KUKA

Q3/18
Quarterly Statement

Key figures

in € millions	9M/17	9M/18	Change in %
Orders received	2,779.2	2,610.5	–6.1
Order backlog (September 30)	2,210.7	2,197.5	–0.6
Sales revenues	2,597.1	2,448.3	–5.7
Gross earnings from sales	593.2	579.2	–2.4
in % of sales revenues	22.8	23.7	–
EBIT (earnings before interest and taxes)	110.7	93.9	–15.2
in % of sales revenues	4.3	3.8	–
non-operating adjustments [1]	28.7	27.7	–3.5
Adjusted EBIT	139.4	121.6	–12.8
Adjusted EBIT in % of sales revenues	5.4	5.0	–
EBITDA (earnings before interest, taxes, depreciation and amortization)	166.2	157.8	–5.1
in % of sales revenues	6.4	6.4	–
non-operating adjustments [1]	21.4	18.0	–15.9
Adjusted EBITDA	187.6	175.8	–6.3
Adjusted EBITDA in % of sales revenues	7.2	7.2	–
Earnings after taxes	79.4	73.4	–7.6
Earnings per share (diluted/undiluted) in €	2.00	1.78	–11.0
Capital expenditure	64.7	195.2	>100
Equity ratio in % (September 30)	32.9	42.3	–
Net liquidity/debt (January 1/September 30)	–45.4	93.7	>100
Employees (September 30)	13,988	13,710	–2.0

in € millions	Q3/17	Q3/18	Change in %
Orders received	804.4	750.1	–6.8
Order backlog (September 30)	2,210.7	2,197.5	–0.6
Sales revenues	798.6	851.0	6.6
Gross earnings from sales	188.6	193.8	2.8
in % of sales revenues	23.6	22.8	–
EBIT (earnings before interest and taxes)	28.3	26.4	–6.7
in % of sales revenues	3.5	3.1	–
non-operating adjustments [1]	15.6	9.2	–41.0
Adjusted EBIT	43.9	35.6	–18.9
Adjusted EBIT in % of sales revenues	5.5	4.2	–
EBITDA (earnings before interest, taxes, depreciation and amortization)	47.1	48.4	2.8
in % of sales revenues	5.9	5.7	–
non-operating adjustments [1]	14.4	6.0	–58.3
Adjusted EBITDA	61.5	54.4	–11.5
Adjusted EBITDA in % of sales revenues	7.7	6.4	–
Earnings after taxes	19.2	23.0	19.8
Earnings per share (diluted/undiluted) in €	0.48	0.52	8.3
Capital expenditure	23.8	67.5	>100

[1] Non-operating adjustments relates to growth investments, reorganization expenditure and purchase price allocations for corporate acquisitions

Quarterly Statement

Business performance

KUKA has geared its organizational structure even more strongly towards customers and, since the start of the 2018 fiscal year, is reporting for the first time on the basis of the new customer segments Automotive, Industries and Consumer Goods & Logistics Automation.

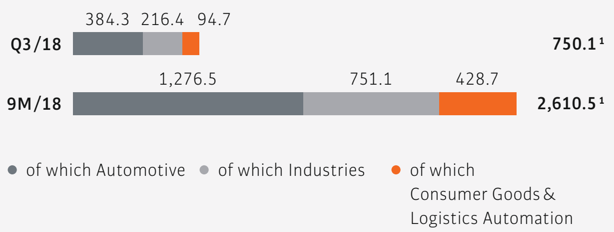
Orders received

KUKA Group

In the past quarter, KUKA Group generated orders received totaling €750.1 million. This represents a decrease of 6.8% on the prior-year value of €804.4 million in 2017.

In the first nine months of 2018, orders received totaled €2,610.5 million. This is 6.1% lower than the prior-year value. The record value achieved by KUKA in the previous year (9M/17: €2,779.2 million) was thus not matched. Orders received were generated primarily in Europe.

Orders received
in € millions



[1] Group

Automotive

In the third quarter of 2018, orders received by the Automotive segment totaled €384.3 million. In part the orders were due to call-offs from framework contracts of automobile manufacturers.

In the first nine months, orders received in this segment amounted to €1,276.5 million. From a regional perspective, Europe, in particular, contributed to the volume of orders received.

Industries

The Industries segment managed to generate new orders valued at €216.4 million in the third quarter of 2018. KUKA achieved particularly high levels of orders received in Europe.

In the first nine months of 2018, this segment reported orders received totaling €751.1 million. Compared with the first half of 2018 (H1/18: €534.7 million), the positive development in this segment is continuing. The good results were achieved primarily in Europe and Asia.

Consumer Goods & Logistics Automation

In the third quarter of 2018, orders received by the Consumer Goods & Logistics Automation segment totaled €94.7 million, predominantly in Europe and the Americas.

In the first nine months of 2018, orders received reached a level of €428.7 million. From a regional perspective, Europe recorded a high level of new orders.

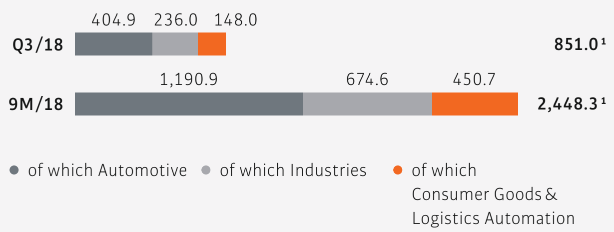
Sales revenues

KUKA Group

In the third quarter of 2018, KUKA Group achieved sales revenues totaling €851.0 million. This corresponds to a 6.6% increase on the previous year's result for the same quarter (Q3/17: €798.6 million).

