in the significant accounting policies of the Company and KION Group which will have significant impact on the net profit (loss) as each of the Relevant Periods and the net assets (liabilities) at end of each Relevant Periods.

B. SUBSEQUENT EVENT

On 06 February 2013 - KION Finance S.A., KION's subsidiary, successfully placed senior secured notes with a total principal value of €650 million. KION Finance S.A. will on-lend the net proceeds to companies of the KION Group, guaranteed by KION Group GmbH and certain subsidiaries of KION Group GmbH, in order to refinance KION Group's existing first lien loan indebtedness which are maturing in 2014 and part of the loan indebtedness maturing in 2015. The bond issuance partially extends the KION Group's debt maturity profile into 2020 and diversifies its investor base. The transaction was closed on 14 February 2013.

The senior secured notes due 2020 comprise a fixed rate tranche of €450 million and a floating rate tranche of €200 million. The fixed rate notes were issued at par with a coupon of 6.75%, the floating rate notes were issued at 99.5% and will pay a coupon of 3-month EURIBOR plus 4.5%.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the KION Group or any of the companies comprising the KION Group in respect of any period subsequent to 31 December 2012.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS OF KION

The following is the management discussion and analysis of the financial conditions and operating results of KION for each of the three financial years ended 31 December 2010, 2011 and 2012, respectively. The financials for the three financial years ended 31 December 2010, 2011 and 2012 are prepared in accordance with IFRS. The following discussions and analysis should be read in conjunction with the accountants' report of KION for each of the three financial years ended 31 December 2010, 2011 and 2012 and the notes thereto as referred to in Appendix IIA to this circular. Certain numerical figures included in this management discussion and analysis of KION have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

I. Overview

The KION Group is a leading global supplier of industrial trucks and related services. Its trucks and related services provide crucial links in its customers' worldwide supply and production chains. The KION Group benefits from leading market positions in many developed and emerging markets, a global sales and service network, a comprehensive product and service offering, technological leadership and a multi-brand offering. The KION Group offers its customers a full range of products including warehouse and counter-balance trucks with both internal combustion engines (IC trucks) and electric engines (E trucks), across the premium, value and economy segments. It is the largest manufacturer of industrial trucks in Europe and the second largest manufacturer globally by revenue and units. In China, the KION Group is a leading international supplier, and it is a leading industrial truck manufacturer in other important growth markets such as Eastern Europe, South Asia and South and Central America. The KION Group operates 15 separate production sites and 11 sites with research and development activities. Its products are sold by more than 1,100 distributors, dealers and other sales outlets in 111 countries. The KION Group complements its products with a comprehensive service offering geared to its customers' specific needs, including after sales service and spare parts, financial services, fleet management and software solutions. Its service activities, which are an essential part of the value proposition for its customers, benefit from an installed fleet of over one million trucks, in terms of replacement needs and service revenues.

The KION Group, comprising of six brands, namely Linde, STILL, Fenwick, OM-STILL, Baoli and Voltas. The Linde and STILL brands serve the premium segment worldwide. Fenwick is the largest supplier of material-handling products in France, while OM-STILL is a market leader in Italy. The Baoli brand focuses on the economy segment, and Voltas is one of the two market leaders in India. In 2012, the KION Group entered into a strategic industrial cooperation with the Company pursuant to which the Company acquired a 25% stake in KION and 70% of LHY Co. Through this strategic partnership, the KION Group are gaining additional access to key Asian growth markets by leveraging the Company's strong local and regional roots and relationships, and will have access to a larger supplier base throughout China and Europe. In addition, the cooperation with the Company enables the KION Group to share distribution networks and supply chains.

In 2010, the KION Group generated revenue of €3,534 million and an order intake of 121,500 units. In 2011, revenue of the KION Group rose by approximately 24% to €4,368 million and had an order intake of approximately 144,800 units. In 2011, 54% of its revenue was generated from new truck sales, 42% from its service offering and 4% from its hydraulics product category. In 2012, the KION Group generated €4,727 million of revenue, of which €2,651 million or 56% of its revenue was generated from new truck sales and €1,907 million or 40% from its service offering, and had an order intake of approximately 141,700 units. In 2012, the KION Group also achieved a net income of €161 million, as compared to a net loss of €197 million in 2010 and €93 million in 2011.

II. Business Segments

The KION Group operates its business through its two global brands, Linde and STILL, and through its four regional brands, Fenwick in France, OM-STILL in Italy, Baoli in China and certain emerging markets and Voltas in India. The KION Group reported its business under four segments: Linde Material Handling ("**LMH**") (including the Linde, Fenwick and Baoli brands), STILL (including the STILL and the OM-STILL brands), Financial Services (which acts as an internal partner for the brand segments and provides finance solutions that promote sales) and Other (including the Voltas brand and other activities not allocated to the LMH, STILL and Financial Services segments).

LMH

The LMH segment manufactures industrial trucks under its Linde, Fenwick and Baoli brands. Linde is a global premium brand under which the KION Group designs and sell innovative and technologically sophisticated products. Measured by unit sales, Linde is the number two industrial truck brand worldwide, and the largest non-domestic brand in China. In France, Linde industrial trucks are sold under the Fenwick brand, which is a market leader in France in terms of unit sales. Baoli is its core brand focused on the economy segment, mainly targeting China and other emerging markets including South East Asia, South and Central America and Eastern Europe.

Included in the LMH segment is the KION Group's former hydraulics product category, Linde Hydraulics, which manufactures high-end hydraulics components for use within its own products, as well as customized components for third parties. On 27 December 2012, pursuant to the Framework Agreement, the Company acquired a 70% stake in Linde Hydraulics through an investment in LHY Co, a limited partnership established to assume the net assets, contracts and legal positions of Linde Hydraulics, and the KION Group holds the remaining 30% interest in LHY Co. Linde Hydraulics is included in the overall results of the KION Group until 27 December 2012, subsequent to which, it is recorded as equity investments. The sale of the 70% interest in Linde Hydraulics to the Company resulted in a net gain before taxes of €103 million for the year ended 31 December 2012. In addition, the KION Group realised a gain of €109 million from the remearsurement of the remaining 30% interest in LHY Co. (which is being classified as investment in associate) at fair value. This remeasurement of the equity interest is the major contributing factor for the increase in equity investments from €37 million as at 31

December 2011 to €155 million as at 31 December 2012. Accordingly, both items have attributed to the recognition of a total gain on disposal of subsidiary of €212 million, and hence the increase in other income of the KION Group from €82 million for the year ended 31 December 2011 to €294 million for the year ended 31 December 2012.

Revenue for the LMH segment reached €2,042 million (excluding intersegment revenue) for the year ended 31 December 2010, mainly due to its higher order intake resulting from improved 2010 general market conditions, which in turn led to a greater demand for new trucks and for services and spare parts from the LMH segment. Order intake for the LMH segment reached 75,800 units in 2010, benefited considerably from the strong recovery in the German market and from the increasing growth in the Asian, Eastern European and South and Central American markets. The LMH segment accounted for 58% of the total revenue for the year ended 31 December 2010.

Due to the continued strong demand in the established sales markets, the LMH segment further increased its revenue by 27%, from €2,042 million (excluding intersegment revenue) for the year ended 31 December 2010 to €2,602 million (excluding intersegment revenue) for the year ended 31 December 2011. The LMH segment also generated an order intake of approximately 88,300 units in 2011, representing an increase of 22% from 2010. The LMH segment accounted for 60% of the total revenue for the year ended 31 December 2011, increased by two percentage points as compared to 58% for the year ended 31 December 2010.

For the year ended 31 December 2012, the LMH segment generated an order intake of approximately 93,300 units and revenue of €2,903 million (excluding intersegment revenue), representing an increase of 6% and 12%, respectively, from that of 2011, The LMH segment accounted for 61% of its total revenue in 2012, increased by one percentage point as compared to 2011.

STILL

The STILL segment includes the KION Group's premium brands, STILL and OM-STILL. STILL is a leading producer of industrial trucks globally and focuses on developing innovative material handling solutions for efficiency gains and energy consumption. The STILL brand has a strong market share in Europe as well as a major presence in Brazil. In Italy, STILL industrial trucks are sold under the OM-STILL brand, one of the market leaders for industrial trucks in Italy in terms of unit sales.

Due to improved 2010 general market conditions that led to an increased order intake, both for new trucks and service offerings, the revenue of STILL reached €1,257 million (excluding intersegment revenue) in 2010. The total value of the order intake for STILL, including new trucks and service offerings, amounted to €1,328 million, representing an order intake of approximately 35,300 units. The total order intake for OM was approximately 10,400 units, with total value of the order intake, including new trucks and service offering, amounted to €222 million. The STILL segment, in aggregate, accounted for 36% of the total revenue for the year ended 31 December 2010.

The stronger demand in its established sales markets in 2011 led to a further increase of STILL segment's revenue by 16% from €1,257 million (excluding intersegment revenue) in 2010 to €1,462 million (excluding intersegment revenue) in 2011. The STILL segment generated an order intake of approximately 51,200 units in 2011, representing an increase of 12% from 45,700 units (of which, 35,300 units for STILL and 10,400 units for OM) in 2010, with the total value of STILL's order intake, including new trucks and service offering, increased by 13% from €1,550 million (of which, €1,328 million for STILL and €222 million for OM) in 2010 to €1,752 million in 2011. The STILL segment accounted for 33% of the total revenue for the year ended 31 December 2011, compared to 36% for the year ended 31 December 2010.

For the year ended 31 December 2012, the STILL segment generated an order intake of approximately 46,800 units , representing a decrease of 8% from 51,200 units in 2011. However, the revenue of the STILL segment reached €1,484 million (excluding intersegment revenue), representing a slight increase of 2%, which remained fairly stable with 2011. The STILL segment accounted for 31% of the total revenue of the KION Group in 2012, decreased by two percentage points as compared to 2011.

Financial Services

The Financial Services segment operates across all brands, and encompasses financing of the KION Group's short-term rental fleets and long-term leasing for its customers as part of sales financing through the provision of innovative and tailored finance solutions to its customers. In addition, the Financial Services segment provides risk management for the long term leasing activities of the KION Group. The KION Group established separate financial services companies in the key markets of Germany, France, Italy, Spain and the United Kingdom, and plan to integrate additional markets where it has a high level of financing and leasing business.

For the year ended 31 December 2010, the Financial Services segment generated revenue from external customers of €226 million, which accounted for 6% of the total revenue of KION Group in 2010. Intersegment revenue for the financial services segment amounted to €128 million.

For the year ended 31 December 2011, the Financial Services segment generated revenue from external customers of €265 million in 2011, representing an increase of 17% from 2010 and accounted for 6% of the total revenue of KION Group in 2010, which remained stable from 2010. Intersegment revenue amounted to €215 million.

For the year ended 31 December 2012, the Financial Services segment generated revenue from external customers of €297 million, representing an increase of 12% from 2011 and accounted for 6% of the total revenue of KION Group in 2012. Intersegment revenue amounted to €213 million.

Other

The Other segment includes activities such as information technology services and logistics services. Since 1 May 2011, this segment also includes the Voltas brand, which focuses on the value segment in India, where it is the number two supplier.

Revenue for the Other segment amounted to €160 million for the year ended 31 December 2010, which mainly represents intersegment revenue of €150 million generated from the provision of logistics services and IT services to other business segments of the KION Group.

The Other segment's revenues rose by €63 million to €223 million in 2011 from €160 million in 2010 including intersegment revenue amounting to €183 million in 2011 compared to €150 million in 2010. The vast majority of revenue was driven by internal services as described above. The other main reason for the increase of revenue related to the launch of its new brand Voltas through Voltas Material Handling (VMH).

For the year ended 31 December 2012, the Other segment generated revenue of €251 million, of which, €208 million was driven by intersegment revenue generated from internal services. The increase in revenue for the Other segment is mainly attributable to increased revenue contributed by the Voltas brand in India, which had only been consolidated for nine months in 2011 as compared to a full year consolidation in 2012. The Other segment accounted for 1% of the total revenue of KION Group in 2012.

III. Order Intake

The improved market conditions in 2010 enabled the KION Group to increase its global order intake for new trucks to 121,500 units. The increase was driven to a significant extent by the emerging markets, which generated almost half of the growth in order intake in 2010. Order intake from emerging markets had steadily gained in significance and accounted for more than a quarter of total order intake in 2010. In terms of the number of units sold, China has become the third-largest market for the KION Group in 2010, behind Germany and France and Brazil came in sixth place in 2010. The value of the KION Group's order intake was €3,860 million in 2010. Apart from business in new trucks, this total includes other product categories such as rental business, used trucks and aftersales business. The order backlog grew to €801 million as at 31 December 2010. All the brands contributed to this growth.

The continued growth of the Chinese market, the larger volume of orders received from Russia and Brazil, and equally strong demand in Europe enabled the KION Group to further improve its intake of orders for new trucks in 2011. Global order intake rose by 19% to 144,800 units in 2011 (2010: 121,500 units). The total value of the orders received by the KION Group in 2011 rose by 21% year-on-year from €3,860 million in 2010 to €4,682 million in 2011. This order value includes not only business in new trucks but also rental business, the sale of used trucks, and aftersales services. Order intake in all product categories rose year-on-year. The benign macroeconomic trends prevailing in 2011 increased industry's willingness to invest in capital equipment, thereby boosting KION's business in new trucks. The further rise in fleet capacity utilization in the market also created an additional need for services and spare parts. Stronger demand for used and rental trucks generated further growth as well. The KION Group's order backlog as at 31 December 2011 totalled €953 million (31 December 2010: €801 million), which represented a year-on-year increase of 19%. The main reasons for the larger inventory of outstanding orders at the end of the year were the stronger demand for new trucks and the generally high utilization of capacity at KION's production facilities.

In terms of the number of new trucks ordered, KION saw a moderate increase in its global market share, which expanded from 14.8% in 2011 to 15% in 2012. The total value of the orders received by the KION Group in 2012 rose by 0.4% year-on-year to €4,700 million. The order intake was slightly above the level of 2011 due to a higher proportion of trucks with customer-specific fittings with higher prices were sold and a shift in the product mix to higher revenue generating products. Such increase, however, was partly offset by a decline in unit sales of new trucks. The KION Group's order backlog as at 31 December 2012 totalled €808 million, which represented a year-on-year decrease of 18%.

IV. Financial Review

a. Revenue

As a result of the strong recovery of the economies in the markets that are most important to the KION Group's business, namely Germany, France and China, in the course of 2010, there was strong demand for new trucks and increased truck utilization levels, the latter of which accelerated the replacement cycle and increased demand for services. The overall value of the order intake for new trucks, service offering and hydraulics reached €3,860 million for the year ended 31 December 2010. The increased order intake had a positive impact on the revenue and the total revenue for the year ended 31 December 2010 reached €3,534 million.

The stronger demand in the KION Group's established sales markets such as Germany, France, China, Russia and Brazil following sustained economic growth resulted in a further increase of order intake of 21% to €4,682 million for the year ended 31 December 2011, from €3,860 million for the year ended 31 December 2010. The higher order volume in 2011 and increases in prices of its products positively impacted its revenue, which grew by 24%, or €834 million, from €3,534 million in 2010 to €4,368 million in 2011.

In 2012, the KION Group experienced sustained demand for new trucks and service offerings, and the increased capacity utilization levels of industrial trucks in its key markets accelerated the replacement cycle for its customers and had a positive impact on the volume of replacement investments and demand for service offerings. This demand resulted in an overall total order intake increase of 0.4% in the aggregate to €4,700 million. The higher order volume positively impacted its revenue, which grew by 8%, or €359 million, to €4,727 million for the year ended 31 December 2012.

The KION Group's revenue growth can be broken down by product category and by customer location, as follows:

Revenue by product category

The following table shows the revenue profile per product category for the years ended 31 December 2010, 2011 and 2012:

	For the Year Ended 31 December		
	2010	**2011**	**2012**
		(€ million)	
New truck business	1,776	2,364	2,651
Hydraulics	120	173	168
Service offering	1,639	1,831	1,907
After sales	971	1,066	1,150
Rental business	402	441	428
Used trucks	187	219	213
Other	79	106	117
Total revenue	3,534	4,368	4,727

Revenue by customer location

The following table shows the revenue profile by customer location for the years ended 31 December 2010, 2011 and 2012:

	For the Year Ended 31 December		
	2010	**2011**	**2012**
		(€ million)	
Germany	900	1,175	1,225
EU excluding Germany	1,820	2,115	2,253
Rest of Europe – non-EU	152	204	248
America	233	281	324
Asia	302	435	486
Rest of World	128	160	191
Total revenue	3,534	4,368	4,727

b. Cost of Sales

Cost of sales amounted to €2,684 million in 2010. Compared to a 15% revenue growth in 2010, cost of sales rose at a far lower rate. This is partly due to the cost management strategy that the KION Group implemented as part of its restructuring program, including the relocation of certain products and a plant closure in Basingstoke, United Kingdom, and partly due to leaner production processes it implemented.

