KUKA

H1/19
Interim Report

Key figures

in € millions	H1/18	H1/19	Change in %
Orders received	1,860.4	1,809.2	–2.8%
Order backlog (June 30)	2,341.1	2,293.1	–2.1%
Sales revenues	1,597.2	1,539.6	–3.6%
Gross earnings from sales	385.4	356.1	–7.6%
in % of sales revenues	24.1%	23.1%	–
Earnings before interest and taxes (EBIT)	67.4	45.9	–31.9%
in % of sales revenues	4.2%	3.0%	–
One-off effects [1]	12.0	–	–100.0%
Adjusted EBIT	79.4	45.9	–42.2%
Adjusted EBIT in % of sales revenues	5.0%	3.0%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	109.4	106.5	–2.7%
in % of sales revenues	6.8%	6.9%	–
One-off effects [1]	12.0	–	–100.0%
Adjusted EBITDA	121.4	106.5	–12.3%
Adjusted EBITDA in % of sales revenues	7.6%	6.9%	–
Earnings after taxes	50.3	35.1	–30.2%
Diluted/undiluted earnings per share in €	1.26	0.86	–31.7%
Capital expenditure	127.7	78.8	–38.3%
Equity ratio in % (June 30)	32.4%	38.2%	–
Net liquidity (June 30)	–181.0	34.4	>100%
Employees (June 30)	14,013	14,126	0.8%

[1] 2018: one-off effects related to growth and reorganization expenditure
2019: no one-off effects

in € millions	Q2/18	Q2/19	Change in %
Orders received	960.2	914.0	–4.8%
Order backlog (June 30)	2,341.1	2,293.1	–2.1%
Sales revenues	852.7	801.9	–6.0%
Gross earnings from sales	202.3	188.6	–6.8%
in % of sales revenues	23.7%	23.5%	–
Earnings before interest and taxes (EBIT)	52.1	23.7	–54.5%
in % of sales revenues	6.1%	3.0%	–
One-off effects [1]	6.8	–	–100.0%
Adjusted EBIT	58.9	23.7	–59.8%
Adjusted EBIT in % of sales revenues	6.9%	3.0%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	73.5	54.4	–26.0%
in % of sales revenues	8.6%	6.8%	–
One-off effects [1]	6.8	–	–100.0%
Adjusted EBITDA	80.3	54.4	–32.3%
Adjusted EBITDA in % of sales revenues	9.4%	6.8%	–
Earnings after taxes	40.6	20.1	–50.5%
Diluted/undiluted earnings per share in €	1.02	0.45	–55.9%
Capital expenditure	84.4	42.6	–49.5%

[1] 2018: one-off effects related to growth and reorganization expenditure
2019: no one-off effects

Contents

Foreword

Dear Shareholders,

We look back on an eventful first six months, in which KUKA focused very strongly on adapting to the tougher economic environment. For May, the VDMA reported a 7% decrease in order volume compared with the previous month. This was the sixth consecutive decline in orders. The VDMA lowered its forecast for the full year from +1% to –2%. In China too, the world's largest robotics market, the number of industrial robots sold was down 10.1% on the prior-year period according to the National Bureau of Statistics of China. KUKA Group generated orders received worth €1,809.2 million in the first half-year 2019, which was just 2.8% below the previous year's figure (H1/18: €1,860.4 million). Sales revenues amounted to €1,539.6 million in the first half-year 2019, corresponding to a slight decrease of 3.6% on the previous year (H1/18: €1,597.2 million). The EBIT margin was down from 4.2% in the first half-year 2018 to 3.0% in 2019. The result in the prior-year quarter was positively influenced by the sale of shareholdings in companies. On the other hand, the efficiency measures initiated since the beginning of the year have had a positive impact on the development. It thus proved possible to further improve the Group results. If the other income in the first six months of 2018 is adjusted for the results of divesting associated companies and that of the six month of 2019 is adjusted for the effects of changing the consolidation method, then the EBIT was at the same level.

The weakened economy, the trade dispute between the USA and China, and Brexit are unsettling our environment. Our customers are becoming more cautious in their investment activities. We countered these developments with a comprehensive package of measures. For example, we kicked off new products such as delta and SCARA robots for the Asian market, set the course for a stronger focus on R&D and implemented a customer-oriented organizational structure. At the same time, we introduced efficiency measures, which also provide for a cutback of 350 jobs at the Augsburg site.

We have made good progress in implementing all these measures since the beginning of the year, which is also reflected in the quarterly result. Nevertheless, a great deal still remains for us to accomplish in the second half of the year. In particular, we cannot foresee how our environment will develop.

KUKA is therefore continuing to make itself weatherproof in order to maintain its future viability and innovative strength.

On the topic of innovative strength: in July we invited our partners and customers to visit us at Augsburg for the KUKA iimotion_days. This gave us an opportunity to present our entire range of products and services at the Augsburg site for the first time: from the new KR QUANTEC and ItemPiQ, a joint development by KUKA and Swisslog, to the smart factory, we provided our partners and customers with an ideal setting for conversations and discussions in the form of themed tours of our plant and exciting presentations.

Feedback from our customers was very positive and motivating. They described us as down-to-earth and approachable – with many topics focusing on exactly the right key aspects. Praise that I gladly pass on to the KUKA employees. Because an event like this with around 400 guests on the company premises can only be staged through efficient interdepartmental collaboration.

Sincerely,

Peter Mohnen

KUKA and the capital market

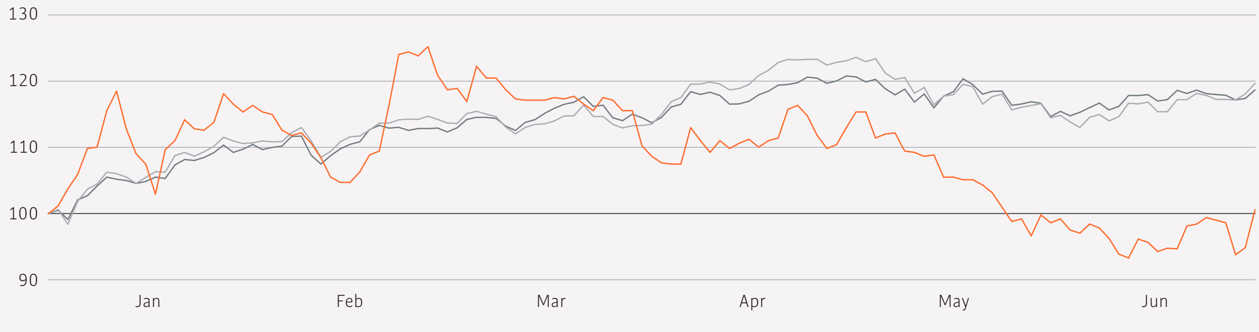
KUKA share

Weak market development continued in the first half of 2019. Worldwide uncertainties have led to a noticeable cooling of the global economy. In particular, the ongoing trade disputes between the USA and China as well as the USA and the EU, the tense situation in the Gulf region and the risk of a hard Brexit are weighing on the global economic climate. This is dampening the mood at companies as they view the coming months with growing pessimism. In line with this, the Business Climate Index of the Institute of Economic Research (ifo) fell for the third time in a row and stood at 97.4 points in June 2019 after 97.9 points in the previous month. This was the lowest level since November 2014. The ifo Business Climate Index is regarded as an important early indicator of the development of the German economy. For 2019 as a whole, the ifo institute still expects economic growth of 0.6 percent.

Fears of an economic downturn and concerns about geopolitical risks have so far not been reflected in the stock markets. For example, the MDAX, on which the 50 medium-sized stocks in Germany are listed, has risen by 18.7% since the beginning of the year, closing at 25,620 points on June 28, 2019. Comprising the 70 companies ranked after the stocks listed on the MDAX in terms of market capitalization and stock exchange turnover, the SDAX closed 19.7% up at 11,378 points on June 28, 2019. After ending 2018 at €50.80, the KUKA share price was able to improve by 0.6% to €51.10 by June 28, 2019.

According to the last voting rights notification dated December 21, 2018, 94.55% of KUKA shares remain allocated to Midea Group Co., Ltd., Foshan, China, the parent company of Midea Group.

KUKA's share price performance
January 1 – June 30, 2019[1]



[1] Dezember 30, 2018 = 100, share price performance indexed, prices: Xetra

Consolidated financial report

Economic environment

Demand for cars

Global car market set to contract slightly in 2019

According to the German Automotive Industry Association (VDA), the automotive sector is in a process of transformation. This involves not only the efforts to achieve climate targets through electric mobility and alternative drive systems but also developments in the areas of digitalization, networking and autonomous driving. Automotive manufacturers are thus investing heavily in electric mobility as well as in alternative drives as they strive towards the goal of CO_2 neutrality across the entire value chain. By 2023, German manufacturers plan to increase the number of electric car models fivefold to over 150. Beyond this, digitalization and networking will make a decisive contribution towards more safety, efficiency, sustainability and comfort. Drivers, for example, will be supported by traffic jam assistants, while voice assistants will enhance safety and comfort. However, the trade conflicts and increasing protectionism are creating uncertainty across the globe. The VDA is thus forecasting that the global car market in 2019 will be down 2% on the previous year at just below 83 million units. Sales in the European market are estimated at 15.5 million new vehicles and thus –1% lower year-on-year. A decline is also anticipated for the Chinese and US markets. Sales of 22.3 million new vehicles are expected in the Chinese market, corresponding to a 4% drop. For the US market, a decrease of 2% to 17.2 million units is anticipated.

High potential for automation – however, geopolitical developments are creating uncertainty

According to the German Mechanical Engineering Industry Association (VDMA), new orders in the mechanical engineering sector remain under pressure. In May 2019, the order volume fell by 7% in real terms compared to the previous month. This was the sixth consecutive decline in orders. The VDMA lowered its overall forecast for the year from +1% to –2%. This was primarily due to the global economic slowdown as well as the worldwide trade disputes, which caused uncertainty and dampened the investment mood. Customers of mechanical engineering companies are postponing their investments or provisionally freezing planned investments. Automotive manufacturers will still need to invest in future technologies, but they will come under increasing pressure due to the weak development of sales.

