KUKA

H1/20
Interim Report

Key figures

in € millions	H1/19	H1/20	Change in %
Orders received	1,809.2	1,240.7	–31.4%
Order backlog (June 30)	2,293.1	1,987.8	–13.3%
Sales Revenues	1,539.6	1,168.8	–24.1%
Gross earnings from sales	356.1	221.3	–37.9%
in % of sales revenues	23.1%	18.9%	–
EBIT (earnings before interest and taxes)	45.9	–78.1	>–100%
in % of sales revenues	3.0%	–6.7%	–
EBITDA (earnings before interest, taxes and amortization)	106.5	–14.0	>–100%
in % of sales revenues	6.9%	–1.2%	–
Earnings after taxes	35.1	–80.6	>–100%
Earnings per share (diluted/undiluted) in €	0.86	–2.02	>–100%
Capital expenditure	78.8	39.8	–49.5%
Equity ratio in % (June 30)	38.2%	38.5%	–
Net liquidity/debt (June 30)	34.4	–39.9	>–100%
Employees (June 30)	14,126	13,507	–4.4%

in € millions	Q2/19	Q2/20	Change in %
Orders received	914.0	551.7	–39.6%
Order backlog (June 30)	2,293.1	1,987.8	–13.3%
Sales Revenues	801.9	544.2	–32.1%
Gross earnings from sales	188.6	97.1	–48.5%
in % of sales revenues	23.5%	17.8%	–
EBIT (earnings before interest and taxes)	23.7	–43.9	>–100%
in % of sales revenues	3.0%	–8.1%	–
EBITDA (earnings before interest, taxes and amortization)	54.4	–12.3	>–100%
in % of sales revenues	6.8%	–2.3%	–
Earnings after taxes	20.1	–58.7	>–100%
Earnings per share (diluted/undiluted) in €	0.45	–1.51	>–100%
Capital expenditure	42.6	21.5	–49.5%

Contents

Foreword

Ladies and Gentlemen,

This summer, we look back on a six-month period that was one thing above all else, not only at KUKA: extreme and unusual. The coronavirus pandemic has the world in its grip – with far-reaching social and economic consequences. For weeks and months, entire sectors of the global economy were at a standstill. Numerous customers had to temporarily close their production sites, and even anything close to normal operation became impossible in many places.

Like any major crisis, the coronavirus pandemic is creating a high degree of uncertainty. And many companies are reacting by using their funds more cautiously and holding back on investments. We are feeling this acutely in our markets, which were already under strain even before this crisis. The structural transformation in the automotive sector, global trade disputes and slower growth of the global economy are particularly notable factors here.

The results for the first half of the year reflect this overall scenario. Our volume of orders received dropped 31.4% to €1,240.7 million, for example. Sales revenues fell by 24.1% to €1,168.8 million. We closed the first two quarters with negative EBIT of €78.1 million. The free cash flow amounted to –€48.2 million. At our home base in Augsburg, more than 1,000 employees have been on short-time work since April, at least for some of that period.

Despite all the difficulties, it makes me proud to see the zeal with which the team at KUKA is fighting for every order and going the famous extra mile. In the Robotics division, we were able to serve every single customer order without exception – throughout the entire lockdown phase. The market launches of several new products are also taking place as planned this year. This has only been possible through the high level of commitment shown by our colleagues and their flexibility when process chains were disrupted, or when they had to work spontaneously from home for long periods.

The greatest restraint for us in this half-year was presented by the project business. Firstly, because our customers' factory premises were not accessible or, in the case of Swisslog Healthcare, were even sealed off. Added to this was the difficult and cost-intensive completion of older projects with individual major customers in the automotive sector, which had been initiated years ago under different circumstances. Having been literally swept empty, the market for new orders in systems engineering led to an intense and fierce price war. Here we are currently setting the stage for a strategic reorientation with a change in management.

In over 120 years of company history, KUKA has emerged from many crisis stronger than before. And so the focus for us in this crisis remains quite clearly on overcoming the serious challenges and setting the right course for the future. Because one thing is certain: automation will emerge from the coronavirus crisis as a winner. The vulnerability of global process chains can be countered by increasing local production – and that necessitates smart and cost-efficient automation. This has now brought especially those sectors to the fore in which we are well positioned: logistics, healthcare – and general industry, where the focus will increasingly be on automating processes with the aid of robots and crisis-proofing them against events such as a pandemic.