In 2011, cost of sales increased to €3,256 million, representing an increase of 21% compared to €2,684 million in 2010. Compared to a 24% revenue growth, its cost of sales increased at a lower rate over the same period. This was mainly due to efficiency gains in production, higher overall capacity utilization, and improvements in gross operating revenue across all product categories.

In 2012, cost of sales increased by 5% from €3,256 million in 2011 to €3,430 million in 2012, which rose at a lower rate as compared to the 8% revenue growth over the same period. This was mainly due to the continued improvement in efficiency in production, higher capacity utilization and an overall fall in commodity prices.

c. Gross Profit and Gross Margin

In 2010, gross profit reached €850 million. Gross profit rose by 31% to €1,112 million in 2011 and further rose by 17% to €1,297 million in 2012. The increased growth profit was a result of an improved balance between revenue and cost of sales.

Gross margin was 24% in 2010 and rose to 25% in 2011. In 2012, the KION Group achieved a gross margin of 27%.

d. Net Income/(Loss) for the year

In 2010, the KION Group managed to narrow the loss by approximately €169 million from the previous year and recorded a net loss of €197 million. This clear improvement was mainly the result of better business situation due to strong market recovery and the greater efficiency achieved by optimizing production processes.

In 2011, the KION Group reported a net loss of €93 million, compared to a net loss of €197 million in 2010. This improvement of €104 million was primarily the result of the strong market recovery in the industrial truck market and revenue increases in the target growth markets, and also from improved capacity utilization levels both in the new truck business and hydraulic components business and its restructuring program.

In 2012, the KION Group reported a net income of €161 million. This increase of €254 million was mainly driven by the net gain from the sale of the hydraulics business pursuant to the Acquisitions, improved operating performance and also by an improvement in net finance costs resulting from the success of the steps taken to reduce debt levels.

e. Liquidity and capital resources

By pursuing an appropriate financial management strategy, the KION Group ensures that sufficient liquidity is available at all times and mitigates the financial risk to its enterprise value and profitability. The KION Group provides sufficient financial resources for its day-to-day business, optimizes its financial relationships with customers and suppliers, ensures that the necessary liquidity is available to its companies, and manages any collateral security offered. A group of international banks and investors meets the KION Group's basic borrowing requirements. In addition, the KION Group availed itself of the funding facilities offered by the public capital markets by issuing its first corporate bond amounted to €500 million in April 2011. The financial resources required within the KION Group are provided through internal funding. The KION Group collects liquidity surpluses of the KION Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. This central source of funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants. The KION Group occasionally arranges additional credit lines for its group companies with local banks or leasing companies in order to comply with legal, tax and other regulations. For funding purposes, KION also engages to a small extent in factoring. The volume of non-recourse factoring business amounted to €20 million as at 31 December 2012 (31 December 2010: €20 million and 31 December 2011: €18 million).

In addition, one of the prime objectives of capital management of the KION Group is to ensure liquidity at all times. Measures aimed at achieving these objectives include the optimization of the capital structure, the reduction of liabilities and ongoing cash flow planning and management. Close cooperation between local units and the head office ensures that the local legal and regulatory requirements faced by foreign group companies are considered in the capital management process.

The sources of liquidity of the KION Group include cash and cash equivalents, cash flow from operating activities and amounts available under the senior credit facilities agreement (the "**Senior Credit Agreement**"). As at 31 December 2010, 2011 and 2012, its cash and cash equivalents were €253 million, €373 million and €562 million, respectively, and were primarily held in Euros and also in United States dollars. In 2010, the KION group generated a positive cash flow of €199 million from its operating activities. In 2011, the KION Group generated a cash inflow from operating activities of €387 million. In addition, the KION Group drew-down on a multi-currency revolving credit facility (the "**Multi-Currency Revolving Credit Facility**") in an amount of €133 million in November 2011. In March 2012, the KION Group received additional funds of €5 million as previously unfunded commitments under the Multi-Currency Revolving Credit Facility. Moreover, cash generated from operating activities amounted to €414 million in 2012. In addition, a cash inflow of €730 million was generated as a result of the Acquisitions by the Company and such proceeds were largely used by KION to repay its financial debt and related transaction expenses.

For cash outflow, cash interest paid for the years ended 31 December 2010, 2011 and 2012 was €135 million, €147 million and €130 million, respectively, including interest on the Senior Credit Agreement, taking into account the effects of foreign exchange rates. In terms of repayment of loans, the KION Group made a net repayment of €96 million in 2010. In 2011, €54 million was used for the scheduled repayment of the capital expenditure, restructuring and acquisition facility available under the Senior Credit Agreement (the "**Capex Facility**"). In 2012, repayment of finance facilities resulted in a cash outflow of €665 million, of which €138 million was used to repay the Multi-Currency Revolving Credit Facility and €56 million was used to repay the Capex Facility.

The table below sets forth the list of financial debts of the KION Group as at each of 31 December 2010, 2011 and 2012:

Type	Currency	Interest rate	Maturity	Notional amount 2010	2011	2012
					€ million	
Bank Loan – Term Loan Facility	EUR	EURIBOR+Margin	2014	911	691	139
Bank Loan - Term Loan Facility	EUR	EURIBOR+Margin	2017	–	–	411
Bank Loan – Term Loan Facility	USD	LIBOR+Margin	2014	297	311	108
Bank Loan - Term Loan Facility	USD	LIBOR+ Margin	2017	–	–	79
Bank Loan – Term Loan Facility	EUR	EURIBOR+Margin	2015	870	663	287
Bank Loan - Term Loan Facility	EUR	EURIBOR+Margin	2017	–	–	383
Bank Loan – Term Loan Facility	USD	LIBOR+Margin	2015	297	311	227
Bank Loan - Term Loan Facility	USD	LIBOR+ Margin	2017	–	–	81
Bank Loan – Term Loan Facility	EUR	EURIBOR+Margin	2012	201	202	–
Bank Loan – Term Loan Facility	EUR	EURIBOR+Margin	2018	106	111	116
Corporate bond – fixed rate	EUR	Fixed rate	2018	–	325	325
Corporate bond – floating rate	EUR	3-M-EURIBOR+Margin	2018	–	175	175
Bank Loan – Multi-currency Revolving Credit Facility	EUR	EURIBOR+Margin	2012	–	133	–
Bank Loan – Multi-currency Capex Restructuring and Acquisition Facility	EUR	EURIBOR+Margin	2013	162	72	18
Other liabilities to banks	–	–	–	50	38	33
Other financial liabilities to non-banks	–	–	–	7	7	4
Less: Capitalized borrowing costs				22	33	34
Total financial debt after borrowing costs				**2,879**	**3,005**	**2,352**

The weighted average interest rate on financial liabilities was 4.79% at 31 December 2012 (31 December 2010: 4.55% and 31 December 2011: 4.96%).

The KION Group's gearing ratio as at 31 December 2012 was 89% (2010: 107% and 2011: 108%), which is calculated on the basis of the KION Group's total liabilities divided by its total assets. The improvement in the gearing ratio of KION was mainly contributed from the capital increase in KION as a result of the conversion of the shareholder loan from Superlift, which had a principal amount of €500 million plus accrued interest of €171 million, on 27 December 2012. It was also attributable to the capital contribution of €467 million as a result of the completion of the acquisition of 25% interest in KION by the Company in December 2012. Such capital increase in KION by way of the conversion of the shareholder loan from Superlift and the capital contribution from the Company totalling €1,138 million (less relevant transaction costs and expenses of €5.23 million which were deducted directly from the capital contributions) were recorded as capital contributions for carrying out the approved capital increase in the audited consolidated statements of financial position of the KION Group as at 31 December 2012 (31 December 2010 and 31 December 2011: Nil).

f. Contingent Liabilities and Other Financial Commitment

Contingent liabilities

The following table sets out contingent liabilities of the KION Group as at each of 31 December 2010, 2011 and 2012:

	As at 31 December		
	2010	**2011**	**2012**
		(€ thousand)	
Liabilities on bills of exchange	2,303	3,516	4,445
Liabilities on guarantees[1]	1,098	2,129	3,197
Collateral security for third-party liabilities	–	69	65
Total contingent liabilities	3,401	5,714	7,707

Note:

(1) Mainly represent guarantees for contractual arrangements and guarantees for the usage of the secured credit line.

Other financial commitment

The KION Group also has other financial commitment amounted to €223 million as at 31 December 2012 (31 December 2010: €233 million and 31 December 2011: €230 million). The following table sets out the other financial commitment of the KION Group as at each of 31 December 2010, 2011 and 2012:

	As at 31 December		
	2010	**2011**	**2012**
		(€ thousand)	
Liabilities under non-cancellable operating leases	208,874	205,394	194,216
Capital expenditure commitments in property, plant and equipment	5,660	6,109	7,191
Capital expenditure commitments in intangible assets	1,205	1,630	2,597
Other financial commitments	17,290	16,958	18,530
Total other financial commitments	233,029	230,091	222,534

g. *Pledge of Assets*

As at 31 December 2010, land and buildings in the amount of €12 million were largely pledged as collateral for accrued retirement benefits under partial retirement agreements. The carrying amount of land and buildings being pledged as collateral for accrued retirement benefits remained stable at €12 million as at 31 December 2011. As at 31 December 2012, land and buildings in the amount of €4 million were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

In addition, under the Senior Credit Agreement and pursuant to the corporate bond issued by the KION Group, the KION Group is under an obligation to provide collateral for its obligations and liabilities. As at 31 December 2010, a total of 21 KION Group companies (as guarantors) in five countries, which include Germany, the United Kingdom, France, Spain and Italy, had provided necessary collateral. As at 31 December 2011, the number of guarantors increased to 26, all being KION Group companies. As at 31 December 2012, the number of guarantors remained at 26. The collateral includes (i) security over the shares or partnership interests in the guarantors and (with the exception of (a) shares in KION Group GmbH and (b) in relation to a particular term loan facility, shares of certain subsidiaries of the KION Group incorporated in Spain) and KION Information Management Services GmbH, (ii) security over certain bank accounts and receivables of the guarantors, (iii) security over certain intellectual property rights held by certain guarantors, being subsidiaries of the KION Group incorporated in Germany, and (iv) the assignment of claims arising from and in connection with the share purchase agreement between Linde Material Handling GmbH and Linde AG dated 5 November 2006. The statutory provisions in the United Kingdom and the agreements entered into require that all the assets of the UK guarantors, being subsidiaries of the KION Group incorporated in the United Kingdom, are pledged as security under the Senior Credit Agreement. No security has been granted over the assets or shares of KION and KION Holding 2 GmbH, the immediate holding company of KION Group GmbH. The carrying amount of the financial assets pledged as collateral amounted to €709 million as at 31 December 2010, €792 million as at 31 December 2011 and €601 million as at 31 December 2012. The decrease in the carrying amount of the financial assets pledged as collateral in 2012 is mainly attributable to the release of the pledged assets of Linde Hydraulics as a result of its spin off from the KION Group after the Acquisitions.

As at 31 December 2010, liabilities to bank in the amount of €125 thousand were secured by pledges of real property. No liabilities to banks were secured by pledges of real property at the end of 2011 and 2012.

As at 31 December 2010, the KION Group did not have any pledged cash. As at 31 December 2011, the KION Group has pledged cash amounted to €0.5 million, and which remained stable at the amount of €0.5 million as at 31 December 2012. Pledged cash mainly represents cash deposits in certain bank accounts of the KION Group held as a security for its obligations under certain guarantee provided by the KION Group.

h. Capital Expenditures

Capital expenditures were €155 million for the year ended 31 December 2012, compared to €133 million in the year ended 31 December 2011 and €123 million in the year ended 31 December 2010, mainly related to product development and streamlining of and adjustments in production, information technology expenditures and the extension of production, especially the expansion of its facilities in China and Brazil.

Capital expenditures are generally financed by the operating cash flows or by drawings under the revolving portion of the Senior Credit Agreement.

i. Exposure to interest rate risk and exchange rate risk

The KION Group is exposed to changes in interest rates and foreign currency exchange rates because it finances certain operations through fixed and variable rate debt instruments and because some of its operations and indebtedness are denominated in foreign currencies. The KION Group uses derivative financial instruments to hedge underlying operational transactions and does not enter into such financial instruments for trading or speculative purposes. The KION Group uses interest rate and currency related derivatives, primarily interest rate swaps and currency swaps and also interest rate and currency options, to hedge the interest rate and currency risks arising in connection with acquisition finance, and approximately 50% of the currency and interest rate exposures were hedged as at each of 31 December 2010, 2011and 2012.

In terms of hedging of interest rate risks, KION had in place interest rate caps covering approximately 44% and interest rate swaps covering approximately 40% of its interest rate exposure as at 31 December 2010. As at 31 December 2011 and 2012, KION had in place interest rate swaps covering approximately 51% and 48% of its interest rate exposure, respectively. Variable portions of future interest payments amounting to €6 million in total as at 31 December 2012 (31 December 2010: €55 million and 31 December 2011: €27 million) were designated as hedged items.

In terms of hedging of currency risks, as at 31 December 2012, approximately 65% (31 December 2010: 98% and 31 December 2011: 53%) of the currency risks arising from the United States dollar tranche (including payment in kind (PIK) interest) is hedged by currency forwards with an average EUR/USD exchange rate of approximately 1.295 (31 December 2010: 1.375 and 31 December 2011: 1.377). In total, foreign-currency cash flows of €114 million (31 December 2010: €200 million and 31 December 2011: €263 million) were hedged and designated as hedged items as at 31 December 2012.

V. Human Resources

As at 31 December 2012, the KION Group employed 21,215 people ((full-time equivalents including trainees and apprentices), roughly 65.1% of whom worked outside Germany in 27 different countries. The numbers of employees as at 31 December 2010 and 2011 were 19,968 and 21,862, respectively. The reduction in the number of employees in 2012 is a result of spinning off Linde Hydraulics, where a total of 1,487 employees were transferred to LHY Co on 27 December 2012 and therefore no longer belong to the KION Group.

In line with the expansion in headcount during 2012, personnel expenses advanced to €1,203 million (2010: €968 million and 2011: €1,064 million), representing an increase of 13.0% from 2011. The personnel expenses ratio fell from 27.4% in 2010 to 24.3% in 2011, owing to the increased capacity utilization in all segments of the KION Group on the back of increased market demand. In 2012, the personnel expenses ratio was 25.4%, a slight increase from 24.3% in 2011, mainly due to a higher average number of positions coupled with wage and salary adjustments.

With a total of 543 (2010: 557 and 2011: 621) trainees and apprentices at the end of 2012, the Group continued to invest in training and development at the same high level to ensure that it can continue to recruit as many as possible of the skilled workers it requires in-house. The proportion of trainees and apprentices in Germany remained stable at around 5% since 2010.

Professional training activities start with support for universities, work placements and apprenticeships, continue with professional development opportunities for the workforce and reach their apex with carefully structured personal development programs to support managers and talented staff. The KION Group continued to establish talent and succession management in recent years as a key element of strategic staff development. It has revised its annual management review so as to enable it to fill key positions across the Group with highly qualified executive talent. This tool is used to identify high-potential staff and young talent in the group and then give them targeted support, such as participating in programs in different brand companies and countries.

The KION Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in each different position. The KION Group also applies six key performance indicators, being order intake, revenue, adjusted earnings before interest and taxes (EBIT), adjusted earnings before interests, taxes, depreciation, amortization and impairment charges (EBITDA), net financial debt and free cash flow before tax, which form the basis for the performance targets for both the KION Group and its segments as well as determining a significant proportion of senior managers' performance-related remuneration. Such key performance indicators are determined once a month and submitted to the executive board of KION.

In addition, the KION Group currently grants pensions to almost all employees in Germany and a number of foreign employees under defined contribution and defined benefit plans. For the year ended 31 December 2012, the total expense arising from defined contribution plans amounted to €64 million (31 December 2010: €49 million and 31 December 2011: €56 million). Separately, under applicable IFRS, the amount of the KION Group's obligation under defined benefit plans is defined as the actuarial present value of the obligation to provide the level of benefits currently earned by each beneficiary. For the year ended 31 December 2012, the KION Group recognised loss on employee benefits of €151 million (2010: loss of €29 million and 2011: gain of €8 million). Such loss mainly represents unrealised actuarial losses which was largely attributable to the low discount rate of 3.5% used in calculating and discounting the present value of the defined benefit pension obligations of the KION Group for the German pension plans for the year ended 31 December 2012 as compared to those in previous years (2010: 5.45% and 2011: 5.65%). Such lower interest rate is generally in line with the low interest rate level in Europe.

VI. Significant investments, acquisitions and disposals

In the view of the management of the KION Group, there were no significant investments held by the KION Group during the years ended 31 December 2010, 2011 and 2012. In addition, save for the Acquisitions, there were no other material acquisitions and disposals of subsidiaries and associated companies during the years ended 31 December 2010, 2011 and 2012. In addition, the KION Group currently has no definitive plans nor current intentions for other material investments or capital assets or acquisitions in the coming year.

