

Kion group analysis

Economics, Macroeconomics



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to implement material handling systems. Material handling systems range from simple pallet rack and shelving projects, to complex automated storage systems. Material handling can also consist of sorting and picking as well as automatic guided vehicles. In this research project, we will analyze one of the most successful Material-Handling businesses in the world, “ LINDE MH”, but more specifically, the Group above that company, which is one of the largest companies in the Material-Handling industry (#2 worldwide), The KION Group. The company’s objective is to be the undisputed market leader and to use its strong competitive position to become the provider with the largest market share in the sector while delivering a sustained increase in shareholder value. It will be possible thanks to the good current position in the market and the clear objectives: 1. Leading global manufacturer. Maintain new truck market leadership in Europe. 2. Higher share of business abroad. Tap full market potential in growth regions. 3. Further improve market penetration through multi-brand strategy. 4. The industry profitability benchmark. Cost leadership through synergies and operational excellence. 5. Increase Services Portfolio to further expand service offering and global customer experience. In this report we will analyze all the main factors, economical, financial and social, that affect directly or indirectly the KION Groups and the Material — Handling industry. About LINDE MH Linde Material Handling (LMH), headquartered in Aschaffenburg, Germany, ranks among the world's foremost makers of lift trucks and warehouse trucks and is also positioned as a major manufacturer of hydrostatic drives produced mainly for use in construction, farming and forest machinery as well as the Linde range of lift trucks. As a provider of high-quality material handling products, the

Linde brand stands for technological and innovative leadership. With innovative vehicles and services, Linde Material Handling does not just offer technically ambitious solutions for increased efficiency and excellent design; it also provides comprehensive service skills. Linde Material Handling was founded in 1904 and currently employs roughly 12, 500 employees around the world. In 1974, Linde MH took over one of their main competitors, STILL. This acquisition allowed them to successfully continue their expansion strategy, by taking over two other big players in the market; Fenwick (Linde France) and OM (Italian company), in 1984 and 1990 respectively. In 2006 the three brands Linde, STILL and OM, together, cluster in a mother company, the KION GROUP, which, to better develop this research project, we will be analyzing as a whole. Later on, in 2006, the KION Group formed a Joint Venture with a company called BAOLI, which soon became a really important player in the Chinese market specially. About KION GROUP Global Player in Material Handling The KION Group is a worldwide leading provider of forklifts, warehouse equipment and other industrial trucks, and is the market leader in Europe. They employ roughly 20, 000 people and in 2010 they achieved net sales of more than €3. 5 billion. With their different brands; Linde, STILL, Fenwick, OM, and Baoli and representation in more than 100 countries, they are a global player and set the benchmark for quality, innovation and profitability in the premium segment of the industry. KION Group stands for sustainable, profitable growth through focusing on a clearly defined business segment. Vision & Strategy The KION Group is committed to delivering a sustained increase in shareholder value. It has therefore set itself clear strategic objectives with which it can focus on

sustained growth, efficiency and strong earnings. In the medium term, the KION Group aims to be the undisputed market leader and to use its strong competitive position to become the provider with the largest market share in the sector. Factors that will help achieve this objective are the KION Group's market-leading technologies and the high proportion of service business.

*2009 — Before joint venture with BAOLI *2009 — Before joint venture with BAOLI The Industry and the KION Group The material handling industry, in which the KION Group is an undisputable giant, is worth over 95 billion euros worldwide. The global economic crisis during the winter of 2008/09 caused many countries to introduce extensive fiscal stimulus packages and prop up their financial sectors in order to cushion the impact of both the economic crisis and the crisis in the real estate markets. They also lowered taxes, for example, in order to create stimulus for growth. This caused an increase in budget deficits, and thereby government debt, in almost all the major industrialized countries. At the same time, central banks around the world cut their key interest rates and bought bonds to ensure the availability of sufficient liquidity in both the economy and the capital markets. These measures stabilized economic conditions and helped individual economies to rally in 2010 —although growth rates varied worldwide. The material handling industry' reality was no different than the reality of any industry. It suffered the economic crisis of 2008, but also the upturn of 2010. The KION Group was mainly affected by two factors; prices of raw materials and the euro exchange rate among the different countries where it operates. Various raw materials are used in the production of parts bought in by the KION Group as well as at its own foundries and component production sites. The

most widely used material is steel in the form of sheet metal or in processed form in almost all components, which prices have vary parallel to the crisis. As for the exchange rate of the euro, even if the bulk of KION's products are sold in the European Economic Area, outside the euro zone, products are invoiced in euros, depending on the sales structure. Besides the major non-European currencies, some revenue is generated in foreign currencies, particularly in the emerging markets of Asia and South America. The most significant foreign currencies for the KION Group are the Chinese renminbi, pound sterling and the Brazilian real. Due to the euro crisis, the euro fell against other reserve currencies in May of 2010, but was able to make up for this to some extent during the second half of the year. The KION Group includes twelve sites worldwide where industrial trucks are manufactured, plus component production sites and foundries. With 1, 200 sales outlets worldwide and thousands of other distribution centers, the KION Group runs one of the most extensive distribution and service networks in the industry. The KION Group market Material handling markets around the world also benefited from the economic upturn in the regions, with the growth in these markets mirroring the rate of economic recovery in the underlying economies. Two years ago, the global markets profited from an increase of 45 per cent to 796, 000 units of industrial trucks. The main contributor to global market growth was China, which now has a 25 per cent share of the global market. Driven by this strong growth in key markets such as Germany, China, South America and Eastern Europe, the KION Group's business situation has been increasing since 2010 and it has been gradually stepping up production levels. Besides generating new business, the upturn

from the economic crisis is also leading to higher demand in the market for services such as aftersales, rentals and used trucks because customers are using their products to a greater extent. The KION Group's global market share can be rounded up to a 16 per cent. Gains in market share in the major western European markets are still not able to fully make up for the structural shift resulting from strong growth in China, which now represents a quarter of the global market. However, the KION Group has been able to extend its position as the number two in the global market and the market leader in Europe due to its excellent foothold in all high-growth regions and its balanced product mix compared to its main direct competitors.