The International Federation of Robotics (IFR) reports that the global robot market grew by 1% in 2018. The original forecast was much higher at 10%, but global political and economic uncertainties had a negative impact on demand. For example, the market for articulated robots, in particular, saw a decline of 1%. In China alone, demand for articulated robots even dropped by 12%. According to the National Bureau of Statistics of China, the number of industrial robots sold in China in the first half-year 2019 fell 10.1% year-on-year. Despite this sharp drop, the global potential for automation solutions remains high in the long term. In line with this, the IFR forecasts an average annual global growth rate of 14% between 2019 and 2021. A total of around 3.8 million robots are expected to be in use by 2021.

Business performance

Since January 1, 2019, reporting has been based on the improved organizational structure. The KUKA Business Organization (KBO) comprises five business segments – Systems, Robotics, Logistics Automation, Healthcare and China (for further details, see segment reports starting on page 20).

KUKA Group

KUKA Group posted orders received totaling €914.0 million in the second quarter of 2019. This corresponds to a 4.8% decrease on the second quarter of 2018 (Q2/18: €960.2 million). The new orders came primarily from the Europe and Americas regions. However, the difficult situation in the global economy at present has led customers to hold back on placing orders. For this reason, there was also a decline in revenues, which were down 6.0% to €801.9 million (Q2/18: €852.7 million). Revenues were generated primarily in Europe. The book-to-bill ratio, which reflects the relation between orders received and revenues, increased by 0.01 to 1.14 in the past quarter (Q2/18: 1.13). Values above 1 mean good capacity utilization and are an indicator of growth. At €23.7 million, EBIT in the second quarter of 2019 matched the level of the first quarter of 2019, but was significantly lower year-on-year (Q2/18: €52.1 million). The EBIT margin dropped accordingly from 6.1% in the second quarter of 2018 to 3.0% in the second quarter of 2019. The result in the prior-year quarter was positively influenced by the sale of associated companies worth a double-digit million euro amount. The efficiency measures initiated in 2019 already had a positive impact on current developments. It thus proved possible to further improve the Group results.

From a cumulative perspective, KUKA Group generated orders received worth €1,809.2 million in the first half-year 2019, which represented a slight decrease of 2.8% on the previous year's figure (H1/18: €1,860.4 million). Sales revenues amounted to €1,539.6 million in the first half-year 2019, corresponding to a slight decline of 3.6% year-on-year (H1/18: €1,597.2 million). The book-to-bill ratio stood at 1.18 in the first half-year 2019. This ratio was 0.02 up on the previous year (H1/18: 1.16). The order backlog decreased slightly by 2.1% from €2,341.1 million as at June 30, 2018 to €2,293.1 million as at June 30, 2019. KUKA Group's earnings before interest and taxes (EBIT) dropped to €45.9 million from €67.4 million in the previous year. The EBIT margin was down from 4.2% in the first half-year 2018 to 3.0% in 2019. If the one-off income from the sale of associated companies in the 2018 financial year and the one-off income from the change of consolidation method in the 2019 financial year are eliminated, EBIT remained at the same level.

Systems

The Systems business segment improved its volume of orders received from €165.0 million in the second quarter of 2018 to €222.2 million in the second quarter of 2019. This corresponds to a strong increase of 34.7%. Orders were booked mainly in the Americas region. Sales revenues rose from €205.1 million in the second quarter of 2018 to €238.9 million in the second quarter of 2019, a gain of 16.5%. They were positively impacted by the slight increase in business volume and the ramp-up of production at KUKA Toledo Production Operations LLC

(KTPO), Toledo, USA. The Jeep Gladiator has been in production at KTPO since April 2019. The book-to-bill ratio improved year-on-year from 0.80 (Q2/18) to 0.93 (Q2/19). EBIT decreased slightly to €12.6 million in the second quarter of 2019, compared with €15.7 million in the prior-year quarter. The EBIT margin of 5.3% was below the previous year's figure of 7.7%. This nevertheless represented a significant improvement on the EBIT margin of 1.4% in Q1/19. The improvement is partly attributable to the efficiency measures that have helped to stabilize the segment.

Orders received in the first half-year 2019 amounted to €425.6 million after €489.0 million in the first half-year 2018. Together with the lower volume of orders received in the first quarter of 2019, this constituted an overall decline of 13.0%. Sales revenues in the first half of the year totaled €455.8 million and almost matched the previous year's result (H1/18: €455.7 million). The book-to-bill ratio dropped from 1.07 in H1/18 to 0.93 in H1/19. At €684.6 million, the order backlog as at June 30, 2019 was also close to the previous year's level (June 30, 2018: €702.5 million). EBIT in H1/19 amounted to €15.7 million, after €35.3 million in H1/18. This corresponds to an EBIT margin of 3.4% and 7.7% respectively. The decline is primarily attributable to the poorer results from the first quarter of 2019. Here, the difficult market environment intensified the pressure on margins.

Robotics

In the second quarter of 2019, the Robotics segment generated orders received worth €279.6 million, 11.0% down on the previous year (Q2/18: €314.2 million). Revenues decreased slightly by 4.3% from €300.8 million in Q2/18 to €287.9 million in Q2/19. By contrast, it has proved possible to increase revenues further since the beginning of the year (Q1/19: €274.4 million). The book-to-bill ratio stood at 0.97 (Q2/18: 1.04). The difficult situation in the global economy at present has led customers to hold back on placing orders. EBIT amounted to €20.8 million, showing a substantial year-on-year decline of 65.2% (Q2/18: €59.7 million). The prior-year result was positively impacted by the sale of associated companies. The EBIT margin fell accordingly from 19.8% in Q2/18 to 7.2% in Q2/19. A further improvement of the result was achieved in comparison with the first quarter of 2019 (Q1/19: 5.3%).

Orders received in the first half-year 2019 had a value of €606.9 million, corresponding to a 9.0% decrease on the same period of the previous year (H1/18: €666.9 million). Sales revenues, on the other hand, increased slightly by 0.8% from €557.8 million in the first half of 2018 to €562.3 million in the first half of 2019. At 1.08, the book-to-bill ratio remained above 1 (H1/18: 1.20). The order backlog of €438.0 million as at June 30, 2019 was down 22.8% year-on-year (June 30, 2018: €567.6 million). EBIT in the first half-year amounted to €35.4 million, corresponding to an EBIT margin of 6.3%. In the same period last year, the Robotics business segment earned €68.2 million with an EBIT margin of 12.2%. Earnings in the prior-year period were positively affected above all by the sale of associated companies.

Logistics Automation

Logistics Automation posted a strong rise in orders received by 62.6% to €280.4 million in the second quarter of 2019 (Q2/18: €172.5 million). This sharp increase is mainly due to a large-scale order in the current quarter. Revenues decreased slightly by 7.2% from €153.6 million in Q2/18 to €142.6 million in Q2/19. It must be noted here that since 2019 the Chinese company has now been included proportionately in the result and no longer in the revenues on account of the change of consolidation method. The book-to-bill ratio increased strongly to 1.97 (Q2/18: 1.12) on account of the growth of orders received, signaling growth. EBIT improved to €2.6 million in the second quarter of 2019, after €1.9 million in the second quarter of 2018. The EBIT margin thus rose to 1.8% in Q2/19 after 1.2% in Q2/18.

On a cumulative basis, the Logistics Automation business segment reported orders received valued at €473.3 million in the first half-year 2019 – a substantial gain of 44.1% (H1/18: €328.5 million). Sales revenues in the first half of 2019 amounted to €284.6 million and were thus close to the previous year's level (H1/18: €296.3 million). The book-to-bill ratio increased from 1.11 last year to 1.66. The order backlog amounted to €701.7 million as at June 30, 2019, representing year-on-year growth of 21.5% (June 30, 2018: €577.6 million). EBIT in the first half-year 2019 totaled €3.5 million with an EBIT margin of 1.2% (H1/18: EBIT €4.2 million; EBIT margin 1.4%).

Healthcare

At €55.9 million, orders received at Healthcare in Q2/19 surpassed the prior-year figure of €54.2 million by 3.1%. The sales revenues of €54.8 million achieved in the reporting period were just above the previous year's level (Q2/18: €54.1 million). The book-to-bill ratio improved accordingly from 1.00 in Q2/18 to 1.02 in the second quarter of 2019. By contrast, EBIT dropped significantly by 122.2% to –€0.2 million, down from €0.9 million in the same period last year. This corresponds to an EBIT margin of –0.4% (Q2/18: 1.7%). These results were impacted above all by the higher expenditure for R&D and in sales. Healthcare aims to address a broader customer base with a larger, enhanced product portfolio and is currently investing in future growth. KUKA anticipates an improvement in the second half-year and positive EBIT for the full year 2019.

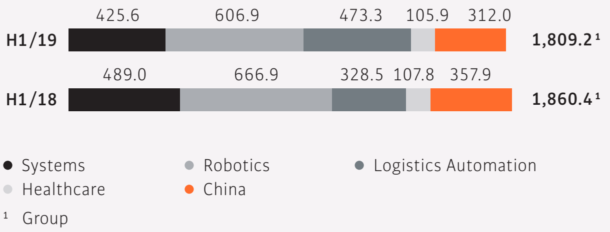
In the first half of 2019, Healthcare generated orders received worth €105.9 million, virtually matching the previous year's level of €107.8 million. Revenues increased slightly from €104.4 million in H1/18 to €105.7 million in H1/19. The resulting book-to-bill ratio stood at exactly 1.00 after 1.03 in the first half-year 2018. The order backlog of €206.5 million as at June 30, 2019 was down slightly year-on-year (June 30, 2018: €211.4 million). EBIT fell to €0.0 million in the first half-year 2019 (H1/18: €1.2 million), corresponding to an EBIT margin of 0.0% (H1/18: 1.1%) and attributable to the increased expenditure in the areas of R&D and sales.