1. PUBLISHED FINANCIAL INFORMATION OF KION GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2013

The following is an extract of the unaudited condensed interim financial statements of KION Group for the six months ended 30 June 2013, which were prepared in accordance with IFRS adopted by European Union ("IFRS(EU)").

The interim financial report of KION Group are available free of charge, in read only and printable format on KION's website.

Condensed consolidated interim financial statements

Consolidated income statement

in € million	Q2 2013	Q2 2012*	Q1–Q2 2013	Q1–Q2 2012*
Revenue	1,149.3	1,166.1	2,234.4	2,310.5
Cost of sales	–835.1	–838.6	–1,618.2	–1,663.4
Gross profit	**314.2**	**327.6**	**616.2**	**647.1**
Selling expenses	–135.5	–137.9	–273.4	–274.6
Research and development costs	–29.4	–29.0	–58.8	–62.1
Administrative expenses	–79.6	–76.4	–152.3	–146.5
Other income	30.4	22.5	65.9	39.3
Other expenses	–14.0	–9.7	–24.0	–20.9
Profit from at-equity investments	4.6	6.9	3.3	11.7
Other financial result	0.7	0.7	0.9	1.3
Earnings before interest and taxes	**91.5**	**104.7**	**177.9**	**195.4**
Financial income	5.9	–2.3	29.6	26.5
Financial expenses	–70.3	–71.7	–141.7	–151.8
Net financial expenses	**–64.4**	**–74.0**	**–112.0**	**–125.3**
Earnings before taxes	**27.1**	**30.7**	**65.9**	**70.1**
Income taxes	**14.6**	**–21.3**	**4.4**	**–44.2**
Current taxes	–13.3	–13.5	–32.1	–33.4
Deferred taxes	28.0	–7.8	36.5	–10.8
Net income for the period	**41.8**	**9.4**	**70.3**	**25.9**
Attributable to shareholders of KION GROUP AG	41.3	8.9	69.3	24.9
Attributable to non-controlling interests	0.5	0.5	1.0	1.0
Earnings per share according to IAS 33 (in €)				
Basic earnings per share	0.63	0.14	1.07	0.39
Earnings per share—diluted	0.63	0.14	1.07	0.39

* *Adjusted due to the retrospective application of IAS 19R (2011), for details see also "Accounting policies"*

Consolidated statement of comprehensive income

in € million	**Q2 2013**	**Q2 2012***	**Q1–Q2 2013**	**Q1–Q2 2012***
Net income for the period	**41.8**	**9.4**	**70.3**	**25.9**
Gains/losses on employee benefits	–8.8	–60.9	17.5	–74.5
thereof changes in unrealised gains and losses	–12.1	–86.5	22.6	–105.9
thereof tax effect	3.3	25.7	–5.1	31.5
Items that will not be reclassified subsequently to profit or loss	**–8.8**	**–60.9**	**17.5**	**–74.5**
Impact of exchange differences	–19.4	10.7	–15.7	9.9
thereof changes in unrealised gains and losses	–19.4	10.7	–15.7	9.9
Gains/losses on cash flow hedges	4.1	–2.8	8.0	–3.2
thereof changes in unrealised gains and losses	29.3	1.4	39.9	3.8
thereof realised gains and losses reclassified to profit or loss	–23.5	–4.8	–28.9	–8.3
thereof tax effect	–1.8	0.6	–3.0	1.3
Items that may be reclassified subsequently to profit or loss	**–15.3**	**7.9**	**–7.7**	**6.7**
Other comprehensive income	**–24.0**	**–52.9**	**9.8**	**–67.7**
Total comprehensive income	**17.7**	**–43.5**	**80.1**	**–41.8**
Attributable to shareholders of KION GROUP AG	17.2	–44.1	79.1	–42.8
Attributable to non-controlling interests	0.5	0.5	1.0	1.0

* *Adjusted due to the retrospective application of IAS 19R (2011), for details see also "Accounting policies"*

Consolidated statement of financial position—Assets

in € million	**30/06/2013**	**31/12/2012***
Goodwill	1,470.8	1,473.2
Other intangible assets	921.5	934.0
Leased assets	205.9	191.3
Rental assets	397.0	395.1
Other property, plant and equipment	486.2	500.3
At-equity investments	153.9	154.8
Lease receivables	281.5	267.1
Other non-current financial assets	53.1	50.2
Deferred taxes	286.9	264.9
Non-current assets	**4,256.9**	**4,231.0**
Inventories	583.0	549.9
Trade receivables	642.6	625.5
Lease receivables	134.4	132.1
Current income tax receivables	8.1	5.5
Other current financial assets	838.2	106.8
Cash and cash equivalents	517.7	562.4
Current assets	**2,724.1**	**1,982.2**
Total assets	**6,981.0**	**6,213.2**

* *Adjusted due to the retrospective application of IAS 19R (2011), for details see also "Accounting policies"*

Consolidated statement of financial position—Equity and liabilities

in € million	**30/06/2013**	**31/12/2012***
Subscribed capital	98.9	0.5
Capital contributions for carrying out the approved capital increase	0.0	1,132.6
Capital reserve	2,227.4	348.5
Retained earnings	–581.4	–650.7
Accumulated other comprehensive loss	–166.5	–176.3
Non-controlling interests	5.2	6.2
Equity	**1,583.5**	**660.7**
Retirement benefit obligation	535.7	547.6
Non-current financial liabilities	2,192.1	2,300.7
Lease liabilities	345.2	329.2
Other non-current provisions	84.5	87.7
Other non-current financial liabilities	350.7	355.1
Deferred taxes	303.0	308.8
Non-current liabilities	**3,811.1**	**3,929.0**
Current financial liabilities	27.2	51.8
Trade payables	626.5	646.0
Lease liabilities	160.1	145.8
Current income tax liabilities	82.9	85.0
Other current provisions	118.5	137.9
Other current financial liabilities	571.2	557.0
Current liabilities	**1,586.3**	**1,623.5**
Total equity and liabilities	**6,981.0**	**6,213.2**

* *Adjusted due to the retrospective application of IAS 19R (2011), for details see also "Accounting policies"*

Consolidated statement of cash flows

in € million	Q1–Q2 2013	Q1–Q2 2012
Earnings before interest and taxes	**177.9**	**195.4**
Amortisation, depreciation and impairment charges of non-current assets	166.6	168.3
Other non-cash income (-) and expenses (+)	7.5	–8.6
Gain (-)/loss (+) on disposal of non-current assets	–4.8	–1.9
Changes in leased assets (excluding depreciation) and lease receivables/liabilities	–44.8	–36.7
Change in rental assets (excluding depreciation)	–68.8	–67.7
Change in inventories	–41.5	–78.1
Change in trade receivables/payables	–56.8	–4.1
Cash payments for defined benefit obligations	–12.7	–11.9
Change in other provisions	–21.0	–41.2
Change in other operating assets/liabilities	–15.1	–18.5
Taxes paid	–30.5	–26.6
= Cash flow from operating activities	**55.9**	**68.7**
Cash payments for purchase of non-current assets	–52.0	–58.9
Cash receipts from disposal of non-current assets	7.1	7.6
Dividends received	4.2	2.5
Interest income received	3.1	2.0
Acquisitions of subsidiaries, net of cash acquired	0.0	–9.7
Cash receipts (+)/cash payments (-) for sundry assets	–2.7	–4.1
= Cash flow from investing activities	**–40.4**	**–60.6**
Capital contribution from shareholders for the carried out capital increase	30.9	0.0
Dividends paid to non-controlling interests	–2.1	–2.4
Cash receipts (+)/cash payments (-) from changes in ownership interests in subsidiaries without loss of control	0.3	–1.0
Proceeds from borrowings	649.0	7.7
Repayment of borrowings	–654.2	–165.7
Interest paid	–52.0	–57.2
Cash receipts (+)/cash payments (-) for other financing activities	–30.5	16.6
= Cash flow from financing activities	**–58.6**	**–201.9**
Effect of foreign exchange rate changes on cash and cash equivalents	–1.5	2.1
= Change in cash and cash equivalents	**–44.6**	**–191.8**
Cash and cash equivalents at the beginning of the period	562.4	373.5
Cash and cash equivalents at the end of the period	517.7	181.7

Consolidated statement of changes in equity

>>TABLE 23

in € million	Subscribed capital	Contributions for carrying out the approved capital increase	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss): Cumulative translation adjustment	Gains/ losses on defined benefit obligation	Gains/ losses on cash flow hedges	Gains/ losses from at-equity investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
Balance as at 01/01/2012	**0.5**	**0.0**	**348.5**	**–806.4**	**–35.5**	**20.9**	**–23.0**	**0.4**	**–494.7**	**7.1**	**–487.6**
Effects from first-time adoption IAS 19R*				–3.3		4.3			1.0		1.0
Balance as at 01/01/2012 (restated)	**0.5**	**0.0**	**348.5**	**–809.8**	**–35.5**	**25.2**	**–23.0**	**0.4**	**–493.6**	**7.1**	**–486.6**
Net income for the period*				24.9					24.9	1.0	25.9
Other comprehensive income (loss)*					9.9	–74.5	–3.2		–67.7	0.0	–67.7
Comprehensive income (loss)				24.9	9.9	–74.5	–3.2	0.0	–42.8	1.0	–41.8
Dividends										–2.4	–2.4
Effects from the acquisition/disposal of non-controlling interests				–0.4					–0.4	–0.7	–1.1
Other changes				0.2					0.2	0.1	0.3
Balance as at 30/06/2012 (restated)	**0.5**	**0.0**	**348.5**	**–785.1**	**–25.7**	**–49.2**	**–26.1**	**0.4**	**–536.7**	**5.1**	**–531.6**
Balance as at 01/01/2013	**0.5**	**1,132.6**	**348.5**	**–647.7**	**–32.8**	**–130.4**	**–16.9**	**0.4**	**654.2**	**6.2**	**660.3**
Effects from first-time adoption IAS 19R*				–3.0		3.4			0.3		0.3
Balance as at 01/01/2013 (restated)	**0.5**	**1,132.6**	**348.5**	**–650.7**	**–32.8**	**–127.0**	**–16.9**	**0.4**	**654.5**	**6.2**	**660.7**
Net income for the period				69.3					69.3	1.0	70.3
Other comprehensive income (loss)					–15.7	17.5	8.0		9.8	0.0	9.8
Comprehensive income (loss)				69.3	–15.7	17.5	8.0	0.0	79.1	1.0	80.1
Capital increase	98.4	–1,132.6	1,894.0						859.9		859.9
Transaction costs			–15.1						–15.1		–15.1
Dividends									0.0	–2.1	–2.1
Effects from the acquisition/disposal of non-controlling interests									0.0	0.1	0.1
Balance as at 30/06/2013	**98.9**	**0.0**	**2,227.4**	**–581.4**	**–48.5**	**–109.5**	**–8.9**	**0.4**	**1,578.3**	**5.2**	**1,583.5**

* *Adjusted due to the retrospective application of IAS 19R (2011), for details see also "Accounting policies"*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BASIS OF PRESENTATION

General information on the Company

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

The condensed consolidated interim financial statements were pre-pared by the Executive Board of KION GROUP AG on 7 August 2013.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the six months ended 30 June 2013 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 2013 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 2012. With the exception of the new IFRS standards and interpretations described below, the accounting policies used to prepare these condensed consolidated interim financial statements were the same as those used to prepare the consolidated financial statements for the year ended 31 December 2012.

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

The following financial reporting standards were adopted for the first time in the condensed consolidated interim financial statements for the six months ended 30 June 2013:

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards": amendments relating to fixed transition dates and severe hyperinflation.

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards": amendments relating to government loans with a below-market rate of interest.

- Amendments to IFRS 7 "Financial Instruments: Disclosures": offsetting of financial assets and financial liabilities.

- IFRS 13 "Fair Value Measurement".

- Amendments to IAS 1 "Presentation of Financial Statements": amendments relating to the presentation of items of other comprehensive income.

- Amendments to IAS 12 "Income Taxes": limited amendment to IAS 12 relating to the recovery of underlying assets.

- Amendments to IAS 19 "Employee Benefits": elimination of the use of the "corridor" approach and amendments relating to the presentation of items of pension expense.

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

- Improvements to IFRSs (2009–2011).

Apart from the changes described below, the first-time adoption of these standards and interpretations has had no significant effect on the financial position or financial performance of the KION Group or on the disclosures in the notes to its financial statements:

- The amended IAS 1 results in a revised presentation of the statement of comprehensive income. Following the amendment to the standard, the items of other comprehensive income and loss must be split into items that will never be reclassified to profit or loss and items that might be reclassified to profit or loss in future periods.

- The publication of IFRS 13 "Fair Value Measurement" introduces a separate standard containing general rules on the measurement of fair value. The KION Group is applying these rules for the first time in the 2013 financial year. The main impact of this is enhanced disclosures in the notes to the financial statements.

- The effects of the amendments to IAS 19 are described in the section "Accounting policies".

Financial reporting standards released but not yet adopted

In its condensed consolidated interim financial statements for the six months ended 30 June 2013, the KION Group has not applied—besides the standards and interpretations that it did not apply as at 31 December 2012—the following standards and interpretations, which have been issued by the IASB but are not yet required to be applied in 2013:

- Amendments to IAS 36 "Impairment of Assets": clarification of recoverable amount disclosures required for non-financial assets.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement": amendments relating to the novation of derivatives and continuation of hedge accounting.

- IFRIC 21 "Levies".

These standards and interpretations will only be applied by the companies included in the KION Group from the date on which they must be adopted for the first time. Their effects on the financial position and financial performance of the KION Group are expected to be insignificant.

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 rounding differences of +/- €0.1 million. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

Basis of consolidation

A total of 19 German and 80 foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at 30 June 2013. On 11 June 2013, Superlift Holding S.à r.l., Luxembourg, made a non-cash capital contribution—including all of the shares in Superlift Funding S.à r.l., Luxembourg—to KION GROUP AG as part of a capital increase. Superlift Funding S.à r.l. was therefore consolidated as part of the KION Group for the first time in June 2013.

In addition, ten joint ventures and associates were consolidated and accounted for using the equity method as at 30 June 2013, which was the same number as at 31 December 2012; 40 (31 December 2012: 39) companies with minimal business volumes or no business operations were not included in the consolidation.

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 2012. 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.

The amendments in IAS 19R "Employee Benefits" are required to be applied on a retrospective basis to financial statements for financial years commencing on or after 1 January 2013. In the KION Group, actuarial gains and losses, including deferred taxes, were already recognised in other comprehensive income (loss).

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

Net income for the 2012 financial year has also increased retrospectively by €1.0 million, while other comprehensive income (after deferred taxes) has gone down by €1.0 million owing to the alignment of the expected return on plan assets with the discount rate. The change in the accounting treatment of provisions for partial retirement obligations has resulted in a decrease in net income (after income taxes) of €0.8 million for the 2012 financial year. The consequences of the above effects for the first half of 2012 were a rise of €0.1 million in net income (after income taxes) and a decline of €0.5 million in other comprehensive income (loss).

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

The estimates may be affected, for example, by deteriorating global economic conditions or by changes in exchange rates, interest rates or 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

Other income

Other income of €65.9 million for the first half of 2013 included further income of €8.1 million connected with the sale of our controlling interest (70 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics).

Income taxes

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

In April 2013, KION GROUP GmbH, Wiesbaden (controlling company; since renamed KION Material Handling GmbH), and Linde Material Handling GmbH, Aschaffenburg (subordinated company), concluded a profit-and-loss transfer agreement. The agreement came into effect upon entry in the commercial register on 17 May 2013. In the second quarter of 2013, this resulted in additional deferred tax assets of €36.2 million being recognised on loss carryforwards that it had previously not been possible to utilise.

Earnings per share

Basic earnings per share is calculated by dividing the net income (loss) accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (H1 2013: 64,707,912 no-par-value shares; Q2 2013: 65,457,496 no-par-value shares). The applicable amounts for net income (loss) can be found in the consolidated income statement. The number of shares taken into account was adjusted in accordance with the calculation method in IAS 33 and reflected a stock split from €2.00 to €1.00 per share as well as the capital increases from company funds in the first half of 2013. As a result, the applicable number of shares was adjusted by 63,700,000 no-par-value shares as at 1 January 2013 and by 63,310,500 no-par-value shares as at the start of the second quarter of 2013. Due to the additional capital increases carried out during the reporting period (see the section "Equity"), the number of shares to be taken into account in accordance with IAS 33 advanced from 63,950,000 no-par-value shares as at 1 January 2013 to 98,900,000 no-par-value shares as at 30 June 2013. Similarly, the calculation for each of the prior-year periods shown is based on an adjusted weighted average number of shares outstanding of 63,171,000 no-par-value shares.