Competitors In comparison to its global competitors, the KION Group occupies an outstanding position in all of the high-growth regions, which include in particular the eastern European, South American and Asian markets. The KION Group intends to consolidate this position and take advantage of the potential and the continuing growth of these markets. It has its own production sites in China and Brazil and, thanks to its distribution and service network, is represented in all the important high-growth markets. As we have mentioned before in this document, the KION Group is positioned as the second Material Handling Trucks manufacturer in the world, only surpassed by the multinational Japanese company, TOYOTA. Hereafter, this graph shows the three main worldwide competitors of the KION Group. Locally, each brand —Linde, Still, OM- may find different companies that compete directly with them at a smaller level, distributing industrial trucks. Some of these local competitors are: * CAT — Lift Trucks division * Mitsubishi forklift trucks * Crown Company * Nissan forklift * CLARK

* PALING * CUSHMAN * DOOSAN * SELICK Competitive Advantages As a leader in its industry, the KION Group is an example of successful management, mostly due to its different competitive advantages that have been developed through the years. In this research, we analyzed some of the most important advantages of the KION Group:

- * The corporate culture of the entire Group is characterized by mutual respect and appreciation. Managers and their staff live by these values. Their above-average loyalty to the Company shows that they appreciate this culture — and is a crucial competitive advantage for the KION Group. After all, the brands can only develop, manufacture and sell premium products if they have employees who see their work as more than just a job.
- * Market leadership in Europe and expanded service offerings: The KION Group intends to consolidate its market leadership in Europe. For this it continually aligns the broad range of products and services offered by its brands with customer needs. The portfolio consists of far more than the new truck business - the KION Group offers all the solutions and services that customers require for their internal material flow.
- * Full market potential exploitation in growth regions: The KION Group occupies an outstanding position in all of the high-growth regions. It has its own production sites in China and Brazil and, thanks to its distribution and service network, is represented in all the important high-growth markets. The KION Group will continue to make targeted investments in high-growth regions, expand its distribution and service network and adapt local production capacities to market requirements.
- * Multi-brand strategy: The multi-brand strategy is a fundamental element of the KION Group's overall strategy. The KION Group's brands enable it to draw on their

different strengths and effectively cover the various markets and segments via all the main distribution channels. The range of brands also enables the KION Group to offer several alternatives. In future, the KION Group will continue to pursue a multi-brand strategy and make targeted acquisitions of other local brands that will enable it to further strengthen its market position. Moreover, the KION Group will further expand its distribution and service network. * Cost leadership through synergies and operational excellence: The objective of the KION Group's organizational structure across all brand companies is to increase overarching synergies and implement best practice throughout the Group. The KION Group's production and logistics units are managed at head office by Central Operations in order to establish uniform standards and make expertise available to all parts of the Group. Having a shared purchasing organization generates cost savings for the entire Group due to economies of scale and a stronger negotiating position. This, plus the joint research & development unit, enables the bundling of resources and more efficient capacity utilization. Company's Products The KION Group manufactures material-handling products under the Linde, Fenwick (LINDE France), Still, OM, and BAOLI brands. KION is the sole manufacturer to offer an extensive portfolio of products and is therefore able to satisfy any requirement, whether small pallet trucks for moving goods around the warehouse or large container handlers for use in ports and rail freight depots. All products and services are designed to increase customers' efficiency. Linde Material Handling, for instance, employs innovative technologies and user-friendly, ergonomic concepts as well as designing ground-breaking solutions in order to create more efficient

products. Its truck design has already won numerous awards. Linde Material Handling also has a wealth of service expertise and a comprehensive product portfolio ranging from warehouse equipment to heavy trucks and container handlers as well as extensive aftersales support. This enables it to meet each customer's individual requirements. Services Service is a crucial factor for many customers when it comes to selecting a business partner. The KION Group therefore considers service to be a key way of retaining customers as well as an increasingly important line of business. To fully exploit the potential in this area, the KION Group offers its customers a wide choice of services. They include a broad spectrum of simple repairs, spare parts sales, warehouse planning (including administrative systems) and the organization of automated processes. In addition, the KION Group offers IT solutions for truck and material flow management that provide cost transparency and boost efficiency. The well-developed service business is enabling the KION Group to cushion itself better against the impact that fluctuations in the business cycle have on its business with new trucks. In 2010, service accounted for 46 per cent of revenue. The KION Group divides its service business into aftersales, used trucks and rental business. The 'other' product category also includes services such as consultancy, IT solutions and warehouse equipment systems. Strategic Analysis: External Analysis. PESTEL analysis. The principal markets for the company products are North & South America, Europe and Asia, so that we focus our PESTEL analysis in these areas. Political factors: North America and Europe There are not important political factor affecting our business South America: In South America the political environment is different depending on with country you are focus.