China

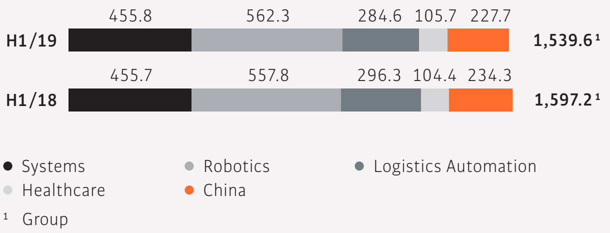
In the second quarter of 2019, the China segment posted orders received amounting to €139.2 million. This is equivalent to a substantial decline of 50.3% on the previous year's value (Q2/18: €279.9 million). This decrease is mainly attributable to the uncertainties in the global economy, which have made customers reluctant to place orders. Furthermore, larger orders were acquired mainly in the second quarter in the previous year. Sales revenues grew slightly by 1.9% to €133.5 million. In the previous year, revenues stood at €131.0 million. The book-to-bill ratio fell from 2.14 in the second quarter of 2018 to 1.04 in the second quarter of 2019. EBIT amounted to –€0.9 million in the past quarter (Q2/18: –€5.3 million). This corresponds to an EBIT margin of –0.7% (Q2/18: –4.0%). Here, the difficult economic environment had an impact on the level of margins.

Altogether, orders received in the China segment totaled €312.0 million in the first half-year 2019 and thus fell 12.8% short of the previous year's figure (H1 / 18: €357.9 million). At €227.7 million, sales revenues in the first half of 2019 were at a similar level to the previous year (H1 / 18: €234.3 million). The book-to-bill ratio of 1.37 remained at a constantly high level (H1 / 18: 1.53). The order backlog dropped by 21.2% from €416.1 million as at June 30, 2018 to €327.9 million as at June 30, 2019. EBIT grew from –€6.7 million to €4.2 million in the first half-year 2019. The EBIT margin stood accordingly at 1.8% as opposed to –2.9% in the first half-year 2018. This increase is attributable to the positive effects of the change of consolidation method in the first quarter of 2019. One Chinese subsidiary was deconsolidated and conversely a 50% at-equity investment was recognized.

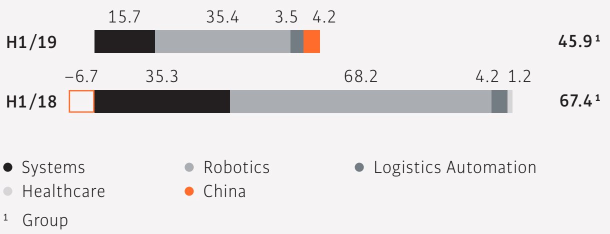
Orders received
in € millions



Sales revenues
in € millions



EBIT
in € millions



Financial position and performance

Earnings

In the first half-year 2019, KUKA Group recorded sales revenues totaling €1,539.6 million, representing a decline of €57.6 million on the previous year (H1 / 18: €1,597.2 million). Orders received in the reporting period fell by 2.8% from €1,860.4 million in the first half of 2018 to €1,809.2 million in the first half of 2019. The order backlog as at June 30, 2019, stands at €2,293.1 million and is thus virtually unchanged year-on-year (June 30, 2018: €2,341.1 million). The gross earnings from sales amounted to €356.1 million and were therefore down €29.3 million or 7.6% on the previous year's figure (H1 / 18: €385.4 million). In the first half-year 2019, the Group's gross margin was thus 23.1% (H1 / 18: 24.1%). This nevertheless represented an improvement on the first quarter of 2019. The volume of orders received, grew from €895.2 million in Q1 / 19 to €914.0 million in Q2 / 19. The order backlog too increased by almost €100 million on the previous quarter (Q2 / 19: €2,293.1 million; Q1 / 19: €2,197.6 million). Sales revenues amounted to €801.9 million (Q1 / 19: €737.7 million), resulting in gross earnings of €188.7 million (Q1 / 19: €167.5 million). This corresponds to a gross margin for the Group of 23.5% (Q1 / 19: 22.7%).

The costs of sales, research & development and administration were down year-on-year to €321.6 million (H1 / 18: €346.0 million). This represents a drop of €24.4 million, corresponding to 7.1%. The total costs of the three function types in relation to sales fell from 21.7% to 21.0%. Sales costs fell by €16.2 million while administrative costs were down €19.1 million, this being attributable to successful implementation of the efficiency program. As planned, €10.9 million more was spent on research and development costs.

The number of employees rose to 14,126 as at June 30, 2019 (June 30, 2018: 14,013 employees). The headcount in the area of research & development increased by 218, while the number of sales employees fell by 148, especially within the framework of the efficiency program. Capacities have also been reduced at the Augsburg site. In addition, the workforce was increased in China and also, with the start of the finance lease model, at KUKA Toledo Production Operations LLC, Toledo / USA.

In the first half-year 2019, costs of €13.1 million for new product developments were capitalized (H1 / 18: €18.3 million). These new developments will be recognized as expenditure through scheduled amortization in subsequent periods. Amortization included in research & development costs totaled €8.8 million (H1 / 18: €7.7 million). This results in a capitalization ratio of 15.3% in the first half-year 2019 (H1 / 18: 22.6%). In early April, for example, the new generation of the proven KR QUANTEC robot was successfully launched on the market. Additionally, KUKA Group is continuously improving its products and focusing on key technologies.

The other operating income mainly includes income from the change of consolidation method associated with the deconsolidation of a Chinese subsidiary. In the previous year, this item contained income from the sale of associated companies.

Earnings before interest and taxes (EBIT) fell from €67.4 million in H1 / 18 to €45.9 million in H1 / 19, corresponding to an EBIT margin of 3.0% for the first half of 2019 (H1 / 18: 4.2%). If the other income in the first six months of 2018 is adjusted for the results of divesting associated companies and that of the first six months of 2019 is adjusted for the effects of changing the consolidation method, then EBIT was at the same level.

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
EBIT (in € millions)	15.3	52.1	26.4	–59.5	22.2	23.7
EBIT margin (in %)	2.1%	6.1%	3.1%	–7.5%	3.0%	3.0%
EBITDA (in € millions)	35.9	73.5	48.4	–36.6	52.1	54.4
EBITDA margin (in %)	4.8%	8.6%	5.7%	–4.6%	7.1%	6.8%

Segment reporting

The improved organizational structure – KUKA Business Organization (KBO) – introduced on January 1, 2019, comprises five business segments: Systems, Robotics, Logistics Automation, Healthcare and China. The former centralized structure was loosened and the individual segments have been given greater responsibility. Consequently, the holding structure has also been streamlined. Swisslog has been split into Logistics Automation and Healthcare in accordance with their range of products and services and their industry expertise.

The core expertise of the Systems business segment lies in customized, flexible solutions for the automation of manufacturing processes and production logistics. The focus is on system projects, particularly for the automotive industry. These include body-in-white production, the assembly and testing of internal combustion engines and transmissions, and also future-oriented business areas, such as electromobility with the assembly and testing of electric motors, battery modules and other components of the electric powertrain. The know-how lies in the bundling of process knowledge, experience and expertise in engineering, project management, commissioning and service for the automated production of vehicles. Sales revenues in the first half of 2019 amounted to €455.8 million and were thus virtually unchanged on the same period of the previous year (H1/18: €455.7 million). EBIT fell from €35.3 million in H1/18 to €15.7 million in H1/19. This resulted in the EBIT margin decreasing from 7.7% to 3.4%. The decline is primarily attributable to the poorer results from the first quarter of 2019. Here, the difficult market environment intensified the pressure on margins.

The Robotics segment develops, manufactures and distributes the core component for automation – the robot. In addition to the manufacture of robots, the focus is also on the robot controller, cells and software for digitalization in automation. Robotics additionally offers its customers a wide range of services. In Robotics, sales revenues rose slightly from €557.8 million in the first half of 2018 to €562.3 million in the first half of 2019. EBIT fell from €68.2 million in H1/18 to €35.4 million in H1/19, corresponding to an EBIT margin of 6.3% (H1/18: 12.2%). The prior-year result was positively impacted by the sale of associated companies.

The Logistics Automation business segment supplies automated, robotic and data-driven intralogistics systems, covering the spectrum from planning to implementation and service. The integrated automation solutions are implemented for forward-looking warehouses and distribution centers. The focus is on the growth markets of e-commerce/retail and consumer goods. The revenues generated decreased from €296.3 million in the first half of 2018 to €284.6 million in the first half of 2019. The EBIT margin fell from 1.4% to 1.2%, corresponding to an EBIT of €3.5 million in H1/19 (H1/18: €4.2 million). It must be noted here that since 2019 the Chinese company has now been included proportionately in the result and no longer in the revenues on account of the change of consolidation method.

Swisslog Healthcare provides solutions for medication management in forward-looking hospitals in order to increase their efficiency in a sustained manner and improve healthcare. The aim is to boost efficiency and increase patient satisfaction. Due to process optimizations in the field of medication management during and after in-patient treatment, hospital staff have more time for patient care, enhancing patient satisfaction. At the same time, the use of automation solutions from Swisslog Healthcare demonstrably reduces the incidence of medication errors. The newly established joint venture with Midea in the Healthcare sector is intended to expand and optimally exploit further mutual synergies on the Chinese market. Sales revenues rose slightly to €105.7 million (H1/18: €104.4 million). EBIT, on the other hand, declined by €1.2 million year-on-year to €0.0 million (H1/18: €1.2 million). This results in an EBIT margin of 0.0% (H1/18: 1.1%).