As at 30 June 2013, there were no equity instruments that diluted the earnings per share for the number of shares issued.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets

The decline in goodwill in the first six months of 2013 resulted from exchange-rate differences of €2.5 million.

Impairment losses of €1.2 million were recognised on capitalised development costs in the first half of 2013 to reflect the lack of opportunities to use them in future as a result of the planned closure of a production site. This relates to further impairment losses in connection with the closure of the heavy truck plant in Merthyr Tydfil (Linde Material Handling segment).

Land and buildings in the amount of €18.3 million (31 December 2012: €4.2 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

Equity

As at 30 June 2013, the Company's share capital amounted to €98.9 million and was fully paid up. It was divided into 98,900,000 no-par-value shares, each with a value of €1. There were changes to the share capital in the first half of the year for the following reasons:

In December 2012, the Shareholders' Meeting of KION Holding 1 GmbH had approved a resolution to increase the share capital by €0.8 million to €1.3 million. The capital increase was not entered in the commercial register until 14 January 2013. In addition, free capital reserves went up by €1,131.8 million.

The Shareholders' Meeting on 25 April 2013 approved not only the change in legal form but also a resolution to increase the share capital by €62.7 million to €64.0 million from company funds. KION GROUP AG's transformation and capital increase were entered in the commercial register on 4 June 2013.

On 11 June 2013, the Shareholders' Meeting of KION GROUP AG resolved to increase the share capital by €4.0 million to €68.0 million by way of a share issue. The new shares were issued in return for a non-cash capital contribution from Superlift Holding S.à r.l., Luxembourg (referred to below as Superlift Holding). The non-cash capital contribution from Superlift Holding took the form of all shares in Superlift Funding S.à r.l., Luxembourg (referred to below as Superlift Funding), and all rights and duties of Superlift Holding arising out of the agreement between Superlift Holding and Superlift Funding dated 30 September 2009 for a loan of €100.0 million (plus accrued interest of €17.0 million). The portion of the non-cash capital contribution that exceeded the capital increase (€114.0 million) was paid into the capital reserves. The aforementioned capital increase was entered in the commercial register on 19 June 2013.

In addition, the Shareholders' Meeting on 13 June 2013 approved a further resolution to increase the share capital by €13.7 million to €81.7 million by way of a share issue. Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, subscribed these shares. The capital increase was entered in the commercial register on 27 June 2013, as a result of which the share capital increased by €13.7 million and free capital reserves went up by €314.7 million.

The share capital also increased due to the issue of shares to investors as part of the IPO. To this end, the Shareholders' Meeting of KION GROUP AG on 13 June 2013 resolved to increase the share capital of KION GROUP AG by a further €17.2 million to a total of €98.9 million by issuing new shares. An amount of €396.2 million was paid into the capital reserves.

Total transaction costs of €29.9 million were incurred in connection with the capital increases. The amount directly attributable to the stock market flotation was €21.3 million, which—after subtraction of a tax benefit of €6.2 million—was deducted directly from the capital reserves.

Retirement benefit obligation

The retirement benefit obligation was lower than it had been at the end of 2012 owing, above all, to actuarial gains resulting largely from higher discount rates. The estimated present value of the defined benefit obligation was calculated on the basis of the following discount rates:

Discount rate

	30/06/2013	31/12/2012
Germany	3.70%	3.50%
UK	4.45%	4.35%
Other (weighted average)	2.94%	2.57%

Other comprehensive income (loss)

The change in estimates about defined benefit pension entitlements resulted in a €17.5 million increase in equity as at 30 June 2013 (after deferred taxes).

Financial liabilities

Corporate bond

The KION Group issued a corporate bond for €650.0 million through the consolidated subsidiary KION Finance S.A., Luxembourg, in February 2013. Of the bond's total par value of €650.0 million, €450.0 million is repayable at a fixed interest rate of 6.75 per cent p.a., while €200.0 million carries a floating interest rate based on three-month EURIBOR plus a margin of 4.5 percentage points. The payout amount for the variable portion was €1.0 million below the par value (discount). The interest on the fixed-rate tranche is paid semi-annually, while interest on the floating-rate tranche is paid once a quarter. Excluding early repayment options, the contract stipulates repayment as a bullet payment on maturity in February 2020. Of the total proceeds of €649.0 million, €636.0 million was used to repay existing liabilities under the senior facilities agreement (referred to below as SFA) and €13.0 million relates to settlement of the transaction costs incurred for the issuance of the corporate bond. On repayment of the existing SFA liabilities of €636.0 million, an amount of €4.7 million representing the proportion of the related deferred borrowing costs was recognised as an expense.

OTHER DISCLOSURES

Information on financial instruments

In line with IFRS 7, the following table shows the carrying amounts and fair values of financial assets and liabilities:

Carrying amounts and fair values broken down by class

in € million	30/06/2013 Carrying amount	30/06/2013 Fair value	31/12/2012 Carrying amount	31/12/2012 Fair value
Financial assets				
Loans receivable	0.7	0.7	0.7	0.7
Financial receivables	10.5	10.5	9.6	9.6
Available-for-sale investments	0.8	0.8	0.8	0.8
Lease receivables*	415.9	415.7	399.3	398.2
Trade receivables	642.6	642.6	625.5	625.5
Other receivables	770.8	770.8	59.2	59.2
thereof non-derivative receivables	746.6	746.6	35.2	35.2
thereof derivative receivables	24.2	24.2	23.9	23.9
Cash and cash equivalents	517.7	517.7	562.4	562.4
Financial liabilities				
Liabilities to banks	1,086.9	1,086.9	1,858.4	1,858.4
Corporate bond	1,127.2	1,213.8	489.5	530.9
Other financial liabilities to non-banks	5.2	5.2	4.5	4.5
Lease liabilities*	505.2	505.3	475.0	475.8
Trade payables	626.5	626.5	646.0	646.0
Other liabilities	484.9	485.0	503.1	503.6
thereof non-derivative liabilities	134.2	134.2	159.2	159.2
thereof liabilities from finance leases*	303.1	303.1	300.3	300.8
thereof derivative liabilities	47.7	47.7	43.6	43.6

* *as defined by IAS 17*

Fair value measurement and assignment to classification levels

The following table shows the assignment of fair values to the individual classification levels as defined by IFRS 13 for financial instruments measured at fair value.

Financial instruments measured at fair value

	Fair value hierarchy			
in € million	**Level 1**	**Level 2**	**Level 3**	**30/06/2013**
Financial assets				**25.0**
thereof available-for-sale	0.8			0.8
thereof derivative instruments		4.6	19.6	24.2
Financial liabilities				**47.7**
thereof derivative instruments		14.5	33.2	47.7

Financial instruments measured at fair value

	Fair value hierarchy			
in € million	**Level 1**	**Level 2**	**Level 3**	**31/12/2012**
Financial assets				**24.7**
thereof available-for-sale	0.8			0.8
thereof derivative instruments		4.2	19.7	23.9
Financial liabilities				**43.6**
thereof derivative instruments		27.1	16.5	43.6

Level 1 comprises available-for-sale assets for which the fair value is calculated using prices quoted in an active market.

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

The financial assets and liabilities allocated to Level 3 relate to a put option of Linde Material Handling, Aschaffenburg, and Weichai's two call options on the remaining shares in Linde Hydraulics. The Black-Scholes model is used to calculate the fair value of the put option and the two call options. At 30 June 2013, the material changes in fair value and the impact on the income statement for the period were as follows.

Development of financial assets/liabilities classified as level 3

in € million	
Value as at 01/ 01/ 2013	**3.2**
Losses recognised in net financial expenses	–16.8
Value as at 30/06/2013	**–13.6**
Losses of the period relating to financial assets/liabilities held as at 30/06/2013	–16.8
Change in unrealised losses for the period relating to financial assets/liabilities held as at 30/06/2013	–16.8

The fair values are measured using probability-weighted scenario analysis, on which the key, unobservable input parameters in the following table are based.

Significant unobservable inputs of level 3

Financial assets/liabilities	**Input**	**Value as at 30/06/2013**
Put-Option	Initial exercise price (in € million)	**77.4**
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	1.99–3.99
Call-Option 1	Initial exercise price (in € million)	77.4
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	0.13–4.49
Call-Option 2	Initial exercise price (in € million)	38.7
	Fair value of the remaining shares in Linde Hydraulics (in € million)	116.1
	Residual time (in years)	1.99–4.49

As at 30 June 2013, the net value calculated for the options on the remaining shares in Linde Hydraulics came to minus €13.6 million (31 December 2012: €3.2 million). If the fair value of the shares had been 10 per cent lower on the reporting date, the net value arising from the options would have increased by €9.6 million (31 December 2012: €8.3

million) to minus €4.0 million (31 December 2012: €11.5 million) and led to a lower expense of €9.6 million (31 December 2012: additional gain of €8.3 million). A 10 per cent rise in the fair value of the shares in Linde Hydraulics on the reporting date would have reduced the net value arising from the options by €9.7 million (31 December 2012: €9.0 million) to minus €23.3 million (31 December 2012: €5.8 million) and led to an expense of €9.7 million (31 December 2012: €9.0 million).

In order to eliminate default risk to the greatest possible extent, the KION Group only enters into derivatives with investment-grade counterparties.

If events or changes in circumstances make it necessary to reclassify financial instruments as a different level, they are reclassified at the end of a reporting period. No financial instruments were transferred between Levels 1, 2 or 3 in the first half of 2013.

Segment report

The Executive Board divides the KION Group into financial services (FS) activities and the Linde Material Handling (LMH) and STILL brands for management purposes. Segment reporting follows the same breakdown, taking into account the relevant organisational structures and corporate strategy of the KION Group.

Segment report Q2 2013

in € million	**LMH**	**STILL**	**Financial Services**	**Other**	**Consolidation/ Reconciliation**	**Total**
Revenue from external customers	676.7	378.5	83.0	11.1	0.0	1,149.3
Intersegment revenue	71.2	54.3	57.7	47.8	–231.0	0.0
Total revenue	747.9	432.8	140.7	58.9	–231.0	1,149.3
Earnings before taxes	**76.0**	**17.3**	**1.1**	**–67.8**	**0.4**	**27.1**
Financial income	1.8	0.4	13.2	0.3	–9.8	5.9
Financial expenses	–4.3	–8.0	–12.2	–55.4	9.6	–70.3
= Net financial expenses	–2.6	–7.6	1.1	–55.1	–0.2	–64.4
EBIT	**78.6**	**24.9**	**0.0**	**–12.7**	**0.7**	**91.5**
+ Non–recurring items	–1.2	2.6	0.0	7.1	0.0	8.5
+ KION acquisition items	6.2	1.5	0.0	0.0	0.0	7.7
= Adjusted EBIT	**83.6**	**28.9**	**0.0**	**–5.5**	**0.7**	**107.6**
Equity result	0.4	0.8	3.5	0.0	0.0	4.6
Capital expenditures[1]	14.7	8.4	0.0	3.0	0.9	26.9
Depreciation[2]	21.0	9.1	0.0	4.0	1.1	35.3
Order intake	673.2	386.0	140.7	58.9	–153.9	1,104.8

1 *Capital expenditures including capitalised R&D costs, excluding leased and rental assets*

2 *On intangible assets and property, plant and equipment excl. leased and rental assets*

The key performance indicator used to manage the brand segments is "adjusted EBIT". Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) — including KION acquisition items and non-recurring items—to the adjusted EBIT for the segments ("adjusted EBIT"). To improve comparability and control, the non-recurring items for the Linde Material Handling segment in 2012 also include the retrospective elimination of the EBIT items for the hydraulics business, which was sold at the end of 2012.

The key performance indicator used to manage the Financial Services segment is earnings before tax (EBT). Return on equity (ROE) is also an important metric.

The tables 30–33 contain information on the revenue and earnings generated by the KION Group's operating segments in the second quarter of 2013 and 2012 and in the first six months of 2013 and 2012.

Segment report Q2 2012

in € million	**LMH**	**STILL**	**Financial Services**	**Other**	**Consolidation/ Reconciliation**	**Total**
Revenue from external customers	728.0	364.6	63.9	9.6	0.0	1,166.1
Intersegment revenue	54.9	42.9	58.7	49.2	–205.6	0.0
Total revenue	782.9	407.5	122.6	58.8	–205.6	1,166.1
Earnings before taxes	**82.6**	**21.1**	**1.1**	**–54.0**	**–20.1**	**30.7**
Financial income	2.9	0.4	11.5	–10.5	–6.6	–2.3
Financial expenses	–6.8	–7.1	–11.0	–52.4	5.6	–71.7
= Net financial expenses	–3.9	–6.8	0.5	–62.8	–1.0	–74.0
EBIT	**86.5**	**27.9**	**0.6**	**8.8**	**–19.1**	**104.7**
+ Non–recurring items	–15.3	–2.4	0.0	5.6	0.0	–12.1
+ KION acquisition items	7.0	2.0	0.0	0.4	0.0	9.3
= Adjusted EBIT	**78.2**	**27.4**	**0.6**	**14.8**	**–19.1**	**101.9**
Equity result	6.7	0.1	0.0	0.0	0.0	6.9
Capital expenditures[1]	17.9	12.0	0.0	3.8	0.0	33.7
Depreciation[2]	25.3	10.6	0.0	4.5	0.0	40.3
Order intake	779.1	399.5	122.6	58.8	–157.4	1,202.6

1 *Capital expenditures including capitalised R&D costs, excluding leased and rental assets*

2 *On intangible assets and property, plant and equipment excl. leased and rental assets*

Segment report Q1–Q2 2013

in € million	LMH	STILL	Financial Services	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	1,323.5	730.3	157.4	23.2	0.0	2,234.4
Intersegment revenue	135.7	112.2	97.6	98.7	–444.2	0.0
Total revenue	1,459.2	842.5	255.0	122.0	–444.2	2,234.4
Earnings before taxes	**140.2**	**29.2**	**2.3**	**–105.7**	**–0.1**	**65.9**
Financial income	4.6	0.9	25.5	18.3	–19.6	29.6
Financial expenses	–10.4	–16.2	–23.4	–110.4	18.7	–141.7
= Net financial expenses	–5.8	–15.3	2.1	–92.1	–0.9	–112.0
EBIT	**146.0**	**44.5**	**0.2**	**–13.6**	**0.8**	**177.9**
+ Non–recurring items	1.2	3.5	0.0	2.5	0.0	7.2
+ KION acquisition items	12.3	2.8	0.0	0.2	0.0	15.3
= Adjusted EBIT	**159.4**	**50.9**	**0.2**	**–10.9**	**0.8**	**200.4**
Segment assets	4,606.8	2,072.6	1,077.2	1,751.5	–2,527.2	6,981.0
Segment liabilities	1,430.0	1,164.9	1,039.3	4,281.0	–2,517.8	5,397.4
Carrying amount of at–equity investments	132.0	6.1	15.8	0.0	0.0	153.9
Equity result	–1.0	0.8	3.5	0.0	0.0	3.3
Capital expenditures[1]	29.2	15.4	0.0	5.7	1.7	52.0
Depreciation[2]	42.1	18.5	0.0	8.0	2.3	70.8
Order intake	1,353.7	809.3	255.0	122.0	–289.8	2,250.2
Number of employees[3]	13,192	7,512	116	713	–	21,533

1 *Capital expenditures including capitalised R&D costs, excluding leased and rental assets*

2 *On intangible assets and property, plant and equipment excl. leased and rental assets*

3 *Number of employees in full-time equivalents as at 30 June*

Segment report Q1–Q2 2012

in € million	LMH	STILL	Financial Services	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	1,441,5	716.1	132.5	20.4	0.0	2,310.5
Intersegment revenue	114.1	102.0	88.7	97.4	–402.2	0.0
Total revenue	1,555.6	818.1	221.3	117.8	–402.2	2,310.5
Earnings before taxes	**157.7**	**34.7**	**2.3**	**–104.7**	**–19.9**	**70.1**
Financial income	5.9	1.5	22.6	10.7	–14.2	26.5
Financial expenses	–13.3	–13.8	–21.0	–116.1	12.5	–151.8
= Net financial expenses	–7.5	–12.3	1.6	–105.4	–1.8	–125.3
EBIT	**165.2**	**47.0**	**0.7**	**0.7**	**–18.2**	**195.4**
+ Non–recurring items	–31.8	2.0	0.0	8.4	0.0	–21.4
+ KION acquisition items	14.3	3.4	0.0	0.6	0.0	18.3
= Adjusted EBIT	**147.7**	**52.4**	**0.7**	**9.7**	**–18.2**	**192.3**
Segment assets	4,589.1	2,018.0	965.3	513.3	–2,048.3	6,037.4
Segment liabilities	1,561.7	1,110.3	927.2	5,006.7	–2,036.9	6,569.0
Carrying amount of at–equity investments	17.6	4.8	12.7	0.0	0.0	35.0
Equity result	11.6	0.1	0.0	0.0	0.0	11.7
Capital expenditures[1]	32.3	20.1	0.0	6.4	0.0	58.9
Depreciation[2]	50.2	21.1	0.0	8.6	0.0	79.9
Order intake	1,548.6	803.7	221.3	117.8	–281.6	2,409.8
Number of employees[3]	14,254	7,200	106	690	–	22,250

1 *Capital expenditures including capitalised R&D costs, excluding leased and rental assets*

2 *On intangible assets and property, plant and equipment excl. leased and rental assets*

3 *Number of employees in full-time equivalents as at 30 June*

The non-recurring items mainly comprised consultancy costs, as well as costs incurred in connection with severance payments, social plan costs and costs relating to the relocation of production and closure of production sites. They totalled €11.6 million in the first half of 2013. In the first six months of 2013, these items also included further income and expenses connected with the sale of our controlling interest (70 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg, and components of the share of profit (loss) of the remaining 30 per cent of the equity-accounted shares, which amounted to net income of minus €4.4 million. For reasons of comparability and control, the hydraulic business's current income of €19.9 million in the first half of 2012 was also eliminated as a non-recurring item from EBIT in last year's segment reporting.

