KUKA

H1/18
Interim Report

Key figures

in € millions	H1/17	H1/18	Change in %
Orders received	1,974.8	1,860.4	−5.8%
Order backlog (June 30)	2,237.4	2,341.1	4.6%
Sales revenues	1,798.5	1,597.2	−11.2%
Gross earnings from sales	404.6	385.4	−4.7%
in % of sales revenues	22.5%	24.1%	–
EBIT (earnings before interest and taxes)	82.4	67.4	−18.2%
in % of sales revenues	4.6%	4.2%	–
EBITDA (earnings before interest, taxes, depreciation and amortization)	119.1	109.4	−8.1%
in % of sales revenues	6.6%	6.8%	–
Earnings after taxes	60.2	50.3	−16.4%
Earnings per share (diluted/undiluted) in €	1.52	1.26	−17.1%
Capital expenditure	40.9	127.7	>100.0%
Equity ratio in % (June 30)	33.1%	32.4%	–
Net liquidity/debt (June 30)	−100.0	−181.0	81.0%
Employees (June 30)	13,755	14,013	1.9%

in € millions	Q2/17	Q2/18	Change in %
Orders received	1,007.5	960.2	−4.7%
Order backlog (June 30)	2,237.4	2,341.1	4.6%
Sales revenues	1,007.7	852.7	−15.4%
Gross earnings from sales	209.3	202.3	−3.3%
in % of sales revenues	20.8%	23.7%	–
EBIT (earnings before interest and taxes)	45.5	52.1	14.5%
in % of sales revenues	4.5%	6.1%	–
EBITDA (earnings before interest, taxes, depreciation and amortization)	63.6	73.5	15.6%
in % of sales revenues	6.3%	8.6%	–
Earnings after taxes	33.6	40.6	20.8%
Earnings per share (diluted/undiluted) in €	0.85	1.02	20.0%
Capital expenditure	25.6	84.4	>100%

Contents

Foreword

Dear Shareholders,

In the second quarter, KUKA achieved sales revenues of €852.7 million, orders received totaling €960.2 million and an EBIT margin of 7.3% before purchase price allocation, growth investments and restructuring cost. Compared with the strong results in the same quarter of the previous year, this represents a decline in revenues and orders received. Due to the increase of 4.6% in the order backlog and positive expectations for the second half-year, we confirm the guidance targets.

For example, we received significant orders in the second quarter, such as that from Chinese automotive manufacturer GAC for the production of electric vehicles and from a German premium automotive manufacturer for a flexible production solution that will meet the rising requirements of the future. This shows that our customers put their faith in us and appreciate the work of our employees.

A number of KUKA teams won awards, such as the IERA Award for the LBR med, a Ford World Excellence Award for an application in human-robot collaboration (HRC) and, for the third time, the distinction of General Motors Supplier of the Year. This makes us proud and gives us motivation. Motivation to address new and very important challenges – the automation of the future!

At Hannover Messe, we showcased the further development of the intelligent factory under the motto "industrial intelligence 4.0_beyond automation". Cobots support humans in production and quality assurance; autonomous, mobile robots bring the required components to the right place at the right time; and modular software platforms for warehouse management control the effective deployment of the mobile assistants that communicate with one another.

Furthermore, our LBR iisy cobot made its debut and we presented our first steps in consumer robotics. The domestic assistant is taking shape with the concept study "i-do". "i-do" is a mobile, modular robot system that end customers can configure according to their individual requirements. And while we were presenting our concepts at the trade fairs in Hannover and Munich, we were also developing viable business models with new partners: together with MHP and Munich Re, we demonstrated the SmartFactory as a Service in the former "Pfanni" building in Munich. In the future, customers will be able to implement their visions of intelligent production together with us in the model factory.

We have also made progress in our growth market in China. We have substantiated our growth plans here: the robotics park in Shunde is already under construction and the joint ventures founded together with Midea at the start of the year are increasingly taking shape. The start of production in Shunde is scheduled for December. I am looking forward to tapping new market segments in China – with the goal of becoming the Number One in robotics in China.

My thanks go to the global KUKA team that is pushing these important topics forward with great dedication. I am looking forward to the second half-year –centered on the company's 120th anniversary.

Sincerely

Dr. Till Reuter

KUKA and the capital market

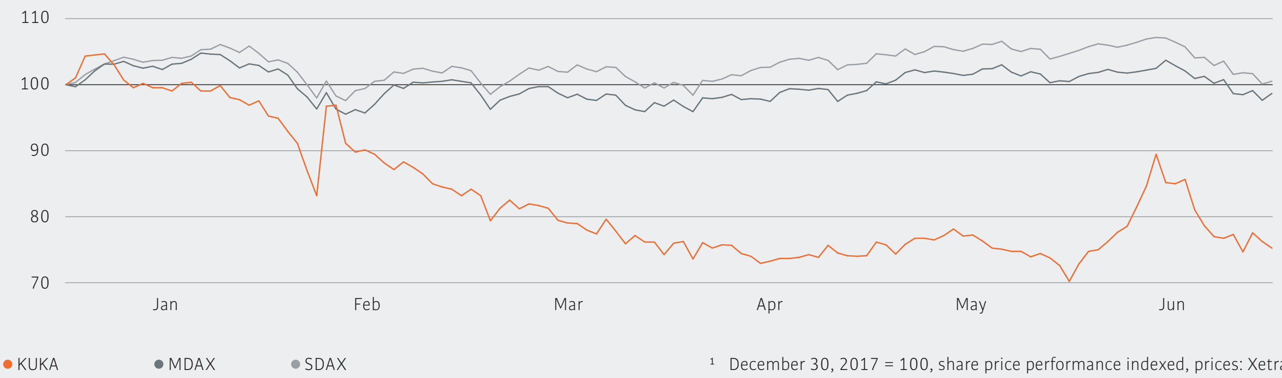
KUKA share

The growing trend towards protectionism worldwide had an impact on the economy in the first half of 2018. Fears of the trade dispute between the USA and China and the EU escalating increased in the first few months. Aside from punitive tariffs on importing Chinese goods, the USA imposed import duties on steel and aluminum from the EU. Further punitive tariffs were threatened on car imports from the EU. This would mainly affect Germany. The ifo business climate index is regarded as an important early indicator for the German economy. It declined to 101.8 points in June 2018 after recording 102.3 points in May. This affects all service, trade and construction industry sectors under consideration. While the surveyed companies assessed their current business situation as worse, expectations for the next six months remained unchanged.

In a globalized world economy, protectionist tendencies such as the call for import duties are also noticeable on the capital and stock markets. High-export sectors of industry would mainly be affected by this. The MDAX, on which the 50 medium-sized stocks in Germany are listed, dropped slightly in value since the beginning of the year and closed 1.3% down at 25,854.38 points on June 29, 2018. The SDAX comprises 50 companies that are ranked after the stocks listed on the MDAX in terms of market capitalization and stock exchange turnover and closed 0.5% up at 11,949.64 points on June 29, 2018.

The KUKA share (WKN: 620440, ISIN: DE0006204407) began the year 2018 at €121.15 and dropped in value over the first half of the year. On June 29, 2018, the share price closed 24.7% lower at €91.20. Share prices developed within a range of +1.5% to −30.3% in KUKA's peer group (companies that have a similar business base and are of a comparable size).

KUKA's share price performance
January 1 to June 30, 2018[1]



[1] December 30, 2017 = 100, share price performance indexed, prices: Xetra

Consolidated management report

Economic environment

Demand for cars

Global car market set to grow by 2% in 2018

With a view to the current economic indicators, the start to the second quarter was calmer than expected in the German Government's spring forecast in April. According to the German Automotive Industry Association (VDA), the domestic car market grew by 4% in the first half-year despite political and economic uncertainty. The sales of light vehicles on the US market were 2% above the previous year's level in the period from January to June 2018. A significant increase of 5.5% was experienced by the Chinese car market in this period. The VDA is anticipating growth of 2% in the global car market for 2018 with an expected volume of 86 million cars. According to the forecast, Europe will record an increase of 1% to 15.8 million cars. The VDA believes that the German car market too will grow by 1% to 3.5 million cars. Expansion of 2% is anticipated for China. This corresponds to 24.7 million new registrations. According to the VDA forecast, the US car market will record a decrease of 2% to 16.9 million light vehicles in 2018.

Worldwide demand for robot-based automation will rise further

The outlook for German industry continues to be positive for 2018 overall, though the upturn has lost some of its momentum. The ifo business climate index dropped to 101.8 points in June (May: 102.3 points). As a result, the ifo institute reduced its economic forecast for Germany in the current year from 2.6% to 1.8%. According to the German Mechanical Engineering Industry Association (VDMA), incoming orders in the German mechanical engineering sector decreased in real terms by 1% in May compared to the previous year. However, production rose by 4.2% on a real basis after four months (January to April). Exports increased by 3.4% in the same period. The VDMA reports appreciable supply bottlenecks and labor shortages.

According to the predictions of the International Federation of Robotics (IFR), the worldwide demand for robot-based automation is set to rise further. Globally, an average annual growth rate of at least 15% is expected between 2018 and 2020. More than 3 million industrial robots will be in use by 2020, meaning that the installed base will more than double within seven years (2014 – 2020).

Business performance

Orders received

KUKA Group

In the second quarter of 2018, KUKA Group posted orders received worth €960.2 million. Compared with the record value in the prior-year quarter (Q2/17: €1,007.5 million), this represents a decline of 4.7%.

In the first half of 2018, KUKA generated orders received totaling €1,860.4 million. Compared with the figure for the previous year (H1/17: €1,974.8 million), this corresponds to a reduction of 5.8%. New orders were received primarily in Europe.