Even if the road to this goal is not going to be easy, we at KUKA have the right people and solutions on board to act decisively and dynamically.

Sincerely,

Peter Mohnen

Peter Mohnen

KUKA and the capital market

KUKA share

In the first half of the year, the global economy suffered a massive slump. According to the Organization for Economic Cooperation and Development (OECD), citizens, companies and states must prepare themselves for serious and long-lasting consequences of the coronavirus crisis: the pandemic is the most serious health and economic crisis since the Second World War. The OECD is predicting a decline of up to 7.6% in the global economy for 2020. The economy in the eurozone could even shrink by as much as 11.5%. A decline of between 6.6% and 8.8% is anticipated for Germany. The International Monetary Fund (IMF) also expects the negative consequences for the economy to be serious and that the economy will recover more slowly than previously assumed in a somewhat optimistic scenario. According to the IMF, the world is facing the worst recession since the Great Depression. Poverty and unemployment will increase worldwide.

The economic expectations of companies in Germany have improved, due, among other things, to the numerous economic stimulus programs of the German government and central bank. The relaxation of the coronavirus measures led to a slow upturn in May and was immediately reflected in the ifo Business Climate Index. This rose to 86.2 points in June 2020, up from 79.7 points in the previous month; the sharpest rise ever recorded. The ifo Business Climate Index is regarded as an important early indicator of the development of the German economy.

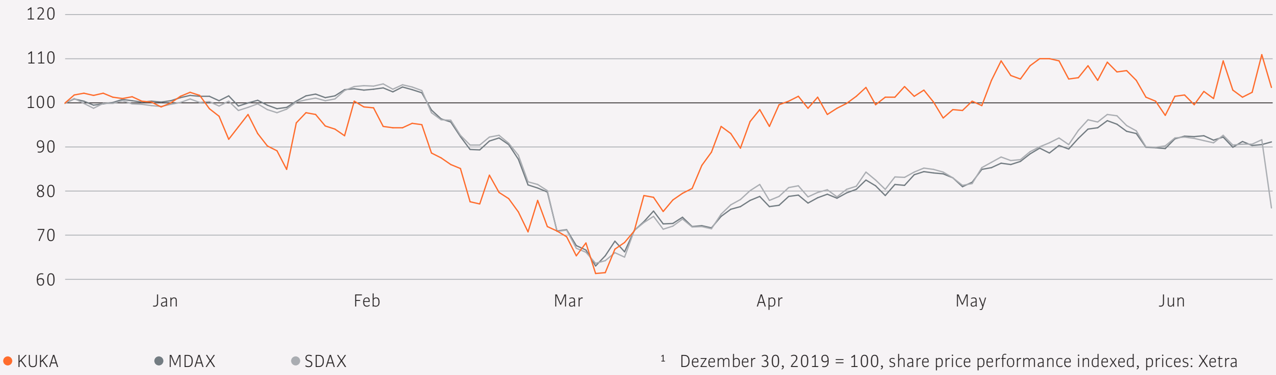
Even though this leading economic indicator suggests that the worst economic downturns are behind us, the global economy will long continue to feel the effects of the coronavirus pandemic, which saw the economy at a standstill for weeks on end. Many companies backtracked on their profit forecasts issued at the beginning of the year and stock market volatility increased. Price slumps, massive in some cases, were followed by another sharp rise. Aid measures worth billions have been initiated worldwide, with the result that stock markets are caught between hopes for an economic recovery and concerns about a possible resurgence of the pandemic in the second half of the year.

The MDAX, which tracks the performance of the 60 largest companies after the DAX30 in terms of market capitalization and stock exchange turnover, has fallen by 8.7% since the beginning of the year and closed at 25,840 points on June 30, 2020. The SDAX comprises 70 companies that are ranked after the stocks listed on the MDAX and closed at 11,536 points on June 30, 2020. The SDAX thus fell by some 23.6%. Bucking this trend, the KUKA share price actually improved. At the end of 2019, the share price was €36.50. The share quickly recovered from the initial losses at the start of the coronavirus crisis. By June 30, 2020, the last day of trading in the reporting period, the share price had risen by 3.6% to €37.80. For a short time, the share price was even 11% higher than at the end of 2019. Among German mechanical engineering companies, the KUKA share was one of the best performers since the outbreak of the coronavirus pandemic. This is because, in the medium term, investors are expecting a further boost for automation, from which robot manufacturers in particular will benefit.