Bolivia and Venezuela have political regimens that control the actions of the foreign companies, which could mean expropriations or others actions that make business there very risky. Colombia has some problems with the local militia in some areas, and currently it doesn't mean a real risk for our business as a material handling products manufacturer, but it is important if we think about to set a factory in that country because of the possible security problems for our employees. The rest of the countries are democracies that perform well in political terms. Asia: Japan and India has not political problems related to our business, China, which is our principal market in Asia, is a country under a Communist regiment, every thing is under government control, it is mandatory to get agreements with local partners to success. It that way we are much better positioned than the rest of our competitors. A Potential risk is the behaviour of Chinese government related to corporations that copy or stole patented products or ideas but Chinese government is trying to clean the image that China has by improving rules and regulations about this issue. Economic factors: Europe The economies of the euro-zone countries fared very differently. Germany turned out to be one of the main engines of growth. As the largest economy in Europe, Germany benefited from the export focus of its industry and thereby from the strong upturn in the emerging markets. Gross domestic product (GDP) rose by 3.6 per cent, having declined by 4.7 per cent in 2009. The upturn was underpinned by new capital expenditure by companies and an increase in consumer spending as unemployment declined. France and Italy recorded only weak economic growth of 1.6 per cent and 1.0 per cent respectively, while the economies of Spain, Ireland and Greece actually

contracted. High debt levels and the threat of insolvency faced by Greece triggered a euro crisis in the first half of 2010: the capital markets feared that the European Monetary Union would fall apart because some countries had fallen massively short of the euro convergence criteria and market participants were concerned about the negative impact of this on the euro zone as a whole. Greece received an emergency loan from the International Monetary Fund (IMF) and the euro-zone countries, in return promising to implement reforms and significantly consolidate its finances. In addition, the European Union and IMF put together a €750 billion bailout fund to enable debt-ridden euro-zone countries to obtain emergency loans independently of the capital markets. Ireland drew on the bailout fund towards the end of the year and initiated far-reaching reforms in order to consolidate its budget. Similarly affected countries such as Spain and Portugal came under pressure in the capital markets as it was assumed that they too would need to be bailed out due to their high debt levels and persistently difficult economic situation. Spain and Ireland in particular are still struggling with the fallout from the crisis in the real estate markets and the structural problems in the financial sector. Both countries are also blighted by high unemployment. At the end of 2010, average unemployment in the euro zone stood at 10 per cent. Given that financial markets are heavily interconnected at an international level, the financial crisis and the crisis in the real estate markets also affected the United Kingdom. The economy recovered in 2010, with growth in the UK's GDP of 1.7 per cent compared with a decline in economic output of 5 per cent in 2009. However, as in the euro zone, the rally remained only modest. A sizeable portion of the growth can be

attributed to the stock cycle, with only muted increases in consumer spending and companies' capital expenditure. Because of the high budget deficit, the new UK government announced tax rises and across-the-board spending cuts aimed at eliminating the structural deficit in the medium term. Having slumped by 7.9 per cent in 2009, the Russian economy recovered somewhat in 2010, fuelled by increased production and higher commodity prices. However, the higher rouble exchange rate made Russian goods and services slightly less competitive, and growth was slightly slower in the second half of the year. Overall, Russia's economic output rose by 4 per cent year on year.

North America The momentum of the economic recovery in the USA declined over the course of the year. Overall economic output had boomed throughout the winter of 2009/10, but it slowed down again in the summer months as the fiscal stimulus packages and stock cycle gradually ended. Although the estimates for GDP growth were revised downwards during 2010, the USA is still likely to have reversed the 2.6 per cent slump of 2009 with a rise of 2.9 per cent in 2010 — largely owing, however, to government intervention and the Federal Reserve's expansionist monetary policy. There is no sign yet of an upturn on the labour market. At 9.7 per cent, structural unemployment is at one of the highest levels since the 1980s. Moreover, many of the problems that led to the crisis in the real estate markets and then the economic crisis seem to be unresolved. There has still not been a substantial recovery of the housing market, and the number of foreclosures and defaults on mortgages remains at a high level.

Asia The emerging markets, above all China, continued on their growth trajectory. Having grown by 9 per cent in 2009, the Chinese economy gained

a further 10 per cent in 2010. One of the drivers of this strong growth was industry, which recorded sharp rises in production and capital expenditure. Consumer spending increased in China due to higher real incomes and rising real estate prices. In 2010, the country more than made up for the loss in foreign trade that it had suffered during the economic crisis. Exports reached a record high of US\$ 154 billion in December 2010. In the other hand Japan has suffered the Nuclear Incident last years and the recovery of the Japanese economy will take several years. The other huge Asian economy, the Indian economy, is following the steps of Chinese economy with a strong growth, but there aren't any middle-class there, so that the logistics boom has not the same massive relevance. South America In South America, the economic situation visibly improved. By the end of the year, the Brazilian economy, the largest in South America, had regained its previous all-time highs for all of the key economic indicators such as production, exports and consumer spending. Rising commodity prices supported the domestic economy. GDP increased by 7.5 per cent in 2010. At the same time, unemployment fell to a record low of 6.8 per cent. Social factors: North America and Europe. Social factors to take in to account in those areas are the trends on buyers' behaviours that are moving from regular buyers to e-buyers. People buy a broad portfolio of products using internet, food, clothes, books, technological devices... thanks to the appearance of thousands of web pages that offer this services such Amazon, eBay and many other local and corporate retailers web pages. The volume of goods that are acquired using Internet channels rose 20% in the last years in western economies, and it will increase even more in the following years. This trend has a direct impact on the logistic

sector in two ways, the volume to good to be moved, and the sharply increase on small orders to be delivered in many different spots in the cities, which makes mandatory an efficient stock managing and order preparing in the warehouse, where the high performance of our products is key. Asia In Asia, this phenomenon could be even most important due the fact that China middle-class consumers' community will be the bigger e-buyers community in the next 3 years. It is not the same case in India, where the lack of Internet users, make this kind of commerce almost impossible. South America This social trend is not a reality in South America, mainly due to the lack of companies working in that way. It is possible to hope that in the following years the e-market will become bigger and bigger as in North America, Europe and China

Technological factors: The new technological trend in this area is the implementation of IT to the warehouse and stock control and by extension to the material handling machines. In that way, as an extreme case, in specific kinds of industries and when it is possible due to the products and processes of those plants, warehouses become completely automatic (for instance the blind warehouse of Lilly in Madrid)