Automotive

In the Automotive segment, orders received totaled €442.9 million in the past quarter. Europe, in particular, contributed to the volume of orders received. The orders are mainly due to call-offs from framework contracts of automobile manufacturers.

In the first half of 2018, the Automotive segment reported orders received with a total volume of €892.2 million.

Industries

In the Industries segment, orders received totaled €264.2 million in the second quarter of 2018. A particularly high volume of orders received was reported in China and Europe.

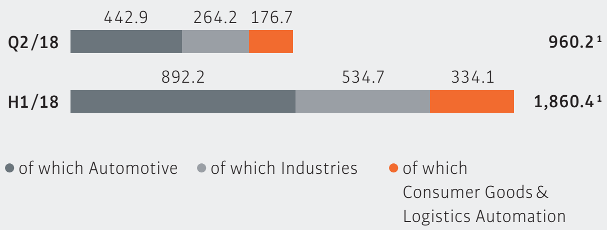
In the first half of 2018, Industries generated orders received worth €534.7 million.

Consumer Goods & Logistics Automation

In the second quarter of 2018, the Consumer Goods & Logistics Automation segment generated orders received with a total value of €176.7 million. New orders were received primarily in Europe. The positive development in this segment continued.

Orders received in this segment totaled €334.1 million in the first half of 2018.

Orders received
in € millions



¹ Group

Sales revenues

KUKA Group
Sales revenues of KUKA Group reached €852.7 million in the second quarter of 2018. This is a decline of 15.4% on the previous year's record result for the same quarter (Q2/17: €1,007.7 million). High revenues were generated most notably in Europe.

In the first six months of 2018, KUKA Group reported sales revenues of €1,597.2 million. Compared to the figure for the previous year, this represents a decrease of 11.2% (H2/17: €1,798.5 million). Revenues are expected to develop positively in the second half of the year. KUKA thus remains on course.

Automotive
In the Automotive segment, sales revenues totaled €389.2 million in the second quarter. High sales revenues were generated primarily in the Americas region and Europe.

Sales revenues in the first half of 2018 reached €786.0 million.

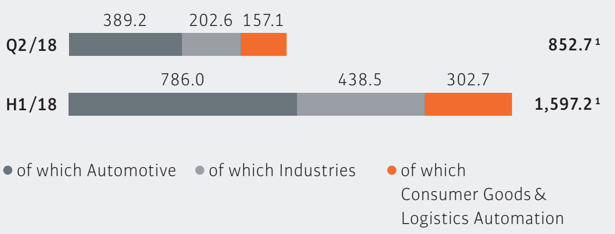
Industries
In the second quarter of 2018, sales revenues in the Industries segment amounted to €202.6 million. Sales revenues were generated particularly in Europe.

In the first half of 2018, Industries recorded sales revenues totaling €438.5 million.

Consumer Goods & Logistics Automation
In this segment, sales revenues in the past quarter reached a total volume of €157.1 million. This figure reflects the positive development from the previous quarter. Sales revenues were generated primarily in the Europe and Americas regions.

In the first half of 2018, the segment generated €302.7 million in revenues.

Sales revenues
in € millions



[1] Group

Book-to-bill ratio and order backlog

KUKA Group
The book-to-bill ratio – in other words the ratio of orders received to sales revenues – came in at 1.13 in the previous quarter (Q2/17: 1.00). In the first half of 2018, this indicator amounted to 1.16 compared with 1.10 in H1/17. This value increased slightly year-on-year in both a quarterly and a half-yearly comparison, and remains above 1. A value above 1 indicates good capacity utilization and growth.

As at June 30, 2018, the order backlog in the Group totaled €2,341.1 million. Compared to the prior-year period, this corresponds to a rise of 4.6% (H1/17: €2,237.4 million). This positive development is attributable to the fact that the volume of orders received remains significantly higher than sales revenues.

EBIT

KUKA Group
KUKA Group generated earnings before interest and taxes (EBIT) amounting to €52.1 million in the second quarter of 2018 (margin: 6.1%). Compared to the prior-year quarter, this corresponds to a rise of 14.5% (Q2/17: €45.5 million; margin: 4.5%). Disregarding the purchase price allocations for corporate acquisitions, growth investments and restructuring costs, the earnings before interest and taxes (EBIT) would be €62.0 million with an EBIT margin of 7.3%. The sale of shares in companies had a positive impact on the result here.

In the first half of 2018, EBIT fell by 18.2% year-on-year to €67.4 million (H1/17: €82.4 million). The margin correspondingly amounted to 4.2% in the first half-year 2018 (H1/17: 4.6%). Disregarding the purchase price allocations for corporate acquisitions, growth investments and restructuring costs (H1/17: €95.5 million), the earnings before interest and taxes (EBIT) would be €85.9 million with an EBIT margin of 5.4% (H1/17: 5.3%) in the first half of 2018.

Automotive
In the second quarter of 2018, EBIT for the Automotive segment was €27.8 million with a margin of 7.1%. EBIT at Automotive in the first six months of 2018 totaled €53.8 million, corresponding to an EBIT margin of 6.8%.

Industries
Industries posted an EBIT of €43.1 million in the second quarter of 2018. The margin stood at 21.3%. The sale of shares in companies had a positive impact on the result here. In the first six months of 2018, EBIT of €52.7 million was generated, with a margin of 12.0%.

Consumer Goods & Logistics Automation
The EBIT for Consumer Goods & Logistics Automation fell to minus €6.0 million in the second quarter with a corresponding margin of –3.8%. In the first half-year, the figure was –€2.9 million with a margin of –1.0%.

Financial position and performance

Earnings

In the reporting period, KUKA Group posted sales revenues totaling €1,597.2 million (H1/17: €1,798.5 million). Compared with the previous year, orders received were down by €114.4 million (H1/2017: €1,974.8 million). The order backlog totals €2,341.1 million and is thus up by €103.7 million on the corresponding figure for the previous year (H1/17: €2,237.4 million). At €385.4 million, gross earnings from sales are down on the first half of 2017 (H1/17: €404.6 million); this corresponds to a gross margin for the Group of 24.1% for the first half of 2018 (H1/17: 22.5%).

The sales, research & development and administration costs rose year-on-year to €346.0 million (H1/2017: €325.3 million) – an increase of €20.7 million or 6.4%. In relation to sales revenues, costs rose overall from 18.1% to 21.7%. Selling expenses increased by €6.0 million. Administrative expenses underwent the same development, rising by €10.6 million. The primary factors behind the increase in these costs are the expansion of the workforce as well as consultancy services reflected in the administrative expenses. At €70.4 million, the expenses for research and development shown on the income statement for the first half of 2018 were higher than for the prior-year period (H1/17: €66.3 million). The increase reflects the increased activities in conjunction with Industrie 4.0 and is primarily the result of higher expenditure for personnel, which is partially offset by the capitalized developments.

KUKA continuously invests in major internal projects such as the Power ON program, aimed at harmonizing, standardizing and optimizing Group-wide processes. At the same time, in-house measures for implementing the customer-centric organization are being further expanded and enhanced.

Finally, reference should also be made to the expansion of the workforce in the following functional areas. Compared to Q2/17, the number of employees in research and development rose by 94, in sales by 197 and in administration by 170.

The costs of €18.3 million (H1/17: €14.9 million) incurred for new developments in the period under review were capitalized and will be reported as planned depreciation in subsequent periods. KUKA's field of activity and the associated products and key technologies constantly require substantial new developments so that we can offer our customers the best possible solutions. For this reason, KUKA invests intensively in research and development, the results of which are reflected in the capitalization of new developments. Current research and development expenditures include €7.7 million in depreciation, versus €5.0 million in H1/17. This results in a capitalization ratio of 22.6% (H1/17: 19.6%). The continuously high capitalization of the development costs is attributable to the Group's strong technological focus.

Other operating income includes earnings from the sale of companies and holdings.

Earnings before interest and taxes (EBIT) for the first six months of this year fell by 18.2% from €82.4 million in H1/17 to €67.4 million. The EBIT margin for the first half-year 2018 fell from 4.6% to 4.2% compared to the same period last year.

In order to obtain the actual operating result of the Group, non-operating adjustments are made, leading to the adjusted EBIT.

These adjustments involve scheduled depreciation amounting to €6.5 million arising from purchase price allocations in connection with corporate acquisitions (H1/17: €6.1 million) as well as growth investments of €7.9 million (H1/17: €7.0 million). The restructuring costs total €4.1 million. Without the above-mentioned costs, EBIT amounts to €85.9 million (EBIT margin: 5.4%).

	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
EBIT (in € millions)	36.9	45.5	28.3	–8.0	15.3	52.1
EBIT margin (in %)	4.7%	4.5%	3.5%	–0.9%	2.1%	6.1%
EBITDA (in € millions)	55.5	63.6	47.1	14.0	35.9	73.5
EBITDA margin (in %)	7.0%	6.3%	5.9%	1.6%	4.8%	8.6%

Segment reporting

With effect from January 1, 2018, KUKA Group has a new organizational structure. With this new "Customer-Centric Organization", the goal is no longer to steer along the lines of products and solutions, but to place the focus on our customers in order to concentrate on them even more strongly. With regard to the implementation of the customer-oriented system, the Robotics, Systems and Swisslog segments have been divided into new segments. This structure is now reflected in three customer-oriented segments – the Automotive, Industries, Consumer Goods & Logistics Automation (CGLA) divisions – and the support segments Operations, Central Functions and Other. Further optimizations of the current segment structure are expected in the course of this year. The aim of all this is to support customers with integrated solutions in order to optimize their value creation and to inspire them with solution ideas and concepts for the factory of the future.