At the first online Annual General Meeting on June 19, 2020, the shareholders voted to pay a dividend of €0.15 per eligible share for fiscal 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, 2020[1]



[1] Dezember 30, 2019 = 100, share price performance indexed, prices: Xetra

Management report

Economic environment

Demand for cars

World car market severely impacted by coronavirus pandemic

In the global automotive markets, the coronavirus pandemic led to falls in sales that were enormous in some cases. The uncertainties and restrictions caused demand to collapse in the first five months of 2020. According to the German Automotive Industry Association (VDA), 43% fewer new cars were registered in Europe than in the same period last year. In May alone, the number of newly registered cars fell by 49% in Germany, 50% in France and Italy, and even 73% in Spain. The automotive market in the United Kingdom was particularly hard hit with a fall of 89%. In the US market, demand for cars and light trucks fell by 23% in the first five months compared with the previous year. Taken in isolation, the car sales market recorded a decline of 44% in May. China also saw a year-on-year decline, with a fall of 27% between January and May 2020. However, for the first time in a long while, an increase was reported for the month of May. At +6% on the previous year, this was the first rise in almost two years. In the Chinese market, the support measures aimed at reviving the market had a positive effect. They ensured an increasing willingness to buy. In previous years, on the other hand, the Chinese market suffered tangibly from the trade dispute and, after a long growth phase, car sales fell by 4% in 2018 and by as much as 10% in 2019 year-on-year.

The global coronavirus pandemic is having a major impact on the automotive industry and its suppliers. Due to plummeting demand, numerous manufacturers and suppliers cut back on production and introduced short-time working or comparable cost-cutting measures. It is many smaller companies in particular that are facing major challenges. Despite the comprehensive coronavirus-related financial aid provided by the German government, the trade union IG Metall fears that many companies will not be able to meet the challenge posed by the coronavirus pandemic and will have to file for insolvency. In June 2020, the organization of industrialized nations OECD predicted a drop in German economic output of between 6.6% and 8.8% for the year as a whole. The OECD is predicting a decline of up to 7.6% in the global economy.

Difficult year for robotics and automation – but excellent perspectives for the future

The world is facing a historic economic crash because of the coronavirus crisis. According to the German Mechanical Engineering Industry Association (VDMA), the coronavirus crisis also placed great pressure on the robotics and automation sector. For 2020, a drop in revenues of at least 20% year-on-year is now expected. The previous forecast was –10%. Nevertheless, positive news is also being reported in this sector. Robotics and automation have been used during the pandemic to overcome challenges: thanks to flexible production lines, companies were able to convert their production very quickly, for example to manufacture face masks and laboratory products in Germany. Robotics is also opening up new potential in the logistics sector. With increasing online commerce, the use of robots is becoming more and more attractive. Furthermore, automated production steps and so-called cobots – robots that collaborate directly with humans – can help to ensure that minimum distances are maintained in production. In this way, companies can produce safely and flexibly.

According to the VDMA, the coronavirus crisis will prove to be a "digitalization accelerator". The experiences from the crisis will result in a boost for the Smart Factory. New intelligent products and solutions, as well as technologies such as remote maintenance and virtual commissioning of complex plants, will play a central role here. Supply chains are also being rethought, with the aim of manufacturing parts – particularly critical items – locally. To this end, solutions are being sought to enable efficient production for companies in high-wage countries. Automation will play a key role here. Furthermore, the demand for climate neutrality will accelerate the development of new drive concepts in the mobility sector. New production techniques will enable this to be implemented more efficiently. Moreover, the VDMA expects substantial catch-up effects resulting from previously delayed investments. This is due to various factors, such as the trade war and uncertainty about the direction that technology will take in the future. All these developments offer high potential for robotics and automation in the post-coronavirus era.