The KION acquisition items relate to the acquisition of the KION Group, which was formed at the end of 2006 when it was spun off from Linde AG, Munich. These items comprise net write-downs on the hidden reserves identified as part of the purchase price allocation.

Related party disclosures

In addition to the subsidiaries included in these condensed consolidated interim financial statements, the KION Group maintains direct or indirect relationships with a large number of unconsolidated subsidiaries, joint ventures and associates in the course of its ordinary business activities. Related parties that are controlled by the KION Group, through which a significant influence can be exerted over the KION Group, or which are members of the Superlift group are either included in the list of shareholdings as at 31 December 2012 or in the table below.

Related parties

Superlift Holding S.à r.l., Luxembourg	Parent company
Kohlberg Kravis Roberts & Co. L.P., New York, USA	Entity with significant influence
Goldman, Sachs & Co., New York, USA	Entity with significant influence
Weichai Power Co. Ltd., Weifang, China	Entity with significant influence
KION Management Beteiligungs GmbH & Co. KG	Stockholder

Superlift Funding S.à r.l., Luxembourg

Under a supplementary loan agreement dated 23 September 2009, investment funds advised by Kohlberg Kravis Roberts & Co. L.P. ("KKR") and The Goldman Sachs Group, Inc. extended the SFA to include an additional loan of €100.0 million to be paid via Superlift Funding S.à r.l., Luxembourg. The loan (including accrued interest) and the investment in Superlift Funding, together amounting to €118.1 million, were converted into equity with effect from 11 June 2013.

Advisory

On 8 May 2007, KION GROUP GmbH, Kohlberg, Kravis Roberts & Co. L.P. ("KKR") and Goldman, Sachs & Co. entered into an advisory agreement, under the terms of which KKR and Goldman, Sachs & Co. were to provide advisory services for the KION Group. These advisory services related, in particular, to financial and strategic issues. A pro-rata amount of €2.4 million has been recognised as an expense in respect of this agreement in the condensed consolidated interim financial statements for the six months ended 30 June 2013 (H1 2012: €2.4 million). Of this amount, €1.2 million relates to the second quarter of 2013 (Q2 2012: €1.2 million). The advisory agreement expired when KION GROUP AG was floated on the stock market.

KION GROUP AG, KKR and Goldman, Sachs & Co. concluded a new advisory agreement on 7 June 2013. Under the agreement, KKR and Goldman, Sachs & Co. will continue to provide limited advisory services for the KION Group after its IPO in the event that the KION Group decides it wishes to draw on this expertise.

In connection with the issue of a corporate bond, an advisory fee totalling €1.9 million was paid to KKR and Goldman, Sachs & Co. This fee has been allocated pro rata as transaction costs to each of the tranches and expensed over their respective terms.

As part of the stock market flotation, KKR and Goldman, Sachs & Co. were promised a contractual banking fee totalling €5.1 million, which was allocated to the capital increase as transaction costs and reported directly in equity.

Weichai Power

Weichai Power Co. Ltd., Weifang, China (referred to below as Weichai Power) holds a 30 per cent stake in KION GROUP AG, Wiesbaden. In addition, Weichai Power has a controlling interest (70 per cent) in Linde Hydraulics GmbH & Co. KG, Aschaffenburg (referred to below as Linde Hydraulics). The remaining shares (30 per cent) in Linde Hydraulics are held by the KION Group. During the first half of 2013, the KION Group generated revenue of €8.2 million from selling goods and services to Linde Hydraulics. Of this amount, €3.9 million related to the second quarter of 2013. During the first six months of the year, KION Group companies obtained goods and services from Linde Hydraulics amounting to €62.8 million. Of this amount, €27.5 million related to the second quarter of 2013. The outstanding balances from the sale of goods and services stood at €3.3 million as at 30 June 2013 (31 December 2012: €1.0 million). Valuation allowances for receivables from Linde Hydraulics had not been recognised as at the reporting date, a situation that was unchanged on 31 December 2012. As at 30 June 2013, liabilities to Linde Hydraulics resulting from the purchase of goods and services came to €4.5 million (31 December 2012: €0.0 million).

In parallel with its advisory agreement with KKR and Goldman, Sachs & Co., KION GROUP AG also concluded an advisory agreement with Weichai Power on 7 June 2013. Under the agreement, Weichai Power will provide advisory services related to the Asia-Pacific region for the KION Group after its IPO in the event that the KION Group decides it wishes to draw on this expertise.

Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, acquired shares in the business by way of a capital increase. This capital increase caused the share capital to rise by €13.7 million and the capital reserves by €314.7 million. As contractually agreed, payment of the share premium was still outstanding as at 30 June 2013. The outstanding amount of €314.7 million was reported under other current assets.

Material events after the reporting date

On 2 July 2013, the KION Group received the outstanding proceeds from the IPO and capital increase from Weichai Power. They totalled €701.6 million after deduction of bank fees. Once all the proceeds from the IPO had been received, the KION Group used this cash, along with part of the new loan facility and existing cash reserves, to pay back the long-term bank liabilities resulting from the acquisition finance arrangements (Senior Facilities Agreement or SFA). In addition, the floating rate note, which was due to mature in 2018 and amounted to €175.0 million, was paid back in full on 19 July 2013.

In connection with the IPO, the KION Group agreed a new revolving loan facility with a group of banks for €995.0 million with a term to maturity of five years after the IPO. Combined with the current low level of interest rates, this loan facility offers more favourable credit terms in line with those typically available to comparable listed companies.

Wiesbaden, 7 August 2013

The Executive Board

Gordon Riske Bert-Jan Knoef

Theodor Maurer Ching Pong Quek

Dr Thomas Toepfer

REVIEW REPORT

To the KION GROUP AG, Wiesbaden

We have reviewed the condensed interim consolidated financial statements of the KION GROUP AG, Wiesbaden, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and selected explanatory notes, together with the interim group management report of the the KION GROUP AG, Wiesbaden, for the period from 1 January to 30 June 2013, that are part of the semi annual financial report pursuant to § 37w WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main/Germany, 7 August 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Kompenhans)	(J. Loffler)
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Wiesbaden, 7 August 2013

The Executive Board

Gordon Riske	Bert-Jan Knoef
Theodor Maurer	Ching Pong Quek
Dr Thomas Toepfer	

2. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY (ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ISSUED BY MINISTRY OF FINANCE OF THE PEOPLE'S REPUBLIC OF CHINA ("ASBES") AND KION (IFRS (EU))

In respect of the interim financial statements of KION for the six months ended 30 June 2013, the board of directors of the Company believe that (i) there are no material differences in respect of net assets and net profit between such financial statements which have been prepared under IFRS as adopted by the EU and the financial statements had they been prepared under the ASBES; and (ii) for the six months ended 30 June 2013, there have been no material changes in the accounting policies of KION and the Company that would result in material differences between the accounting policies of the Company and KION in respect of the net assets and net profit of KION, and Ernst & Young Hua Ming LLP, the reporting accountants of the Company, has also confirmed the aforesaid based on certain agreed upon procedures performed.

The following is an extract of the interim group management report of KION for the six months ended 30 June 2013. Terms defined herein apply to this Appendix only.

MAJOR DEVELOPMENTS IN THE FIRST HALF OF 2013

Key events

KION GROUP AG became a listed company in the Prime Standard segment of the Frankfurt Stock Exchange on 28 June 2013. A total of 17.2 million new shares originating from a capital increase in June 2013 were placed at an issue price of €24.00 per share and an additional 2.6 million shares from the stake held by original shareholder Superlift Holding S.à r.l., Luxembourg, were placed as part of an over-allotment option (see the over-allotment option information in the section Events after the reporting date).

Accompanying capital increases were also carried out in which Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, acquired 13.7 million new shares at a price of €24.00 per share immediately before the offer closed and Superlift Holding S.à r.l., Luxembourg, acquired 4.0 million shares at a price of €29.21 per share before the offer closed by way of an investment and conversion of an existing shareholder loan into equity.

As at 30 June 2013, the KION Group had received a total par value of € 30.9 million from the capital increase in the course of the IPO and the capital increase from Weichai. This amount was reported as cash and cash equivalents as at the reporting date. The total share premium of €710.9 million, which resulted from the placement of the 17.2 million new shares for €396.2 million and the €314.7 million capital increase from Weichai, had not been received by the end of the half year and was consequently reported in other current assets. The share premium arising from the placement of new shares and the Weichai capital increase was received on 2 July 2013, net of the bank fees payable (see Events after the reporting date).

As a result of the boost to its equity and the repayment of financial debt on 5 July 2013 (see Events after the reporting date), the KION Group has significantly improved its funding structure, to the extent that none of its borrowings fall due before 2018, including the new €995.0 million revolving loan facility.

Back in February 2013, KION Finance S.A. placed a senior secured bond with a total volume of €650.0 million and a maturity date of 2020. The proceeds, net of the bank fees payable, were used to refinance all loans maturing in 2014 and 2015.

Key strategic initiatives

In May 2013, STILL agreed to acquire 51 per cent of the shares in Arser İş Makineleri Servis ve Ticaret A.Ş. (referred to below as "Arser"), which had previously acted as exclusive dealer for the substantial Turkish market. The transaction has not yet been closed, but it is expected to be completed in the third quarter of 2013.

On 30 April 2013, the KION Group signed a cooperation agreement in the area of container handling with Konecranes, a global market leader in the lifting business. Since then, Konecranes has become a long-term supplier of container handling equipment for Linde Material Handling's global distribution network.

A further element in the reorganisation of the container handler and heavy truck businesses is the closure of the heavy truck plant in Merthyr Tydfil (Wales, UK), which is scheduled to take place by the end of October 2013. In the next few months, the bulk of Linde Material Handling's heavy truck production will be outsourced to a contract production facility in the Czech Republic.

In March 2013, a new plant was officially opened in Brazil to enable the KION Group to benefit from the strong growth in this major market.

Group structure, organisation, management

In advance of the IPO, KION Holding 1 GmbH, the KION Group's strategic management holding company, was converted into KION GROUP AG with effect from 4 June 2013. This company is now subject to the provisions of stock company law and as a publicly listed company it is governed by the German Securities Trading Act (WpHG). The new Executive Board consists of Gordon Riske (CEO/Chairman), Bert-Jan Knoef (STILL), Theodor Maurer (Linde Material Handling), Ching Pong Quek (Chief Asia Pacific Officer) and Dr Thomas Toepfer (CFO). In addition, KION GROUP GmbH, which is responsible for the management of operational business, has been renamed KION Material Handling GmbH.

Now that KION GROUP AG is a listed company, its Executive Board and Supervisory Board are required to submit an annual declaration of compliance with the German Corporate Governance Code (DCGK). The KION Group intends to comply with all but one of the recommendations in the current version of the DCGK dated 13 May 2013. The exception concerns clause 3.8 of the DCGK, which relates to directors' and officers' (D&O) insurance and requires companies to agree to a minimum deductible of 10 per cent of any loss, which must be equivalent to at least one-and-a-half times the annual fixed remuneration of the relevant member of the Executive or Supervisory Board. The D&O policy for the Executive Board complies with the DCGK recommendations but the Company's D&O policy for the Supervisory Board does not include a deductible of this type. This is because the KION Group does not believe it is a suitable means of increasing the motivation and diligence with which members of the Supervisory Board carry out their duties.

With regard to clauses 5.4.1 and 5.4.2 of the DCGK, the KION Group has declared that it has not yet set any specific targets for an appropriate degree of female representation on its Supervisory Board (diversity). The Supervisory Board also believes that two independent members is an appropriate number in relation to the Group's capital structure.

Provided no interim submission is required by law, it is planned that the first joint declaration of compliance by the Executive and Supervisory Boards of KION GROUP AG will be submitted in the first quarter of 2014 at the same time as the publication of the 2013 annual report. Additional information is available on the KION Group website under Investor Relations/Corporate Governance.

The Supervisory Board, which was formed in accordance with the German Codetermination Act (MitbestG), was increased from 12 members to 16 members when the legal form of the Company was changed in advance of the IPO. On 5 June 2013, Hans Peter Ring and Tan Xu Guang were elected as shareholder representatives. Hans Peter Ring qualifies as both an independent member within the meaning of clause 5.4.2 of the DCGK and as an independent member with expertise in the fields of accounting and auditing as required by section 100 (5) of the German Stock Corporation Act (AktG). Denis Heljic and Özcan Pancarci were appointed as additional members representing the Company's employees.

In order to make its activities more efficient and to meet the standards required for a publicly listed company, the Supervisory Board also reformulated its committees at the end of May 2013. Consequently, the Mediation Committee pursuant to section 27 (3) MitbestG, the Executive Committee and the Audit Committee, which were already in existence, have been supplemented by the Nomination Committee, one of whose functions is to propose new candidates for the Supervisory Board at the Shareholders' Meeting. When the new members were appointed to the committees on 27 June 2013, Hans Peter Ring took over as chairman of the Audit Committee.

In the run-up to the IPO, the Supervisory Board signed new contracts of employment with all Executive Board members and, at the same time, the term of CEO Gordon Riske's new contract was extended until 2017.

ECONOMIC ENVIRONMENT AND BUSINESS PERFORMANCE

Macroeconomic conditions

Global economic conditions continued to be plagued by uncertainty in the first half of 2013. As a result, the International Monetary Fund (IMF) has slightly lowered its forecast for 2013 as a whole. Whereas positive economic data strengthened expectations of a sustained recovery for the US economy, there was a decline in the pace of growth in the BRIC countries. Western Europe remained in a mild recession. The crisis in the euro zone is far from over, and this is also slowing the speed of growth in the rest of the world—particularly in the other EU countries and eastern Europe. While the German economy has been stagnating, economic output in crisis-hit Greece, Italy, Portugal and Spain has fallen more sharply.

As well as GDP growth, global demand for machinery and equipment is largely driven by willingness to invest and world trade volumes. According to economic research institutes, these indicators have risen slightly higher in the year to date than in the same period last year. A modest rise looks probable for 2013 as a whole, although the average underlying pace for the year is likely to be slow.

Sectoral conditions

Sales markets

The number of new industrial trucks ordered around the world was 3.8 per cent higher in the first half of 2013 than in the first six months of 2012. In China, the number of new truck orders was up by 7.7 per cent, so the dip in the world's single biggest market appears to be over. Strong demand in North America was a further key growth driver. Growth rates in Central and South America as well as eastern Europe were also high, but were of less consequence in absolute terms.

Only the first-half results in western Europe reflected a fall-off in demand. The economic situation in this region discouraged companies from investing despite truck fleets remaining in great need of renewal. However, the western European market rallied during the first half of the year, returning to 2012 levels in the second quarter after a subdued start to the year. >> *TABLE 02*

Global industrial truck market (order intake) *>> TABLE 02*

in thousand units	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Western Europe	64.9	65.1	–0.4%	132.6	136.9	–3.2%
Eastern Europe	13.7	13.4	2.1%	28.6	27.3	5.1%
North America	51.8	46.8	10.5%	97.9	88.9	10.1%
Central & South America	14.0	11.2	25.2%	27.2	22.4	21.5%
Asia (excl. Japan)	87.3	77.4	12.8%	165.4	158.1	4.6%
Rest of world	29.6	29.8	–0.7%	57.3	56.9	0.9%
World	261.2	243.7	7.2%	509.0	490.4	3.8%

Source: WITS/FEM

Procurement markets and conditions in the financial markets

Commodity prices have a direct impact on around 25 per cent of the cost of the materials needed to manufacture an industrial truck in the KION Group.

In the first six months of 2013, purchase prices for steel and energy were generally down on the same period in 2012. As an example, the price of Brent crude oil, which is quoted in US dollars and which affects the price of other fuels, was 6.3 per cent below comparable prices of the previous year.