Legal and environmental Factors: The KION Group's material-handling products are machines that have to comply with certain legal requirements in all of the major geographical markets in which the Company operates. These requirements serve to minimise - or eliminate - the risks associated with using the products for drivers, other people, the facilities in which they operate and the environment in the immediate vicinity. They also help maintain the performance of the machines. In the European Union, for example, the products are subject to the machinery directive (2006/42/EC),

other technical regulations such as the emissions directives on noise (2000/14/EC) and exhaust gases (2004/26/EC) and the electromagnetic compatibility directive (2004/108/EC) as well as product-specific regulations, for example the directive on products for use in potentially explosive atmospheres (94/9/EC). As a manufacturer of material-handling products that are governed by these regulations, the Company must ensure that its products comply with the regulations and must verify and certify this compliance in the prescribed manner. The procedures stipulated by the regulations for the mandatory declaration of conformity vary depending on the product type. For example, the Company uses both self-certification (e. g. declaration of conformity) and third-party certification (e. g. EC type-examination certificate). As a result, when customers receive a product, they always have confirmation — in the form of the CE marking — that the product complies with all applicable European regulations. Many of the aforementioned legal requirements, especially the directives underlying the 'new approach to technical harmonisation and standardisation', are defined in precise terms in product-specific standards and other standards (e. g. EN, ISO and DIN). These standards provide simplified procedures for complying with the defined legal requirements in a verifiable manner, and the Company makes extensive use of them. As a technology leader, the KION Group endeavours to surpass the minimum standards defined for the products that it makes. Corresponding regulations and standards apply in other jurisdictions around the world, and the Company's products sold in those markets comply with them as well. Technical standards, product safety regulations and environmental requirements are constantly being updated

by the authorities responsible for them. Examples include the tighter emissions levels permitted for IC trucks and the requirements and limits placed on employers so that they protect their employees against excessive levels of noise and vibration. As a technology leader, the Company is well placed to more than simply fulfil these requirements. In fact, its products' existing technical properties create potential for KION to successfully differentiate itself further from the competition. In addition, the KION Group is an active member of associations such as the German Engineering Federation (VDMA) and its working groups in which it helps to continually enhance standards and regulations. Overall, the KION Group does not expect the changing regulations to have any material negative effects on its business model.

Porter's 5 forces
Boston Consulting Group Matrix
Service BU
Service BU
Manufacture BU
Manufacture BU
Activity Life cycle
Value Chain *

Procurement: It is key for the business, the production variable cost depend directly of the cost of the raw materials (specially Steel) * HR: The personnel policy is one of the keys of the Linde-KION group success, it integrate the values of the company from the top management staff to the blue collar workers, making them part of the company * Finances: We describe the financial part of the company in the financial analysis * R&D: Thanks to Linde hydraulics this company is market leader in technology, which is one of the pillars of the company.

SWOT analysis
Growth opportunities in an attractive market
The KION Group occupies an outstanding position in an attractive market. The market for industrial trucks is strongly correlated with industrial output — and therefore also with macroeconomic trends. Strong growth in the global economy and, in particular, the recovery in world trade in 2010 is

having a correspondingly positive effect on demand for industrial trucks. This growth trend is expected to continue in the coming years. Greater division of labour and rising inventory turnover rates in the major industrialised nations will increase the degree of mechanisation in logistics. This, in turn, will increase demand for efficient warehouse equipment and comprehensive intralogistics solutions. In the next few years, market growth in the industrialised world will be reinforced by the gradual release of pent-up demand caused by the postponement of replacement investment in industrial trucks that was seen during 2009 and 2010. In fast-growing markets such as Eastern Europe, South America and Asia, sales of industrial trucks will continue to benefit from more rapid overall economic growth and associated expansion investment. The KION Group is excellently placed to participate in this trend. Although customers in these countries generally have lower technological requirements and are more price-sensitive, there are also signs that demand for trucks based on high-quality, reliable technology is rising in these regions. KION can seize the opportunities presented by market growth and, during the crisis for example, it actually expanded its market share in Europe. From this position, the KION Group is set to benefit from the continued recovery in the industrial trucks markets. Successful multi-brand strategy meets specific market needs The needs of customers in the market for industrial trucks are very wide-ranging and, with its five brands — Linde, Fenwick, STILL, OM and Baoli — the KION Group covers the entire spectrum of industrial trucks from basic warehouse equipment to container handlers. Linde/Fenwick and STILL/OM operate in growth markets such as ergonomics and intelligent intralogistics. By virtue of

their technological and solutions-oriented competencies, they are widely regarded as leaders in technology and innovation. Baoli targets the economy segment, where customers have different priorities in terms of technology and pricing, and it also meets the needs of rapidly developing high-growth markets. The KION Group's broad-based structure enables it to benefit from growth in all market and product segments, using its expertise to develop new solutions and to build market share. Continued expansion of service business Service-related business offers an opportunity for growth that is largely independent of market cycles. With a fleet of over one million trucks in use worldwide, the KION Group has a broad platform from which to generate lucrative service business. It uses this business as a tool for maintaining long-term customer relationships and for tapping into profitable income streams. Services such as financing solutions, maintenance and repairs, spare parts, and efficient end-to-end solutions for fleet management play an increasingly important differentiation role. The KION Group will apply its expertise to expanding its range of efficient service solutions, adapting them to local needs and thereby increase its market share. Expansion supported by selective opportunities for growth by acquisition Despite the consolidation that has taken place within the sector, the market for industrial trucks is highly fragmented. Some providers only sell their products in certain regions. The KION Group can bolster its organic growth by making selective acquisitions — including in the area of sales and service structures — as a quick and effective way of strengthening its position in specific markets. Trend for 'green' logistics and efficient technology Economics and ecology are the mega-trends in the market for industrial trucks. That is why