Business performance

KUKA Group

Worldwide geopolitical tensions have continued into the current fiscal year and are creating difficult economic conditions. In the first half of 2020, the trade war between the USA and China and the uncertainties surrounding Brexit remained unresolved. The situation was exacerbated by the unforeseeable coronavirus crisis. The world is facing the worst recession in many decades. These developments have affected all divisions of KUKA Group. KUKA Group thus recorded orders received totaling €551.7 million in the second quarter of 2020. This corresponds to a 39.6% decrease on the second quarter of 2019 (Q2/19: €914.0 million). Sales revenues were down 32.1% to €544.2 million (Q2/19: €801.9 million). The book-to-bill ratio, which reflects the relation between orders received and revenues, decreased by 0.13 to 1.01 in the past quarter (Q2/19: 1.14). At –€43.9 million, EBIT in the second quarter of 2020 was significantly lower year-on-year (Q2/19: €23.7 million). The EBIT margin dropped accordingly from 3.0% in the second quarter of 2019 to –8.1% in the second quarter of 2020. The consequences of the pandemic were clearly felt and put pressure on the operating margin.

From a cumulative perspective, KUKA Group generated orders received worth €1,240.7 million in the first half-year 2020, which was 31.4% lower than the previous year's figure (H1/19: €1,809.2 million). Sales revenues amounted to €1,168.8 million in the first half-year 2020, corresponding to a decrease of 24.1% on the previous year (H1/19: €1,539.6 million). The book-to-bill ratio stood at 1.06 in the first half-year 2020. This was a decline of 0.12 on the previous year (H1/19: 1.18).

The order backlog decreased by 13.3% from €2,293.1 million as at June 30, 2019 to €1,987.8 million as at June 30, 2020. KUKA Group's earnings before interest and taxes (EBIT) of –€78.1 million (EBIT) were down from the previous year's result, which had amounted to €45.9 million. The EBIT margin was down from 3.0% in the first half-year 2019 to –6.7% in 2020.

Systems

The Systems business segment saw its volume of orders received fall from €222.2 million in the second quarter of 2019 to €124.0 million in the second quarter of 2020. This corresponds to a sharp decrease of 44.2%. The order situation was already difficult in the previous year, particularly in Europe. This situation was exacerbated during the coronavirus pandemic. Customers from the automotive industry are continuing to delay investments and putting off planned major orders. This had a substantial impact on the business performance at Systems in the first half-year. Sales revenues fell from €238.9 million in the second quarter of 2019 to €118.7 million in the second quarter of 2020, corresponding to a drop of 50.3%. This fall in revenues was due in part to the difficult order situation worldwide and in part to the lockdown conditions in many parts of the world. Plant closures at customers' plants, and also at KUKA in North America, meant that it was temporarily impossible to process customer orders. The book-to-bill ratio improved year-on-year from 0.93 (Q2/19) to 1.04 (Q2/20). EBIT decreased to –€25.7 million in the second quarter of 2020, compared with €12.9 million in the prior-year quarter. The EBIT margin of –21.7% was considerably below the previous year's figure of 5.4%. The sharp decline was due primarily to the difficult market environment, increased pressure on operating margins and project deteriorations in orders from previous years. While Systems was able to improve its cost structure, this was insufficient to compensate for the severe decrease in revenues. Both the effects of the pandemic and the project deteriorations put pressure on earnings.

Orders received in the first half-year 2020 amounted to €239.5 million after €425.6 million in the first half-year 2019. Together with the lower volume of orders received in the first quarter of 2020, this constituted an overall decline of 43.7%. Sales revenues in the first half of the year totaled €291.9 million and thus fell short of the previous year's result (H1/19: €455.8 million). The book-to-bill ratio dropped from 0.93 in H1/19 to 0.82 in H1/20. At €546.2 million, the order backlog as at June 30, 2020 was also below the previous year's level (June 30, 2019: €684.6 million). EBIT in H1/20 amounted to –€34.0 million, after €17.7 million in H1/19. This corresponds to an EBIT margin of –11.6% (H1/19: 3.9%).

Robotics

In the second quarter of 2020, the Robotics segment generated orders received totaling €195.7 million, 30.0% down on the previous year (Q2/19: €279.6 million). Revenues decreased by 35.2% from €287.9 million in Q2/19 to €186.7 million in Q2/20. Business development at Robotics was heavily impacted by the effects of the coronavirus crisis. Customers from both the automotive industry and general industry either held back on orders or postponed their planned investments and training courses for KUKA robots and support services. Revenues fell accordingly. The book-to-bill ratio stood at 1.05 (Q2/19: 0.97). EBIT amounted to –€10.3 million, representing a substantial year-on-year decline (Q2/19: €20.7 million). The EBIT margin fell from 7.2% in Q2/19 to –5.5% in Q2/20. The low revenue volume impacted the earnings and resulted in a negative EBIT.