The pound sterling depreciated against the euro and the value of the Brazilian real fell sharply in the second quarter, while the Chinese renminbi remained stable overall, despite relatively high volatility.

Level of orders

As a result of the weak market in western Europe, the number of new industrial trucks ordered from the KION Group's brand companies fell to around 73,800, which was 2.3 per cent down on the first half of 2012. In the second quarter, the order intake was just 600 units short of the high level seen the previous year. In terms of units, 34 per cent of the order intake was attributable to the emerging markets, primarily China, other Asian countries, eastern Europe and Brazil.

The total order intake in the first half of 2013 amounted to €2,250.2 million, which was 6.6 per cent down on the first six months of 2012 (€2,409.8 million). However, when adjusted for the hydraulics business, which had still been included in 2012, the order intake was down by just 3.6 per cent.

The order book for new trucks stood at €750.7 million, which was 7.1 per cent below the order book at the end of 2012 (€807.8 million).

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Financial performance

Overall assessment of the economic situation

In the first half of 2013, the KION Group's integrated business model once again proved to be robust. Although the decrease in the number of industrial trucks ordered was moderate, as European market leader, the KION Group was hit relatively hard by the economic downturn in Germany and the rest of western Europe. However, the KION Group also benefited more than most from the rapid growth in the emerging markets and was able to strengthen its market position. The Group's service business, which accounts for a high proportion of revenue, also acted as a stabilising force, particularly in western Europe.

Despite a slight decline in the number of orders, year-on-year revenue adjusted for the hydraulics business advanced by 0.7 per cent. Following a muted start to the year, revenue in the KION Group increased significantly in the second quarter. Its consistent, high-margin service business proved to be a key engine of growth with a 1.8 per cent increase in revenue in the first half of the year. As a result, the proportion of consolidated revenue attributable to service rose from 42.4 per cent in 2012 (excluding the hydraulics business) to 42.9 per cent.

Given the uncertainty that remains in the market, the Group's adjusted EBIT margin of 9.0 per cent is very good. This increase on the comparable value of 8.7 per cent in 2012 (adjusted for the hydraulics business) reflects the KION Group's more flexible cost structure and its ability to implement price increases in the market. Plant capacity utilisation in the successfully restructured group of production sites was higher than in the first half of 2012.

The KION Group's net income grew substantially year-on-year. It amounted to €70.3 million after taxes, compared with €25.9 million in the first half of 2012.

Business situation and financial performance of the KION Group

Key influencing factors

To improve comparability between the 2013 and 2012 halfyear results, revenue and order intake are additionally stated—at the level of the Group and the Linde Material Handling segment—excluding the contributions made by the hydraulics business, which was sold in December 2012. Consequently, EBIT and EBITDA have been adjusted to take account of the contributions made by the hydraulics business on the basis of the financial results relating to the hydraulics business reported in the Linde Material Handling segment in 2012.

Please also note that the segment structure of the KION Group was changed at the end of the 2012 financial year. Financial services activities were aggregated in the Financial Services segment to enable them to be managed separately.

The first-time adoption of new financial reporting standards (see Notes to the condensed consolidated interim financial statements) did not have a major impact on the financial performance or financial position of the KION Group. Because the rules governing transition to the new IAS 19R "Employee Benefits" require it to be adopted retrospectively, the quarters of 2012 have been restated.

Revenue

Despite difficult market conditions and adverse currency movements that continued throughout the first half of 2013, the decrease in revenue was much less pronounced than in the first quarter. The KION Group's revenue was up by 0.7 per cent on the equivalent figure for the first half of 2012 after adjusting for the sale of the hydraulics business (€2,218.3 million).

New truck business almost matched the high level achieved in the same period in 2012 (€1,277.2 million), and revenue for the second quarter alone was up year on year. Growing unit sales of warehouse trucks largely compensated for the decrease in counterbalance trucks. Revenue generated by the service business also rose by 1.8 per cent to €958.0 million (H1 2012: €940.7 million) on the back of a strong second quarter and was largely driven by rental business and resurgent demand for services. >> *TABLE 03*

Revenue by product category *>> TABLE 03*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
New business	665.0	653.2	1.8%	1,276.5	1,277.2	–0.1%
Hydraulics	–	44.1	–100.0%	–	92.7	–100.0%
Service offering	484.2	468.9	3.3%	958.0	940.7	1.8%
After sales	286.8	283.9	1.0%	570.6	567.9	0.5%
Rental business	109.8	98.7	11.2%	217.6	206.4	5.4%
Used trucks	55.9	56.8	–1.6%	108.7	110.1	–1.3%
Other	31.7	29.5	7.6%	61.1	56.3	8.5%
Total	1,149.3	1,166.1	–1.4%	2,234.4	2,310.5	–3.3%
Revenue—excluding Hydraulics Business	1,149.3	1,122.3	2.4%	2,234.4	2,218.3	0.7%

Revenue by customer location *>> TABLE 04*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Western Europe	827.2	843.6	–1.9%	1,612.2	1,665.2	–3.2%
Eastern Europe	92.2	85.2	8.3%	176.2	167.6	5.1%
Americas	70.2	76.8	–8.7%	140.6	151.1	–7.0%
Asia	114.5	118.6	–3.4%	219.5	239.5	–8.4%
Rest of world	45.1	42.0	7.5%	86.0	87.2	–1.4%
Total revenue	1,149.3	1,166.1	–1.4%	2,234.4	2,310.5	–3.3%

Revenue broken down by customer location reflects the variation in economic conditions across the regions. The decline in the volume of business in western Europe was primarily attributable to the German market, despite the slight rise in revenue generated by the KION Group in the other western European countries.

In eastern Europe, the KION Group brand companies again achieved overall year-on-year revenue growth despite the very high revenue in 2012. While revenue in Asia and the Americas was down as a whole, that generated in Brazil continued to rise.

As a result of the increase in revenue generated outside Germany, the proportion of the Group's total revenue generated internationally rose from 73.8 per cent to 75.2 per cent. The emerging markets accounted for 24.8 per cent of consolidated revenue compared with 23.9 per cent in the first half of 2012. >> *TABLE 04*

Earnings

EBIT and EBITDA

Total earnings before interest and tax (EBIT) amounted to €177.9 million, which was 8.9 per cent below the same period the previous year (€195.4 million). The impact on earnings resulting from the decline in revenue and the sale of the hydraulics business was partly offset by further improvement of the cost structure and by the Group's ability to implement price increases in the market.

One of the factors that depressed earnings was the cost of the IPO and the accompanying capital increases. Of the total costs of €29.9 million, €8.6 million was recognised in expenses while the remaining transaction costs were recognised directly in equity. Including the costs of the IPO and the accompanying capital increases, non-recurring items included in EBIT came to €7.2 million (H1 2012: gain of €21.4 million, adjusted for the hydraulics business).

The KION acquisition items relate to the acquisition of the KION Group, which was formed at the end of 2006 when it was spun off from Linde AG, Munich. The associated effects of the purchase price allocation equated to an expense of €15.3 million in the reporting period compared with an expense of €18.3 million in the first half of 2012, and largely comprised depreciation, amortisation and impairment.

Adjusted EBIT, which excludes non-recurring items and KION acquisition items, amounted to €200.4 million—4.2 per cent higher than the comparable prior-year figure of €192.3 million. The adjusted EBIT margin was 9.0 per cent compared with 8.7 per cent in the first half of 2012. >> *TABLE 05*

*Adjusted EBIT** >> *TABLE 05*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Net income (+)/loss (-) for the period	41.8	9.4	>100.0%	70.3	25.9	>100.0%
Income taxes	14.6	–21.3	>100.0%	4.4	–44.2	>100.0%
Financial result	–64.4	–74.0	13.0%	–112.0	–125.3	10.6%
EBIT	91.5	104.7	–12.6%	177.9	195.4	–8.9%
+ Non-recurring items	8.5	–12.1	>100.0%	7.2	–21.4	>100.0%
+ KION acquisition items	7.7	9.3	–17.6%	15.3	18.3	–16.3%
= Adjusted EBIT	107.6	101.9	5.6%	200.4	192.3	4.2%

* *Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011)*

*Adjusted EBITDA** >> *TABLE 06*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
EBIT	91.5	104.7	–12.6%	177.9	195.4	–8.9%
Amortisation and depreciation	84.1	85.4	–1.5%	166.6	168.3	–1.0%
EBITDA	175.6	190.1	–7.6%	344.6	363.7	–5.3%
+ Non-recurring items	7.5	–16.3	>100.0%	6.2	–29.8	>100.0%
+ KION acquisition items	0.4	0.4	9.1%	0.6	0.8	–15.5%
= Adjusted EBITDA	183.5	174.2	5.4%	351.4	334.7	5.0%

* *Key figures for 2012 were adjusted due to the retrospective application of IAS 19R (2011)*

EBITDA was down by 5.3 per cent on the first half of 2012 at €344.6 million (H1 2012: €363.7 million). Adjusted EBITDA amounted to €351.4 million, which was above the comparable figure of €334.7 million for the first half of 2012 (excluding the hydraulics business). The adjusted EBITDA margin was 15.7 per cent compared with 15.1 per cent in the first six months of 2012. >> *TABLE 06*

*Condensed income statement of the KION Group** >> *TABLE 07*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Revenue	1,149.3	1,166.1	–1.4%	2,234.4	2,310.5	–3.3%
Cost of sales	–835.1	–838.6	0.4%	–1,618.2	–1,663.4	2.7%
Gross profit	314.2	327.6	–4.1%	616.2	647.1	–4.8%
Selling expenses	–135.5	–137.9	1.7%	–273.4	–274.6	0.4%
Research and development costs	–29.4	–29.0	–1.4%	–58.8	–62.1	5.3%
Administrative expenses	–79.6	–76.4	–4.1%	–152.3	–146.5	–3.9%
Other	21.8	20.4	6.4%	46.1	31.4	46.8%
Earnings before interest and taxes (EBIT)	91.5	104.7	–12.6%	177.9	195.4	–8.9%
Net interest income/expenses	–64.4	–74.0	13.0%	–112.0	–125.3	10.6%
Earnings before taxes	27.1	30.7	–11.7%	65.9	70.1	–6.0%
Income taxes	14.6	–21.3	>100.0%	4.4	–44.2	>100.0%
Net income	41.8	9.4	>100.0%	70.3	25.9	>100.0%

* *Income statement for 2012 was adjusted due to the retrospective application of IAS 19R (2011)*

Key influencing factors for earnings

The cost of sales fell to €1,618.2 million (H1 2012: €1,663.4 million). The favourable movement in commodity prices, the cost benefits derived from the successful restructuring of the group of production sites and the resultant increase in capacity utilisation failed to compensate in full for the loss of revenue due to the sale of the high-margin hydraulics business.

The increase in administrative expenses from €146.5 million in the first half of 2012 to €152.3 million was largely attributable to the expenses connected with the IPO that were not deducted directly from the capital reserves.

Other income rose by €26.6 million to €65.9 million (H1 2012: €39.3 million). In addition to higher commission income compared with the first half of 2012, this item also included additional income of €8.1 million resulting from the sale of our controlling interest (70 per cent) in Linde Hydraulics GmbH & Co. KG.

Profit from equity-accounted investments fell from €11.7 million in the first six months of 2012 to €3.3 million in the period ended 30 June 2013. During the acquisition of the remaining 51 per cent of the shares in Linde Creighton Ltd., Basingstoke, UK, income of €8.0 million was realised on the revaluation of the shares, which were already equity-accounted in the first half of 2012. >> *Table 07*

Net financial income/expenses

Net financial expenses were €112.0 million, an improvement of €13.3 million on the first half of 2012 (expense of €125.3 million). The sharp decrease in expenses was principally the result of converting the shareholder loan of €671.0 million provided by Superlift Holding S.à r.l. into equity at the end of 2012 and of repaying financial liabilities using the capital contribution of €467.0 million made by Weichai Power when it purchased a 25 per cent stake in what is now KION GROUP AG. Higher coupon payments on the senior secured bond issued in February had a countervailing effect (see section "Major developments in the first half of 2013").

Income taxes

Income tax expenses of €44.2 million in the first half of 2012 contrasted with tax income of €4.4 million in the reporting period. While current tax expenses were approximately equal to those in the same period in 2012, deferred tax expense was much higher, exceeding the comparable figure for 2012 by €47.3 million. As the result of a profit-and-loss transfer agreement between KION Material Handling GmbH (formerly KION GROUP GmbH) and Linde Material Handling GmbH which was signed in April 2013, additional deferred tax assets of €36.2 million were recognised in the second quarter on loss carryforwards that it had not previously been possible to utilise.

Net income

After taxes, net income amounted to €70.3 million. This constitutes a sharp rise on the first half of 2012 (H1 2012: €25.9 million). Pro forma earnings per share for the first six months of 2013 amounted to €0.70 based on 98.9 million no-par-value shares (according to IAS 33 €1.07).

Business situation and financial performance of the segments

Business Situation and Financial Performance of the Linde Material Handling Segment

The Linde Material Handling segment, which comprises the Linde, Fenwick and Baoli brand companies, demonstrated its premium positioning by launching major new products in the first half of 2013. Of particular note were the production launch of low-emission, internal-combustion counterbalance trucks with load capacities of 2 to 5 tonnes (EVO models) in January and the sales launch of the new generation of reach trucks in March.

Linde Material Handling's order intake of €1,353.7 million was 8.1 per cent short of the extremely high level of new orders in the first half of 2012 (€1,472.7 million excluding the hydraulics business). However, unlike the order intake, the revenue generated by the Linde Material Handling segment virtually matched the level achieved in the first half of 2012, amounting to €1,459.2 million in the first six months of this year (H1 2012: €1,463.4 million excluding the hydraulics business).

Adjusted EBIT totalled €159.4 million, which was significantly up on the adjusted result for 2012 (€147.7 million, excluding the hydraulics business). The adjusted EBIT margin was also higher, up from 10.1 per cent on the first half of 2012 to 10.9 per cent in the same period in 2013. >> *TABLE 08*

Quarterly information –LMH >> *TABLE 08*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Order intake[1]	673.2	742.3	–9.3%	1,353.7	1,472.7	–8.1%
Revenue[1]	747.9	739.0	1.2%	1,459.2	1,463.4	–0.3%
EBITDA	119.2	130.8	–8.9%	226.6	251.5	–9.9%
Adjusted EBITDA[1]	117.4	111.3	5.5%	227.2	211.5	7.4%
EBIT	78.6	86.5	–9.2%	146.0	165.2	–11.7%
Adjusted EBIT[1]	83.6	78.2	6.8%	159.4	147.7	7.9%
Adjusted EBITDA Margin[1]	15.7%	15.1%	–	15.6%	14.5%	–
Adjusted EBIT Margin[1]	11.2%	10.6%	–	10.9%	10.1%	–

1 *Key figures for 2012 were in addition adjusted due to the Hydraulics Business*

Business situation and financial performance of the STILL segment

The STILL segment, which consists of the STILL and OM STILL brand companies, expanded its product range in the first half of 2013. RX 70-series IC trucks with a load capacity of 4 to 8 tonnes were brought to market as seamless additions to STILL's modular workplace concept and a new series of diesel trucks specially adapted to meet the needs of the South American market was introduced. The latter are produced at the new Indaiatuba plant in São Paulo.

In May 2013, STILL increased its commitment to Turkey by agreeing to acquire a majority (51 per cent) stake in Arser, currently its exclusive dealer. The transaction has not yet been closed, but it is expected to be completed in the third quarter of 2013. The sales company will then be branded STILL ARSER. The remaining 49 per cent of its shares are to be retained by Turkey's Arkas Group.

The order intake of €809.3 million was 0.7 per cent ahead of the first six months of 2012 (€803.7 million). Despite the order volume remaining virtually unchanged, revenue rose sharply in the second quarter. Compared with the first half of 2012, segment revenue was up by 3.0 per cent to €842.5 million (H1 2012: €818.1 million), primarily driven by higher revenue in Germany and Brazil. However, part of the rise in revenue was eclipsed by currency effects, such as the devaluation in the Brazilian real.

At €50.9 million, adjusted EBIT was slightly down by 2.9 per cent on the first half of 2012 (€52.4 million). Following a downturn in profitability in the early part of the year, with 6.7 per cent the adjusted EBIT margin returned to its prior-year level in the second quarter. >> *TABLE 09*

Quarterly information –STILL >> *TABLE 09*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Order intake	386.0	399.5	–3.4%	809.3	803.7	0.7%
Revenue	432.8	407.5	6.2%	842.5	818.1	3.0%
EBITDA	50.7	52.7	–3.8%	96.2	95.8	0.4%
Adjusted EBITDA	53.3	50.3	6.0%	99.7	97.8	2.0%
EBIT	24.9	27.9	–10.6%	44.5	47.0	–5.2%
Adjusted EBIT	28.9	27.4	5.5%	50.9	52.4	–2.9%
Adjusted EBITDA Margin	12.3%	12.3%	–	11.8%	11.9%	–
Adjusted EBIT Margin	6.7%	6.7%	–	6.0%	6.4%	–

Business situation and financial performance of the financial services segment

As the central funding partner of the Linde Material Handling and STILL brand segments, the Financial Services segment benefited from increasing demand for lease finance, particularly in western Europe out- side Germany. The revenue generated by external customers was up by 18.8 per cent on the first half of the previous year (€132.5 million) and stood at €157.4 million. There was also a 10.0 per cent year-on-year rise in revenue from the intra-group financing of Linde Material Handling and STILL's short-term rental fleets. Total revenue amounted to €255.0 million, significantly ahead of the same period in 2012 (€221.3 million).