The China segment concentrates on the Chinese growth market. In China, KUKA produces and markets industrial robots, supplies automation solutions, automated warehouse management systems and health systems. The production facility in Shunde is completed and the production of robot models has already commenced. Furthermore, research & development activities for new robot models, such as SCARA robots, are planned. The China business segment generated sales revenues of €227.7 million (H1/18: €234.3 million). EBIT rose from –€6.7 million in H1/18 to €4.2 million in H1/19. This signifies an EBIT margin of 1.8% in the first half of 2019 after –2.9% in the first half of 2018. Within the China segment, the effect of deconsolidation and the simultaneous recognition of the at-equity investment at fair value is reported under other operating income. Since this is a one-off non-operating transaction in the China segment, it is also only reported there.

Group income statement

EBITDA (earnings before interest, taxes, depreciation and amortization) totaled €106.5 million in the first half-year 2019. This virtually corresponds to the previous year's figure of €109.4 million. Depreciations of €60.6 million (H1/18: €42.0 million) were recorded, of which €16.2 million (H1/18: €0.0 million) were attributable to leasing arrangements in accordance with IFRS 16.

The financial result totaled €2.3 million in the first half of 2019. This represents a significant increase on the same period of the previous year, which showed expenditure of €4.2 million.

Interest income of €12.6 million (H1/18: €2.8 million) was considerably higher year-on-year and consisted primarily of interest income from lessor relationships and interest income on bank balances in connection with the joint venture in the Robotics segment founded in the third quarter of 2018. Interest expenses amounted to €10.3 million in the first half-year 2019 after €7.0 million in the first half-year 2018. The main increase results from recognition of the interest expenses of €2.6 million in connection with the introduction of IFRS 16 (Leases). The net currency effect in the first half of 2019 totaled €0.1 million after –€0.6 million in H1/18. As in the previous year, the net interest expense for pensions stood at €0.7 million.

Earnings before taxes (EBT) in the first half of 2019 totaled €48.2 million, representing a decline of €15.0 million (H1/18: €63.2 million). Tax expenses in the reporting period amounted to €13.1 million (H1/18: €12.9 million) and resulted in a tax ratio of 27.2% (H1/18: 20.4%). The exceptionally low tax ratio of the previous year was attributable to tax-free sales revenues and to low tax rates in the USA. The tax ratio in the first half-year 2019 is largely as expected.

Earnings after taxes totaled €35.1 million, down 30.2% on the previous year's figure (H1/18: €50.3 million). Undiluted earnings per share thus declined from €1.26 to €0.86.

in € millions	H1/18	H1/19
Sales revenues	1,597.2	1,539.6
EBIT	67.4	45.9
EBITDA	109.4	106.5
Financial result	–4.2	2.3
Taxes on income	–12.9	–13.1
Earnings after taxes	50.3	35.1

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 in the first half-year 2019 stood at €96.7 million, corresponding to a fall of 13.7% on the previous year (H1/18: €112.1 million). The main reasons for the decline are the lower earnings after taxes and the increase in other income.

Cash flow from operating activities rose from –€95.5 million in the first half of 2018 to €49.8 million in H1/19. On the one hand, inventories, trade receivables and contract assets increased, while on the other hand there was also a rise in trade payables and contract liabilities. Trade working capital increased by €33.7 million since the start of the financial year from €566.3 million to €600.0 million. The growth of trade working capital compared with the previous year – where trade working capital rose by €135.4 million from €450.4 million as at January 1, 2018 to €585.8 million as at June 30, 2018 – had a positive effect on cash flow from operating activities.

The following overview shows the development of trade working capital:

in € millions	June 30, 2018	Development since Jan. 1, 2018	June 30, 2019	Development since Jan. 1, 2019
Inventories	478.7	+91.3	491.2	+24.4
Trade receivables and receivables from contract assets	956.2	+35.9	1,054.4	+145.4
Trade payables and contract liabilities	849.1	–8.2	945.6	+136.1
Trade working capital	**585.8**	**+135.4**	**600.0**	**+33.7**

In the first half-year 2019, investments of €78.8 million were made (H1/18: €127.7 million). €61.1 million (H1/18: €99.2 million) was invested in property, plant and equipment. These investments relate primarily to buildings, technical equipment, and factory and office equipment, in particular for the final completion of the production facility at KUKA Toledo Production Operations LLC, Toledo/USA, as well as the production shop and training center at the Augsburg site.

Intangible asset investments totaled €17.7 million (H1/18: €28.5 million), of which €13.1 million (H1/18: €18.3 million) was for internally generated intangible assets. The cash flow from investment activities totaled –€72.2 million (H1/18: –€104.3 million) and, in addition to the payment for acquisition of the remaining shares in Device Insight GmbH, Munich, also includes the earn-out payments for Utica Enterprises, Shelby Township, Michigan/USA, and Visual Components Oy, Espoo/Finland.

The cash inflow from Midea Group for the investment in the Chinese company in the Healthcare business segment is reported under payments from capital expenditures on financial investments.

The cash flow from operating activities plus cash flow from investment activities resulted in a free cash flow of –€22.4 million (H1/18: –€199.8 million).

The cash flow from financing activities was down from €113.7 million in H1/18 to €52.7 million in H1/19. This includes dividends to shareholders of €0.30 per share (2018: €0.50 per share), making a total of €11.9 million (H1/18: €19.9 million), and borrowing of €88.0 million in the context of the syndicated loan agreement. The subordinated loan that existed in the previous year was not utilized. In this connection, KUKA Group had agreed with an affiliate of Midea Group on a financing framework of €150.0 million with a term of 5 years. As at June 30, 2018, KUKA Group had borrowed €85.0 million, which it paid back in the further course of the 2018 financial year.

The cash flow from financing activities also includes the interest and repayment portions of lease payments under the new IFRS 16 Leases standard (H1/19: €18.3 million; H1/18: €0.0 million).

As at June 30, 2019, KUKA Group had cash and cash equivalents of €508.6 million at its disposal (H1/18: €139.5 million). The increase in cash and cash equivalents compared to the first half-year 2018 is related to the subsidiary with additional cash assets that was contributed by Midea Group to the joint venture in the third quarter of 2018. Cash and cash equivalents increased by €30.0 million in the first six months of 2019 (January 1, 2019: €478.6 million), which is partly due to the cash inflow from Midea Group for the investment in a Chinese subsidiary in the Healthcare business segment.

EUR 250 million promissory note loan

KUKA AG issued unsecured promissory note loans 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 a term until October 2020; tranche 2 has a volume of €107.5 million and a term until October 2022. Interest payments are made at yearly intervals on October 9. Interest of €1.7 million (H1/18: €2.4 million) was deferred as at the balance sheet date.

USD 150 million promissory note loan

In order to finance the construction of a new manufacturing facility under the terms of a pay-on-production contract of KUKA Toledo Production Operations LLC. (KTPO), Toledo, Ohio/USA, this company issued promissory note loans with a total volume of USD 150.0 million in 2018 in several maturity tranches, underwritten by KUKA AG: tranche 1 has a volume of USD 10 million with a term until August 2020, tranche 2 has a volume of USD 90 million with a term until February 2022, and tranche 3 has a volume of USD 50 million with a term until August 2023. The financing was received on August 10/September 10, 2018.

The interest rate of all three tranches is variable and based on the 3-month USD LIBOR rate plus a term-dependent margin. Interest payments are made quarterly.

Syndicated loan for KUKA Aktiengesellschaft

In February 2018, KUKA AG concluded a syndicated loan agreement with a consortium of banks for a volume of €520.0 million. The agreement includes a surety and guarantee line (guaranteed credit line) in the amount of €260.0 million and a working capital line (cash line), which can also be used for sureties and guarantees, likewise in the amount of €260.0 million.

The initial term of the loan agreement was five years. After receiving consent from all banks for a first agreed extension request, the maturity date has been extended by one year. The loan agreement, which now expires in February 2024, can be extended by a further year with an outstanding extension option. The syndicated loan agreement was concluded on an unsecured basis and contains the customary equal treatment clauses and negative pledges, as well as financial covenants with regard to thresholds for leverage (net financial liabilities/EBIDTA) and interest coverage (EBITDA/net interest expense).

As at the balance sheet date, the utilization of the guarantee facility and cash credit line from the syndicated loan agreement of KUKA AG amounted to a total of €363.5 million (H1/18: €260.4 million).

The contract contains a change-of-control clause that is typical in the industry, under the terms of which the syndicated banks may demand repayment of the loan in the event that a shareholder (or group of shareholders acting in concert) acquires control of at least 30% of the voting rights of KUKA Aktiengesellschaft, or otherwise has the ability to direct the business policy of the company. A change of the direct owner within Midea Group is not affected by this provision as long as Midea Group Co., Ltd. directly or indirectly holds 100% of the shares and voting rights of the new owner. The creditors may also declare the loan agreement due for repayment in the cases of a delisting, a squeeze-out or the conclusion of a control and/or profit transfer agreement with a company of Midea Group.

Guarantees from banks and surety companies

The guarantee volume granted by banks and surety companies outside the syndicated loan amounted to €67.8 million as at June 30, 2019 (H1/18: €87.3 million). In accordance with the provisions of the syndicated loan agreement, KUKA can place guarantees up to a total volume of €150.0 million outside the circle of syndicate banks.

Consolidated Cash Flow Statement

in € millions	H1/18	H1/19
Cash earnings	112.1	96.7
Cash flow from operating activities	–95.5	49.8
Cash flow from investment activities	–104.3	–72.2
Free cash flow	–199.8	–22.4

Net worth

As at the reporting date of June 30, 2019, the balance sheet total of KUKA Group was €3,594.5 million, representing an increase of €242.0 from €3,352.5 million as at January 1, 2019.