Orders received in the first half-year 2020 had a value of €465.5 million, corresponding to a 23.3% decrease on the same period of the previous year (H1/19: €606.9 million). Sales revenues fell by 27.5% from €562.3 million in the first half of 2019 to €407.8 million in the first half of 2020. At 1.14, the book-to-bill ratio remained above 1 (H1/19: 1.08). The order backlog of €329.4 million as at June 30, 2020 was down 24.8% year-on-year (June 30, 2019: €438.0 million). EBIT in the first half-year amounted to –€14.2 million, corresponding to an EBIT margin of –3.5%. In the same period last year, the Robotics business segment earned €34.8 million with an EBIT margin of 6.2%.

Swisslog

Swisslog recorded a strong decrease in orders received of 60.8% to €109.8 million in the second quarter of 2020 (Q2/19: €280.4 million). Numerous customers deferred their investment decisions due to the coronavirus crisis. Moreover, the orders received in the previous year included a major contract. Sales revenues fell by 7.9% from €142.6 million in Q2/19 to €131.4 million in Q2/20. The book-to-bill ratio dropped sharply to 0.84 (Q2/19: 1.97). EBIT deteriorated to –€1.5 million in the second quarter of 2020, after €5.6 million in the second quarter of 2019. The EBIT margin accordingly declined to –1.1% in Q2/20 after 3.9% in Q2/19. Both the developments resulting from the pandemic and one-off costs from efficiency measures reduced the margin.

On a cumulative basis, the Swisslog business segment reported orders received valued at €260.2 million in the first half-year 2020 – a decrease of 45.0% (H1/19: €473.3 million). Sales revenues in the first half of 2020 amounted to €278.7 million and were thus below the previous year's level (H1/19: €284.6 million). The book-to-bill ratio fell from 1.66 last year to 0.93. The order backlog amounted to €623.1 million as at June 30, 2020, representing a year-on-year decline of 11.2% (June 30, 2019: €701.7 million). EBIT in the first half-year 2020 totaled €2.1 million with an EBIT margin of 0.8% (H1/19: EBIT €6.9 million; EBIT margin 2.4%).

Swisslog Healthcare

At €39.3 million, orders received at Swisslog Healthcare in Q2/20 were 29.7% below the prior-year figure of €55.9 million. The sharp decline was linked to the COVID-19 pandemic, as customers, such as hospitals, put off investments that were already planned. The sales revenues of €52.7 million achieved in the reporting period were below the previous year's level (Q2/19: €54.8 million). Revenue fell only slightly due to the strong order backlog from the previous year. The book-to-bill ratio deteriorated accordingly from 1.02 in Q2/19 to 0.75 in the second quarter of 2020. By contrast, EBIT increased significantly to €1.3 million, up from –€0.5 million in the same period last year. This corresponds to an EBIT margin of 2.5% (Q2/19: –0.9%). Swisslog Healthcare worked continuously on optimizing its cost structure and was thus able to increase EBIT year-on-year despite the coronavirus crisis.

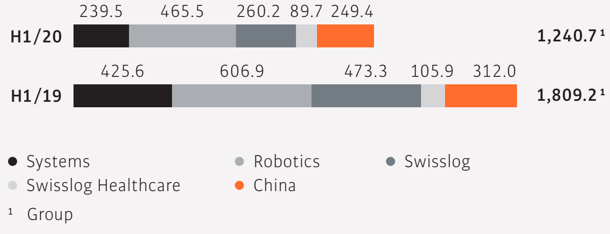
In the first half of 2020, Swisslog Healthcare generated orders received worth €89.7 million, thus lying below the previous year's level of €105.9 million. Sales revenues increased from €105.7 million in H1/19 to €111.0 million in H1/20. The resulting book-to-bill ratio stood at 0.81 after 1.00 in the first half-year 2019. The order backlog of €202.3 million as at June 30, 2020 was down slightly year-on-year (June 30, 2019: €206.5 million). EBIT rose to €1.7 million in the first half-year 2020 (H1/19: €0.0 million), corresponding to an EBIT margin of 1.5% (H1/19: 0.0%).