In the first nine months of 2018, KUKA Group recorded sales revenues of €2,448.3 million, which represented a decline of 5.7% compared with the prior-year value (9M/17: €2,597.1 million). This result was driven primarily by revenues from Europe and the USA.

Sales revenues
in € millions



[1] Group

Automotive

In the past quarter, sales revenues in the Automotive division amounted to €404.9 million. Europe in particular recorded a high level of sales revenues.

In the first nine months of 2018, sales revenues totaled €1,190.9 million.

Industries

In the third quarter, sales revenues in the Industries segment amounted to €236.0 million, generated chiefly in Europe.

In the first nine months of 2018, Industries recorded sales revenues totaling €674.6 million.

Consumer Goods & Logistics Automation

In the past quarter, this segment posted sales revenues totaling €148.0 million. Sales revenues were generated primarily in the Europe and North America regions.

In the first nine months, the segment achieved an overall volume of €450.7 million, thus reflecting the positive development from the previous quarter (H1/18: €302.7 million).

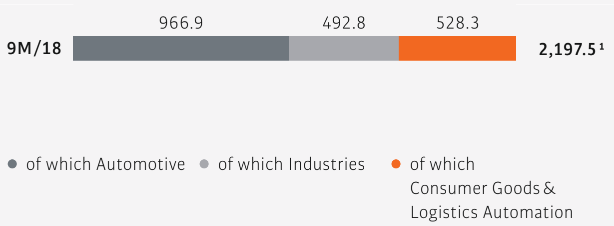
Book-to-bill ratio and order backlog

KUKA Group

The book-to-bill ratio – in other words the ratio of orders received to sales revenues – came in at 0.88 in the past quarter (Q3/17: 1.01). In the first nine months, this indicator amounted to 1.07 (9M/17: 1.07). In the nine-monthly comparison, this value remains unchanged at above 1, thus indicating good capacity utilization and growth.

As at September 30, 2018, the order backlog for the Group amounted to €2,197.5 million, thus remaining virtually constant compared with the value for the prior-year quarter (9M/17: €2,210.7 million).

Order backlog
in € millions



[1] Group

EBIT

KUKA Group

In the past quarter, KUKA Group generated earnings before interest and taxes (EBIT) amounting to €26.4 million (margin: 3.1%). This is a –6.7% decline on the previous year's result for the same quarter (Q3/17: €28.3 million; margin 3.5%). This decline is primarily attributable to the increased costs for sales, administration, research and development.

Disregarding the purchase price allocations for corporate acquisitions, growth investments and reorganization expenditure, the earnings before interest and taxes (EBIT) would be €35.6 million with an EBIT margin of 4.2%.

In the first nine months of 2018, EBIT reached a level of €93.9 million. This is a –15.2% decrease on the previous year's result (9M/17: €110.7 million). The margin correspondingly amounted to 3.8% in the first nine months of 2018 (9M/17: 4.3%).

Disregarding the purchase price allocations for corporate acquisitions, growth investments and reorganization expenditure, the earnings before interest and taxes (EBIT) would be €121.6 million with an EBIT margin of 5.0% in the first nine months of 2018.

Automotive

The EBIT for Automotive totaled €21,1 million in the third quarter of 2018 with a margin of 5.2%. In the first nine months, EBIT reached a value of €75.9 million. The corresponding margin was 6.4%.

Industries

EBIT at Industries in the third quarter of 2018 totaled €8.4 million, resulting in a margin of 3.6%. After the first nine months, the EBIT was €64.3 million with a margin of 9.5%.

Consumer Goods & Logistics Automation

In the quarter under review, EBIT for Consumer Goods & Logistics Automation was –€1.1 million with a margin of –0.7%. In the first nine months, the figure was –€1,2 million with a margin of –0.3%.

Financial position and performance

Earnings

Sales revenues of KUKA Group amounted to €851.0 million in the third quarter of 2018 (Q3/17: €798.6 million), an increase of 6.6% on the previous year. In the first nine months of the 2018 fiscal year, cumulative sales revenues of €2,448.3 million were achieved (9M/17: €2,597.1 million), corresponding to a decrease of 5.7% year on year. Compared with the somewhat weaker second quarter, however, an upward trend is evident. While orders received were down slightly (Q3/18: €750.1 million from Q3/17: €804.4 million), the order backlog remains high at €2,197.5 million (Q3/17: €2,210.7 million). The gross earnings from sales increased by 2.8% to €193.8 million compared to the same period last year (Q3/17: €188.6 million). The resulting gross margin of 22.8% for the Group in the third quarter was virtually unchanged compared with the previous year (Q3/17: 23.6%). Taken cumulatively, the gross margin for the Group in the first nine months of the fiscal year rose to 23.7% from 22.8% in the previous year.

The expenditure for sales, research & development and administration in the first nine months totaled €513.1 million (9M/17: €485.9 million), corresponding to an increase of €27.2 million or 5.6%. Selling expenses rose by €7.1 million and administrative expenses were subject to the same development. Among other factors, the increase in costs is driven by the expansion of the sales personnel, consultancy services, and administrative costs in conjunction with the founding of the new joint venture. Research and development costs rose by €9.6 million to €106.5 million in the first nine months of the fiscal year (9M/17: €96.9 million). Compared with the reporting period in the previous year, the capitalized costs incurred for new developments increased to €26.8 million (9M/17: €19.3 million). This increase illustrates the strong technological focus of the Group with the aim of being able to provide customers with the latest technologies – also in the future. The capitalized costs will be reported as scheduled depreciation in subsequent financial statements. Current research and development expenditures include €11.7 million in depreciation, versus €8.1 million in 9M/17. The capitalization ratio of KUKA Group is thus 22.0% (9M/17: 17.8%). Overall, overhead costs relative to sales revenues changed from 18.7% (9M/17) to 21.0% (9M/18).