the KION Group as a driver of innovation is already ahead of the game in terms of environmentally-friendly trucks and fuel-saving technologies. The advantage for customers is the low total cost of ownership of products, which includes the cost of maintenance and repairs, consumption and labour costs in addition to the purchase cost. Examples include Linde's PureMotion programme — in which Linde Material Handling is using its expertise to protect people and the environment — and STILL's extremely fuel-efficient forklift trucks that have been developed thanks to its leading position in hybrid technology. Going forward, the KION Group will focus on exploiting its technological lead to develop new products that benefit its customers — innovations that provide opportunities for growth. Additional potential synergies in the KION Group. The Group's organisational structure offers further potential for synergies. Even after the initial successes of the new 'One KION' organisational structure, there are more opportunities for savings in the overarching functions in KION and the brand companies, including in purchasing, development, production and logistics. The KION Group will exploit any as yet untapped potential synergies, which will give it opportunities for improving its competitiveness and efficiency. Fluctuations in the business cycle. Fluctuations in the business cycle in the relevant markets result in a risk to the KION Group's performance. In particular, sales of new trucks depend to a large degree on economic growth. The KION Group's distribution of sales over a variety of industries and regions as well as its limited dependency on big-ticket customers serve to mitigate the risk. Market risk is reduced by close monitoring of markets and competitors as well as any resulting necessary adjustments to production capacities. The

KION Group takes measures to boost its sales and expand less cyclical businesses such as services to counteract economic downturns. Times of crisis allow premium manufacturers, such as the KION Group, that have their own sales and service networks to benefit from the tendency of customers to opt for high-quality products. With its current brand and product portfolio, the KION Group is in an outstanding market position. Competition risks

Manufacturers from Asia, especially those from China and Korea, have an advantage in the production of lower-priced equipment due to the weakness of the euro and also because Asian labour costs are low. Providers from Asia can create competitive pressures for the KION Group, especially in the low-price segment. However, customers' high quality expectations and performance needs form a barrier to growth for many of these manufacturers, and their lack of an established distribution and service network in Europe makes it more difficult for them to gain a foothold in this market.

Procurement and sales risks The KION Group is exposed to risks in its procurement and sales activities. In 2010, the Group rigorously maintained its more intensive management of receivables and procurement as a result of the economic crisis. Procurement activities constitute a potential risk for the KION Group in terms of the lack of availability and rising cost of raw materials, energy, base products and intermediate products. While the financial situation of suppliers was a significant source of risk during the general financial and economic crisis, availability of components came to the fore as a risk in 2010 because our suppliers experienced a surge in demand. The KION Group was directly affected by supply problems and also indirectly via its suppliers, particularly in the case of electronic

components. Supplier-related processes have since improved again. At the same time, the KION Group has taken additional steps to further increase the availability of production parts. While the KION Group benefited from stable, relatively low prices in the commodity markets at the beginning of 2010, prices shot up from the second quarter onwards as a result of the aforementioned rise in demand in the supplier markets. However, there is still a risk of significant volatility in procurement prices in the future owing to the economic situation remaining benign. The ongoing screening of suppliers from a risk perspective is proving to be highly effective. Only one of the selected suppliers initiated insolvency proceedings during 2010, but this did not lead to any significant interruption to supplies or to the ability of the KION Group to deliver its own products. As far as its sales are concerned, the KION Group is now exposed to stiffer competition and downward pressure on prices as a result of increasing globalisation and greater market transparency. The KION Group ensures that it sustains a profitable level of pricing, and in 2010 it was able to withstand pricing pressures in a competitive environment, particularly in Western Europe, while at the same time improving its market share. At the same time it is optimising its cost structures and business processes. The measures initiated in 2009 have made a major contribution to reducing costs. The KION Group's brand companies are also continually enhancing the services they provide. Important aspects of this work include expanding the sales force, improving spare-parts logistics processes and ensuring 24/7 availability. The Baoli brand enables the KION Group to supply customers in low-price market segments who were previously difficult to reach. Baoli also provides the KION

Group with a platform on which to meet demand for basic products, particularly in developing markets. Production risks Because the Company has a closely integrated manufacturing network, operational disruptions or lengthy periods of production downtime at individual sites present a potential risk to its ability to deliver goods on time. To mitigate these risks, the KION Group carries out preventive maintenance, implements fire protection measures, trains its staff and builds a pool of external suppliers. The Company has taken out a commercially appropriate level of insurance cover against loss. So that it can manage quality-related risks arising from the products and services it provides, the KION Group attaches considerable importance to quality assurance right from the start of the value chain. It mitigates its quality-related risks significantly by applying rigorous quality standards to its development activities, conducting stringent controls throughout the entire process chain and maintaining close contact with its customers and suppliers. Financial risks The main types of financial risk managed by Group Treasury, including risks from funding instruments, are liquidity, exchange-rate, interest-rate and counterparty risk. Risk management procedures issued by Group Treasury stipulate how to deal with these risks. Counterparty risk consists only of risks related to financial institutions. The individual Group companies manage counterparty risks involving customers. The restructuring of the existing acquisition finance during 2009 continued to provide the Group with the flexibility needed to meet the requirements of the financial covenants. Accordingly, the KION Group has secured acquisition finance in the form of committed credit lines (with maturities up to 2016). At the end of 2010, the Capex facility