China

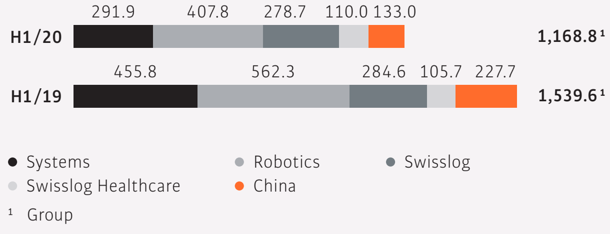
In the second quarter of 2020, the China segment posted orders received amounting to €109.5 million. This is equivalent to a decline of 21.3% on the previous year's value (Q2/19: €139.2 million). Sales revenues fell by 37.5% to €83.5 million. The corresponding figure in the previous year was €133.5 million. China was impacted early on by the effects of the coronavirus crisis. There was already a tangible fall in demand in the first quarter, as customers reduced their investments. Revenues also declined accordingly. The book-to-bill ratio rose from 1.04 in the second quarter of 2019 to 1.31 in the second quarter of 2020. EBIT amounted to –€16.8 million in the past quarter (Q2/19: –€2.3 million), corresponding to an EBIT margin of –20.1% (Q2/19: –1.7%). This was primarily due to the low revenue level. The reduction in costs could not fully compensate for the sharp decline in sales revenues. Furthermore, deteriorations in customer projects also had a negative impact on earnings.

Altogether, orders received in the China segment totaled €249.4 million in the first half-year 2020 and thus fell 20.1% short of the previous year's figure (H1/19: €312.0 million). At €133.0 million, sales revenues in the first half of 2020 were below the previous year's level (H1/19: €227.7 million). The book-to-bill ratio of 1.88 (H1/19: 1.37) was at a constantly high level above that of the previous year. The order backlog fell minimally by 0.1% from €327.9 million as at June 30, 2019 to €327.7 million as at June 30, 2020. EBIT decreased from €3.1 million to –€22.1 million in the first half-year 2020. The EBIT margin stood accordingly at –16.6% after 1.4% in the first half-year 2019. In the previous year, the one-off effect from the deconsolidation of a Chinese subsidiary had a positive impact on earnings.

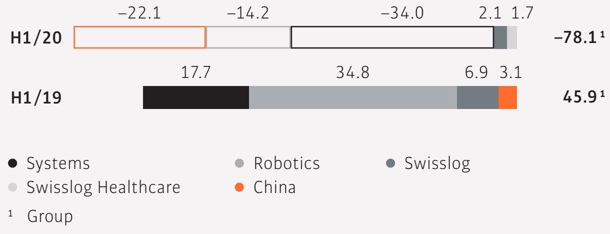
Orders received
in € millions



Sales revenues
in € millions



EBIT
in € millions



Financial position and performance

Earnings

In the first half of 2020, KUKA Group's sales revenues were down 24.1% year-on-year to €1,168.8 million (H1/19: €1,539.6 million). Orders received in the reporting period also fell by 31.4% from €1,809.2 million to €1,240.7 million in the first six months of 2020. The order backlog as at June 30, 2020 amounted to €1,987.8 million – a decrease of 13.3% compared to June 30, 2019 with a backlog of €2,293.1 million. Gross earnings fell from €356.1 million in H1/19 to €221.3 million in H1/20. This corresponds to a decline of €134.8 million or 37.9% and resulted in a gross margin for the Group of 18.9% in the first half of 2020 after 23.1% in the first half of 2019.

The second quarter of 2020 was significantly affected by the coronavirus crisis. Compared with the first quarter of 2020, sales revenues decreased to €544.2 million (Q1/20: €624.6 million). Orders received also dropped from €689.0 million in the first quarter of 2020 to €551.7 million in the second quarter of 2020. The order backlog at the balance sheet date remained almost unchanged from that as at March 31, 2020 (March 31, 2020: €1,998.6 million; June 30, 2020: €1,987.8 million). Gross earnings for the Group fell to €97.1 million after €124.2 million in the previous quarter, corresponding to a gross margin for the Group of 17.8% (Q1/20: 19.9%).

