Press release

KION GROUP AG heading for solid full-year 2013 after successful nine-month period

- At €3.317 billion, revenue of the KION Group for the first nine months of 2013 reaches high prior-year level
- Order intake: share of new truck orders from growth markets continues to rise thanks to strong positioning
- New earnings record: EBIT[1] climbs by 3.1 per cent year on year to €300.9 million
- Profitability improves once again: EBIT[1] margin reaches high of 9.1 per cent
- Net income increases significantly to €81.3 million
- Dynamic price trend for KION shares since the IPO

Wiesbaden, 14 November 2013 – After a successful first nine months, KION GROUP AG is on its way to achieving solid results for full-year 2013. The world’s largest supplier specialising in industrial trucks and related services has increased its profitability to a new record level. Thanks to the company’s excellent positioning in growth markets, it has succeeded in reaching the strong prior-year levels in order intake and revenue – adjusted for the hydraulics business sold in 2012 – despite the persistent weakness of the western European market for industrial trucks.

In the first nine months of the year, the Group increased revenue slightly by 0.3 per cent to approximately €3.317 billion. Operating profit (EBIT[1]) was up by 3.1 per cent to a record level of €300.9 million, resulting in a further improvement in the KION Group’s EBIT[1] margin to 9.1 per cent, more than ever before in the first nine months of a year.

“Our success in the first nine months of 2013 is impressive evidence of our strong position in the emerging markets. This shows that the KION Group’s strategy of expansion is building on the right foundation”, said Gordon Riske, CEO of KION GROUP AG. “We are now setting our sights on additional markets such as the USA, where we have thus far been underrepresented. At the same time, we are continuing to expand our global service and sales networks”.

At approximately 753,900 trucks, the world market for new trucks exceeded the high level of the prior-year period by 5.0 per cent in the first nine months of the year. The driving force behind this growth, in addition to the US market, has again been the KION Group’s key growth markets of China, eastern Europe and Brazil. In western Europe, however, the slightly negative trend continued in the third quarter,
with demand for the nine-month period dropping by 2.8 per cent to around 190,400 units. This contrasted with a rise in demand in Asia (not including Japan) to approximately 248,900 vehicles (up 9.2 per cent). Unit sales in the eastern European market rose by 5.9 per cent to 43,400 vehicles, while the number of vehicles sold in the Latin American market increased by 10.2 per cent to 39,300 vehicles. In North America, around 147,000 vehicles were sold, an increase of 11.2 per cent.

Against the backdrop of this market environment, KION GROUP AG’s order intake again benefited from strong growth in the number of units ordered in emerging regions and countries such as eastern Europe, China and Brazil, with the share of new trucks ordered in growth markets having meanwhile climbed to around 35 per cent. Despite the adverse effects of the weak western European market, which remains the KION Group’s core market, new business still attained the high level of the first nine months of 2012 at approximately 105,900 vehicles (Q1—Q3 2012: approximately 107,000 vehicles). Third-quarter new business reached 32,100 vehicles, up slightly on the previous year’s level. In monetary terms, order intake amounted to a solid €3.297 billion at the end of the first nine months of 2013, with the third quarter contributing €1.046 billion, a similar amount as a year earlier.

Revenue for the reporting period rose by 0.3 per cent to around €3.317 billion, after adjusting the prior-year figure for the sale of the hydraulics business. The revenue from new trucks reached approximately the same high level as in the first nine months of 2012. Thanks to a strong second and third quarter, the KION Group achieved an increase of 3.0 per cent in its service business, which comprises after sales business, services relating to used trucks and the rental business as well as fleet management systems. Service business accounted for approximately 44 per cent of total revenue. In the third quarter, revenue was at the prior-year level at €1.082 billion.

In the first nine months of 2013, the KION Group’s operating profit (EBIT[1]) – adjusted for non-recurring items and for the sale of the hydraulics business – rose by 3.1 per cent, from €291.9 million to €300.9 million. Optimised cost structures and the continued ability to command higher prices were two factors that made key contributions to the increase. The EBIT[1] margin rose from 8.8 percent to 9.1 per cent in the same period. In the third quarter of 2013, EBIT[1] of €100.5 million resulted in a margin of 9.3 per cent – a record figure for that period.
Net financial expenses were largely unchanged year on year and totalled €182.4 million (Q1—Q3 2012: €181.3 million). However, net financial expenses included negative non-recurring items of €53.6 million. Without these one-off items, there would have been a substantial improvement because of the significant reduction in debt as a result of the transaction with Weichai and the IPO.

Net income increased to €81.3 million in the first nine months of the year, up from €34.6 million in the same period of 2012. In addition to the improvement in operating profit, non-recurring tax effects contributed to the good performance. Pro-forma earnings per share were €0.82 for the nine-month period based on no-par-value shares of 98.9 million. The KION Group also achieved an improvement over the prior year in the third quarter with net income of €11.0 million.

Cash flow from operating activities amounted to €136.4 million in the nine-month period (Q1—Q3 2012: €135.1 million). Net cash used for investing activities amounted to €68.7 million (Q1—Q3 2012: €96.2 million), as a result of which free cash flow rose significantly to €67.7 million (Q1—Q3 2012: €38.9 million).