Prior-year comparative figures are not available for the new segmentation due to cost/benefit considerations. The Group continues to focus on customer orientation, therefore key figures for 2017 and 2018 are merely presented in the previous segment structure for ease of comparison.

The Automotive segment is a partner for the automotive industry in the fields of robotics, automation, logistics and electronics. Automotive achieved sales revenues of €786.0 million. EBIT in the reporting period was €53.8 million with an EBIT margin of 6.8%. This represents an increase of €2.9 million in the second quarter. The adjusted earnings before interest and taxes amount to €54.9 million with a corresponding EBIT margin of 7.0%.

The Industries division covers industries other than the automotive industry, which is covered by the Automotive segment. With the sale of ready2_use packages and standard solutions, this division combines product know-how and solution know-how. The Industries division generated sales revenues of €438.5 million in the first half-year, thereby achieving an EBIT of €52.7 million (EBIT margin: 12.0%). Adjusted for the specified effects, EBIT was €55.9 million (EBIT margin: 12.7%):

The Consumer Goods & Logistics Automation segment develops automation solutions for intralogistics. It supplies everything that companies need to optimize their logistics – from planning to implementation and customer service. This segment reported sales revenues of €302.7 million. The EBIT margin in the Consumer Goods & Logistics Automation (CGLA) segment was –1.0%. EBIT was –€2.9 million. After relevant adjustments, EBIT amounts to –€0.1 million (EBIT margin: 0.0%).

Production, procurement and development activities, for example, are bundled together in the Operations segment. The Central Functions segment contains, among other things, departments such as HR, Legal, Marketing, etc. Departments covered by the Other segment include Healthcare and Research & Development.

Compared with the same six months in the previous year, EBITDA (earnings before interest, taxes, depreciation and amortization) fell from €119.1 million to €109.4 million. Total depreciation and amortization in the period under review was €42.0 million, versus €36.7 million in H1/17. Of this, €4.2 million was attributable to Automotive, €3.5 million to Industries and €5.1 million to CGLA. Depreciation in Operations, Central Functions and the Other segment, including consolidation, totaled €29.2 million.

	H1/17	H1/18			
in € millions	Group	Group	of which Automotive	of which Industries	of which Consumer Goods & Logistics Automation
Orders received	1,974.8	1,860.4	892.2	534.6	334.1
Order backlog (June 30)	2,237.4	2,341.1	1,054.7	500.7	580.5
Sales revenues by division	**1,798.5**	**1,597.2**	**786.0**	**438.5**	**302.7**
EBIT	**82.4**	**67.4**	**53.8**	**52.7**	**–2.9**
in % of sales revenues of the division	4.6%	4.2%	6.8%	12.0%	–1.0%
Non-operating adjustments[1]	13.1	18.5	1.1	3.2	2.8
Adjusted EBIT	95.5	85.9	54.9	55.9	–0.1
Adjusted EBIT in % of sales revenues of the division	5.3%	5.4%	7.0%	12.7%	0.0%
EBITDA	**119.1**	**109.4**	**58.0**	**56.2**	**2.2**
in % of sales revenues of the division	6.6%	6.8%	7.4%	12.8%	0.7%
Non-operating adjustments[1]	7.0	12.0	1.0	2.5	0.3
Adjusted EBITDA	126.1	121.4	59.0	58.7	2.5
Adjusted EBITDA in % of sales revenues of the division	7.0%	7.6%	7.5%	13.4%	0.8%

[1] Non-operating adjustments relate to growth investments, restructuring costs and effects from the purchase price allocation for acquisitions.

Net interest expense was up slightly by €0.5 million year-on-year to €4.2 million. This resulted primarily from reduced interest income year compared with the previous year.

Interest income was €2.8 million, down from €3.5 million in H1/17. This mainly includes income from finance leases. Interest expenditure amounted to €7.0 million (H1/17: €7.2 million). The interest costs included therein from the promissory note loan placed in October 2015 totaled €1.7 million (H1/17: €1.8 million). The net interest expense for pensions was €0.7 million (H1/17: €1.0 million). The net currency effect in the first half-year amounted to –€0.6 million (H1/17: –€2.4 million).

Earnings before taxes (EBT) in the first six months of 2018 were €63.2 million, compared to €78.7 million in H1/17. With tax expenditure of €12.9 million during the period under review (H1/17: €18.5 million), the tax ratio amounted to 20.4% (H1/17: 23.5%). The reduction in the tax ratio is largely attributable to tax-free sales revenues and to lower tax levels in the USA.

Compared with the strong prior-year period, earnings after taxes fell by 16.4% to €50.3 million (H1/17: €60.2 million). The undiluted earnings per share decreased correspondingly from €1.52 to €1.26.

in € millions	H1/17	H1/18
Sales revenues	1,798.5	1,597.2
EBIT	82.4	67.4
EBITDA	119.1	109.4
Financial result	–3.7	–4.2
Taxes on income	–18.5	–12.9
Earnings after taxes	60.2	50.3

Financial position

Cash earnings are an indicator derived from the earnings after taxes, adjusted for income taxes, net interest, cash-neutral depreciation on tangible and intangible assets, together with other non-cash expenses and income. Cash earnings decreased by 5.6%, amounting to €112.1 million in the first half of 2018 (H1/17: €118.7 million). This was due to the reduced earnings and the lower tax payments.

Cash flow from current business operations decreased to –€95.5 million (H1/17: –€132.2 million). The increase in trade working capital of €135.4 million to €585.8 million (January 1, 2018: €450.4 million) had a negative impact on the cash flow from current business operations. In particular, the higher order backlog contributed to an increase in inventories and contract assets and thus to a corresponding rise in trade working capital.

The following overview shows the development of trade working capital:

in € millions	Jan. 1, 2018	June 30, 2018
Inventories less advance payments	387.4	478.7
Trade receivables and receivables from contract assets	920.3	956.2
Trade payables and contract liabilities	857.3	849.1
Trade working capital	**450.4**	**585.8**

In the first six months of 2018 the company invested €127.7 million (H1/17: €40.9 million). Capital investment in tangible assets totaled €99.2 million and mainly concerned technical plant and equipment as well as operating and office equipment, in particular for the construction of the Jeep Wrangler production plant for the customer FiatChrysler Automobiles NV. A total of €111.6 million had been invested for this as at the balance sheet date, including €75.5 million in 2018. Investments in intangible assets totaled €28.5 million, of which €18.3 million was for internally generated intangible assets. Furthermore, cash flow from investment activities was positively influenced by the sale of companies.

Outstanding purchase price liabilities in the amount of €7.8 million were also settled for acquisitions from previous years (UTICA). The cash flow from investment activities amounted to –€104.3 million in total (H1/17: –€59.7 million).

The cash flow from current business operations plus cash flow from investment activities resulted in a free cash flow of –€199.8 million (H1/17: –€191.9 million).

in € millions	H1/17	H1/18
Cash earnings	118.7	112.1
Cash flow from current business operations	–132.2	–95.5
Cash flow from investment activities	–59.7	–104.3
Free cash flow	–191.9	–199.8

The cash flow from financing activities amounted to €113.7 million (H1/17: –€22.4 million). This includes dividends to shareholders of €0.50 per share (2017: €0.50 per share), totaling €19.9 million, borrowing from financial institutions totaling €51.1 million and a subordinated loan of €85.0 million. Details of the subordinated loan can be found in the notes.

As a result, the cash and cash equivalents available to KUKA Group as at June 30, 2018 totaled €139.5 million (June 30, 2017: €152.7 million). Compared to January 1, 2018, the cash and cash equivalents decreased by €84.1 million (January 1, 2018: €223.6 million).

Promissory note loan

KUKA AG issued a promissory note loan with a total volume of €250.0 million on October 9, 2015. After deducting the transaction costs, KUKA received a total of €248.9 million from this issue.

The total volume was placed in two separate tranches. Tranche 1 has a volume of €142.5 million with an original term to maturity of five years; tranche 2 has a volume of €107.5 million and an original term to maturity of seven years. The issue price was 100.0% with a minimum denomination per unit of €0.5 million. Repayment shall occur at 100.0%, payable in one sum on maturity of each fixed-term tranche. The promissory note loan carries interest coupons of 1.15% for tranche 1 and 1.61% for tranche 2. Interest payments are made at yearly intervals on October 9.

The promissory note loans are unsecured and contain the customary equal treatment clauses and negative pledges as well as provisions governing cross default and change of control.

On initial recognition, the promissory note loan was carried on the balance sheet at fair value less transaction costs of €1.1 million. The difference between the amount paid out (less transaction costs) and the repayment amount is recognized in the interest result for the term of each tranche using the effective interest method. Taking account of the transaction costs, the effective interest rate rises to 1.24% for tranche 1 and 1.67% for tranche 2.

The carrying amount stands at €249.4 million as at June 30, 2018 (January 1, 2018: €249.3 million). Interest amounting to €2.4 million (January 1, 2018: €0.8 million) was deferred.

Syndicated loan for KUKA Aktiengesellschaft

KUKA AG concluded a new syndicated loan agreement with a bank consortium on February 1, 2018 with a volume of €520.0 million and in doing so replaced and refinanced the existing credit facility of €400.0 million. The new agreement includes a surety and guarantee line (guaranteed credit line) in the amount of €260.0 million and a working capital line, which can also be used for sureties and guarantees, likewise in the amount of €260.0 million.

The term of the new loan agreement is five years with two one-year extension options additionally agreed. This gives the Group considerably extended leeway for financing further growth until 2025. The syndicated loan agreement remains unsecured as before and contains only the customary equal treatment clauses and negative pledges. Unchanged financial covenants were agreed with thresholds for leverage (net financial liabilities/EBITDA) and interest coverage (EBITDA/ net interest expense).