The segment's earnings before tax of €2.3 million equalled those in the first half of 2012 (€2.3 million) and its return on equity of 6.1 per cent was at virtually the same level as the prior-year period (5.9 per cent). >> *TABLE 10*

Quarterly information –Financial Services >> *TABLE 10*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 1012	Change
Order intake	140.7	122.6	14.8%	255.0	221.3	15.2%
Revenue	140.7	122.6	14.8%	255.0	221.3	15.2%
Adjusted EBITDA	16.3	12.5	29.9%	31.2	28.5	9.2%
Adjusted EBIT	0.0	0.6	–94.3%	0.2	0.7	–67.7%
EBT	1.1	1.1	2.4%	2.3	2.3	2.3%
Lease receivables[1]	777.3	696.4	11.6%	777.3	696.4	11.6%
Lease liabilities[2]	767.0	676.6	13.4%	767.0	676.6	13.4%
Net financial debt	175.6	133.8	31.3%	175.6	133.8	31.3%
Equity	37.9	38.1	–0.4%	37.9	38.1	–0.4%
Return on equity				6.1%	5.9%	–

1 *Includes intra-group lease receivables*

2 *Includes liabilities from financing of the rental fleet reported as other financial liabilities*

Business situation and financial performance of the other segment

Group head office functions and the Voltas brand company, which do not come under any other segment, are reported in the Other segment. Consequently, earnings and revenue in the Other segment also include intra-group contributions from subsidiaries which are eliminated at Group level. In the first six months of 2013, there was a slight year-on-year improvement in the order intake and in revenue, which rose by €4.2 million to €122.0 million. Adjusted EBIT for the first half of 2013 was a loss of €10.9 million compared with a gain of €9.7 million at the end of June 2012, which included substantial income of €19.4 million from intra-group equity investments. >> *TABLE 11*

Quarterly information–Other >> *TABLE 11*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Order intake	58.9	58.8	0.2%	122.0	117.8	3.6%
Revenue	58.9	58.8	0.2%	122.0	117.8	3.6%
EBITDA	–8.3	13.3	<-100.0%	–4.9	9.3	<-100.0%
Adjusted EBITDA	–1.2	19.3	<-100.0%	–2.1	18.3	<-100.0%
EBIT	–12.7	8.8	<-100.0%	–13.6	0.7	<-100.0%
Adjusted EBIT	–5.5	14.8	<-100.0%	–10.9	9.7	<-100.0%

Net assets

Compared with 31 December 2012, the KION Group's current assets had risen sharply, by €741.9 million, as a result of the capital increases during the IPO. Cash and cash equivalents included the par value of the proceeds of the IPO that had been received as at 30 June 2013, which amounted to €30.9 million. The share premium arising from the placement of the new shares and the €710.9 million capital increase from Weichai was reported in Other current assets.

By contrast, there was very little change in non-current assets. The modest rise in long-term leased assets and lease receivables was attributable to the growth in business in the Financial Services segment. >> *TABLE 12*

*Condensed balance sheet, assets** >> *TABLE 12*

in € million	30/06/2013	in %	31/12/2012	in %	Change
Non-current assets	4,256.9	61.0%	4,231.0	68.1%	0.6%
thereof:					
Goodwill	1,470.8	21.1%	1,473.2	23.7%	–0.2%
Brand names	593.9	8.5%	593.9	9.6%	0.0%
Deferred tax assets	286.9	4.1%	264.9	4.3%	8.3%
Leased assets	206.8	3.0%	191.3	3.1%	8.1%
Rental assets	397.0	5.7%	395.1	6.4%	0.5%
Lease receivables	281.5	4.0%	267.1	4.3%	5.4%
Current assets	2,724.1	39.0%	1,982.2	31.9%	37.4%
thereof:					
Inventories	583.0	8.4%	549.9	8.9%	6.0%
Trade receivables	642.6	9.2%	625.5	10.1%	2.7%
Lease receivables	134.4	1.9%	132.1	2.1%	1.7%
Other current assets	838.2	12.0%	106.8	1.7%	>100.0%
Cash	517.7	7.4%	562.4	9.1%	–7.9%
Total assets	6,981.0		6,213.2		12.4%

* *Balance sheet for 2012 was adjusted due to the retrospective application of IAS 19R (2011)*

Financial position

Main financing activities in the reporting period

The KION Group's financial position improved significantly in the first half of 2013. The maturity profile of its financial liabilities was extended by the issuance of a senior secured bond in February 2013, while the funds received on 2 July 2013 as a result of the IPO (share premium) were used to repay a substantial proportion of the Group's financial liabilities in the second half of 2013 (see Events after the reporting date).

Analysis of capital structure

Equity

The KION Group substantially increased its equity by means of three capital increases associated with the IPO. The increase in Weichai Power's shareholding from 25.0 per cent to 30.0 per cent added €328.4 million to the Group's equity. The conversion into equity of a loan provided by Superlift Holding S.à r.l., Luxembourg, also increased equity by €118.1 million and enabled borrowings to be reduced accordingly. The public offering of 17.2 million shares resulted in an increase in equity as at 30 June 2013 of €413.4 million less transaction costs. The Group's equity ratio improved from 10.6 per cent on the reporting date in 2012 to 22.7 per cent in mid-2013. >> *TABLE 13*

*Condensed balance sheet, equity and liabilities** >> *TABLE 13*

in € million	30/06/2013	in %	31/12/2012	in %	Change
Equity	1,583.5	22.7%	660.7	10.6%	>100.0%
Non-current liabilities	3,811.1	54.6%	3,929.0	63.2%	–3.0%
thereof:					
Corporate bond	1,127.2	16.1%	489.5	7.9%	>100.0%
Financial liabilities	1,064.9	15.3%	1,811.2	29.2%	–41.2%
Deferred tax liabilities	303.0	4.3%	308.8	5.0%	–1.9%
Lease liabilities	345.2	4.9%	329.2	5.3%	4.9%
Current liabilities	1,586.3	22.7%	1,623.5	26.1%	–2.3%
thereof:					
Financial liabilities	27.2	0.4%	51.8	0.8%	–47.5%
Trade payables	626.5	9.0%	646.0	10.4%	–3.0%
Lease liabilities	160.1	2.3%	145.8	2.3%	9.8%
Total equity and liabilities	6,981.0		6,213.2		12.4%

* *Balance sheet for 2012 was adjusted due to the retrospective application of IAS 19R (2011)*

Financial debt

A senior secured bond with a total volume of €650.0 million and a maturity date of 2020 was issued in February 2013. It consists of a fixed-rate tranche of €450.0 million and a floating-rate tranche of €200.0 million. The issuance of this bond brings the total par value of debt capital issued to €1,150.0 million. In addition to the measures taken in 2012, the new bond has enabled the KION Group to reduce its liabilities to banks by a corresponding amount (after deduction of transaction costs), thereby extending the maturity profile of its debt by a significant period. Consequently, there has been no material change in the total amount of financial debt as a result of having issued the bond.

After deduction of cash and cash equivalents, the remaining net financial debt came to €1,701.6 million at the end of June 2013 (31 December 2012: €1,790.1 million). This included borrowing costs of €38.6 million which were higher than those at the end of 2012 (€34.1 million). The net financial debt reported as at 30 June 2013 did not take into account the total share premium of €701.6 million (after deduction of bank charges) arising from the capital increase from Weichai and the IPO. The share premium arising from these capital increases was reported in the statement of financial position under Other current assets until the funds were received on 2 July 2013. >> *TABLE 14*

Net financial debt >> *TABLE 14*

in € million	**30/06/2013**	**31/12/2012**	**Change**
Corporate bond—fixed rate (2011/2018)—gross	325.0	325.0	–
Corporate bond—floating rate (2011/2018)—gross	175.0	175.0	–
Corporate bond—fixed rate (2013/2020)—gross	450.0	0.0	–
Corporate bond—floating rate (2013/2020)—gross	200.0	0.0	–
Liabilities to banks (gross)	1,102.7	1,882.1	–41.4%
Liabilities to non-banks (gross)	5.2	4.5	15.8%
./. Capitalised borrowing costs	–38.6	–34.1	–13.0%
Financial debt	2,219.3	2,352.4	–5.7%
./. Cash and cash equivalents	–517.7	–562.4	7.9%
Net financial debt	1,701.6	1,790.1	–4.9%

Capital expenditure

Capital expenditure amounted to €52.0 million, which was down by 11.7 per cent on the first half of 2012 (€58.9 million). In both the Linde Material Handling and STILL segments, the volume was below that of the comparable prior-year period, which was characterised by relatively high capitalised development costs.

Analysis of liquidity

Net cash provided by the KION Group's operating activities totalled €55.9 million (H1 2012: €68.7 million). Higher consulting fees and tax payments had the effect of reducing the net cash provided, while the cash flow for the same period in 2012 also included the hydraulics business.

Net cash used for investing activities amounted to €40.4 million (H1 2012: net cash used of €60.6 million). This was attributable to lower capital expenditure in the Linde Material Handling and STILL segments as well as the absence of any significant amounts of cash used for acquisitions, unlike the previous year when a majority stake was acquired in Linde Creighton.

As a result of the factors described above, the free cash flow in the reporting period was €15.6 million, which was substantially higher than in the first half of 2012 (€8.1 million).

The cash flow from financing activities amounted to minus €58.6 million. Financial debt increased by €649.0 million due to the issuance of the senior secured bond in February 2013. As a result of the capital increases from Weichai and the IPO at the end of June 2013, the capital contributions made up to 30 June totalled €30.9 million. In total, transactions carried out in the first half of the year enabled the repayment of financial liabilities amounting to €654.2 million relating to the Senior Facilities Agreement. The cash payments of €30.5 million arising from other financing activities (H1 2012: inflows of €16.6 million) included costs of €18.9 million incurred in connection with the debt and equity transactions mentioned above. Regular interest payments were € 5.1 million lower than in the first half of 2012 and amounted to € 52.0 million in the reporting period. The cash flow from financing activities for the first half of 2012 (minus €201.9 million) was largely attributable to the repayment of loans.

Together, the positive free cash flow and the net cash used for financing activities resulted in a reduction in cash and cash equivalents from €562.4 million as at 31 December 2012 to €517.7 million. >> *TABLE 15*

Condensed cash flow statement >> *TABLE 15*

in € million	Q2 2013	Q2 2012	Change	Q1—Q2 2013	Q1—Q2 2012	Change
EBIT	91.5	104.7	–12.6%	177.9	195.4	–8.9%
Cash flow from operating activities	36.6	114.4	–68.0%	55.9	68.7	–18.6%
Cash flow from investing activities	–16.4	–32.7	49.8%	–40.4	–60.6	33.4%
Free cash flow	20.2	81.7	–75.3%	15.6	8.1	92.8%
Cash flow from financing activities	–31.7	–202.9	84.4%	–58.6	–201.9	71.0%
Currency effects on cash	–5.0	1.2	<-100.0%	–1.5	2.1	<-100.0%
Change in cash and cash equivalents	–16.4	–119.9	86.3%	–44.6	–191.8	76.7%

EMPLOYEES

At 21,533, the number of people employed by the KION Group was slightly higher than at the end of 2012 (21,215). The number of service and sales jobs rose while the headcount in production fell slightly. In geographical terms, the main increases in the workforce were in South America, China and eastern Europe. >> *TABLE 16*

Employees (full-time equivalents) *>> TABLE 16*

	30/06/2013	31/12/2012	Change
Western Europe	15,295	15,078	1.4%
Eastern Europe	1,652	1,632	1.2%
Americas	611	580	5.3%
Asia	3,404	3,376	0.8%
Rest of world	571	549	4.0%
Total	21,533	21,215	1.5%

RESEARCH AND DEVELOPMENT

In the reporting period, the KION Group steadfastly pursued its research and development (R&D) objectives. The KION Group aims to increase customer benefits in all price segments by introducing innovative drive systems, advanced ergonomics, intelligent intralogistics solutions and other developments while underpinning its leading position in the premium segment.

Research and development costs of €58.8 million were below the comparable figure for 2012 (H1 2012: €62.1 million). Total R&D spending equated to 2.6 per cent of total revenue, compared with 2.5 per cent in the first half of 2012.

Total R&D spending included depreciation and amortisation in the amount of €22.3 million (H1 2012: €26.9 million), while development costs of €20.9 million (H1 2012: €23.1 million) were capitalised. The number of full-time jobs in R&D teams stood at 871 at the end of June 2013 (31 December 2012: 847). >> *TABLE 17*

Total R&D spending *>> TABLE 17*

in € million	Q2 2013	Q2 2012	Change	Q1–Q2 2013	Q1–Q2 2012	Change
Research and development costs (P&L)	29.4	29.0	1.4%	58.8	62.1	–5.3%
Amortisation expense	–11.1	–13.4	17.5%	–22.3	–26.9	16.9%
Capitalised development costs	11.0	12.1	–9.2%	20.9	23.1	–9.5%
Total R&D spending	29.3	27.6	6.0%	57.3	58.2	–1.6%
R&D spending as percentage of revenue	2.5%	2.4%	–	2.6%	2.5%	–

EVENTS AFTER THE REPORTING DATE

On 2 July 2013, the KION Group received the outstanding proceeds from the IPO and the capital increase from Weichai Power. They totalled €701.6 million after deduction of bank fees. Once all the proceeds from the IPO had been received, the KION Group used this cash, along with part of the new loan facility and existing cash reserves, to pay back the long-term bank liabilities resulting from the acquisition finance arrangements (Senior Facilities Agreement or SFA). In addition, the floating rate note, which was due to mature in 2018 and amounted to €175.0 million, was paid back in full on 19 July 2013.

In connection with the IPO, the KION Group agreed a new revolving loan facility with a group of banks for €995.0 million with a term to maturity of five years after the IPO. Combined with the current low level of interest rates, this loan facility offers more favourable credit terms in line with those typically available to comparable listed companies.

During the stabilisation period (30 days after the IPO), 2.3 million of the 2.6 million shares in the original over-allotment option were repurchased and transferred back to Superlift Holding S.à r.l., Luxembourg. At the end of the stabilisation phase, the over-allotment option was exercised for 0.3 million shares, which therefore remained in the free float.

As a result of the IPO, there was a significant improvement in the KION Group's credit profile and consequently in its credit rating. In July 2013 Moody's upgraded its corporate family rating by three notches, from B3/positive to Ba3/stable, while Standard & Poor's improved its rating for the KION Group from B/stable to BB-/positive.

OPPORTUNITY AND RISK REPORT

The financial risks to which the KION Group is exposed, as presented in the 2012 group management report for the former KION Holding 1 GmbH, have diminished considerably because its equity has been boosted, it has much greater flexibility for repaying financial liabilities and its debt maturity profile has again been lengthened.

Otherwise, there were only marginal changes in the risks and opportunities relating to the KION Group compared with the 2012 group management report. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern.

OUTLOOK

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, several of which are beyond the control of the KION Group, affect the Group's business activities and profitability. Any unexpected developments in the global economy would result in the KION Group's performance and profits differing significantly from those forecast below. The KION Group does not undertake to update forward-looking statements to reflect subsequently occurring events or circumstances.

Furthermore, the KION Group cannot guarantee that future performance and actual profits generated will be consistent with the stated assumptions and estimates and can accept no liability in this regard.

Expected macroeconomic conditions

According to the IMF's World Economic Outlook in July 2013, global economic growth will remain at the same level in 2013 as in 2012. A growth rate of 3.1 per cent is now forecast for the year as a whole, despite the fact that growth of 3.5 per cent had been anticipated for 2013 at the end of 2012. Economic output in the euro zone is expected to show a decline of 0.6 percentage points. The 2013 growth forecasts for the BRIC countries were lowered by up to 0.9 percentage points. Nevertheless, growth prospects remain good, for example in Brazil and China.

The forecast for economic conditions is based on the assumption that monetary and fiscal policy will support the global economy. There are also considerable risks resulting, in particular, from the sovereign debt problems in the euro zone and United States, the tightening of public finances and the possibility of destabilisation in financial markets.