Non-current assets decreased by €142.5 million from €1,214.2 million at the beginning of the financial year to €1,071.7 million as at June 30, 2019. The decline was primarily due to the reduction in property, plant and equipment (June 30, 2019: €341.0 million; January 1, 2018: €493.7 million). With the completion of the production facility at KUKA Toledo Production Operations LLC, Toledo/USA and the start of the finance lease, the assets that were included in property, plant and equipment and other assets were derecognized and the finance lease was recognized. This results in a balance of €164.2 million as at June 30, 2019 (H1/18: €1.0 million). Investments accounted for at equity increased by €20.6 million from €13.9 million as at January 1, 2019 to €34.5 million as at June 30, 2019. The increase is related to the recognition of an at-equity investment in a Chinese company in the segment Logistics Automation. Deferred tax assets increased by €40.5 million to €131.0 million as at June 30, 2019 (January 1, 2019: €90.5 million). As a result of the mandatory application of the new leases standard (IFRS 16) with effect from January 1, 2019, changes were made in the opening balance sheet. Total assets increased by €134.0 million as at January 1, 2019 due to the capitalization of a right-of-use asset. As at June 30, 2019, the right-of-use asset was reduced to €125.4 million due to straight-line depreciation. Similarly, current and non-current finance lease liabilities were recognized on the liabilities side.

Current assets totaled €2,208.7 million as at June 30, 2019 (January 1, 2019: €2,028.1 million). More detailed explanations regarding the current assets are included in the notes on the financial position.

Within the reporting period, equity capital increased from €1,339.6 million to €1,371.4 million. The growth resulted from earnings after taxes amounting to €35.1 million and from the increase in minority interests attributable to the founding of a subsidiary with a 50% minority interest in the Healthcare business segment. The dividend payment of €11.9 million reduced equity, while currency effects (mainly CHF, CNY and USD) increased equity by €8.1 million, of which €2.4 million is attributable to minority interests.

The valuation of pensions, including the related deferred taxes, in the first half of 2019, while not affecting earnings, decreased by €10.8 million as a result of a reduction in interest rates. Equity capital attributable to minority interests increased from €259.7 million as at January 1, 2019 to €271.7 million as at June 30, 2019 due to Midea Group's investment in a Chinese Healthcare subsidiary. The equity ratio – the ratio of equity to the balance sheet total – at the end of the first half-year 2019 was 38.2%, and thus slightly below the ratio at the start of the financial year (January 1, 2019: 40.0%).

The financial liabilities to third parties (current and non-current) totaled €474.2 million. This represents a rise of €88.5 million on the beginning of the financial year (January 1, 2019: €385.7 million) due to the increased utilization of the syndicated loan agreement.

The balance sheet item "Pensions and similar obligations" was up from €110.4 million (January 1, 2019) to €121.7 million (June 30, 2019). This essentially reflects the effect of measuring actuarial gains and losses not affecting net income, as described in the statement of changes in equity.

Current liabilities increased from €1,342.1 million as at January 1, 2019 to €1,493.5 million as at June 30, 2019. The rise is mainly attributable to the growth of financial liabilities and to the increase in contract liabilities and trade payables. Details of the liabilities for the trade working capital are included in the notes on the financial position.

Lease liabilities in accordance with IFRS 16 amounted to €127.4 million as at June 30, 2019, of which €97.8 million was non-current and €29.6 million current.

Net liquidity, calculated as cash and cash equivalents less current and non-current financial liabilities, amounted to €34.4 million as at June 30, 2019, and was €58.5 million lower than at the beginning of the 2019 financial year (January 1, 2019: €92.9 million).

in € millions	Jan. 1, 2019	June 30, 2019
Balance sheet total	3,352.5	3,594.5
Equity	1,339.6	1,371.4
in % of balance sheet total	40.0%	38.2%
Net liquidity	92.9	34.4

Founding of joint ventures with majority shareholder Midea

As of January 03, 2019, Midea Group acquired a direct 50% stake in each of two Chinese companies of KUKA Group in the form of a cash contribution. More detailed information about the joint ventures can be found in the notes.

ROCE

ROCE (return on capital employed) was 6.6% in the first half of 2019 and thus below the previous year's figure (H1/18: 11.7%). The average capital employed as at June 30, 2019 was €1,389.8 million (June 30, 2019: €1,147.7 million).

Research and development

In the second quarter of 2019, research and development (R&D) expenditure for KUKA Group amounted to €42.8 million. The expenditure was thus greater than in the prior-year period (Q2/18: €35.7 million). This brought R&D expenditure for the first half-year up to €81.3 million (H1/18: €70.4 million).

smartProduction_control – First AI-based KUKA software in an automotive plant

Especially in order to be able to control smart production environments, KUKA uses a host controller based on AI methods. The AI software "smartProduction_control" developed by KUKA controls warehouses that supply different pallets to the body-in-white line precisely synchronized with the cycle time using Automated Guided Vehicles (AGVs). The software takes not only parameters such as the battery charge of the AGVs into account, but also the locations of the various pallets in the warehouse, the distribution of the stored pallets, the empty pallets and the requirements of the body-in-white line. It is also possible to "teach" new variants to the system at any time.

Swisslog and KUKA present joint development

The variety of products in small parts warehouses is overwhelming. The same is true of their packaging. An ever-increasing number of orders are being placed online. This is transforming the logistics sector. At LogiMAT 2019, Swisslog presented the next generation of its robotic order-picking solution ItemPiQ. The solution, a perfect example of how the expertise of KUKA and Swisslog dovetails, uses new robot technology and an intelligent vision system to enhance picking performance and to utilize machine learning functions. ItemPiQ picks a great variety of articles, which are recognized by the intelligent vision system from Roboception. This system is able to identify the gripping points on unknown items. Thanks to its multi-function gripper, the small robot from the KR AGILUS family can handle a wide spectrum of common products in the retail, e-commerce and pharmaceutical sectors weighing up to 1.5 kg. Depending on the size, weight, goods-to-robot transfer system and storage method, ItemPiQ can pick up to 1,000 items per hour. Solutions such as ItemPiQ serve to improve users' efficiency and give them a competitive edge in their warehouse logistics. Powerful, integrative control software, innovative robotic solutions and machine learning are the elements that really set these solutions apart.

Call for applications for the seventh KUKA Innovation Award

The KUKA Innovation Award is going into its seventh year, the 2020 edition being dedicated to medical robotics. Researchers and young talents from around the world can submit innovative ideas concerning diagnostics, surgery, therapy and rehabilitation until January 2020. It must be possible the concepts to be implemented using a KUKA LBR Med sensitive lightweight robot and, optionally, expanded with a 3D vision system from Roboception. An international jury will evaluate the applications and select the best concepts. For the duration of the competition, the finalists receive the required hardware and software free of charge and have just under a year to implement their ideas. KUKA experts offer training and guidance to the selected teams up to the final at the MEDICA medical technology trade fair to be held in Düsseldorf in November 2020. There, the best solutions will be presented to thousands of experts – and the winner of the Innovation Award will be crowned. This year's final teams will also be presenting their concepts at MEDICA 2019 in November on the "Healthy Living Challenge" theme.

Future-oriented technology awards for KUKA charging assistant

At the beginning of June, the German Design Council presented the Innovation Award to KUKA for its user-friendly and intelligent charging technology. The KUKA charging assistant is an automated helper for the convenient charging of electric vehicles in private garages. Originating from a collaborative research project with Volkswagen AG, the charging assistant scored highly for outstanding innovative performance in the contest for the German Innovation Award. The charging assistant, a joint development with KUKA partner FORWARDttc, was declared a winner in the "W2 Excellence in Business to Business – E-Mobility Technologies" category. At this year's Hannover Messe, the charging assistant also took second place in the 2019 Robotics Award competition. The renowned prize is awarded by Hannover Messe in cooperation with the Robotation Academy and the German trade periodical Industrieanzeiger to national and international companies for their applied robot solutions.

Employees

As at June 30, 2019, KUKA Group employed 14,126 people. Compared with the reporting date of the previous year, this was a rise of 0.8% (June 30, 2018: 14,013). In the Systems segment, the workforce increased by 2.0% from 3,141 as at June 30, 2018 to 3,204 as at June 30, 2019. The expansion took place mainly in the USA on account of the production ramp-up at KTPO. At Robotics, the workforce decreased 3.5% from 5,854 to 5,647 as at June 30, 2019. The Logistics Automation business segment had 2,012 employees at the end of the second quarter of this year, 5.9% more than on the reporting date of the previous year (June 30, 2018: 1,901). The number of employees at Healthcare was 23.6% up from 870 (June 30, 2018) to 1,076 as at June 30, 2019. Under the new organizational structure, the Logistics Automation and Healthcare segments, previously consolidated under Swisslog, were separated. The employees were allocated to the new segments, resulting in the difference compared to the previous year. At the end of the second quarter, 1,422 people were employed in China, an increase of 5.8% on the previous year's reporting date (June 30, 2018: 1,345). The workforce was expanded mainly at the new production location in Shunde.

For the personnel cutbacks at the Augsburg location, a severance plan was negotiated in the second quarter. It is planned to complete the workforce reduction of 350 employees by the end of 2019.

Opportunity and risk report

In the overall assessment of risks, KUKA Group is primarily exposed to performance-related risks from the business segments and to legal and financial risks controlled at Group level. 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 46 and following of the 2018 annual report/financial report.

Outlook

Given the current economic forecasts and general conditions and taking into consideration the existing risk and opportunity potential, KUKA anticipates a slight increase in demand in the 2019 financial year. Growth is expected primarily in the Americas and Asia regions. We forecast a stable development in Europe. From a sector perspective, KUKA expects an increase on the previous year for the sales markets in general industry. Demand in the automotive industry is expected to remain stable. Uncertainties exist primarily on account of the difficult global economic situation, which, in turn, results in customers worldwide showing restraint in placing orders. This goes as well for China, the world's largest market for robot-based automation.

On the basis of the current general conditions and exchange rates, KUKA is expecting slightly higher revenues of around €3.3 billion for the full year 2019. Working on the basis of the current economic environment and anticipated business development, KUKA Group expects to achieve an EBIT margin of approximately 3.5% before final evaluation of the ongoing reorganization expenditure. Better performance is anticipated in the second half of the year in line with KUKA's market expectations and as a result of the efficiency measures which will have a greater impact towards the end of the year.