In the first quarter, KUKA and majority shareholder Midea jointly announced the founding of three joint ventures in China. KUKA and Midea will have equal 50% stakes in the companies and also involve other subsidiaries to a certain extent.

On July 1, 2018, one of the previously announced joint ventures was set up under the control of KUKA and is thus fully consolidated in KUKA Group. Parent company Midea made a payment for this and also contributed a subsidiary with additional cash assets to the joint venture. Altogether, KUKA Group received cash assets in the three-digit million euro range.

At Shunde (China), where a new production facility is currently being set up, new robots will be developed, produced and sold specifically for the Chinese market in the future, in addition to 6-axis robots. By 2024, capacity for the production of up to 75,000 robot units per year is scheduled to be achieved in several expansion stages. The joint ventures form a very sound basis for implementing the target growth plans, especially in the Chinese market. Competitiveness and market penetration are to be further increased. It is planned for these goals to be achieved also by means of further joint ventures in the other segments of KUKA Group.

EBIT (earnings before interest and taxes) for the first three quarters of this year fell by 15.2% from €110.7 million in 9M/17 to €93.9 million. EBIT in the third quarter decreased slightly by €1.9 million (Q3/17: €28.3 million; Q3/18: €26.4 million). The EBIT margin for the first nine months was down accordingly, from 4.3% (9M/17) to 3.8% (9M/18).

In order to obtain the actual operating result of the Group, the reconciliation to the adjusted EBIT has been adjusted to take non-operating factors into account.

The adjustments include scheduled depreciation amounting to €9.7 million arising from purchase price allocations in connection with corporate acquisitions (9M/17: €7.3 million). Furthermore, an amount of €18.0 million relating to one-off charges and growth investments is also taken into account. Investments have been made, for example, for research into even better interaction between robots and humans, developments in the field of Industrie 4.0, and omniMove drive technology. These investments are necessary to ensure that KUKA Group is well prepared for the future. The adjusted EBIT is €121.6 million, corresponding to an adjusted EBIT margin of 5.0%.

in € millions	9M/17	9M/18
EBIT (earnings before interest and taxes)	**110.7**	**93.9**
in % of sales revenues	4.3	3.8
non-operating adjustments[1]	28.7	27.7
Adjusted EBIT	139.4	121.6
Adjusted EBIT in % of sales revenues	5.4	5.0
EBITDA (earnings before interest, taxes, depreciation and amortization)	**166.2**	**157.8**
in % of sales revenues	6.4	6.4
non-operating adjustments[1]	21.4	18.0
Adjusted EBITDA	187.6	175.8
Adjusted EBITDA in % of sales revenues	7.2	7.2

in € millions	Q3/17	Q3/18
EBIT (earnings before interest and taxes)	**28.3**	**26.4**
in % of sales revenues	3.5	3.1
non-operating adjustments[1]	15.6	9.2
Adjusted EBIT	43.9	35.6
Adjusted EBIT in % of sales revenues	5.5	4.2
EBITDA (earnings before interest, taxes, depreciation and amortization)	**47.1**	**48.4**
in % of sales revenues	5.9	5.7
non-operating adjustments[1]	14.4	6.0
Adjusted EBITDA	61.5	54.4
Adjusted EBITDA in % of sales revenues	7.7	6.4

[1] Non-operating adjustments relates to growth investments, reorganization expenditure and purchase price allocations for corporate acquisitions

New segment reporting

The new organizational structure that was implemented in KUKA Group with effect from January 1, 2018, is being continuously monitored. The goal of the new Customer Centric Organization is to focus on our customers and their respective branches of industry, and no longer on products and solutions. This will enable KUKA Group to concentrate even more strongly on its customers and their requirements in the future. The personnel and sales sectors are fully convinced by the implementation of this structure, which makes it possible to offer customers integrated solutions in order to optimize their added value. KUKA is also working on even more solution ideas and concepts to inspire customers with enthusiasm for the factory of the future.

Implementation of the Customer Oriented system necessitated restructuring of the segments. The Robotics, Systems and Swisslog segments were incorporated into the new segments Automotive, Industries, Consumer Goods & Logistics Automation (CGLA) and various Support segments. In the course of continuous optimization, minor adjustments to the new segments were required in order to optimize control of KUKA Group still further.

Due to cost/benefit considerations, only key figures for 2017 and 2018 are presented in the previous segment structure for the purpose of comparison.

In the Automotive segment, which is also the largest segment, KUKA Group has bundled its expertise aimed at offering the automotive industry the entire range of products and services from a single source. In the third quarter, this segment recorded sales revenues of €404.9 million and an EBIT of €21.1 million. Sales revenues in the first nine months of the fiscal year totaled €1,190.9 million, with an EBIT of €75.9 million and an EBIT margin of 6.4%.

The Industries division covers all industrial customers outside the automotive industry; with the sale of ready2_use packages and standard solutions, this division combines product know-how and solution know-how.

Sales revenues in the first nine months of the fiscal year totaled €674.6 million with an EBIT of €64.3 million. The resulting EBIT margin was 9.5%. If only the third quarter is considered, the division achieved sales revenues totaling €236.0 million with an EBIT of €8.4 million (EBIT margin: 3.6%).

The Consumer Goods & Logistics Automation segment develops automation solutions for intralogistics. The consumer goods industry, in particular, offers great potential for robot-based automation solutions. The entire production process, from processing of the raw product to various packaging processes and palletization, is covered by the integrated solutions from KUKA Group.