As at the reporting date the utilization of the guarantee facility and cash credit line from the syndicated loan agreement of KUKA AG amounted to a total of €260.4 million (January 1, 2018: €182.1 million).

Guarantees from banks and surety companies

The guarantee volume granted by banks and surety companies outside the SFA ("Syndicated Facilities Agreement") amounted to €87.3 million on June 30, 2018 (January 1, 2018: €73.6 million). In accordance with the provisions of the SFA, KUKA can place guarantees up to a total volume of €150.0 million outside the circle of syndicate banks.

Asset-backed securities program

In June 2011, KUKA Group set up an ABS (Asset-Backed Securities) facility with a volume of €25.0 million. Following an extension in June 2018, this now runs to January 2019. The program was utilized almost in full as at June 30, 2018. Receivables of €22.1 million were sold as at December 31, 2017.

Subordinated loan

In June 2018, KUKA AG had agreed with an affiliate of the Midea Group on a financing framework of €150.0 million with a term of 5 years. A subordination agreement was entered into for this financing, which will be utilized through call-offs for 1 to 6 months. As at the balance sheet date, a total of €85.0 million had been called off within this framework; the initial term is 1 month.

Net worth

The balance sheet total of KUKA Group increased by €164.0 million from €2,635.4 million as at January 1, 2018 to €2,799.4 million as at the reporting date.

Compared to the start of the year, non-current assets increased to €1,060.0 million as at June 30, 2018 (January 1, 2018: €976.4 million). Intangible assets grew by €12.4 million and tangible assets by €109.6 million. Finance lease receivables fell from €42.1 million to €2.4 million. Amounts totaling €14.6 million were included for investments accounted for using the at-equity method (January 1, 2018: €15.7 million). Deferred tax assets amounted to €76.3 million (January 1, 2018: €79.6 million).

Current assets were valued at €1,739.4 million as at June 30, 2018 (January 1, 2018: €1,659.0 million). Further explanations regarding the current assets are included in the notes on the financial position.

Within the reporting period, equity capital increased from €861.9 million to €908.2 million. The increase resulted from earnings after taxes amounting to €50.3 million. Primarily dividend payments totaling €19.9 million for the 2017 financial year had an equity-reducing impact, while currency effects (in particular USD, CHF, SEK and BRL) totaling €13.9 million had the effect of increasing equity.

The valuation of pension provisions including the associated deferred taxes in the first half of 2018, while not affecting earnings, resulted in equity increasing by €2.5 million due to a slight rise in the interest rate level and a positive, actual development in plan assets.

Minority interests remained virtually unchanged at –€0.5 million as at June 30, 2018 (January 1, 2018: –€0.5 million).

The equity ratio, i.e. the ratio of equity to the balance sheet total, is 32.4%, which is slightly lower than the ratio of 32.7% at the start of the 2018 financial year.

The non-current and current financial liabilities to third parties totaled €320.5 million (January 1, 2018: €268.8 million) plus a subordinated loan of €85 million from the majority shareholder. The financial liabilities principally relate to the existing syndicated loan agreement and the issued promissory note loan.

The decrease in pension provisions and similar obligations from €108.9 million as at January 1, 2018, to €104.5 million as at June 30, 2018, is primarily attributable to the effect of the valuation of actuarial gains and losses not affecting net income already described in the previous section in relation to equity changes.

Current liabilities increased from €1,357.9 million as at January 1, 2018 to €1,473.5 million as at June 30, 2018. The primary contributing factors here were the increased financial liabilities including subordinated loan (+€136.7 million) and the liabilities from construction contracts. Early advance payments received from customers and the entitlement to such payments increase the contract liabilities. Details of the liabilities for the trade working capital are included in the notes on the financial position.

The existing net liquidity of the Group, i.e. the liquid assets less the current and non-current financial liabilities, dropped from –€45.4 million at the start of 2018 to –€181.0 million as at June 30, 2018.

in € millions	Jan. 1, 2018	June 30, 2018
Balance sheet total	2,635.4	2,799.4
Equity	861.9	908.2
in % of balance sheet total	32.7%	32.4%
Net liquidity	–45.4	–181.0

Founding of joint ventures

The founding of joint ventures with majority shareholder Midea, announced in the first quarter, is proceeding as planned. On July 1, joint ventures were set up under the control of KUKA, thus remaining fully consolidated. KUKA and Midea each hold 50% of the joint venture. In addition to 6-axis robots, new robots are to be developed, produced and sold here specifically for the Chinese market. Further joint ventures are planned, including for the CGLA segment.

ROCE

KUKA recorded a return on capital employed (ROCE) of 11.7% in the first half of 2018 with average capital employed of €1,147.7 million as at June 30, 2018 (January 1, 2018: €948.2 million).

The ROCE of the individual segments is shown in the following table:

	H1/17	H1/18			
in € millions	Group [1]	Group [1]	of which Automotive	of which Industries	of which CGLA
in % of capital employed	10.8%	11.7%	41.6%	126.1%	–0.2%

[1] incl. consolidations and other divisions

Research & development

In the second quarter of 2018, research and development (R&D) expenditure for KUKA Group amounted to €35.7 million. The expenditure was thus at the same level as in the prior-year period (Q2/17: €35.0 million). This brings R&D expenditure for the first half of the year up to €70.4 million (H1/17: €66.3 million). In the first half of 2018, KUKA continued to focus on Industrie 4.0, human-robot collaboration and mobility as well as on products for the specific requirements of our target growth markets such as the electronics industry.

KUKA LBR iisy: world premiere at Hannover Messe

With the KUKA LBR iisy, the prototype of which celebrated its world premiere at Hannover Messe, KUKA is enhancing its product portfolio in the field of human-robot collaboration to include the low payload range. The LBR iisy can be adapted quickly to new requirements and is therefore suitable for many new applications, for example, in the electronics industry. It is intended for users who have process knowledge, but not necessarily programming expertise.

“i-do” concept study in consumer robotics

KUKA is working on universal solutions in the consumer robotics sector. The company’s own robotics and automation know-how is being supplemented with the expertise of partners and service providers. At Hannover Messe, KUKA presented its first consumer robotics prototype in five possible variants with the “i-do” concept study. The idea behind “i-do” is a mobile, modular system that end customers can compile according to their individual requirements. KUKA supplies the platform and the framework, and the customers determine which KUKA feature and partner feature they want to purchase.

SmartFactory as a Service

Industrie 4.0 and digitization enable new production methods and necessitate new business models. MHP, KUKA and Munich Re show what they may look like in the new SmartFactory as a Service in Munich. Using SmartFactory as a Service allows manufacturing companies to focus on customer satisfaction without having to bear peripheral elements of value creation, investment costs and risks themselves. Flexible small-batch production according to individual customer requirements thus becomes economically viable for the first time. The common goal is to digitize the entire value chain, implement an integrated, high-quality data flow and merge previously unconnected areas and systems of the production development process.

IERA Award for LBR Med

The KUKA Medical Robotics team was presented with the IERA Award (“Innovation and Entrepreneurship in Robotics and Automation”) for the LBR Med. LBR Med is the world’s first certified robot that can be integrated into a medical product. It is based on the LBR iiwa, whose hardware and software have been adapted to the medical technology sector. The international jury from research and industry was impressed by the diverse potential applications for the lightweight robot together with the necessary safe technology and the social relevance. The IERA Award is considered one of the most prestigious international awards in robotics and is conferred by the International Federation of Robotics (IFR) and the IEEE Robotics and Automation Society.

Ready2_rivet: the ideal self-pierce riveting solution for body-in-white applications

The new ready2_use solution in the KUKA product portfolio is called ready2_rivet. The automated, flexible self-pierce riveting solution for body-in-white applications has been developed jointly with Böllhoff, one of the world’s leading manufacturers and suppliers of fasteners and assembly systems. The Quantec series robot and the controller are from KUKA, while Böllhoff provides the self-pierce riveting technology. Customers benefit from the low effort required to integrate the self-pierce riveting application and from its versatility. The self-pierce riveting application can be seamlessly integrated into the existing production environment and boosts productivity and efficiency. The KUKA ready2_use packages are application-oriented solutions that are sector-specific, industry-proven and quickly deployable.

Matrix production in the KUKA SmartProduction Center

The KUKA SmartProduction Center at the Augsburg site makes the versatile and flexible matrix solution a reality – a response to the ever wider range of variants, more frequent model changes and variations in production quantities. It makes it possible for different customized products to be manufactured on one and the same system. The new KUKA SmartProduction_control software from KUKA, which is aware of all activities at all times, proactively controls these activities and thus has an overview of the motions of the AGVs, their battery charge and the current status of the production cells, forms the heart of the smart system. The decoupling of intralogistics from production is a key advantage of smart matrix production. Controlled by KUKA SmartProduction_control, the AGVs fetch tools from a tool store and then transport them to the production cells in which they are required. At the same time, the AGVs move to the centralized material warehouse in order to transfer the centrally stored components needed for the production process into the cells.

Intelligent software for future-proof warehouses

At LogiMAT, the leading trade fair in the intralogistics sector, Swisslog showed how warehouses in the future will optimize themselves through the use of intelligent technologies. The focus was on innovative software services such as the Industrie 4.0 solution "Condition Monitoring", a software module from the SynQ platform. This enables warehouse operations to be monitored in real time, trends to be documented and potential failure risks to be assessed. The latest module in this solution offering is the Availability Manager, which is designed to identify critical elements in the warehouse and to eliminate impending bottlenecks within the material flow system. This innovative measurement methodology sets new standards in real-time planning and monitoring of availabilities in the warehouse.