Interim Report (condensed)

Group income statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2019

in € millions	Q2/18	Q2/19	H1/18	H1/19
Sales revenues	**852.7**	**801.9**	**1,597.2**	**1,539.6**
Cost of sales	−650.4	−613.3	−1,211.8	−1,183.5
Gross earnings from sales	**202.3**	**188.6**	**385.4**	**356.1**
Selling expenses	−84.1	−71.5	−157.4	−141.2
Research and development expenses	−35.7	−42.8	−70.4	−81.3
General and administrative expenses	−59.5	−48.3	−118.2	−99.1
Other operating income	35.6	1.3	39.0	19.7
Other operating expenses	−5.8	−2.4	−9.6	−5.8
Earnings from companies valued at equity	−0.7	−1.2	−1.4	−2.5
Operating result	**52.1**	**23.7**	**67.4**	**45.9**
Reconciliation to earnings before interest and taxes (EBIT)				
Earnings before interest and taxes (EBIT)	**52.1**	**23.7**	**67.4**	**45.9**
Depreciation and amortization	21.4	30.7	42.0	60.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**73.5**	**54.4**	**109.4**	**106.5**
Interest income	1.4	8.5	2.8	12.6
Interest expense	−2.9	−4.4	−7.0	−10.3
Financial result	**−1.5**	**4.1**	**−4.2**	**2.3**
Earnings before taxes	**50.6**	**27.8**	**63.2**	**48.2**
Taxes on income	−10.0	−7.7	−12.9	−13.1
Earnings after taxes	**40.6**	**20.1**	**50.3**	**35.1**
(of which attributable to minority interests)	(−0.2)	(2.2)	(0.0)	(0.9)
(of which attributable to shareholders of KUKA AG)	(40.8)	(17.9)	(50.3)	(34.2)
Earnings per share (undiluted) in €	**1.02**	**0.45**	**1.26**	**0.86**

Statement of comprehensive income

der KUKA Aktiengesellschaft für die Zeit vom 1. Januar bis zum 30. Juni 2019

in € millions	Q2/18	Q2/19	H1/18	H1/19
Earnings after taxes	**40.6**	**20.1**	**50.3**	**35.1**
Items that may potentially be reclassified to profit or loss				
Translation adjustments	19.8	−26.1	13.9	5.7
Translation adjustments, third parties	0.0	2.4	0.0	2.4
Items that are not reclassified to profit or loss				
Changes of actuarial gains and losses	1.3	−7.2	3.0	−13.7
Deferred taxes on changes of actuarial gains and losses	0.0	1.7	−0.5	2.9
Changes recognized directly in equity	**21.1**	**−29.2**	**16.4**	**−2.7**
Comprehensive income	**61.7**	**−9.1**	**66.7**	**32.4**
(of which attributable to minority interests)	(−0.2)	(−8.0)	(0.0)	(3.3)
(of which attributable to shareholders of KUKA AG)	(61.9)	(−1.1)	(66.7)	(29.1)

Group cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2019

in € millions	H1/18	H1/19
Earnings after taxes	**50.3**	**35.1**
Income taxes	6.7	4.0
Net interest	4.1	–2.1
Depreciation of intangible assets	21.3	23.6
Depreciation of tangible assets	20.7	21.4
Depreciation right-of-use assets	–	16.2
Other (non-payment-related) income	–3.1	–19.7
Other (non-payment-related) expenses	12.1	18.2
Cash earnings	**112.1**	**96.7**
Result on the disposal of assets	0.5	0.3
Changes in provisions	11.4	–2.4
Changes in current assets and liabilities:		
Changes in inventories	–93.0	–27.3
Changes in receivables and deferred charges	–76.5	–150.0
Changes in liabilities and deferred income (excl. financial debt)	5.2	139.2
Income taxes payed	–18.3	–4.8
Investment/financing matters affecting cash flow	–36.9	–1.9
Cash flow from operating activities	**–95.5**	**49.8**
Payments from disposals of fixed assets	0.6	2.8
Payments for capital expenditures on intangible assets	–28.5	–17.7
Payments for capital expenditures on tangible assets	–99.2	–61.1
Payments from capital expenditures on financial investments	26.8	15.8
Payments from disposals of consolidated companies and other business units	4.0	0.0
Payments for the acquisition of consolidated companies and other business units	–9.8	–23.5
Interest received	1.8	11.5
Cash flow from investment activities	**–104.3**	**–72.2**
Free cash flow	**–199.8**	**–22.4**
Dividend payments	–19.9	–11.9
Payments from the acceptance of bank loans	51.1	88.0
Payments from loans received from non-consolidated affiliated companies	85.0	0.0
Payments from grants received	2.8	1.7
Interest paid	–5.3	–9.5
Lease repayment	–	–15.6
Cash flow from financing activities	**113.7**	**52.7**
Payment-related changes in cash and cash equivalents	**–86.1**	**30.3**
Exchange-rate-related and other changes in cash and cash equivalents	2.0	–0.3
Changes in cash and cash equivalents	**–84.1**	**30.0**
(of which net increase/decrease in restricted cash)	(–0.1)	(–0.1)
Cash and cash equivalents at the beginning of the period	**223.6**	**478.6**
(of which net increase/decrease in restricted cash at the beginning of the period)	(0.4)	(0.5)
Cash and cash equivalents at the end of the period	**139.5**	**508.6**
(of which restricted cash at the end of the period)	(0.3)	(0.4)

Group balance sheet

of KUKA Aktiengesellschaft as of June 30, 2019

Assets

in € millions	Dec. 31, 2018	Adj.	Jan. 1, 2019	June 30, 2019
Non-current assets				
Intangible assets	563.9	–	563.9	561.9
Property, plant and equipment	493.7	–	493.7	341.0
Financial investments	8.7	–	8.7	8.9
Investments accounted for at equity	13.9	–	13.9	34.5
Right-of-use assets	–	134.0	134.0	125.4
	1,080.2	**134.0**	**1,214.2**	**1,071.7**
Finance lease receivables	1.0	–	1.0	164.2
Other long-term receivables and other assets	18.7	–	18.7	18.9
Deferred taxes	90.5	–	90.5	131.0
	1,190.4	**134.0**	**1,324.4**	**1,385.8**
Current assets				
Inventories	466.8	–	466.8	491.2
Receivables and other assets				
Trade receivables	415.1	–	415.1	479.4
Contract assets	493.9	–	493.9	575.0
Finance lease receivables	0.6	–	0.6	27.7
Income tax receivables	42.8	–	42.8	33.6
Other assets, prepaid expenses and deferred charges	130.3	–	130.3	93.2
	1,082.7	**–**	**1,082.7**	**1,208.9**
Cash and cash equivalents	**478.6**	**–**	**478.6**	**508.6**
	2,028.1	**–**	**2,028.1**	**2,208.7**
	3,218.5	**134.0**	**3,352.5**	**3,594.5**

Liabilities

in € millions	Dec. 31, 2018	Adj.	Jan. 1, 2019	June 30, 2019
Equity				
Subscribed capital	103.4	–	103.4	103.4
Capital reserve	306.6	–	306.6	306.6
Revenue reserves	669.9	–	669.9	689.7
Minority interests	259.7	–	259.7	271.7
	1,339.6	**–**	**1,339.6**	**1,371.4**
Non-current liabilities				
Financial liabilities	380.5	–	380.5	381.4
Lease liabilities	–	101.6	101.6	97.8
Other liabilities	35.9	–	35.9	38.0
Pensions and similar obligations	110.4	–	110.4	121.7
Deferred taxes	42.4	–	42.4	90.7
	569.2	**101.6**	**670.8**	**729.6**
Current liabilities				
Financial liabilities	5.2	–	5.2	92.8
Lease liabilities	–	32.4	32.4	29.6
Trade payables	402.7	–	402.7	451.9
Contract liabilities	406.8	–	406.8	493.7
Accounts payable to affiliated companies	0.1	–	0.1	0.1
Income tax liabilities	40.5	–	40.5	31.0
Other liabilities and deferred income	287.7	–	287.7	222.3
Other provisions	166.7	–	166.7	172.1
	1,309.7	**32.4**	**1,342.1**	**1,493.5**
	1,878.9	**134.0**	**2,012.9**	**2,223.1**
	3,218.5	**134.0**	**3,352.5**	**3,594.5**

Changes to Group equity

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2019

				Revenue reserves					
in € millions	Number of shares outstanding	Subscribed capital	Capital reserve	Currency translation	Actuarial gains and losses	Annual net income and other revenue reserves	Equity attributable to shareholders	Minority interests	Total
Jan. 1, 2019	**39,775,470**	**103.4**	**306.6**	**45.5**	**–28.3**	**652.7**	**1,079.9**	**259.7**	**1,339.6**
Earnings after taxes	–	–	–	–	–	34.2	34.2	0.9	35.1
Other earnings	–	–	–	5.7	–10.8	–	–5.1	2.4	–2.7
Comprehensive income	**–**	**–**	**–**	**5.7**	**–10.8**	**34.2**	**29.1**	**3.3**	**32.4**
KUKA AG dividend	–	–	–	–	–	–11.9	–11.9	–	–11.9
Change in scope of consolidation/ Other changes	–	–	–	–	–	2.7	2.7	8.6	11.3
June 30, 2019	**39,775,470**	**103.4**	**306.6**	**51.2**	**–39.1**	**677.7**	**1,099.8**	**271.6**	**1,371.4**
Dec. 31, 2017	**39,775,470**	**103.4**	**306.6**	**20.1**	**–23.1**	**460.1**	**867.1**	**–0.5**	**866.6**
Initial application effect of IFRS 9	–	–	–	–	–	–4.7	–4.7	–	–4.7
Jan. 1, 2018	**39,775,470**	**103.4**	**306.6**	**20.1**	**–23.1**	**455.4**	**862.4**	**–0.5**	**861.9**
Earnings after taxes	–	–	–	–	–	50.3	50.3	0.0	50.3
Other earnings	–	–	–	13.9	2.5	–	16.4	–	16.4
Comprehensive income	**–**	**–**	**–**	**13.9**	**2.5**	**50.3**	**66.8**	**0.0**	**66.8**
KUKA AG dividend	–	–	–	–	–	–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**	**–20.6**	**485.2**	**908.7**	**–0.5**	**908.2**