Cumulative sales revenues in this segment in the first three quarters totaled €450.7 million, with an EBIT of –€1.2 million and an EBIT margin of –0.3%. Considering the third quarter alone, sales revenues of €148.0 million were achieved, with an EBIT of –€1.1 million and an EBIT margin of –0.7%. If non-operating adjustments are made to the EBIT calculation, an EBIT of €3.2 million is achieved with a corresponding EBIT margin of 2.2%.

Furthermore, Support segments such as Research & Development also exist. One example of the successful research & development activities is the KR CYBERTECH. Its versatility makes it suitable for use in the automotive industry and in general industry.

EBITDA (earnings before interest, taxes, depreciation and amortization) in the first nine months fell from €166.2 million in 2017 to €157.8 million in 2018. Amounting to €63.9 million, depreciation and amortization were higher in the period under review than in the previous year (9M/17: €55.5 million). Considering the third quarter of 2018 in isolation, EBITDA rose from €47.1 million (Q3/17) to €48.4 million in Q3/18.

	9M/17	9M/18			
in € millions	Group	Group	of which Automotive	of which Industries	of which Consumer Goods & Logistics Automation
Orders received	2,779.2	2,610.5	1,276.5	751.1	428.7
Order backlog (Sep. 30)	2,210.7	2,197.5	966.9	492.8	528.3
Sales revenues by division	**2,597.1**	**2,448.3**	**1,190.9**	**674.6**	**450.7**
EBIT	**110.7**	**93.9**	**75.9**	**64.3**	**–1.2**
in % of sales revenues of the division	4.3	3.8	6.4	9.5	–0.3
EBITDA	**166.2**	**157.8**	**82.0**	**69.5**	**6.7**
in % of sales revenues of the division	6.4	6.4	6.9	10.3	1.5

	Q3/17	Q3/18			
in € millions	Group	Group	of which Automotive	of which Industries	of which Consumer Goods & Logistics Automation
Orders received	804.4	750.1	384.3	216.4	94.7
Order backlog (Sep. 30)	2,210.7	2,197.5	966.9	492.8	528.3
Sales revenues by division	**798.6**	**851.0**	**404.9**	**236.0**	**148.0**
EBIT	**28.3**	**26.4**	**21.1**	**8.4**	**–1.1**
in % of sales revenues of the division	3.5	3.1	5.2	3.6	–0.7
EBITDA	**47.1**	**48.4**	**23.0**	**9.9**	**4.2**
in % of sales revenues of the division	5.9	5.7	5.7	4.2	2.9

The financial result, which is the balance of financial income and expenses, amounted to €0.4 million in the first nine months of 2018. Compared to the financial result in the same period of the previous year, this corresponds to a rise of €6.2 million (9M/17: –€5.8 million).

It includes financial income relating to currency effects totaling €2.3 million. The interest income amounted to €9.7 million (9M/17: €4.9 million), which mainly includes interest income from banks in connection with the newly founded joint venture. The net interest expense for pensions in the first nine months of the fiscal year was €1.1 million. Furthermore, interest expenses to banks totaled €2.0 million, of which €1.7 million was incurred for the syndicated loan and the two promissory note loans. Further details are contained in the explanations of the promissory note loans and the syndicated loan.

Earnings before taxes (EBT) in the first three quarters of 2018 totaled €94.3 million. This compares to €104.9 million in 9M/17. Expenses for taxes on income totaled €20.9 million (9M/17: €25.5 million). This results in a tax ratio of 22.2% (9M/17: 24.3%). In particular, the tax-neutral sale of connyun GmbH and KBee AG had a beneficial effect on the tax ratio.

Earnings after taxes declined by €6.0 million to €73.4 million (9M/17: €79.4 million). The undiluted/diluted earnings per share changed from €2.00 (9M/17) to €1.78 (9M/18).

Group income statement (condensed)

in € millions	9M/17	9M/18
Sales revenues	2,597.1	2,448.3
EBIT	110.7	93.9
EBITDA	166.2	157.8
Financial result	–5.8	0.4
Taxes on income	–25.5	–20.9
Earnings after taxes	79.4	73.4

in € millions	Q3/17	Q3/18
Sales revenues	798.6	851.0
EBIT	28.3	26.4
EBITDA	47.1	48.4
Financial result	–2.1	4.6
Taxes on income	–7.0	–8.0
Earnings after taxes	19.2	23.0

Financial position

The 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. They decreased slightly from €166.5 million (9M/17) to €161.5 million (9M/18). The reasons for this are the slightly lower earnings after taxes, the consequently lower income taxes, higher depreciation, lower income and higher expenditure.

Cash flow from current business operations amounted to –€117.7 million (9M/17: –€143.7 million), with the greatest change being to provisions. The trade working capital increased by €202.4 million to €652.8 million as at September 30, 2018 (January 1, 2018: €450.4 million).

The following overview shows the development of trade working capital:

in € millions	Jan. 1, 2018	Sep. 30, 2018
Inventories less advance payments	387.4	481.9
Trade receivables and receivables from contract assets	920.3	1,044.5
Trade payables and contract liabilities	857.3	873.6
Trade working capital	**450.4**	**652.8**

In the first nine months of fiscal 2018, €195.2 million was invested in tangible and intangible assets (9M/17: €64.7 million). Capital investment in tangible assets totaled €154.0 million and related primarily to investment in production facilities. KUKA Toledo Production Operations LLC, Toledo, USA (KTPO) manufactures Jeep Wrangler bodies under the terms of a pay-on-production contract with Chrysler. The expenditure for construction of the new manufacturing facility will be capitalized under "Assets under construction" until the facility is put into operation. Expenses are also being incurred for in-house production facilities in conjunction with the newly founded joint venture; until completion, these are being reported under "Assets under construction". Moreover, KUKA Group is investing in the future and is currently building an additional production facility, a training center and a campus at the Augsburg site.