Total research and development spending was €85.5 million in the first nine months of 2013, which was on a par with the same period in 2012 and equated to 2.6 per cent of revenue.

The number of employees (including apprentices and trainees) rose by 2.8 per cent to 21,819 as at 30 September 2013, up from 21,215 as at 31 December 2012. Additions were made in service and sales functions in particular. In regional terms, staff numbers rose above all in the growth markets and in Turkey.

Dynamic price trend for KION shares – SDAX listing

Following the regular review of the indices of Deutsche Börse, KION Group shares were admitted to trading on the SDAX on 23 September 2013. This is the first time that KION shares have been included in an index. Of the 50 stocks included in the index, the KION Group is among the ten largest with a free-float market capitalisation of €544.1 million (as at 30 September 2013).

In the third quarter, KION shares increased by 13.6 per cent to outperform the SDAX as a whole, which had gained 10.3 per cent. As at 30 September 2013, the shares were quoted at €27.10, an increase of 12.0 per cent over the initial listing price on 28 June 2013.
Share repurchase programme for employees – free float share increases

After the IPO, the KION Group began preparing a share repurchase programme intended to allow employees – initially those in Germany – to benefit from the long-term success of the company. A total of 200,000 shares were bought back via the stock exchange between 28 August and 26 September 2013 for this purpose, equalling around 0.2 per cent of the share capital.

Many members of KION’s broadly subscribed management participation program (MPP) are now free to transfer their shares to private investment accounts or to sell them. These shares have therefore now been allocated to the freefloat. For shares held by Management Board members and managing directors of Linde Material Handling GmbH and STILL GmbH, the lock-up period is still in effect until one year after the IPO.

After the share buyback, and including the freely transferable shares held by KION Management Beteiligungs GmbH & Co. KG on behalf of members of KION management, the freefloat amounted to 20.3 per cent, up from the initial 17.7 per cent.

Stronger basis for growth with improved financing structure

Following the listing on the stock exchange, the KION Group improved its financing structure and now has an even stronger foundation for implementing its growth strategy. On 2 July 2013, the KION Group received the remaining proceeds from the IPO and the capital increase subscribed by Weichai Power totalling €701.6 million after deduction of bank fees. In addition, the KION Group took out a new revolving credit facility with a group of banks. The facility totals €995.0 million and has a term of five years from the date of the IPO. Along with lower interest margins, the credit line offers favourable credit terms as are common for comparable listed companies.

The proceeds from the IPO, a portion of the credit facility and cash reserves were used to completely pay off the long-term bank loans from acquisition financing. Moreover, the variable-interest corporate bond in the amount of €175.0 million that was due to mature in 2018 was paid off early in full. After completion of the main financing transactions in the first nine months of 2013, the KION Group had a solid equity ratio of 26.4 per cent. Net debt as at the reporting date amounted to approximately 1.5-times adjusted EBITDA for the past twelve months (excluding the hydraulics business).
Further expansion of sales networks in Turkey and France

Expansion of the sales networks in the southern European growth market has reached an important milestone. The takeover agreed in May of 51.0 per cent of the shares in Turkish dealer Arser İş Makineleri Servis ve Ticaret A.Ş. by STILL was successfully completed on 14 August 2013. This allows for even more thorough handling of the Turkish market. The KION Group has also reinforced its presence in France by acquiring the remaining shares in two dealers.

Outlook: Slight pick up in demand – earnings forecast confirmed

Fuelled by strong demand in China and the USA, the global market for industrial trucks continued to pick up in the first nine months of 2013, growing by around 5.0 per cent. The KION Group therefore expects to see a slight recovery in global demand for 2013 as a whole, compared with 2012. In western Europe, demand is expected to remain nearly stable.

Nine months into the year, the KION Group essentially reaffirms the forecasts made in the group management report. However, economic and sectoral conditions remain challenging. Despite negative currency effects and subdued demand in western Europe, the KION Group anticipates that revenue for 2013 as a whole will be at roughly the same level as in the previous year (excluding the hydraulics business). Given the cost-cutting measures implemented, this is not expected to have any significant impact on the financial performance or financial position of the KION Group. Provided there is no significant downturn in the macroeconomic environment in the fourth quarter, the KION Group stands by its forecast for the year and its objectives of moderate rises in adjusted EBIT and EBIT margin (both excluding the hydraulics business).

For the year as a whole, the service business is expected to contribute more than 40 per cent of revenue, which is slightly more than was forecast at the end of 2012. The reduction in borrowings should also be reflected in a rise in net income. In departure from the forecast of a small net income at the end of 2012, the KION Group now expects net income to be much higher, partly due to non-recurring tax items arising from the capitalisation of deferred taxes.
The company

The KION Group – comprising the six brands of Linde, STILL, Fenwick, OM STILL, Baoli and Voltas – is the largest manufacturer of industrial trucks in Western and Eastern Europe, the global number two in the industry and the leading non-domestic supplier in China. 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 a market leader in India in industrial trucks. The KION Group employed more than 21,000 people and generated revenue of €4.560 billion in 2012 after adjustment for the hydraulics business. KION Group is present in more than 100 countries and has a global market share of around 15 per cent.
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