Swisslog presented the redesigned KMP 600 mobile robot unit for CarryPick – the warehouse and order picking system for multichannel logistics. The solution focuses even more strongly on the increasing market requirements with newly devised mechatronics and new, highly scalable software and enhanced support.

Furthermore, a virtual reality application was presented, showcasing a 3D CarryPick warehouse replicated in a virtual environment. This provides a means of training warehouse operatives efficiently even before a project has been implemented.

Presentation of the fifth KUKA Innovation Award and invitation to submit entries for 2019

The winner of this year's KUKA Innovation Award on the theme "Real-World Interaction Challenge" was chosen at Hannover Messe: the CoAware team from Italy with its demonstration of dynamic human modeling, image processing and interaction control for robots. With an LBR iiwa and specially written software, they showed how movements and ergonomics can be monitored and enhanced in real time using a dynamic model. The focus of the current call for applications for the 2019 KUKA Innovation Award is on "Healthy Living". The applicants are invited to develop an innovative application on this topic, ranging from medicine and rehabilitation to food and the home environment. To help them turn their ideas into reality, KUKA provides the selected finalists with a KUKA LBR iiwa or LBR Med and a 3D vision sensor from Roboception for the duration of the competition. The final of the award, endowed with prize money of 20,000 euro, will be held in April 2019 at Hannover Messe.

Employees

As at June 30, 2018, KUKA Group employed 14,013 people. Compared with the reporting date of the previous year, this was a rise of 1.9% (June 30, 2017: 13,755). The number of employees in the Robotics division rose by 3% from 4,981 to 5,131. The new employees were mainly hired in research and development and sales. At Systems, the workforce decreased 6% from 5,299 as at June 30, 2017 to 4,983 as at June 30, 2018. The Swisslog division had 2,992 employees at the end of the second quarter of this year, 8.3% more than on the reporting date of the previous year (June 30, 2017: 2,763). At the end of the second quarter, there were 3,693 employees at the Augsburg site. This was 3.4% more than at the reporting date of the previous year (June 30, 2017: 3,572).

Opportunities and risk report

Overall, KUKA Group's named risks relate to the business performance of the divisions and financial risks associated with currency exchange rate fluctuations and corporate financing. The Executive Board is not aware of any individual or aggregated risks that could threaten the company's existence. Strategically and financially, the company is positioned to be able to take advantage of business opportunities. For information on risks affecting EBIT, please also refer to the detailed report on pages 51 and following of the 2017 annual report/management report.

Outlook

Given the current economic forecasts and general conditions and taking into consideration the existing risk and opportunity potential, KUKA anticipates rising demand in the 2018 fiscal year, particularly from Europe and North America. Due to current developments in the global economy, and especially the uncertainties relating to the trade dispute between the USA and China, KUKA is expecting demand from Asia to remain stable. As far as specific sectors are concerned, a positive development is anticipated in Automotive and a stable development in General Industry. This assessment depends primarily on how matters develop in global politics and trade politics.

For the 2018 fiscal year, based on the current economic environment and business development, KUKA expects to generate sales revenues of more than €3.5 billion and achieve an EBIT margin of around 5.5% before purchase price allocations totaling around €15 million, before growth investments and before reorganization expenditure amounting to about €30 million. The investments relate, for example, to Group-wide issues such as digitization, Industrie 4.0, mobility, General Industry and China. KUKA is expecting these investments to open up additional areas of growth for the Group in the coming years, which should be reflected in higher sales revenues.

Interim Report (condensed)

Group income statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2018

in € millions	Q2/17	Q2/18	H1/17	H1/18
Sales revenues	**1,007.7**	**852.7**	**1,798.5**	**1,597.2**
Cost of sales	–798.4	–650.4	–1,393.9	–1,211.8
Gross income	**209.3**	**202.3**	**404.6**	**385.4**
Selling expenses	–80.9	–84.1	–151.4	–157.4
Research and development costs	–35.0	–35.7	–66.3	–70.4
General and administrative expenses	–52.0	–59.5	–107.6	–118.2
Other operating income	7.9	35.6	10.5	39.0
Other operating expenses	–3.8	–5.8	–6.4	–9.6
Loss from companies consolidated at equity	0.0	–0.7	–1.0	–1.4
Earnings from operating activities	**45.5**	**52.1**	**82.4**	**67.4**
Reconciliation to earnings before interest and taxes (EBIT)				
Earnings before interest and taxes (EBIT)	**45.5**	**52.1**	**82.4**	**67.4**
Depreciation and amortization	18.1	21.4	36.7	42.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**63.6**	**73.5**	**119.1**	**109.4**
Interest income	1.4	1.4	3.5	2.8
Interest expense	–4.2	–2.9	–7.2	–7.0
Financial result	**–2.8**	**–1.5**	**–3.7**	**–4.2**
Earnings before tax	**42.7**	**50.6**	**78.7**	**63.2**
Taxes on income	–9.1	–10.0	–18.5	–12.9
Earnings after taxes	**33.6**	**40.6**	**60.2**	**50.3**
(of which: attributable to minority interests)	(0.0)	(–0.2)	(–0.1)	(0.0)
(of which: attributable to shareholders of KUKA AG)	(33.6)	(–40.8)	(60.3)	(50.3)
Earnings per share (undiluted/diluted) in €	**0.85**	**1.02**	**1.52**	**1.26**

Statement of comprehensive income

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2018

in € millions	Q2/17	Q2/18	H1/17	H1/18
Earnings after taxes	**33.6**	**40.6**	**60.2**	**50.3**
Items that may potentially be reclassified to profit or loss				
Translation adjustments	–16.1	19.8	–19.4	13.9
Items that are not reclassified to profit or loss				
Changes of actuarial gains and losses	2.6	1.3	6.4	3.0
Deferred taxes on changes of acturial gains and losses	–0.1	0.0	–1.0	–0.5
Changes recognized directly in equity	**–13.6**	**21.1**	**–14.0**	**16.4**
Comprehensive Income	**20.0**	**61.7**	**46.2**	**66.7**
(of which: attributable to minority interests)	(0.0)	(–0.2)	(–0.1)	(0.0)
(of which: attributable to shareholders of KUKA AG)	(20.0)	(61.9)	(–46.3)	(66.7)

Cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2018

in € millions	H1/17	H1/18
Net income after taxes	**60.2**	**50.3**
Income taxes	28.9	6.7
Net interest result	3.7	4.1
Depreciation of intangible assets	16.7	21.3
Depreciation of tangible assets	20.0	20.7
Other non-payment related income	−14.8	−3.1
Other non-payment related expenses	4.0	12.1
Cash earnings	**118.7**	**112.1**
Result on the disposal of assets	0.1	0.5
Changes in provisions	−31.7	11.4
Changes in current assets and liabilities		
Changes in inventories	−64.3	−93.0
Changes in receivables and deferred charges	−285.5	−76.5
Changes in liabilities and deferred income (excl. financial debt)	157.5	5.2
Income taxes paid	−24.9	−18.3
Investments/financing matters affecting cash flow	−2.1	−36.9
Cash flow from operating activities	**−132.2**	**−95.5**
Payments from disposals of intangible and fixed assets	4.5	0.6
Payments for investments in intangible assets	−23.6	−28.5
Payment for investments in fixed assets	−17.7	−99.2
Payments for/from investments in fin. assets/at equity	0.0	26.8
Payments from sale of consolidated companies or other	0.0	4.0
Payments for sale of consolidated companies or other	−26.3	−9.8
Interest received	3.4	1.8
Cash flow from investing activities	**−59.7**	**−104.3**
Free Cash flow	**−191.9**	**−199.8**
Dividend payments	−19.9	−19.9
Proceeds from/payments for the acceptance/repayment of bank loans	−1.2	51.1
Payments from loans received from consolidated affiliated companies	–	85.0
Payments from grants received	2.1	2.8
Interest paid	−3.4	−5.3
Cash flow from financing activities	**−22.4**	**113.7**
Payment-related changes in cash and cash equivalents	**−214.3**	**−86.1**
Exchange rate-related and other changes in cash and cash equivalents	2.8	2.0
Changes in cash and cash equivalents	**−211.5**	**−84.1**
(of which net increase/decrease in restricted cash)	(−0.6)	(−0.1)
Cash and cash equivalents at the beginning of the period [1]	**364.2**	**223.6**
(of which net increase/decrease in restricted cash)	(1.1)	(0.4)
Cash and cash equivalents at the end of the period [1]	**152.7**	**139.5**
(of which restricted cash ath the end of the period)	(−0.5)	(0.3)

[1] Cash and cash equivalents at the start and end of the period in 2018 deviate from the actual amount by €0.2 million due to the mandatory initial application of IFRS 9.