Intangible asset investments totaled €41.2 million, of which €26.8 million was for internally generated intangible assets. The investments relate to software licenses and the land-use right of the joint venture in China.

The cash flow from investment activities thus amounted to –€92.5 million in total (9M/17: –€112.1 million).

The free cash flow comprising the cash flow from current business operations and the cash flow from investment activities totaled –€210.2 million, which corresponds to a change of €45.6 million on the previous year (9M/17: –€255.8 million).

The cash flow from financing activities amounted to €113.9 million (9M/17: €20.6 million). This includes a promissory note loan of KUKA Toledo Production Operations LLC, Toledo, USA (KTPO). Further details are contained in the explanations of the USD promissory note loan.

The cash and cash equivalents available to KUKA Group as at September 30, 2018 totaled €501.7 million (September 30, 2017: €131.5 million). This corresponds to an increase of €370.2 million on the previous year. This increase is primarily attributable to the change in cash and cash equivalents due to corporate acquisitions – in this case the founding of the joint venture together with parent company Midea.

Cash flow statement (condensed)

in € millions	9M/17	9M/18
Cash earnings	166.5	161.5
Cash flow from current business operations	–143.7	–117.7
Cash flow from investment activities	–112.1	–92.5
Free cash flow	–255.8	–210.2

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 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, utilization of the syndicated facilities agreement of KUKA AG amounted to a total of €222.5 million (January 1, 2018: €182.1 million).

EUR 250 million promissory note loan

KUKA AG issued a promissory note loan in two tranches with different terms to maturity and a total volume of €250.0 million on October 9, 2015. Tranche 1 has a volume of €142.5 million with an initial term to maturity of five years. Tranche 2 has a volume of €107.5 million with an initial term to maturity of seven years. The issue price was 100% with a denomination per unit of €0.5 million. Repayment shall occur at 100%, 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.

USD 150 million promissory note loan

To finance the construction of the new manufacturing facility under the terms of a pay-on-production contract, KUKA Toledo Production Operations LLC, Toledo, Ohio, USA (KTPO), issued a USD promissory note loan with a total volume of $150.0 million and underwritten by KUKA AG. The financing was received on August 10/September 10, 2018. This promissory note loan too is broken down into several different terms. Tranche 1 has a volume of $10 million with a term to maturity of 2 years, tranche 2 has a volume of $90 million with a term to maturity of 3.5 years, and tranche 3 has a volume of $50 million with a term to maturity of 5 years. The interest rate of all three tranches is variable and based on the 3-month USD LIBOR rate plus a term-dependent margin of 85, 105 or 140 base points. Interest payments are made quarterly. This promissory note loan too is unsecured and also contains the customary equal treatment clauses and negative pledges as well as provisions governing cross default and change of control.

Net worth

Due to initial implementation of the new IFRS standards 9 and 15 with effect from January 1, 2018, there were fundamental changes in presentation in the opening balance sheet. As a result, the balance sheet total decreased slightly by €4.7 million to €2,635.4 million from December 31, 2017 to January 1, 2018.

The IFRS 9 standard replaces the existing guidelines in IAS 39 Financial Instruments: Recognition and Measurement. 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. These changeover effects were booked without affecting net income. Current gains and losses from measuring financial instruments are recognized as income or expense.

The balance sheet total of KUKA Group rose by €678.6 million from €2,635.4 million as at January 1, 2018 to €3,314.0 million as at September 30, 2018.

Non-current assets rose by €154.6 million to €1,131.0 million (January 1, 2018: €976.4 million). The greatest increase was recorded for tangible assets, which rose by €153.2 million to €449.2 million. This is attributable to the founding of the joint venture with parent company Midea. Finance lease receivables, on the other hand, fell by €39.8 million since the start of the business year, as the lease with KTPO is currently on hold.

The value of current assets – like that of non-current assets – showed an increase. As at January 1, 2018, the figure was €1,048.2 million; this developed to €1,199.4 million as at the end of the third quarter. The greatest increase was recorded for receivables from contract assets. Here, the figure rose from €513.7 million as at January 1, 2018 to €627.2 million as at September 30, 2018. The increase is due to the processing of old orders.

Within the reporting period, equity capital rose from €861.9 million to €1,401.0 million. An increase in the three-digit million euro range was recorded for both revenue reserves and minority interests. This is because 50% of the newly founded joint ventures is held by parent company Midea. Exchange rate effects (particularly USD, CHF and BRL) also increased equity – in this case by €18.9 million.

The valuation of pension provisions including the associated deferred taxes, while not affecting earnings, resulted in equity increasing by €6.1 million in the reporting period.

Due to the increase in equity, the equity ratio, i. e. the ratio of equity to the balance sheet total, developed accordingly, rising from 32.7% as at January 1, 2018 to 42.3% as at September 30, 2018.

The non-current and current financial liabilities totaled €408.0 million, which compares to €268.8 million at January 1, 2018. This increase primarily relates to short-term borrowing in connection with the syndicated facilities agreement and the promissory note loan in the USA.

Current liabilities increased by only €10.1 million from €1,357.9 million (January 1, 2018) to €1,368.0 million (September 30, 2018). The principal driver of this rise was the increase of €84.3 million in contractual liabilities compared with the start of the year. In conjunction with the initial application of IFRS 15, the designations of former receivables and liabilities from construction contracts were accordingly changed to contract receivables and liabilities. Furthermore, received advance payments amounting to €94.0 million were reclassified as contract liabilities. Trade payables, on the other hand, developed in the opposite direction. They have decreased since January 1, 2018 from €549.2 million to €481.2 million. More detailed information is contained in the report on trade working capital.