(approximately €29 million) was reduced as agreed and the drawn portion of the RCF facility (€125.4 million) was also repaid. However, this credit line can be re-drawn if required. The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution. Deposits are also restricted to the limits covered by the deposit protection fund run by the Federal Association of German Banks (Einlagensicherungsfonds des Bundesverbandes deutscher Banken). The KION Group only uses derivatives to hedge underlying operational transactions. It does not use them for speculation. Records are kept of the type of financial instruments used, the limits governing their use and the group of banks acting as counterparties. Group Treasury rigorously complies with and monitors the strict separation of functions between the front, middle and back offices. Each Group company's liquidity planning is broken down by currency and incorporated into the KION Group's financial planning and reporting process. Group Treasury checks the liquidity planning and uses it to determine the funding requirements for each company. Normally, at least 50 per cent of the exchange-rate risk related to the planned operating cash flows based on liquidity planning is hedged by currency forwards in accordance with the relevant guideline. The KION Group uses interest-rate and currency-related derivatives — primarily interest-rate swaps and currency swaps, but also interest-rate and currency options — to hedge the interest-rate and currency risks arising in connection with the acquisition finance. The currency risk arising from the US dollar tranche (excluding PIK interest) is fully hedged by a combination of forwards and options within a USD/EUR exchange-rate range of 1.5139 to 1.1825 (the USD/EUR rate to be

hedged within this range is around 1.375). These derivative contracts expire in September 2011. When the hedges expire, there may be a material outflow of funds, depending on the US dollar exchange rate. At the end of 2010, approximately 40 per cent of the Group's interest-rate exposure was hedged by interest-rate swaps; a further 44 per cent of its interest-rate exposure was hedged against one-month Euribor rising above 1.75 per cent per annum by means of interest-rate caps. The need to replace hedging instruments that expire is reviewed on an ongoing basis. The funds raised for the acquisition of the KION Group also give rise to risks in terms of compliance with certain financial covenants specified in the loan agreement. However, these covenants were restructured in 2009 and the Company complied with them comfortably at the end of 2010. Despite the abatement of the economic crisis, there is still a risk of non-compliance with the covenants, although KION mitigates this risk with its comprehensive action plan instigated in 2009 and by including sufficient headroom in the revised covenants. The KION Group complied with all the financial covenants in the past financial year.

Financial Analysis of the company

Size of Business

The KION Group is a leading provider of industrial trucks with an outstanding position in the market. In 2010, the Group generated revenue of €3,534 million and an order intake of 121,500 units. As we see in the previous graph, the gross profit decreased by 39.6% due to the world crisis that hit at the end of 2008. In 2009 with a sales margin of 19% and 2010 of 24% the KION Group started to recover by increasing the gross profit by 41.7%, due to a better management of its resources and implementation of new strategies as we have seen in this report. From 2011, we have made a projection taking

into consideration previous data and other external factors, such as the economic environment we are living right now. The crisis hit its worst on Europe during 2010 and 2011, but the solid economic background of Germany and other growing economies such as the Chinese and the Brazilian will help the KION Group to increase its profits by an average of 10 % for the next three years.

Cost of Materials As we mentioned before, the KION Group is directly affected by the variation of the prices of the raw materials. Average steel prices, which had fallen significantly in 2009, increased by 31% in 2010. There was even greater recovery in the price of cast-iron scrap, which climbed by an average of 53 per cent. Prices for copper on the London Metal Exchange also rose by 55 per cent on average during the year. However, the sharpest price rise among the raw materials relevant to the KION Group was for natural rubber at 98 per cent. The oil price, an indicator of plastics and energy costs, increased by 36 per cent in 2010.

Employees To address the issue of overcapacity, the KION Group used short-time working in Germany and similar measures in other countries during 2010. At times, over 7, 000 employees in Germany alone were affected by short-time working. Short-time working was gradually reduced during the course of the year as the market picked up. A high proportion of the affected employees enrolled on continuing professional development programs. In 2010, the first year after the worst crisis to hit the sector, the number of employees (19, 968) remained relatively stable compared to 2009. The KION Group therefore retained the valuable expertise of its employees for the future.

***Assets structure Assets** As at 31 December 2010, total assets had decreased minimally by 1. 0 per cent to €5, 759 million (31

December 2009: €5, 815 million). Non-current assets (€4, 105 million) and current assets (€1, 654 million) were almost unchanged on a year earlier.

Performance Indicators The management approach is based on six key performance indicators: order intake, revenue, adjusted EBIT, adjusted EBITDA, net bank debt and free cash flow before tax. These key figures are used for the KION Group as a whole and at segment level. They form the basis for the performance targets for the KION Group and its segments as well as determining a significant proportion of senior managers' performance-related remuneration. The key performance indicators are determined once a month and submitted to the Executive Board as part of a comprehensive reporting package. Order intake and revenue Order intake and revenue are broken down by region, product segment and product group in the KION Group's management reporting so that revenue growth drivers and pertinent trends can be identified and analyzed in a timely fashion.

Adjusted EBIT The key figure used for the operational management and analysis of the KION Group's financial performance is adjusted earnings before interest and tax (EBIT). For internal management reporting purposes, the adjusted EBIT figure does not include other net financial income/finance cost or net investment income.

Adjusted EBITDA Unlike EBIT, the EBITDA figure is shown before deduction of depreciation for property, plant and equipment and leased assets and of amortization for intangible assets. As with adjusted EBIT, the effects of the KION acquisition purchase price allocation and one-off items are not included for the purposes of performance measurement. Adjusted EBITDA constitutes an approximation of the cash flow KPI and provides information on the Company's long-term