Notes on the consolidated financial statements (condensed)

Group segment reporting

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2019

Group segment reporting

	Systems		Robotics		Logistics Automation	
in € millions	H1/18	H1/19	H1/18	H1/19	H1/18	H1/19
Orders received	489.0	425.6	666.9	606.9	328.5	473.3
Order backlog (June 30)	702.5	684.6	567.6	438.0	577.6	701.7
Group external sales revenues	433.3	449.3	486.5	487.9	294.2	282.5
in % of Group sales revenues	27.1%	29.2%	30.5%	31.7%	18.4%	18.3%
Intra-Group sales revenues	22.4	6.5	71.3	74.4	2.1	2.1
Sales revenues by segment	**455.7**	**455.8**	**557.8**	**562.3**	**296.3**	**284.6**
Gross earnings from sales	**73.7**	**50.6**	**203.2**	**198.3**	**58.1**	**57.6**
in % of sales revenues of the segment	16.2%	11.1%	36.4%	35.3%	19.6%	20.2%
EBIT	**35.3**	**15.7**	**68.2**	**35.4**	**4.2**	**3.5**
in % of sales revenues of the segment	7.7%	3.4%	12.2%	6.3%	1.4%	1.2%
One-off effects[1]	–	–	3.8	–	–	–
Adjusted EBIT	**35.3**	**15.7**	**72.0**	**35.4**	**4.2**	**3.5**
Adjusted EBIT in % of sales revenues of the segment	7.7%	3.4%	12.9%	6.3%	1.4%	1.2%
EBITDA	**39.5**	**23.4**	**82.8**	**55.6**	**9.5**	**11.4**
in % of sales revenues of the segment	8.7%	5.1%	14.8%	9.9%	3.2%	4.0%
One-off effects[1]	–	–	3.8	–	–	–
Adjusted EBITDA	**39.5**	**23.4**	**86.6**	**55.6**	**9.5**	**11.4**
Adjusted EBITDA in % of sales revenues of the segment	8.7%	5.1%	15.5%	9.9%	3.2%	4.0%
Employees (June 30)	3,141	3,204	5,854	5,647	1,901	2,012

[1] 2018: one-off effects related to growth and reorganization expenditure
2019: no one-off effects

IFRS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, has prepared its interim financial statements for the period ending June 30, 2019 in line with 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, 2018. 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.

The interim report has been neither audited by the auditors of the annual financial statements nor subjected to an auditor’s review.

The key performance indicators contained in the interim report have been rounded in accordance with standard commercial practice. In individual cases, it is therefore possible that figures in this report do not add up exactly to the total stated and that percentages do not precisely correspond to the values indicated.

Healthcare		China		KUKA AG and other companies		Reconciliation and consolidation		Group	
H1/18	H1/19	H1/18	H1/19	H1/18	H1/19	H1/18	H1/19	H1/18	H1/19
107.8	105.9	357.9	312.0	–	–	−89.7	−114.5	1,860.4	1,809.2
211.4	206.5	416.1	327.9	–	–	−134.1	−65.6	2,341.1	2,293.1
104.0	105.8	218.0	217.1	–	0.1	61.2	−3.1	1,597.2	1,539.6
6.5%	6.9%	13.6%	14.1%	–	0.0%	3.8%	−0.2%	100.0%	100.0%
0.4	−0.1	16.3	10.6	49.6	57.2	−162.1	−150.7	–	–
104.4	**105.7**	**234.3**	**227.7**	**49.6**	**57.3**	**−100.9**	**−153.8**	**1,597.2**	**1,539.6**
36.7	**36.8**	**18.4**	**15.3**	**35.3**	**57.0**	**−40.0**	**−59.5**	**385.4**	**356.1**
35.2%	34.8%	7.9%	6.7%	71.2%	99.5%	39.6%	38.7%	24.1%	23.1%
1.2	**0.0**	**−6.7**	**4.2**	**−33.5**	**−15.2**	**−1.3**	**2.3**	**67.4**	**45.9**
1.1%	0.0%	−2.9%	1.8%	−67.5%	−26.5%	1.3%	−1.5%	4.2%	3.0%
2.4	–	–	–	1.6	–	4.2	–	12.0	–
3.6	**0.0**	**−6.7**	**4.2**	**−31.9**	**−15.2**	**2.9**	**2.3**	**79.4**	**45.9**
3.4%	0.0%	−2.9%	1.8%	−64.3%	−26.5%	−2.9%	−1.5%	5.0%	3.0%
3.2	**5.2**	**−4.4**	**9.2**	**−26.2**	**−6.5**	**5.0**	**8.2**	**109.4**	**106.5**
3.1%	4.9%	−1.9%	4.0%	−52.8%	−11.3%	−5.0%	−5.3%	6.8%	6.9%
2.4	–	–	–	1.6	–	4.2	–	12.0	–
5.6	**5.2**	**−4.4**	**9.2**	**−24.6**	**−6.5**	**9.2**	**8.2**	**121.4**	**106.5**
5.4%	4.9%	−1.9%	4.0%	−49.6%	−11.3%	−9.1%	−5.3%	7.6%	6.9%
870	1,076	1,345	1,422	902	854	–	−89	14,013	14,126

Scope of consolidation

In comparison to year-end 2018, the scope of consolidation has changed as follows:

	Total	
	Consolidated companies	At equity companies
Dec. 31, 2018	**102**	**3**
First-time consolidation	–	1
Deconsolidation	−2	–
Total change	**−2**	**1**
June 30, 2019	**100**	**4**

By contrast with the end of the 2018 financial year, the Chinese subsidiary in which Midea Group holds a stake was deconsolidated and simultaneously consolidated at equity for the first time. Furthermore, a subsidiary in the Robotics segment was deconsolidated.

Investments of Midea Group

As of January 3, 2019, Midea Group acquired a direct 50% stake in each of two Chinese companies of KUKA Group in the form of a cash contribution. The previously fully consolidated company of the Logistics Automation business segment was deconsolidated due to the legal structure of the rights of the respective joint venture partners and a 50% at-equity investment was recognized. Design of the contract governing Midea Group's investment in the Chinese subsidiary in the Healthcare business segment still allows it to be fully consolidated in KUKA Group, as previously. Altogether, KUKA Group received an amount in the low two-digit million euro range.

In accordance with the management approach, the two companies are allocated to both their own segment Logistics Automation or Healthcare and to the China segment. The resulting double recognition is eliminated when preparing the consolidated financial statements.

Accounting and valuation methods

With the exception of the changes outlined below, this consolidated interim report is essentially based on the same valuation methodology and accounting principles as those used for the consolidated financial statements of the 2018 financial year. For further information, please refer to the consolidated financial statements dated December 31, 2018, which form the basis of the interim report presented here. These are also available on the Internet at www.kuka.com.

With the adoption of IFRS 16, a new accounting model for lease agreements has been implemented with the effect that almost all previous operating leases have to be reported in the lessee's balance sheet. It requires the lessee to capitalize a right-of-use asset, constituting its right to use the respective asset. In addition, a liability arising from the lease is recognized, representing the obligation to make lease payments. Exceptions apply to short-term leases (term of less than twelve months) and leases for assets whose original price is less than €5,000. The provisions for the lessor have remained largely unchanged, which means that the lessor still has to classify leases as finance leases or operating leases.

Tax expenses in the periods covered by the interim reports are determined – as in the previous year – in accordance with IAS 12 and IAS 34 on the basis of the currently expected tax rate for the full year.

Changes in accounting and valuation methods and changes in estimates

Since the start of the 2019 financial year, application of IFRS standard 16 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 the newly applicable IFRS standard, no retroactive adaptation of the previous year's figures has been carried out.

The first-time application of IFRS 16 resulted in the recognition of right-of-use assets and of the corresponding lease liability – classified separately as current and non-current. Overall, the balance sheet total consequently increased by €134.0 million to €3,352.5 million from December 31, 2018, to January 1, 2019. The effects of the changeover can be seen in the balance sheet.

Presented below is an overview of the measurement categories according to IFRS 16 for the first-time application of the right-of-use assets and of the corresponding lease liabilities:

in € millions	Carrying amounts according to IFRS 16 as at Jan. 1, 2019
Right-of-use asset	134.0
Lease liability (non-current)	101.6
Lease liability (current)	32.4

Sales revenues

Sales revenues are recognized as soon as a contractual obligation is fulfilled by transferring promised goods to a customer or performing a service. KUKA Group generates its revenues through the sale of products such as industrial robots, through construction contracts and also through mainly downstream services. With the sale of products, the performance obligation is usually satisfied at a specific point in time. In the case of construction contracts over a certain period of time and with services, both types of performance obligation fulfillment may apply.

In the first half-year 2019, KUKA Group generated sales revenues of €1,539.6 million (H1/18: €1,597.2 million). €772.2 million (H1/18: €880.5 million) of these revenues were attributable to fulfillment of performance obligations over a period of time and €767.4 million (H1/18: €716.7 million) to obligation fulfillment at a specific point in time. Compared to the same period of the previous year, there was a shift in revenues towards the fulfillment of obligations at a point in time. The revenues are currently almost equally distributed between the two types at the moment. The breakdown of sales revenues at segment level includes intercompany revenues, while at regional level only external Group sales revenues is reported.