Group balance sheet

of KUKA Aktiengesellschaft as of June 30, 2018

Assets

in € millions	Dec. 31, 2017	Adjustments	Jan. 1, 2018	June 30, 2018
Non-current assets				
Intangible assets	520.4		520.4	532.8
Property, plant and equipment	296.0		296.0	405.6
Financial investments	5.1		5.1	8.4
Investments accounted for at equity	15.7		15.7	14.6
	837.2		**837.2**	**961.4**
Finance lease receivables	43.1	–1.0	42.1	2.4
Income tax receivables	–		–	–
Other long-term receivables and other assets	17.5		17.5	19.9
Deferred taxes	79.6		79.6	76.3
	977.4	**–1.0**	**976.4**	**1,060.0**
Current assets			**0.0**	
Inventories	387.4		387.4	478.7
Receivables and other assets				
Trade receivables	408.1	–1.5	406.6	395.0
Contract Assets	515.7	–2.0	513.7	561.2
Receivables from affiliated companies	–		–	0.1
Finance lease receivables	9.8		9.8	0.9
Income tax receivables	32.7		32.7	30.9
Other assets, prepaid expenses and deferred charges	85.4		85.4	133.1
	1,051.7	**–3.5**	**1,048.2**	**1,121.2**
Cash and cash equivalents	**223.6**	**–0.2**	**223.4**	**139.5**
	1,662.7	**–3.7**	**1,659.0**	**1,739.4**
	2,640.1	**–4.7**	**2,635.4**	**2,799.4**

Equity and liabilities

in € millions	Dec. 31, 2017	Adjustments	Jan. 1, 2018	June 30, 2018
Equity				
Subscribed capital	103.4		103.4	103.4
Capital reserve	306.6		306.6	306.6
Revenue reserve	457.1	−4.7	452.4	498.7
Minority interests	−0.5		−0.5	−0.5
	866.6	**−4.7**	**861.9**	**908.2**
Non-current liabilities, provisions and accruals				
Financial liabilities	249.7		249.7	249.9
Other liabilities	29.5		29.5	32.4
Pensions and similar obligations	108.9		108.9	104.5
Deferred taxes	27.5		27.5	30.9
	415.6		**415.6**	**417.7**
Current liabilities				
Financial liabilities	19.1		19.1	70.6
Trade payables	549.2		549.2	539.0
Advances received	94.0	−94.0	0.0	0.0
Contract liabilities	214.1	94.0	308.1	310.1
Liabilities from construction contracts	0.1		0.1	85.3
Income tax liabilities	51.2		51.2	37.7
Other liabilities and deferred income	297.7		297.7	284.4
Other provisions	132.5		132.5	146.4
	1,357.9		**1,357.9**	**1,473.5**
	2,640.1	**−4.7**	**2,635.4**	**2,799.4**

Development of Group equity

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2018

				Revenue reserves					
in € millions	Number of shares outstanding	Subscribed capital	Capital reserve	Translation gains / losses	Actuarial gains and losses	Annual net income and other revenue reserves	Equity to shareholders	Minority interests	Total
Dec. 31, 2017	**39,775,470**	**103.4**	**306.6**	**20.1**	**–23.2**	**460.2**	**867.1**	**–0.5**	**866.7**
Initial application effect of IFRS 9						–4.7	–4.7		–4.7
Jan. 1, 2018	**39,775,470**	**103.4**	**306.6**	**20.1**	**–23.2**	**455.5**	**862.4**	**–0.5**	**861.9**
Earnings after taxes	–	–	–	–	–	50.3	50.3	0.0	50.3
Other income	–	–	–	13.9	2.5	–	16.4	–	16.4
Comprehensive income	**–**	**–**	**–**	**13.9**	**2.5**	**50.3**	**66.7**	**0.0**	**66.7**
Dividend KUKA AG	–	–	–	–	–	–19.9	–19.9	–	–19.9
Change in scope of consolidation / other changes	–	–	–	–	–	–5.3	–5.3	–	–5.3
June 30, 2018	**39,775,470**	**103.4**	**306.6**	**34.0**	**–20.7**	**485.3**	**908.6**	**–0.5**	**908.2**
Jan. 1, 2017	**39,775,470**	**103.4**	**306.6**	**61.1**	**–23.7**	**393.1**	**840.5**	**–0.3**	**840.2**
Earnings after taxes	–	–	–	–	–	60.3	60.3	–0.1	60.2
Other income	–	–	–	–19.4	5.4	–	–14.0	–	–14.0
Comprehensive income	**–**	**–**	**–**	**–19.4**	**5.4**	**60.3**	**46.3**	**–0.1**	**46.2**
Dividend KUKA AG	–	–	–	–	–	–19.9	–19.9	–	–19.9
Change in scope of consolidation / other changes	–	–	–	–	–	0.1	0.1	–	0.1
June 30, 2017	**39,775,470**	**103.4**	**306.6**	**41.6**	**–18.4**	**433.8**	**867.0**	**–0.4**	**866.7**

Notes on the consolidated financial statements (condensed)

Group segment reporting

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2018

Segment reporting

	Group	Automotive	Industries	Consumer Goods & Logistics Automation	Operations	Others	Central Functions	Reconciliation and consolidation	Group
in € millions	H1/17	H1/18	H1/18	H1/18	H1/18	H1/18	H1/18	H1/18	H1/18
Orders received	1,974.8	892.2	534.6	334.1	246.5	229.9	–	–376.9	1,860.4
Order backlog (June 30)	2,237.4	1,054.7	500.7	580.5	5.0	209.9	–	–9.7	2,341.1
Group external sales revenues	1,798.5	762.5	426.1	300.4	0.1	108.1	–	–	1,597.2
in % of Group sales revenues	100%	47.7%	26.7%	18.8%	0.0%	6.8%	0.0%	0.0%	100.0%
Intra-Group sales	–	23.5	12.4	2.3	237.2	129.4	52.9	–457.7	0.0
Sales revenues by division	**1,798.5**	**786.0**	**438.5**	**302.7**	**237.3**	**237.5**	**52.9**	**–457.7**	**1,597.2**
Bruttoergebnis vom Umsatz	**404.6**	**133.4**	**132.3**	**54.5**	**12.0**	**106.9**	**34.2**	**–87.9**	**385.4**
in % of sales revenues of the division	22.5%	17.0%	30.2%	18.0%	5.1%	45.0%	64.7%	19.2%	24.1%
EBIT (earnings before interest and taxes)	**82.4**	**53.8**	**52.7**	**–2.9**	**0.0**	**–4.9**	**–33.5**	**2.2**	**67.4**
in % of sales revenues of the division	4.6%	6.8%	12.0%	–1.0%	0.0%	–2.1%	–63.3%	–0.5%	4.2%
EBITDA (earnings before interest, taxes, depreciation and amortization)	**119.1**	**58.0**	**56.2**	**2.2**	**5.6**	**7.0**	**–21.6**	**2.0**	**109.4**
in % of sales revenues of the division	6.6%	7.4%	12.8%	0.7%	2.4%	2.9%	–40.8%	–0.4%	6.8%

Key figures according to former segments

	Robotics		Systems		Swisslog		KUKA AG and other companies		Reconciliation and consolidation		Group	
in € millions	H1/17	H1/18	H1/17	H1/18	H1/17	H1/18	H1/17	H1/18	H1/17	H1/18	H1/17	H1/18
Orders received	657.4	697.6	884.2	724.1	464.9	435.1	–	–	–31.7	3.6	1,974.8	1,860.4
Group external sales revenues	604.8	539.4	841.4	655.7	352.0	398.3	0.0	3.8	0.3	0.0	1,798.5	1,597.2
Intra-Group sales	17.0	92.4	8.4	67.2	0.7	0.0	44.1	53.5	–70.2	–213.1	0.0	–
Sales revenues by division	**621.8**	**631.8**	**849.8**	**722.9**	**352.7**	**398.3**	**44.1**	**57.3**	**–69.9**	**–213.1**	**1798.5**	**1,597.2**
EBIT (earnings before interest and taxes)	**63.7**	**52.1**	**48.8**	**16.1**	**–0.8**	**1.8**	**–29.7**	**–2.6**	**0.4**	**0.0**	**82.4**	**67.4**
in % of sales revenues of the division	10.2%	8.2%	5.7%	2.2%	–0.2%	0.5%	–67.3%	–4.5%	–0.6%	0.0%	4.6%	4.2%
Number of employees (June 30)	4,981	5,131	5,299	4,982	2,763	2,992	712	908	–	–	13,755	14,013

IFRS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, has prepared its interim financial statements for the period ending June 30, 2018 in line with the IAS 34 “Interim Financial Reporting Guidelines” as adopted by the European Union. The company has elected to prepare a condensed version in accordance with this standard. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements as at December 31, 2017. Unless stated to the contrary, all values are stated in € millions.

The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as approved by the European Union. The term IFRS also includes all valid international accounting standards (IAS). The interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) – supplemented by the guidelines stipulated in section 315e para. 1 of the German Commercial Code (HGB) – were also taken into consideration.

KUKA Aktiengesellschaft is a 94.55% subsidiary of Midea Group Co. Ltd., Foshan City, Guangdong Province/China. KUKA Aktiengesellschaft is incorporated in the consolidated financial statements of Midea Group Co. Ltd., Foshan City, Guangdong Province, China, which are available from the website www.cninfo.com.cn or directly on the website of Midea Group Co. Ltd. at www.midea.com/global/investors/financial_statements.

Scope of consolidation

In comparison to the end of year the scope of consolidation has changed as follows:

	Total	
	Consolidated companies	At equity companies
Dec. 31, 2017	**104**	**4**
First-time consolidation	1	0
Mergers	–2	0
Deconsolidation	–1	–1
Reclassification	0	0
Total change	**–2**	**–1**
June 30, 2018	**102**	**3**

Additions of companies through company acquisitions and disposals of companies through company sales

IRT SA, Neuchatel/Switzerland

With effect from April 1, 2018, the main assets and liabilities of IRT SA were acquired for a low single-digit million euro amount.

IRT SA specializes in the development of hardware and software and the production of servo drives. The company is a KUKA supplier for servo drives and their spare parts for robots. For this reason, the company is allocated to the Industries segment.

Connyun GmbH, Karlsruhe/Germany

With effect from June 29, 2018, connyun GmbH, Karlsruhe/Germany, was sold to the Körber technology group based in Berlin.

Sale of associated companies

The shares in KBee AG, Munich/Germany, were sold in the second quarter. Up until the day of the sale, KUKA held 45% of the shares. The company was allocated to the Industries segment. The sale yielded proceeds in the low single-digit million euro range.