financial performance. Net financial debt Net financial debt, defined as the difference between financial debt and cash and cash equivalents, is the key performance measure used in liquidity planning at Group level. Lease liabilities and other financial liabilities are excluded from this figure. Free cash flow before tax Future free cash flows have a direct impact on the value of the Company. They are determined solely by the KION Group's operating activities and investing activities. The performance measurement of free cash flow before tax is supported by the carefully targeted management of working capital and by detailed planning of capital expenditure. Performance program The main aims of the KIARA performance enhancement program, which was launched in 2009, are a lower break-even point by means of systematic cost management, optimized structures and more efficient processes. This program has enabled the KION Group to sustainably improve its cost structure and considerably boost its performance. The far-reaching program is divided into various modules: sales & service, production, hydraulics, research & development, purchasing and administrative functions. It comprises almost 200 individual initiatives, which are managed using relevant key performance indicators and whose progress is measured on a monthly basis. The appetite for change within the organization is one of the key factors driving the success of the KIARA performance enhancement program, which has contributed approximately €250 million in its first two years and has thereby exceeded its target of €212 million. Break even analysis In this Analysis we see how much The KION Group had to sell in order to cover all their costs. We have taken the break-even point of years 2010 and 2009 to make a comparison between them. In 2009 due to the

crisis, the actual revenue did not cover the costs ending up in making losses for the group with 25 % under the break-even point. In 2010, due to different strategies, the KION Group managed to overcome the crisis and sold enough to start making profits with a 2% over the break-even point.

	2009	2009	2010	2010
Euros	3,084 €	3,084 €	3,534 €	3,534 €
Euros	(75%)	(75%)	(102%)	(102%)
Euros	3,472 €	3,472 €	4,086 €	4,086 €

Diagnosis and conclusions In 2010, the KION Group reached major corporate development milestones. The restructuring begun in 2009, part of the KIARA performance enhancement program was implemented successfully, new restructuring measures were initiated and costs were significantly reduced. Employees' knowledge and performance represent one of the KION Group's core strengths and were one of the main driving forces behind the upturn that began in 2010. During the economic crisis, the KION Group proved to be a reliable employer, with the number of employees adjusted with a sense of proportion. By combining the strengths of the STILL and OM brands, the KION Group improved its market penetration and product coverage. The KION Group had strengthened its position in the emerging market of China with its fifth brand, BAOLI, in 2009 and assumed complete management control of BAOLI in 2010. It is therefore very well placed to participate in the fast development of the Chinese market and to penetrate other high-growth markets with BAOLI. Linde Hydraulics, one of the Group's technological mainstays, entered into a strategic alliance with Eaton in 2010. The two companies are an ideal fit in terms of their product portfolios and they are moving into additional regional markets. This alliance is crucial to Linde Hydraulics because it is able to offer its products based on market leading

technologies to a broader range of customers. In 2010, the KION Group benefited considerably from the global economic recovery and the subsequent upturn that was felt on the worldwide industrial trucks markets. The main drivers of growth last year were the strong home German market and, above all, the emerging markets, which accounted for approximately half of the growth in new truck business. Worldwide order intake for new trucks rose by 32 per cent to 121, 500 units, while revenue climbed by 15 per cent to €3, 534 million. Due to the rate at which the plants could be ramped up and the more stable growth in service revenue, the sharp rise in order intake was not fully matched by the increase in total revenue. As a result of the slight improvement in the business situation expected for 2010, the KION Group is highly satisfied with its revenue growth and earnings. The steps taken to boost profitability took full effect, and costs were reduced significantly as a consequence of the KIARA performance enhancement program, which was launched in 2009. Adjusted EBIT increased to €139 million, having been minus €29 million in 2009. Taking into account interest expenses, tax and one-off items, however, the KION Group again reported a net loss (€197 million). This had a negative impact on the Group's equity. As at 31 December 2010, the KION Group reported equity of minus €400 million. This figure is of no relevance under the covenants agreed with the financing banks or under the German Commercial Code (HGB). The equity of KION GROUP reported in the single entity financial statements of that company in accordance with HGB was a very comfortable €333 million. The KION Group is ideally placed to benefit from the sustained upturn on the global industrial trucks market and, in 2010; it set the course that will enable

it to do so. Strategy from a financial point of view Despite the tough economic conditions, the KION Group stepped up its research and development activities, involving 827 developers in 2010 and pushed ahead with important projects. Total spending on R&D in 2010 amounted to €104 million. This equates to 2.9 per cent of total revenue or 5.5 per cent of its relevant revenue from new trucks and hydraulics, making the KION Group an industry leader in this regard. In 2010, the KION brands Linde, STILL and OM submitted 75 new patent applications. A total of 95 patents were registered. This enabled the brands to secure the fruits of their research for their own benefit, an important step in maintaining and enhancing the KION Group's technology leadership for the future, as set out in its strategy. KION vs competitors R&D spending 2010 KION vs competitors R&D spending 2010 2.9 % 2.9 % 2.9 % 2.9 % 2.9 % 2.9 % To ensure efficient management of capital expenditures, we should apply a two-stage process for approving capital expenditures throughout the Group. The first step, which is part of the annual planning process, covers capital expenditures planning for major projects, including individual descriptions of them. Projects involving capital expenditures of more than €250 thousand also go through a second step, in which they are assessed individually. The projects should be assessed on the basis of the internal rate of return and the payback period. Capital expenditures projects are generally only approved if they will earn a higher internal rate of return than the cost of capital for the KION Group and will therefore contribute to increasing shareholder value. Projects involving capital expenditures of more than €250 thousand will need to be approved first by the Management Board of the relevant brand and then by the KION