If the current and non-current financial liabilities are subtracted from the liquid assets, KUKA Group has a net liquidity of €93.7 million as at September 30, 2018, compared with a net debt of €45.4 million as at January 1, 2018.

in € millions	Jan. 1, 2018	Sep. 30, 2018
Balance sheet total	2,635.4	3,314.0
Equity	861.9	1,401.0
in % of balance sheet total	32.7%	42.3%
Net liquidity	–45.4	93.7

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 stable demand from Europe in the 2018 fiscal year. KUKA expects weaker growth in Asia than forecast at the start of the year. This is due primarily to a slowdown in the Asian market for articulated robots compared with the previous year. In North America, and particularly in the Automotive sector, KUKA is expecting a slight decline due to the completion of various model updates. A positive development is anticipated in the area of General Industry. Uncertainties exist primarily on account of the current developments in the global economy and in particular the trade dispute between the USA and China. This also affects the world's largest robotics markets, such as the automotive and electronics industries, where we shall continue to keep a close eye on developments.

For these reasons, and based on the current economic environment and business development, KUKA expects to generate sales revenues of around €3.3 billion in the 2018 fiscal year; this is below the forecast of more than €3.5 billion that was made at the start of the year. Furthermore, KUKA predicts an EBIT margin of about 4.5% before purchase price allocations amounting to around €15 million, before growth investments and before reorganization expenditure of 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 September 30, 2018

in € millions	Q3/17	Q3/18	9M/17	9M/18
Sales revenues	**798.6**	**851.0**	**2,597.1**	**2,448.3**
Cost of sales	–610.0	–657.2	–2,003.9	–1,869.1
Gross income	**188.6**	**193.8**	**593.2**	**579.2**
Selling expenses	–70.2	–71.3	–221.6	–228.7
Research and development costs	–30.6	–36.1	–96.9	–106.5
General and administrative expenses	–59.8	–59.7	–167.4	–177.9
Other operating income	3.5	1.5	14.0	40.5
Other operating expenses	–2.5	–1.4	–8.9	–10.9
Loss from companies consolidated at equity	–0.7	–0.4	–1.7	–1.8
Earnings from operating activities	**28.3**	**26.4**	**110.7**	**93.9**
Reconciliation to earnings bevore interest and taxes (EBIT)				
Earnings before interest and taxes (EBIT)	**28.3**	**26.4**	**110.7**	**93.9**
Depreciation and amortization	18.8	22.0	55.5	63.9
Earnings before interest, tax and amortization (EBITDA)	**47.1**	**48.4**	**166.2**	**157.8**
Depreciation on financial assets	–0.3	0.0	–0.3	0.0
Interest income	1.4	6.9	4.9	9.7
Interest expense	–3.2	–2.3	–10.4	–9.3
Financial result	**–2.1**	**4.6**	**–5.8**	**0.4**
Earnings before tax	**26.2**	**31.0**	**104.9**	**94.3**
Taxes on income	–7.0	–8.0	–25.5	–20.9
Earnings after taxes	**19.2**	**23.0**	**79.4**	**73.4**
of which: attributable to minority interests	(0.0)	(2.4)	(–0.1)	(2.5)
of which: attributable to shareholders of KUKA AG	(19.2)	(20.6)	(79.5)	(70.9)
Earnings per share (undiluted) in €	**0.48**	**0.52**	**2.00**	**1.78**
Earnings per share (diluted) in €	**0.48**	**0.52**	**2.00**	**1.78**

Statement of comprehensive income

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

in € millions	Q3/17	Q3/18	9M/17	9M/18
Earnings after taxes	**19.2**	**23.0**	**79.4**	**73.4**
Items that may potentially be reclassified to profit or loss				
Translation adjustments	–15.4	3.3	–34.8	17.1
Items that are not reclassified to profit or loss				
Changes of actuarial gains and losses	–0.8	4.3	5.6	7.3
Deferred taxes on changes of acturial gains and losses	0.5	–0.7	–0.5	–1.2
Changes recognized directly in equity	**–15.7**	**6.9**	**–29.7**	**23.2**
Comprehensive Income	**3.5**	**29.9**	**49.7**	**96.6**
of which: attributable to minority interests	(0.0)	(0.7)	(–0.1)	(0.7)
of which: attributable to shareholders of KUKA AG	(3.5)	(29.2)	(49.8)	(95.9)