The costs for the functional areas of sales, research & development and administration declined from €321.6 million to €296.5 million, corresponding to a reduction of 7.8% or €25.1 million. In relation to revenues, the costs of the three functional areas rose from 20.9% to 25.4%. In the functional areas of sales and administration, expenditure fell by €17.3 million and €8.2 million respectively. Savings were achieved here through the cost-cutting program from 2019 and additional measures from 2020. Only research & development costs increased slightly year-on-year by €0.4 million. In this core area of KUKA Group, location optimization measures were recently implemented as part of KUKA's long-term strategy. In the second quarter of 2020, expenditure fell in all functional areas, due not only to the continuation of the efficiency program, but also to the coronavirus crisis and related measures, such as the partial utilization of short-time work. Under the current conditions, short-time working was necessary in order to retain existing resources and know-how and to remain competitive. A further measure was that the workforce – wherever possible – has worked mainly from home since the start of the coronavirus crisis. Additionally, KUKA Group reduced expenditure such as costs for consulting services and marketing. The number of employees fell by 4.4% to 13,507 as at June 30, 2020 (June 30, 2019: 14,126). A year-on-year reduction in the number of employees was reported in all functional areas. Among other things, the restructuring of a subdivision in the Robotics segment and the efficiency program announced at the beginning of fiscal 2019 are having an impact here.

Product development costs capitalized in the first six months of 2020 totaled €17.7 million (H1/19: €13.1 million). These new developments will be recognized as expenditure through scheduled amortization in subsequent periods. Depreciation and amortization recognized in research & development costs totaled €8.3 million compared to €8.8 million in the first half of 2019. The capitalization ratio rose from 15.3% in H1/19 to 19.4% in H1/20. For example, the new models of the KR CYBERTECH nano series combine high performance and flexibility. In the future, the KR 4 AGILUS will also offer more functions, including the latest control technology, and thus more possibilities. Overall, KUKA Group is continuously improving its products and focusing primarily on key technologies. The strengths of automation, digitalization and networking became particularly apparent during the crisis. These are the areas in which KUKA will also be making focused investments in the future.

Other operating income fell year-on-year from €19.7 million to €3.1 million in the reporting period. In the previous year, other operating income mainly consisted of income from the change of consolidation method associated with the deconsolidation of a Chinese Swisslog subsidiary.

The earnings before interest and tax (EBIT) were significantly impaired by the effects of the coronavirus crisis and the project deteriorations. EBIT fell in the reporting period from €45.9 million in H1/19 to −€78.1 million in H1/20. This resulted in an EBIT margin of −6.7% after 3.0% in the previous year.

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20
EBIT (in € millions)	22.2	23.7	35.6	−33.7	−34.2	−43.9
EBIT margin (in %)	3.0%	3.0%	4.3%	−4.1%	−5.5%	−8.1%
EBITDA (in € millions)	52.1	54.4	66.3	3.7	−1.7	−12.3
EBITDA margin (in %)	7.1%	6.8%	8.0%	0.4%	−0.3%	−2.3%

Segment reporting

As of January 1, 2020, KUKA Group intensified measures to optimize working capital, to focus on sales potential and to integrate business units acquired in the past. Management of the individual segments is now controlled on the basis of key performance indicators adjusted for these measures. This results in changes to some key performance indicators in the individual segments, but has no effect on the Group figures. The comparative figures for the 2019 fiscal year have been adjusted. The segment structure improved in the previous year remains unchanged overall.

The Systems division generated sales revenues of €291.9 million. This corresponds to a decline of €163.9 million on the first half of 2019 (H1/19: €455.8 million). EBIT fell from €17.7 million in H1/19 to −€34.0 million in H1/20, corresponding to an EBIT margin of 3.9% and −11.6% respectively. The sharp decline was mainly due to the difficult market environment with increased pressure on margins and the project deteriorations in orders from previous years. While Systems was able to improve its cost structure, this was insufficient to compensate for the decrease in revenues. In addition to the deterioration of various projects, the coronavirus crisis in particular had a significant impact on earnings. Numerous production sites of customers, but also KUKA locations, particularly in North America, had to reduce or temporarily close production.