Group's Executive Board. The increases in raw materials prices recorded in 2010 did not fully impact on the cost of materials in the KION Group. As the KION Group mainly buys processed materials and components, fluctuations in the price of raw materials only have an impact in proportion to the amount of the overall value of those processed materials and components accounted for by raw materials. In addition, suppliers are bound by the agreed conditions for the period of time stipulated in the contract. As a result, increases in raw materials prices are only felt at a later date and only if it can be assumed that the increases will be sustained. As a rule, fluctuations in raw materials prices barely affect the cost of materials for the reasons mentioned above. In some cases, the cost of raw materials should be passed directly on to end customers. The cost of materials in the KION Group increased by an average of 1.8 per cent in 2010 as a result of the change in commodity prices. In particular, steel, scrap and copper were more expensive than they had been in 2009. However, the KION Group still achieved cost savings of 2.4 per cent as a result of the KIARA performance enhancement program and should keep close collaboration with suppliers for the near future. On 31 December 2010, the KION Group employed 19,968 people (including trainees and apprentices). The number of employees was therefore almost the same as in 2009, although there were changes between the proportion of people employed in Europe and in the high-growth markets (China, North America and South America). With a total of 557 (2009: 546) trainees and apprentices at the end of 2010, the Group should continue to invest in training and development at the same high level, despite the crisis, to ensure that it can continue to recruit many of the skilled workers it

requires. The proportion of trainees and apprentices in Germany, for example, was 5.3 per cent in 2010. This is at a very similar level to previous years (2009: 5.2 per cent, 2008: 5.1 per cent). The Group's personnel development should focus on two topics. The first of these is targeted continuing professional development during periods of short-time working and the second is talent and succession management. The aim of this step is to enable employees, along with the Company, to emerge stronger from the crisis. A Group-wide talent and succession management system should also be introduced as part of the KION Group's strategic personnel development. To safeguard its long-term success, the Company needs the right managerial staff and young professionals, in terms of quality and quantity, to meet the challenges they will face in future.

Marketing Plan Mission "Linde - KION Group aims to be the undisputed market leader and to use its strong competitive position to become the provider with the largest market share in the sector while delivering a sustained increase in shareholder value."

Market Target Every company that needs any storage solution, from the process consulting and the system design to the supplying of any material handling product or service.

Marketing mix

- * Product All the portfolio of high quality product, services and solutions that Linde-KION is able to deliver to its client
- * Place Wherever a company needs the company products services.
- * Promotion Searching for Big potential customers is a goal, looking for a partnership along the time thanks to the special discounts in products and services that Linde- Kion can offer.
- * Price Linde-KION multibrand portfolio covers any range of prices depending on the customer needs.

Marketing objectives and strategies This marketing plan is based on the company

completive advantages that we have described at the beginning of the report, trying to increase the global value for the stakeholders. 1. Leading global manufacturer. Maintain new truck market leadership in Europe. R&D is key in this aspect, only by innovation and maintaining the top quality standards Linde-KION will be able to maintain the leadership in Europe, and to consolidate that position in East Europe. HR policy is also important because part of the brand image is build over the people that work in the company, from the top to the bottom every one in the company follow the same values. The image that the European part of the company reflects to the entire world is the business card so that it has to be the image of a strong leader with capacity to move whatever you want to move in any part of the world. 2. Higher share of business abroad. Tap full market potential in growth regions In comparison to its global competitors, the KION Group occupies an outstanding position in all of the high-growth regions, which include in particular the eastern European, South American and Asian markets. The KION Group intends to consolidate this position and take advantage of the potential and the continuing growth of these markets. It has its own production sites in China and Brazil and, thanks to its distribution and service network, is represented in all the important high-growth markets. The KION Group will continue to launch local products that address the specific needs of the different markets and expand its range of region-specific products, at the same time drawing on its brand companies' broad product portfolio. It will also continue to make targeted investments in high-growth regions, expand its distribution and service network and adapt local production capacities to market requirements. 3. Further improve market

penetration through multi-brand strategy The multi-brand strategy is a fundamental element of the KION Group's overall strategy. As the global number two and the market leader in Europe, the KION Group pursues a multi-brand strategy based on its Linde, Fenwick, STILL, OM and Baoli brands, which enables it to cover and serve a wide range of regions, market segments and customer groups as effectively as possible. Whereas the global premium brands Linde and STILL operate in the market independently of one another, the two regional brands Fenwick and OM focus on their home French and Italian markets respectively, where they are among the market leaders. Baoli, the Chinese brand that has been part of the KION Group since 2009, operates in the economy segment and is pursuing the high-growth market for simpler, robust IC trucks, for which there is also demand in other growth regions besides China. The KION Group's five brands enable it to draw on their different strengths and effectively cover the various markets and segments via all the main distribution channels. The range of brands also enables the KION Group to offer several alternatives to competitors' products and thereby expand its market share. In future, the KION Group will continue to pursue a multi-brand strategy and make targeted acquisitions of other local brands that will enable it to further strengthen its market position. Moreover, the KION Group will further expand its distribution and service network.

4. The industry profitability benchmark. Cost leadership through synergies and operational excellence Since being spun off in 2006, the KION Group has been systematically leveraging potential synergies and boosting its performance by making operational improvements. The objective of the KION Group's organisational structure across all five-brand

companies is to increase overarching synergies and implement best practice throughout the Group. After all, a multi-brand strategy offers significant potential for synergies. At the same time, clear brand differentiation is a central element of marketing. The KION Group's production and logistics units are managed at head office by Central Operations (COPS) in order to establish uniform standards and make expertise available to all parts of the Group. Besides the ongoing improvement of production processes, COPS also focuses on platform strategies and modular concepts. This focus enables the KION Group to draw on its brand companies' comprehensive product portfolio by making the product developments of individual brands available to other brands so that they can exploit potential in their markets. Having a shared purchasing organisation generates cost savings for the entire Group due to economies of scale and a stronger negotiating position. This, plus the joint research & development unit, enables the bundling of resources and more efficient capacity utilisation. The Group also implements and runs standardised IT systems and platforms. By exploiting potential synergies and continually raising its operating performance, the KION Group can continue to improve its margins.

5. Increase Services Portfolio to further expand service offering and global customer experience By increasing the portfolio of services Linde — KION is looking for increase the duration and the quality of the relationship between the company and the customer.

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