Accounting and valuation methods

With the exception of the changes outlined below, the same valuation methodology and accounting principles as those used for the consolidated financial statements for the 2017 financial year were applied in preparing this consolidated interim report. For further information, please refer to the consolidated financial statements dated December 31, 2017, which form the basis of the interim report presented here. These are also available on the Internet at www.kuka.com.

As of the start of the 2018 fiscal year, the new standard IFRS 15 – Revenue from Contracts with Customers, which replaces the existing standards IAS 11 Construction Contracts and IAS 18 Revenue, was applied in the KUKA Group for the first time. IFRS 15 clarifies how, when and over what period IFRS reporters should recognize revenue. The standard also requires entities preparing financial statements to provide the users of such statements with more informative and relevant disclosures than before. The standard provides a principles-based five-step model to be applied to all contracts with customers.

KUKA is also applying the standard IFRS 9 – Financial Instruments for the first time with effect from January 1, 2018. IFRS 9 replaces the existing guidelines in IAS 39 regarding the recognition and measurement of financial instruments. Revised guidelines for the classification and valuation of financial instruments, including a new model of the expected credit defaults for calculating the impairment of financial assets, and the new general accounting requirements for hedging transactions are implemented in IFRS 9. Under IAS 39, the incurred loss model was applied for recording losses. With the introduction of IFRS 9, a new impairment model has been implemented. The threshold for the recording of losses is lowered and impairments must already be recognized for expected losses.

Tax expenses in the periods covered by the interim reports are determined in accordance with IAS 12 and IAS 34 on the basis of the currently expected tax rate for the full year. In the previous year, the tax expenses were calculated on the basis of the actual tax rates.

Changes in accounting and valuation methods and changes in estimates

Since the start of the 2018 fiscal year, application of IFRS standards 9 and 15 has been mandatory on account of endorsement by the European Union. The initial application for KUKA therefore corresponds to the date of application stipulated by the IASB. For both IFRS standards, no retroactive adaptation of the previous year's figures has been carried out.

Initial application of the standards essentially led to changes in presentation and impairments in the opening balance sheet. Overall, the balance sheet total fell as a result by €4.7 million to €2,635.4 million from December 31, 2017, to January 1, 2018.

The new model for expected credit defaults in accordance with IFRS 9 resulted in impairments of financial assets. In this connection, finance lease receivables were reduced by €1.0 million, trade receivables by €1.5 million and contract assets by €2.0 million. Cash and cash equivalents also decreased by €0.2 million. These changeover effects were booked without affecting net income. Changes due to the current measurements of financial instruments are recognized as income or expense.

The implementation of IFRS 15 resulted in advance payments amounting to €94.0 million being reclassified as contract liabilities. The designations of receivables and liabilities from construction contracts were also adapted to contract receivables and liabilities. With the introduction of IFRS 15, payments made by a customer prior to the fulfillment of a performance obligation are reported in a passive contract item (contract liabilities). Under IAS 11 and 18, advance payments exceeding the PoC receivable were reported as a PoC liability. The new rules of IFRS 15 have no significant changeover effects for KUKA, as the procedure already applied in the past corresponds to the new rules in all major points. For presentation, KUKA is applying the modified, retrospective transition method.

The effects of the changeover are shown in the balance sheet.

Presented below is a reconciliation of the measurement categories from IAS 39 to IFRS 9 for the modified financial instruments:

in € millions	Measurement categories acc. to IAS 39	Measurement categories acc. to IFRS 9	Carrying amount acc. to IAS 39 as at Dec. 31, 2017	Carrying amount acc. to IFRS 9 as at Jan. 1, 2018
Current trade receivables	Loans and receivables	Reported at amortized cost	421.4	420.3
Cash in banks	Loans and receivables	Reported at amortized cost	223.4	223.3

Sales revenues

Reported under sales revenues are those revenues generated as soon as KUKA fulfills a contractual obligation by transferring promised goods to a customer or performing promised services. KUKA generates sales revenues by supplying products (e.g. industrial robots) and by providing support services and other services, including automation solutions.

The sales revenues arise through the sale of products, the provision of (primarily downstream) support services and in connection with construction contracts. In the case of products, the performance obligation is fulfilled at a specific point in time. The provision of support services is carried out both at a specific point in time and over a period of time. The performance obligation in the case of construction contracts is fulfilled over a period of time.

KUKA achieved sales revenues totaling €716.7 million for products and services provided at a specific point in time. For the fulfillment of performance obligations over a period of time, KUKA generated sales revenues of €880.5 million.

A regional breakdown of sales revenues recognized over a period of time and at a point in time is provided in the following table:

in € millions	H1/18	Europe/Middle East/ Africa	Americas	Asia/ Australia	Other/ consolidation
Revenue recognized over a period of time	880.5	239.0	483.8	119.2	38.4
Revenue recognized at a point in time	716.7	452.7	94.9	169.1	0.0
Total	**1,597.2**	**691.7**	**578.7**	**288.3**	**38.4**

A segmental breakdown of sales revenues recognized over a period of time and at a point in time is provided in the following table:

in € millions	Group	Automotive	Industries	Consumer Goods & Logistics Automation	Operations/ Others/Central functions/Consolidation
Revenue recognized over a period of time	880.5	460.3	109.9	213.6	96,7
Revenue recognized at a point in time	716.7	325.7	328.6	89.1	–26.7
Total	**1.597.2**	**786.0**	**438.5**	**302.7**	**70.0**

KUKA Toledo Production Operations LLC., Toledo/USA (KTPO)

KTPO manufactures Jeep Wrangler bodies under the terms of a pay-on-production contract with Chrysler. Due to discontinuation of production of the JK model in April 2018, the existing contract has been adapted to the production of the JT successor model of the Jeep Wrangler that is scheduled to commence in April 2019. Existing contractual arrangements have been adapted to the new production requirements and the overall contract has been extended to March 2025. Conclusion of the new contract represents termination of the existing contract. As a result, the previous finance lease receivable is to be derecognized and €27.3 million from the previous contract is to be capitalized in the fixed assets together with €31.0 million in other current assets. Furthermore, a positive effect in the single-digit million euro range was recognized with an effect on earnings from operating activities.

The expenditure for construction of the new manufacturing facility will be capitalized under "Assets under construction" until the facility is put into operation. With the start of series production, a finance lease receivable from the customer will be capitalized and the fixed assets derecognized.

Earnings per share

Undiluted earnings per share break down as follows:

in € millions	H1/17	H1/18
Net income for the year attributable to the shareholders of KUKA AG	60.3	50.3
Weighted average number of shares outstanding	39,775,470	39,775,470
Undiluted/diluted earnings per share	1.52	1.26

Undiluted earnings per share due to shareholders of KUKA Aktiengesellschaft were calculated in accordance with IAS 33 and the weighted average number of shares outstanding for the year.

In the first six months of 2018, the weighted average number of shares in circulation was 39.8 million (June 30, 2017: 39.8 million shares).

Equity

The capital stock of KUKA Aktiengesellschaft amounts to €103,416,222.00 (June 30, 2017: €103,416,222.00). This is subdivided into 39,775,470 (June 30, 2017: 39,775,470) no-par-value bearer shares outstanding. Each share carries one vote.

IAS 19 Employee Benefits

Changes in the discount rates affect the pension provisions and give rise to actuarial gains and losses. The development of discount rates applied by KUKA for countries with significant pension obligations is shown in the table below:

in € millions	H1/17	H1/18
Germany	1.55%	1.65%
Switzerland	0.60–0.65%	0.85%
UK	2.50%	2.60%
Sweden	2.54%	2.22%
USA	3.50–3.68%	3.95%

Due to a slight increase in the interest rate level in Germany, Switzerland, the UK and the USA and the positive, actual development of plan assets, actuarial income of €3.0 million was recorded in the first half of 2018. The actuarial effects were reported under equity as an income-neutral sum of €2.5 million, taking deferred taxes into account.

Promissory note loan

KUKA AG issued a promissory note loan with a total volume of €250.0 million on October 9, 2015. After deducting the transaction costs, KUKA received a total of €248.9 million from this issue.

The total volume was placed in two separate tranches. Tranche 1 has a volume of €142.5 million with an original term to maturity of five years; tranche 2 has a volume of €107.5 million and an original term to maturity of seven years. The issue price was 100.0% with a minimum denomination per unit of €0.5 million. Repayment shall occur at 100.0%, payable in one sum on maturity of each fixed-term tranche. The promissory note loan carries interest coupons of 1.15% for tranche 1 and 1.61% for tranche 2. Interest payments are made at yearly intervals on October 9.

The promissory note loans are unsecured and contain the customary equal treatment clauses and negative pledges as well as provisions governing cross default and change of control.

On initial recognition, the promissory note loan was carried on the balance sheet at fair value less transaction costs of €1.1 million. The difference between the amount paid out (less transaction costs) and the repayment amount is recognized in the interest result for the term of each tranche using the effective interest method. Taking account of the transaction costs, the effective interest rate rises to 1.24% for tranche 1 and 1.67% for tranche 2.

The carrying amount stands at €249.4 million as at June 30, 2018 (January 1, 2018: €249.3 million). Interest amounting to €2.4 million (January 1, 2018: €0.8 million) was deferred.

Syndicated loan for KUKA Aktiengesellschaft

KUKA AG concluded a new syndicated facilities agreement (SFA) with a bank consortium on February 1, 2018 with a volume of €520.0 million and in doing so replaced and refinanced the previous credit facility of €400.0 million. The new agreement includes a surety and guarantee line (guaranteed credit line) in the amount of €260.0 million and a working capital line, which can also be used for sureties and guarantees, likewise in the amount of €260.0 million.