Cash flow statement

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

in € millions	9M/17	9M/18
Net income after taxes	**79.4**	**73.4**
Income taxes	33.1	16.6
Net interest result	5.5	−0.6
Depreciation of intangible assets	25.7	33.3
Depreciation of tangible assets	29.8	30.7
Depreciation of financial investments	0.3	0.0
Other (non-payment related) income	−11.6	−4.0
Other(non-payment related) expenses	4.3	12.1
Cash earnings	**166.5**	**161.5**
Result on the disposal of assets	0.0	0.2
Changes in provisions	−42.1	13.4
Changes in current assets and liabilities		
Changes in inventories	−105.4	−96.8
Changes in receivables and deferred charges	−283.3	−108.6
Changes in liabilities and deferred income (excl. financial debt)	155.5	−20.1
Income taxes paid	−32.0	−29.3
Investments/financing matters affecting cash flow	−2.9	−38.0
Cash flow from operating activities	**−143.7**	**−117.7**
Payments from disposals of intangible and fixed assets	3.8	1.3
Payments for investments in intangible assets	−34.2	−41.2
Payments for investments in fixed assets	−30.5	−154.0
Payments for investment in financial investments	−0.9	0.0
Payments for/from investments in fin. assets/at equity	–	104.2
Payments from sale of consolidated companies or other	–	4.0
Payments for sale of consolidated companies or other	−55.2	−13.5
Interest received	4.9	6.7
Cash flow from investing activities	**−112.1**	**−92.5**
Free Cash flow	**−255.8**	**−210.2**
Payments from capital increases	–	0.0
Dividend payments	−19.9	−19.9
Proceeds from/payments from the issuance/repayment of bonds and liabilities similar to bonds	–	125.0
Proceeds from/payments for the acceptance/repayment of bank loans	42.6	12.5
Payments from grants received	2.9	3.9
Interest paid	−5.0	−7.6
Cash flow from financing activities	**20.6**	**113.9**
Payment-related changes in cash and cash equivalents	**−235.2**	**−96.3**
Changes due to acquisitions of companies	–	380.0
Exchange rate-related and other changes in cash and cash equivalents	2.5	−5.6
Changes in cash and cash equivalents	**−232.7**	**278.1**
(of which net increase/decrease in restricted cash)	(−0.6)	(−0.1)
Cash and cash equivalents at the beginning of the period	**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	**131.5**	**501.7**
(of which restricted cash ath the end of the period)	(0.4)	(0.3)

[1] Cash and cash equivalents at the start and end of the period 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 September 30, 2018

Assets

in € millions	Dec. 31, 2017	Adj.	Jan. 1, 2018	Sep. 30, 2018
Non-current assets				
Intangible assets	520.4	–	520.4	556.3
Property, plant and equipment	296.0	–	296.0	449.2
Financial investments	5.1	–	5.1	8.7
Investments accounted for at equity	15.7	–	15.7	14.3
	837.2	**–**	**837.2**	**1,028.5**
Finance lease receivables	43.1	−1.0	42.1	2.3
Income tax receivables	–	–	–	–
Other long-term receivables and other assets	17.5	–	17.5	20.0
Deferred taxes	79.6	–	79.6	80.2
	977.4	**−1.0**	**976.4**	**1,131.0**
Current assets				
Inventories	387.4	–	387.4	481.9
Receivables and other assets				
Trade receivables	408.1	−1.5	406.6	417.3
Contract Assets	515.7	−2.0	513.7	627.2
Receivables from affiliated companies	–	–	–	0.0
Finance lease receivables	9.8	–	9.8	0.9
Income tax receivables	32.7	–	32.7	27.6
Other assets, prepaid expenses and deferred charges	85.4	–	85.4	126.4
	1,051.7	**−3.5**	**1,048.2**	**1,199.4**
Cash and cash equivalents	**223.6**	**−0.2**	**223.4**	**501.7**
Assets held for disposal	**–**	**–**	**–**	**0.0**
	1,662.7	**−3.7**	**1,659.0**	**2,183.0**
	2,640.1	**−4.7**	**2,635.4**	**3,314.0**

Equity and liabilities

in € millions	Dec. 31, 2017	Adj.	Jan. 1, 2018	Sep. 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	735.7
Minority interests	–0.5	–	–0.5	255.3
	866.6	**–4.7**	**861.9**	**1,401.0**
Non-current liabilities, provisions and accruals				
Financial liabilities	249.7	–	249.7	378.9
Other liabilities	29.5	–	29.5	32.6
Pensions and similar obligations	108.9	–	108.9	99.7
Deferred taxes	27.5	–	27.5	33.8
	415.6	**–**	**415.6**	**545.0**
Current liabilities				
Financial liabilities	19.1	–	19.1	29.1
Trade payables	549.2	–	549.2	481.2
Advances received	94.0	–94.0	0.0	0.0
Liabilities from construction contracts	214.1	94.0	308.1	392.4
Accounts payable to affiliated companies	0.1	–	0.1	0.2
Income tax liabilities	51.2	–	51.2	33.0
Other liabilities and deferred income	297.7	–	297.7	283.6
Other provisions	132.5	–	132.5	148.5
	1,357.9	**–**	**1,357.9**	**1,368.0**
Liabilities from assets held for disposal	**0.0**	**–**	**0.0**	**0.0**
	1,773.5	**0.0**	**1,773.5**	**1,913.0**
	2,640.1	**–4.7**	**2,635.4**	**3,314.0**

Development of Group equity

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

in € millions	Number of shares out-standing	Subscribed capital	Capital reserve	Revenue reserves: Transla-tion gains/losses	Revenue reserves: Actuarial gains and losses	Revenue reserves: Annual net income and other revenue reserves	Equity to share-holders	Minority interests	Total
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		–	–	–	–	79.5	79.5	–0.1	79.4
Other income		–	–	–34.8	5.1	–	–29.7	–	–29.7
Comprehensive income	**–**	**–**	**–**	**–34.8**	**5.1**	**79.5**	**49.8**	**–0.1**	**49.7**
Dividend KUKA AG		–	–	–	–	–19.9	–19.9	–	–19.9
Change in scope of consolidation/ other changes		–	–	–	–	–1.6	–1.6	–	–1.6
Sep. 30, 2017	**39,775,470**	**103.4**	**306.6**	**26.3**	**–18.6**	**451.1**	**868.8**	**–0.4**	**868.4**
Dec. 31, 2017	**39,775,470**	**103.4**	**306.6**	**20.1**	**–23.2**	**460.2**	**867.1**	**–0.5**	**866.6**
Initial application effect of IFRS 9		0.0	0.0	0.0	0.0	–4.7	–4.7	0.0	–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		–	–	–	0.0	70.9	70.9	2.4	73.3
Other income		–	–	18.9	6.1	–	25.1	–1.7	23.4
Comprehensive income		**–**	**–**	**18.9**	**6.1**	**70.9**	**96.0**	**0.7**	**96.7**
Dividend KUKA AG		0.0	–	–	–	–19.9	–19.9	–	–19.9
Change in scope of consolidation/ other changes		0.0	0.0	0.0	0.0	202.5	202.5	255.1	457.6
Sep. 30, 2018	**39,775,470**	**103.4**	**306.6**	**39.0**	**–17.1**	**713.7**	**1,145.7**	**255.3**	**1,401.0**