Expected sectoral conditions

The overall market for industrial trucks depends on the economic environment in the sales markets combined with specific regional factors, with the level of capital investment and growth in the volume of world trade being particularly crucial. The global market for industrial trucks gradually picked up in the first half of 2013, growing by around 3.8 per cent, so the KION Group expects to see a slight recovery in demand for 2013 as a whole compared with 2012.

China, other Asian countries, eastern Europe and Brazil are the sales markets that are expected to drive growth, although China is likely to grow at a slower rate than previously anticipated. Provided demand in western Europe remains at the expected level and does not decline further, demand is likely to remain stable in western Europe, with most sales involving simply the replacement of old trucks.

Expected business situation and financial performance

The KION Group essentially reaffirms the forecasts made in the 2012 group management report. Nevertheless, economic and sectoral conditions have become more challenging. Given cost-related measures, this is not expected to have any significant impact on the financial position or financial performance of the KION Group. Provided the macroeconomic environment performs as expected and does not significantly weaken in the second half of the year, the KION Group's objectives of moderate rises in revenue and adjusted EBIT (both excluding the hydraulics business) will remain unchanged.

Besides new truck sales, the service business is expected to contribute to revenue growth. For 2013 as a whole, the service business is expected to contribute over 40 per cent of revenue, which is slightly more than was forecast at the end of 2012. The emerging markets are expected to make a significant contribution to revenue growth. The reduction in borrowings should also be reflected in a rise in net income. In departure from the forecast for a positive net income at the end of 2012, the KION Group now expects net income to be significantly higher, partly due to one-off tax items arising from the capitalisation of deferred taxes.

Expected financial position

By using the issue proceeds (net of bank charges) and other cash and drawings under the new revolving loan facility to repay borrowings in July, the KION Group greatly improved its funding structure compared with the end of 2012.

I UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

(A) INTRODUCTION

On 31 August 2012, a framework agreement was entered into between the Company, KION, KION Group GmbH, LMH, Superlift and KMB which was supplemented by the amendment agreement dated 20 December 2012 entered into between the Company, Weichai Lux, KION, KION Group GmbH, LMH, Superlift and KMB, collectively the "Framework Agreement".

The subscription of new shares in the capital of KION representing 25% of the enlarged share capital of KION after completion; and the acquisition of 70% of the interest in LHY Co have been completed on 27 December 2012 ("Acqusitions").

According to the Framework Agreement, a call option was granted by KION to Weichai Lux to subscribe for new shares in KION for details as set out in the section "2. Possible exercise of the Call Option – (a) KION Call Option" in the First Circular dated 28 March 2013, called the KION Call Option and a Call Option was granted by Superlift to Weichai Lux to purchase shares in KION from Superlift for details as set of in the section "2. Possible exercise of the Call Option – (b) Superlift Call Option" in the First Circular, collectively the "Call Options".

KION Call Option has been exercised by Weichai Lux to subscribe for new KION shares at a consideration of EUR328,380,000, and following the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013, the Company was the holder of 30% of the issued share capital of KION and 70% of the interest in LHY Co.

The Superlift Call Option is exercisable by Weichai Lux (i) at any time after 27 December 2012, being the date of completion of the Acquisitions, until 30 June 2013 or (ii) during any time within the six months after the completion of the IPO. The Superlift Call Option shall expire in any event at the end of 31 December 2015, if it has not been exercised and completed before that date.

The exercise price equals to the sum of (i) EUR61,644,000; (ii) the pro-rata portion of the aggregate amount of additional capital contribution, made into KION after the date of completion of the Acquisitions and up to the date of exercise of the Superlift Call Option ("Additional Contributions"); and (iii) deducting therefrom the pro-rata portion of the aggregate amount of dividends or other distributions made by KION to its shareholders after the date of the completion of the Acquisitions ("Post Completion Distributions").

As at the date of this Circular, the consideration shall be in the amount of EUR 95,333,723, aggregated with the consideration paid by Weichai Lux for the exercise of the KION Call Option, the total exercise price of Call Option would exceed EUR400,000,000 (the "Cap Amount"). As such, the Company is required to re-comply with the relevant shareholders' approval requirements under the Listing Rules in respect of the exercise of the Superlift Call Option.

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group, which has been prepared to illustrate the effect of the Agreement. Pro Forma adjustments have been made to reflect the exercise of the Superlift Call Option.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the exercise of the Superlift Call Option. It is prepared for illustrative purpose only in accordance with Paragraph 4.29 of the Listing Rules to provide the investors with further information to illustrate the effect on the Group after the exercise of the Superlift Call Option and it does not purport to represent what the financial position of the Group as on the exercise of the Superlift Call Option.

(B) Unaudited Pro Forma Financial Information of the Enlarged Group

	For the period ended 30 June 2013 *RMB'000* *Unaudited* *(Note a)*	**Pro forma adjustments** *RMB'000*	*Notes*	**For the period ended 30 June 2013** *RMB'000* *Unaudited*
Current assets				
Cash and cash equivalents	14,818,039	(767,780)	b.	14,050,259
Financial assets held for trading	267,379			267,379
Notes receivable	17,359,034			17,359,034
Accounts receivable	6,132,042			6,132,042
Prepayments	428,201			428,201
Dividends receivable	10,615			10,615
Interests receivable	762			762
Other receivables	459,324			459,324
Inventories	8,087,758			8,087,758
Other current assets	608,676			608,676
Total current assets	48,171,830			47,404,050

	For the period ended 30 June 2013	Pro forma adjustments		For the period ended 30 June 2013
	RMB'000	*RMB'000*		*RMB'000*
	Unaudited		*Notes*	*Unaudited*
	(Note a)			
Non-current assets				
Available-for-sale financial assets	204,000			204,000
Long-term receivables	–			–
Long-term equity investments	7,672,873	767,780	b.	8,440,653
Investment property	322,041			322,041
Fixed assets	12,292,947			12,292,947
Construction in progress	4,237,927			4,237,927
Materials used in construction	2			2
Disposal of fixed assets	2,550			2,550
Intangible assets	2,275,457			2,275,457
Development expenditure	425,682			425,682
Goodwill	1,392,105			1,392,105
Long-term prepaid expenses	156,755			156,755
Deferred tax assets	726,929			726,929
Other non-current assets	24			24
Total non-current assets	29,709,292			30,477,072
Total assets	77,881,122			77,881,122
Current liabilities				
Short-term loans	1,450,501			1,450,501
Notes payable	6,219,348			6,219,348
Accounts payable	15,312,082			15,312,082
Advances from customers	1,209,497			1,209,497
Payroll payable	970,635			970,635
Taxes payable	282,963			282,963
Interests payable	164,127			164,127
Dividends payable	466,015			466,015
Other payables	3,279,996			3,279,996
Non-current liabilities due within one year	261,073			261,073
Other current liabilities	965,056			965,056
Total current liabilities	30,581,293			30,581,293

	For the period ended 30 June 2013	Pro forma adjustments		For the period ended 30 June 2013
	RMB'000	*RMB'000*		*RMB'000*
	Unaudited		*Notes*	*Unaudited*
	(Note a)			
Non-current liabilities				
Long-term borrowings	8,618,563			8,618,563
Bonds payable	3,492,693			3,492,693
Long-term payables	5,500			5,500
Special payables	53,000			53,000
Deferred tax liabilities	188,799			188,799
Other non-current liabilities	1,776,998			1,776,998
Total non-current liabilities	14,135,553			14,135,553
Total liabilities	44,716,846			44,716,846
Shareholders' equity				
Share capital	1,999,310			1,999,310
Capital reserve	807,196			807,196
Special reserve	31,940			31,940
Surplus reserve	2,300,128			2,300,128
Retained earnings	21,362,746			21,362,746
Exchange differences on foreign currency translation	(73,440)			(73,440)
Total equity attributable to the Shareholders of the parent	26,427,880			26,427,880
Minority interests	6,736,396			6,736,396
Total shareholders' equity	33,164,276			33,164,276
Total liabilities and shareholders' equity	77,881,122			77,881,122

(C) Notes to unaudited pro forma financial information of the Enlarged Group

a. This represents the consolidated statement of financial position of the Group as at 30 June 2013, as extracted from the interim results announcement of the Company for the period ended 30 June 2013.

b. The exercise of the Superlift Call Option will enable the Company to increase its shareholding in KION from 30% to 33.3%.

As at the date of this Circular, this adjustment reflects the payment on exercising of the Superlift Call Option at the amount of EUR95,333,723 assuming the exercise of Superlift Call Option had taken place on 30 June 2013 and been settled by cash immediately.

c. For the purpose of the pro forma financial information, the balances stated in EUR have been translated to RMB at an exchange rate of EUR1= RMB8.0536, which is the prevailing exchange rate on 30 June 2013.

d. No adjustment has been made to reflect any trading results or other transaction of the Group and KION entered into subsequent to 30 June 2013.

II. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

23 October 2013
The Directors
Weichai Power Co., Ltd.

Dear Sirs,

We report on the unaudited pro forma financial information set out on pages 175 to 179 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") of Weichai Power Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the exercise of Superlift Call Option by the Company's subsidiary Weichai Power (Luxembourg) Holding S.à r.l. (the Group upon exercise of Superlift Call Option referred to as the "Enlarged Group"), might have affected the financial information presented, for inclusion in Appendix IV to the circular dated 23 October 2013 (the "Circular"). The basis of preparation of The Unaudited Pro Forma Financial Information is set out on page 179 of the Circular.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the

Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2013 or any future dates.

OPINION

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst Young HuaMing LLP
Beijing, China

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and Supervisors in the shares, underlying shares and debentures of the Company notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for

Securities Transactions by Directors of Listed Companies (as if it were applicable also to the Supervisors of the Company) were as follows:

Interests in the shares of the Company

Name of Director	**Capacity**	**Number of A Shares held**	**Number of H Shares held**	**Percentage of the issued share capital of the Company**
Tan Xuguang	Beneficial owner	16,512,000 *(Note 1)*	–	0.83%
Xu Xinyu	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Sun Shaojun	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Zhang Quan	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Yeung Sai Hong *(Note 3)*	Held by controlled corporation	63,168,000 *(Note 2)*	–	3.16%
Julius G. Kiss *(Note 4)*	Held by controlled corporation	41,260,000 *(Note 2)*	–	2.06%
Zhang Zhenhua *(Note 5)*	Interest held by spouse	25,300	–	0.001%

Notes:

1. These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became A Shares of the Company upon the A Share listing of the Company on the Shenzhen Stock Exchange.

2. These were previously foreign shares of the Company. The foreign shares were ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which were subscribed for and paid up in a currency other than Renminbi. These shares became A Shares of the Company upon the A Share listing of the Company on the Shenzhen Stock Exchange.

3. Yeung Sai Hong, a non-executive Director, was directly and indirectly interested in the issued share capital of Peterson Holdings Company Limited ("**Peterson**"), which in turn held 63,168,000 A Shares in the Company.

4. Julius G. Kiss, a non-executive Director, was indirectly interested in the entire issued share capital of IVM Technical Consultants Wien Gesellschaft m.b.H. ("**IVM**"), which in turn held 41,260,000 A Shares in the Company.

5. Zhang Zhenhua, an independent non-executive Director, was deemed to be interested in 25,300 A Shares in the Company which were beneficially held by his wife, Ms. Wu Miaodi.

6. All the shareholding interests listed in the above table are "long" position.

Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate Percentage interest in the entire issued share capital of associated corporations as at the Latest Practicable Date
Gordon Riske *(Note)*	KION Group AG	Beneficial owner	365,250 ordinary shares	0.37%
		Interest held by spouse	3,000 ordinary shares	0.003%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 365,250 shares in KION Group AG and he was also deemed to be interested in 3,000 shares in KION Group AG which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers.

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with The Stock Exchange of Hong Kong Limited) shows that as at the Latest Practicable Date, the following persons (other than the Directors, the chief executive and the supervisors) had the following interests and short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	336,476,400	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") *(Note 1)*	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
Brandes Investment Partners, LP	Investment manager	Long	–	–	78,578,612	18.99%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	62,668,076	12.90%	3.13%
Schroders Plc	Investment manager	Long	–	–	38,748,997	7.97%	1.94%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	1,377,067	0.28%	0.07%
	Custodian – Corporation/ approved lending agent	Long	–	–	45,757,363	9.42%	2.29%
	Investment manager	Long	–	–	1,901,000	0.39%	0.09%
					49,035,430	10.09%	2.45%
	Beneficial owner	Short	–	–	82,709	0.02%	0.01%
Schroder Investment Management Limited	Investment manager	Long	–	–	38,851,199	7.99%	1.94%
The Capital Group Companies, Inc. *(Note 2)*	Interest of corporation controlled by the substantial shareholders	Long	–	–	27,669,400	6.84%	1.66%
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	Long	–	–	28,409,289	5.84%	1.42%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	1,369,400	0.28%	0.07%

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Lazard Emerging Markets Equity Portfolio *(Note 2)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by the substantial shareholder	Long	–	–	25,453,050	5.24%	1.27%
					25,978,602	5.35%	1.30%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	24,102,475	4.96%	1.21%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") held the entire share capital of Shandong Heavy Industry Group Co., Ltd., which in turn held the entire share capital of Weichai Group Holding Limited (formerly known as Weifang Diesel Engine Works).

2. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors held offices in the substantial Shareholders set out above:

Name of Director	Positions held in Weichai Holdings	Positions held in Shandong Heavy Industry Group
Tan Xuguang	Chairman	Chairman
Jiang Kui	Vice president	Director, general manager
Xu Xinyu	Director	–
Sun Shaojun	Director	–
Zhang Quan	Director	–

3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

(a) None of the Directors has entered into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).

(b) As at the Latest Practicable Date, save for Mr. Gordon Riske's interests in KION as disclosed in the section headed "2. Disclosure of interests — Interests in the shares of associated corporations of the Company" of this Appendix, none of the Directors was interested, directly or indirectly, in any assets which had since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As disclosed in the Company's announcements dated 27 June 2013, the Company (through its wholly-owned subsidiary, Weichai Lux) subscribed for 13,682,500 shares in KION for a consideration of EUR328,380,000.

(c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.

(d) As at the Latest Practicable Date, save for the directorship of Mr. Tan Xuguang in 北汽福田汽車股份有限公司 (Beiqi Foton Motor Co., Ltd.) ("**Beiqi Foton**"), none of the Directors or their respective associates had any interest in a business which competed or might compete with the business of the Company. The Company has an approximately 1.42% interest in the shares of Beiqi Foton. Beiqi Foton is also a customer of the Company's diesel engines. Beiqi Foton is engaged in the production of, *inter alia*, heavy-duty vehicles/trucks.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

5. QUALIFICATION AND CONSENT OF EXPERT

(a) The following is the qualification of expert who has given opinions or advices which are contained in this circular:

Name	Qualification
Ernst & Young Hua Ming LLP	Certified public accountants

(b) As at the Latest Practicable Date, the above expert did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the forms and contexts in which they appear.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the Framework Agreement;

(b) the equity transfer agreement dated 25 December 2012 entered into between the Company and 濰柴控股集團有限公司 (Weichai Group Holdings Limited) in respect of the disposal of the 40% of equity interest in 濰柴西港新能源動力有限公司 (Weichai Power Westport New Energy Co., Ltd.) (formerly known as 濰柴動力西港新能源發動機有限公司 (Weichai Westport Inc.)); and

(c) the capital subscription agreement dated 16 January 2012 entered into between the Company, 山東重工集團財務有限公司 (Shandong Zhonggong Group Finance Co., Ltd.), 濰柴重機股份有限公司 (Weichai Heavy Duty Machinery Co., Ltd.), 山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.) and 中國金谷國際信託有限責任公司 (China Jingu International Trust Co., Ltd.) in relation to the contribution to and subscription for the registered capital in 山東重工集團財務有限公司 (Shandong Zhonggong Group Finance Co., Ltd.).

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 3407–3408, 34/F, Gloucester Tower, Landmark, 15 Queen's Road Central, Hong Kong, from the date of this circular to 6 November 2013 (both days inclusive):

(a) the Articles of Association;

(b) the annual reports of the Company for the two years ended 31 December 2012;

(c) the accountants' report on KION Group signed by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IIA to this circular;

(d) the interim report of KION containing the unaudited condensed consolidated interim financial statements of KION for the six months ended 30 June 2013 and the relevant interim group management report, the text of which is referred to or set out in Appendix IIIA and Appendix IIIB to this circular;

(e) the unaudited pro forma financial information of the Enlarged Group prepared by Ernst & Young Hua Ming LLP, the text of which is set out in Appendix IV to this circular;

(f) the written consent of the expert as referred to in the paragraph headed "5. Qualification and consent of expert" in this appendix;

(g) the material contracts as referred to in the paragraph headed "6. Material contracts" in this appendix;

(h) the circulars of the Company dated 17 January 2013, 28 March 2013, 8 May 2013 and 17 September 2013; and

(i) this circular.

8. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Kwong Kwan Tong, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

(b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong.

(c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.