A breakdown of sales revenues recognized over time and at a point in time for the individual regions and business segments is provided in the following table:

	H1/19				H1/18				
in Mio. €	Group	Europe/ Middle East/Africa	Americas	Asia/ Australia	Group	Europe/ Middle East/ Africa	Americas	Asia/ Australia	Other/consolidation
Revenue recognized over a period of time	772.2	328.1	246.0	98.1	880.5	239.0	483.8	119.2	38.4
Revenue recognized at a point in time	767.4	480.5	100.2	186.7	716.7	452.7	94.9	169.1	0.0
Total	**1,539.6**	**808.6**	**446.2**	**284.8**	**1,597.2**	**691.7**	**578.7**	**288.3**	**38.4**

	H1/19						
in Mio. €	Group	Systems	Robotics	Logistic Automation	Healthcare	China	Other/ consolidation
Revenue recognized over a period of time	772.2	364.6	114.7	227.1	96.5	65.9	–96.6
Revenue recognized at a point in time	767.4	91.2	447.6	57.5	9.2	161.8	0.1
Total	**1,539.6**	**455.8**	**562.3**	**284.6**	**105.7**	**227.7**	**–96.4**

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

Production of the JK model was discontinued in April 2018. KTPO had produced this model for Chrysler under the terms of a pay-on-production contract. The lease contract for the discontinued model was adapted to the production of the Jeep Gladiator that started in April 2019. The finance lease runs until March 2025 and takes the new production requirements into account. For almost a year, the production facility was converted to meet the requirements of the new model. The first prototypes were already produced in March 2019. On the start of series production, the production facility previously capitalized under property, plant and equipment was derecognized and a corresponding finance lease receivable was recorded. A non-current finance lease receivable of €163.2 million and a current finance lease receivable of €27.3 million exist as at June 30, 2019.

Earnings per share

Undiluted earnings per share break down as follows:

in € millions	H1/18	H1/19
Net income for the year attributable to the shareholders of KUKA AG (in € millions)	50.3	35.1
Weighted average number of shares outstanding (No. of shares)	39,775,470	39,775,470
Undiluted/diluted earnings per share (in €)	1.26	0.86

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.

As in the previous year, the weighted average number of shares in circulation in the first half-year 2019 was 39.8 million.

Equity

As at June 30, 2019, KUKA Aktiengesellschaft has a share capital of €103,416,222.00, unchanged from the beginning of the financial year.

This is subdivided into 39,775,470 (June 30, 2018: 39,775,470) no-par-value bearer shares outstanding. Each share carries one vote.

IAS 19 Employee Benefits

The pension provisions are affected by changes to discount rates. This results in actuarial gains and losses. The table below shows the development of discount rates applied by KUKA Group for countries with significant pension obligations:

in € millions	H1/18	H1/19
Germany	1.65%	0.95%
Switzerland	0.85%	0.38%
UK	2.60%	2.30%
Sweden	2.22%	1.73%
USA	3.95%	3.35 – 3.4%

In all countries listed in the table, there was a decrease in interest rates compared with the end of the 2018 financial year. This results in an actuarial expense of €13.7 million in the first half-year 2019. The actuarial effects were reported under equity as an income-neutral sum of €10.8 million, taking deferred taxes into account.

€250 million promissory note loan

KUKA AG issued unsecured promissory note loans 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 a term until October 2020; tranche 2 has a volume of €107.5 million and a term until October 2022. Interest payments are made at yearly intervals on October 9. Interest of €1.7 million (H1/18: €2.4 million) was deferred as at the balance sheet date.

USD 150 million promissory note loan

In order to finance the construction of a new manufacturing facility under the terms of a pay-on-production contract of KUKA Toledo Production Operations LLC, Toledo/Ohio, USA (KTPO), this company issued promissory note loans with a total volume of USD 150.0 million in 2018 in several maturity tranches, underwritten by KUKA AG: tranche 1 has a volume of USD 10 million with a term until August 2020, tranche 2 has a volume of USD 90 million with a term until February 2022, and tranche 3 has a volume of USD 50 million with a term until August 2023. The financing was received on August 10/September 10, 2018.

The interest rate of all three tranches is variable and based on the 3-month USD LIBOR rate plus a term-dependent margin. Interest payments are made quarterly.

	H1/18						
	Group	Systems	Robotics	Logistic Automation	Healthcare	China	Other/ consolidation
	880.5	398.4	101.9	243.0	93.4	92.9	–49.1
	716.7	57.3	455.9	53.3	11.0	141.4	–2.2
	1,597.2	**455.7**	**557.8**	**296.3**	**104.4**	**234.3**	**–51.3**

Syndicated loan for KUKA Aktiengesellschaft

In February 2018, KUKA AG concluded a syndicated loan agreement with a consortium of banks for a volume of €520.0 million. The agreement includes a surety and guarantee line (guaranteed credit line) in the amount of €260.0 million and a working capital line (cash line), which can also be used for sureties and guarantees, likewise in the amount of €260.0 million.

The initial term of the loan agreement was five years. After receiving consent from all banks for a first agreed extension request, the maturity date has been extended by one year. The loan agreement, which now expires in February 2024, can be extended by a further year with an outstanding extension option. The syndicated loan agreement was concluded on an unsecured basis and contains the customary equal treatment clauses and negative pledges, as well as financial covenants with regard to thresholds for leverage (net financial liabilities / EBIDTA) and interest coverage (EBITDA / net interest expense).

As at the balance sheet date the utilization of the guarantee facility and cash credit line from the syndicated loan agreement of KUKA AG amounted to a total of €363.5 million (H1 / 18: €260.4 million).

The contract contains a change-of-control clause that is typical in the industry, under the terms of which the syndicated banks may demand repayment of the loan in the event that a shareholder (or group of shareholders acting in concert) acquires control of at least 30% of the voting rights of KUKA Aktiengesellschaft, or otherwise has the ability to direct the business policy of the company. A change of the direct owner within Midea Group is not affected by this provision as long as Midea Group Co., Ltd. directly or indirectly holds 100% of the shares and voting rights of the new owner. The creditors may also declare the loan agreement due for repayment in the cases of a delisting, a squeeze-out or the conclusion of a control and / or profit transfer agreement with a company of Midea Group.

Guarantees from banks and surety companies

The guarantee volume granted by banks and surety companies outside the syndicated loan amounted to €67.8 million as at June 30, 2019 (H1 / 18: €87.3 million). In accordance with the provisions of the syndicated loan agreement, KUKA can place guarantees up to a total volume of €150.0 million outside the circle of syndicate banks.

Financial instruments measured at fair value

IFRS 13 governs the determination of fair value and the related disclosures in the notes. The standard does not include an explicit definition of the cases in 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 measured at market values are to be attributed to the three levels of the fair value hierarchy. The individual 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, 2019

in € millions	Level 2	Level 3	Total
Financial assets	5.9	8.5	14.4
Financial liabilities	6.4	–	6.4

January 1, 2019

in € millions	Level 2	Level 3	Total
Financial assets	4.2	6.9	11.1
Financial liabilities	4.2	–	4.2

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, current other assets and current interest claims.

All other financial instruments existing in KUKA Group are reported at amortized cost, their fair values mainly corresponding to the carrying amounts.

Segment reporting

The previous organizational structure was revised and improved with effect from January 1, 2019. KUKA Group now comprises five business segments – Systems, Robotics, Logistics Automation, Healthcare and China. The former centralized structure was loosened and the individual segments have been given greater responsibility. In addition, the holding structure was streamlined.

Among other things, the Systems segment provides customers with tailor-made solutions for automating production processes. In the Robotics segment, robots are developed, produced and marketed. By splitting Swisslog into Logistics Automation and Healthcare, both business segments can exploit their industry expertise to the full with their broad ranges of products and services. Logistics Automation offers automated robot-based and data-driven intralogistics systems, while Healthcare provides medication management solutions. The China segment was additionally introduced, uniting all the aforementioned segments and their competencies.

Earnings before interest and taxes (EBIT) are used as the key indicator with regard to managing segment profits.

The main elements of the segment reports are contained in the management report on the new business segments, as well as in the tables at the beginning of the notes to the half-yearly report.

Cash flow statement

Changes to KUKA Group's liquidity position are presented in the cash flow statement in accordance with IAS 7. This item includes all cash and cash equivalents shown in the balance sheet (cash on hand, checks and credit balances) to the extent that they are available within three months. As at June 30, 2019, the cash and cash equivalents subject to restrictions amounted to €0.4 million (January 1, 2019: €0.5 million). This is related to government funding for eligible development projects at two KUKA Group subsidiaries.

Contingent liabilities and other financial commitments

Compared with December 31, 2018, the other financial liabilities decreased from €14.5 million to €10.5 million and purchase commitments from €40.8 million to €24.2 million.

Related party disclosures

In the first half-year 2019, services to the value of €8.3 million were performed by related parties of Midea Group, and services to the value of €0.7 million were received by them.

As at June 30, 2019, receivables of €15.1 million existed (June 30, 2018: €0.7 million), while liabilities and contingent liabilities amounted to €11.4 million (June 30, 2018: €86.6 million). These values showed a year-on-year change, firstly because the subordinated loan granted by Midea Group has been repaid and also because the investment now accounted for at equity maintains various business relationships with the consolidated companies of KUKA Group.

Furthermore, changes within Midea Group also affected the circle of related parties of KUKA Group.

Composition of the Supervisory Board

The Supervisory Board consists of the following members:

- 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 (until July 10, 2019)
- 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
- Dr. Chengmao Xu (from July 10, 2019)

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 6, 2019

The Executive Board

Peter Mohnen Andreas Pabst

Financial calendar 2019

Interim report for the third quarter	**29. Oktober 2019**

This quarterly report was published on August 6, 2019, and is available in German and English from KUKA Aktiengesellschaft Corporate Communications / Investor Relations department. In the event of doubt, the German version applies.

Contact and imprint

KUKA Aktiengesellschaft
Zugspitzstr. 140
86165 Augsburg
Germany

T +49 821 797 - 0
F +49 821 797 - 5252
kontakt@kuka.com

Corporate Communications
T +49 821 797 - 3722
F +49 821 797 - 5213
press@kuka.com

Investor Relations
T +49 821 797 - 5226
F +49 821 797 - 5213
ir@kuka.com

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sam waikiki, Hamburg / Germany

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www.kuka.com