Group segment reporting

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

Segment reporting

	Group	Automotive	Industries	Consumer Goods & Logistics Automation	Operations	Others	Central Functions	Reconciliation and consolidation	Group
in € millions	9M/17	9M/18	9M/18	9M/18	9M/18	9M/18	9M/18	9M/18	9M/18
Orders received	2,779.2	1,276.5	751.1	428.7	387.6	340.2	0.0	–573.6	2,610.5
Order backlog (Sep. 30)	2,210.7	966.9	492.8	528.3	4.8	215.0	0.0	–10.3	2,197.5
Group external sales revenues	2,597.1	1,231.1	660.0	446.5	0.1	167.1	0.0	–56.5	2,448.3
in % of Group sales revenues	100.0	50.3	27.0	18.2	0.0	6.8	0.0	–2.3	100.0
Intra-Group sales	0.0	–40.2	14.6	4.2	365.0	194.3	79.7	–617.6	0.0
Sales revenues by division	**2,597.1**	**1,190.9**	**674.6**	**450.7**	**365.1**	**361.5**	**79.7**	**–674.2**	**2,448.3**
Gross earnings from sales	**593.2**	**194.4**	**197.9**	**79.8**	**17.1**	**163.7**	**75.8**	**–149.5**	**579.2**
in % of sales revenues of the division	22.8	16.3	29.3	17.7	4.7	45.3	95.1	22.2	23.7
EBIT (earnings before interest and taxes)	**110.7**	**75.9**	**64.3**	**–1.2**	**–4.4**	**–2.1**	**–44.8**	**6.2**	**93.9**
in % of sales revenues of the division	4.3	6.4	9.5	–0.3	–1.2	–0.6	–56.2	–0.9	3.8
non-operating adjustments[1]	28.7	1.6	4.8	4.3	0.0	14.2	2.8	0.0	27.7
Adjusted EBIT	139.4	77.5	69.1	3.1	–4.4	12.1	–42.0	6.2	121.6
Adjusted EBIT in % of sales revenues of the division	5.4	6.5	10.2	0.7	–1.2	3.3	–52.7	–0.9	5.0
EBITDA (earnings before interest, taxes, depreciation and amortization)	**166.2**	**82.0**	**69.5**	**6.7**	**4.2**	**16.5**	**–27.0**	**5.9**	**157.8**
in % of sales revenues of the division	6.4	6.9	10.3	1.5	1.2	4.6	–33.9	–0.9	6.4
non-operating adjustments[1]	21.4	1.5	3.8	0.4	0.0	9.5	2.8	0.0	18.0
Adjusted EBITDA	187.6	83.5	73.3	7.1	4.2	26.0	–24.2	5.9	175.8
Adjusted EBITDA in % of sales revenues of the division	7.2	7.0	10.9	1.6	1.2	7.2	–30.4	–0.9	7.2
Employees (Sep. 30)	13,988	3,257	1,607	1,892	2,891	3,104	959	0	13,710

[1] Non-operating adjustments relates to growth investments, reorganization expenditure and purchase price allocations for corporate acquisitions

Key figures according to former segments

	Robotics		Systems		Swisslog		KUKA AG and other companies		Reconciliation and consolidation		Group	
in € millions	9M/17	9M/18	9M/17	9M/18	9M/17	9M/18	9M/17	9M/18	9M/17	9M/18	9M/17	9M/18
Orders received	946.3	958.4	1,186.0	1,069.9	700.2	576.6	0.0	0.0	–53.3	5.6	2,779.2	2,610.5
Group external sales revenues	871.9	864.0	1,195.9	982.9	529.0	594.6	0.0	7.4	0.3	–0.6	2,597.1	2,448.3
Intra-Group sales	23.4	143.2	13.7	73.5	0.9	109.1	67.8	81.5	–105.8	–407.3	0.0	0.0
Sales revenues by division	**895.3**	**1,007.2**	**1,209.6**	**1,056.4**	**529.9**	**703.7**	**67.8**	**88.9**	**–105.5**	**–407.9**	**2,597.1**	**2,448.3**
EBIT (earnings before interest and taxes)	**97.2**	**129.3**	**55.1**	**0.6**	**2.2**	**1.6**	**–44.1**	**–37.6**	**0.3**	**0.0**	**110.7**	**93.9**
in % of sales revenues of the division	10.9	12.8	4.6	0.1	0.4	0.2	–65.0	–42.3	–0.3	0.0	4.3	3.8
non-operating adjustments[1]	12.8	4.4	0.0	3.0	7.3	10.8	8.6	9.5	0.0	0.0	28.7	27.7
Adjusted EBIT	110.0	133.7	55.1	3.6	9.5	12.4	–35.5	–28.1	0.3	0.0	–139.4	121.6
Adjusted EBIT in % of sales revenues of the division	12.3	13.3	4.6	0.3	1.8	1.8	–52.4	–31.6	–0.2	0.0	5.4	5.0
Employees (Sep. 30)	4,956	5,138	5,423	4,860	2,822	2,939	787	773	0	0	13,988	13,710

[1] Non-operating adjustments relates to growth investments, reorganization expenditure and purchase price allocations for corporate acquisitions

This quarterly report was published on October 29, 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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