The term of the new loan agreement is five years with two one-year extension options additionally agreed. This gives the Group considerably extended leeway for financing further growth until 2025. The syndicated facilities agreement remains unsecured as before and contains only the customary equal treatment clauses and negative pledges. Unchanged financial covenants were agreed with thresholds for leverage (net financial liabilities/EBITDA) and interest coverage (EBITDA/net interest expense).

As at the reporting date, the utilization of the guarantee facility and cash credit lines from the syndicated facilities agreement of KUKA AG amounted to a total of €260.4 million (January 1, 2018: €182.1 million).

Subordinated loan

In June 2018, KUKA AG had agreed with an affiliate of the Midea Group on a financing framework of €150.0 million with a term of five years. A subordination agreement was entered into for this financing, which will be utilized through call-offs for one to six months. As at the balance sheet date, a total of €85.0 million had been called off within this framework; the initial term is one month.

Guarantees from banks and surety companies

The guarantee volume granted by banks and surety companies outside the SFA amounted to €87.3 million on June 30, 2018 (January 1, 2018: €73.6 million). In accordance with the provisions of the SFA, KUKA can place guarantees up to a total volume of €150.0 million outside the circle of syndicate banks.

Asset-backed securities program

In June 2011, KUKA Group set up an ABS (Asset-Backed Securities) facility with a volume of €25.0 million. Following an extension in June 2018, this now runs to January 2019. The program was utilized almost in full as at June 30, 2018. Receivables of €22.1 million were sold as at December 31, 2017.

Financial instruments measured at fair value

IFRS 13 defines how to determine fair market value and expands on disclosures related to the fair market value. The standard does not include any requirements regarding the cases for which fair value is to be used. Here, fair value is defined as the price that would be paid by independent market participants in an arm's length transaction at the evaluation date if an asset were sold or a liability transferred. In accordance with IFRS 13, assets and liabilities evaluated at market values are to be attributed to the three levels of the fair value hierarchy. The three levels of the fair value hierarchy are defined as follows:

Level 1

Quoted prices in active markets for identical assets or liabilities

Level 2

Inputs other than quoted prices that are observable either directly or indirectly

Level 3

Inputs for assets and liabilities that are not based on observable market data

The following table shows the breakdown of the financial assets and liabilities measured at fair value:

June 30, 2018

in € millions	Level 2	Level 3	Total
Financial assets	4.4	6.5	10.9
Financial liabilities	8.5	–	8.5

January 1, 2018

in € millions	Level 2	Level 3	Total
Financial assets	8.0	3.2	11.2
Financial liabilities	6.1	–	6.1

There are currently no financial assets assigned to level 1 of the fair value hierarchy. The assets in level 2 mainly relate to forward exchange transactions carried as assets or liabilities. The value is determined with the aid of standard financial mathematical techniques, using current market parameters such as exchange rates and counterparty credit ratings (mark-to-market method) or quoted prices. Middle rates are used for this calculation. The level 3 financial assets include units in investments not traded on the market.

All other financial instruments are reported at amortized cost and their fair values mainly correspond to the carrying amounts.

Segment reporting

With effect from January 1, 2018, KUKA has a new organizational structure: "Customer-Centric Organization". The goal of the new organizational structure is no longer to steer along the lines of products and solutions, but to place the focus on our customers in order to concentrate on them even more strongly. With regard to this implementation, the existing Robotics, Systems and Swisslog segments have been transferred to new segments. This structure is now reflected in three customer-oriented segments – the Automotive, Industries, Consumer Goods & Logistics Automation (CGLA) divisions – and the support segments Operations, Central Functions and Other. In the course of the continuous, ongoing development of the segments and the corresponding focus on and optimization for the customer, further adaptations of the segments are expected during the current year.

The Automotive segment is a partner for the automotive industry in the fields of robotics, automation, logistics and electronics.

The Industries division encompasses industries other than the automotive industry, which is covered by the Automotive segment. With the sale of ready2_use packages and standard solutions, this division combines product know-how and solution know-how.

The Consumer Goods & Logistics Automation segment develops automation solutions for intralogistics. It supplies everything that companies need to optimize their logistics – from planning to implementation and customer service.

Production, procurement and development activities, for example, are bundled together in the Operations segment. The Other segment incorporates departments such as Healthcare and Research & Development. Departments such as HR, Legal and Marketing are bundled together under Central Functions.

The main elements of the segment reports are contained in the management report on the new Automotive, Industries and CGLA business divisions, as well as in the tables at the beginning of the notes to the quarterly report. Prior-year comparative figures are not available for the new segmentation due to cost / benefit considerations. The Group continues to focus on customer orientation, therefore key figures for 2017 and 2018 are merely presented in the previous segment structure for ease of comparison. Earnings before interest and taxes (EBIT) are used as the key indicator with regard to managing segment profits.

Cash flow statement

The cash flow statement shows changes to KUKA Group's liquidity position in accordance with IAS 7. This item comprises all funds recognized on the balance sheet as cash and cash equivalents; i. e. cash in hand, checks and cash balances with financial institutions, provided that they are available within three months. Cash and cash equivalents of €0.3 million (January 1, 2018: €0.4 million) are subject to restrictions. These relate to government funding for eligible development projects with a German company.

Contingent liabilities and other financial commitments

There has been no material change in other financial obligations and contingent liabilities since December 31, 2017.

Related party disclosures

Following the sale of the company in the second quarter, KBee AG, Munich, is no longer a related party.

In the first half of 2018, services to the value of €4.0 million were performed by related companies and persons, and services to the value of €2.6 million were received by them.

Furthermore, as at the reporting date, the sums outstanding in relation to dealings with related parties amounted to €0.7 million for receivables and €86.6 million for liabilities and other obligations, of which €85 million was made available by the Midea Group as a subordinated loan. In this context, we refer to the explanations provided under "Subordinated loan".

In connection with this, we would like to point out that changes within the Midea Group also affect the group of related parties of KUKA.

Composition of the Supervisory Board:

The Supervisory Board comprises the following members as of June 6, 2018:

- Dr. Yanmin (Andy) Gu (Chairman of the Supervisory Board)
- Mr. Michael Leppek (Deputy Chairman of the Supervisory Board)
- Mr. Wilfried Eberhardt
- Mr. Hongbo (Paul) Fang
- Mr. Manfred Hüttenhofer
- Prof. Dr. Henning Kagermann
- Mr. Armin Kolb
- Ms. Carola Leitmeir
- Ms. Min (Francoise) Liu
- Dr. Myriam Meyer
- Ms. Tanja Smolenski
- Mr. Alexander Liong Hauw Tan

Prof. Dr. Michèle Morner and Mr. Siegfried Greulich left the Supervisory Board with effect from the end of the Annual General Meeting on June 6, 2018.

Events of material importance after the end of the reporting period

KUKA has reached an agreement with Fiat Chrysler Automotive regarding the construction of vehicle bodies for the new Jeep Wrangler JT in Toledo. As a result of this agreement, the existing production system is to be replaced with a new one. To finance this new system, KUKA will issue a promissory note loan for a nominal amount of USD 150 million in the third quarter of 2018.

Responsibility statement

To the best of our knowledge and belief, and in accordance with the applicable reporting principles for interim financial reporting, the Group's condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and income of the Group, and the Group's interim 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 in the rest of the financial year.

Augsburg, August 1, 2018

The Executive Board

Dr. Till Reuter Peter Mohnen

Declaration by the auditors

To KUKA Aktiengesellschaft, Augsburg

We have reviewed the condensed consolidated interim financial statements – consisting of the condensed income statement, statement of comprehensive income, condensed consolidated cash flow statement, condensed consolidated balance sheet, changes to Group equity statement and selected explanatory notes – and the interim Group management report of KUKA Aktiengesellschaft, Augsburg, for the period from January 1, 2018 to June 30, 2018, all of which form part of the half-year report as per section 115 of the German Securities Trading Act (WpHG). Preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the EU, and the interim Group management report in accordance with the applicable provisions of the German Securities Trading Act (WpHG) for interim group management reports is the responsibility of the parent company’s Executive Board. Our responsibility is to issue a statement on the condensed consolidated interim financial statements and the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with the German standards for the review of financial statements stipulated by the Institute of Public Auditors in Germany (IDW). According to these standards, we are required to plan and conduct our review so that we can be reasonably certain through critical evaluation that the condensed consolidated interim financial statements have been prepared in all material respects in accordance with IAS 34 “Interim Financial Reporting”, as adopted by the EU, and that the interim Group management report has been prepared in all material respects in accordance with the applicable provisions of the German Securities Trading Act (WpHG). A review is primarily restricted to interviews with company employees and analytical evaluations and is therefore less rigorous than an audit. Since we have not conducted an audit, we are unable to express an audit opinion.

When conducting our review, we did not encounter any issues that lead us to conclude that the condensed consolidated interim financial statements have not been prepared in all material respects in accordance with IAS 34 “Interim Financial Reporting”, as adopted by the EU. Nor did we conclude that the interim Group management report has not been prepared in all material respects in accordance with the provisions of the German Securities Trading Act (WpHG) as applicable to interim group management reports.

Munich, August 1, 2018

KPMG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Hans Querfurth (Auditor)	Matthias Krucker (Auditor)

Financial calendar 2018

Interim report for the third quarter	October 29, 2018

This quarterly report was published on August 6, 2018, and is available in German and English from KUKA Aktiengesellschaft Corporate Communications/Investor Relations department. In the event of doubt, the German version applies.

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Concept, design and setting sam waikiki, Hamburg

Text KUKA Aktiengesellschaft

Translation AMPLEXOR Digital GmbH, Augsburg

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