Sales revenues in the Robotics segment dropped from €562.3 million in H1/19 to €407.8 million in H1/20. This corresponds to a reduction of 27.5%. EBIT also fell by €49.0 million to −€14.2 million (H1/19: €34.8 million). This resulted in an EBIT margin of −3.5% after 6.2% in the same period of the previous year. Robotics was also severely hit by the effects of the coronavirus crisis. Customers from both the automotive industry and general industry either held back on orders or postponed their planned investments and training courses for KUKA robots. As a result, revenues decreased in the area of customer service, for example. The low revenue volume impacted the earnings and resulted in a negative EBIT.

Swisslog recorded sales revenues of €278.7 million, corresponding to a slight decrease of €5.9 million (H1/19: €284.6 million). The EBIT of €2.1 million was €4.8 million lower than that for the first half of 2019 (H1/19: €6.9 million). The EBIT margin was 0.8% compared with 2.4% in H1/19. Both developments resulting from the pandemic and increased structural costs put pressure on the margin.

With sales revenues of €111.0 million in the first six months of fiscal 2020, Swisslog Healthcare was able to increase revenues year-on-year by €5.3 million (H1/19: €105.7 million). EBIT also rose to €1.7 million after the break-even result of the first half-year 2019. The EBIT margin improved from 0.0% in H1/19 to 1.5% in H1/20. It proved possible to increase revenues due to the strong order backlog from the previous year. Swisslog Healthcare also worked continuously on optimizing its cost structure, enabling it to increase EBIT year-on-year despite the coronavirus crisis.

The China segment, which combines all business activities of the Chinese companies in the aforementioned divisions, recorded sales revenues in the reporting period totaling €133.0 million. This corresponds to a significant decline of €94.7 million on the first half of 2019 (H1/19: €227.7 million). EBIT fell from €3.1 million in H1/19 to −€22.1 million in H1/20. The resultant EBIT margin stood at −16.6% after 1.4% in the previous year. China was impacted early on by the effects of the coronavirus crisis. There was a tangible fall in demand, as customers reduced their investments. Revenues also declined accordingly. In addition, there were negative effects from project execution. In the previous year, the one-off effect from the deconsolidation of a Chinese subsidiary had an additional positive impact on earnings.

Group income statement

EBITDA (earnings before interest, taxes, depreciation and amortization) dropped from €106.5 million in the first half of 2019 to −€14.0 million in the first half of 2020. Depreciation and amortization rose from €60.6 million in H1/19 to €64.1 million in H1/20. Depreciation and amortization includes depreciation on leased assets in accordance with IFRS 16 totaling €18.4 million (H1/19: €16.2 million).

The financial result totaled €2.3 million in the first half-year 2020 and was thus unchanged compared with the first half-year 2019. Interest income increased to €13.6 million (H1/19: €12.6 million) and includes, as in the previous year, interest income from leases and interest income on bank balances, primarily in connection with the joint venture in the Robotics segment founded in the third quarter of 2018. This is offset by interest expenses totaling €11.3 million (H1/19: €10.3 million), consisting primarily of interest expenses for the US assignable loan as well as interest expenses for lease transactions. The net currency effect in the first six months of 2020 totaled €0.6 million (H1/19: €0.1 million). Net interest expense for pensions fell slightly from €0.7 million in H1/19 to €0.6 million in H1/20.

This led to earnings before taxes (EBT) of −€75.8 million (H1/19: €48.2 million) – a substantial year-on-year decline. Tax expenses of €4.8 million in the first half of 2020 (H1/19: €13.1 million) resulted in a tax rate of −6.3% after 27.2% in the previous year. The negative tax rate is mainly due to the revaluation of deferred tax assets and the offsetting effects of tax subsidies in North America and China.

Earnings after tax thus totaled −€80.6 million, after €35.1 million in the first half of 2019. Undiluted earnings per share therefore stood at −€2.02 (H1/19: €0.86).

in € millions	H1/19	H1/20
Sales revenues	1,539.6	1,168.8
EBIT	45.9	−78.1
EBITDA	106.5	−14.0
Financial result	2.3	2.3
Taxes on income	−13.1	−4.8
Earnings after taxes	35.1	−80.6

Financial position

Earnings after taxes, adjusted for income taxes, net interest income, non-cash depreciation of property, plant and equipment and amortization of intangible assets as well as other non-cash expenses and income, make up the "cash earnings" indicator. Cash earnings fell from €96.7 million in the first half of 2019 to –€13.0 million in the first half of 2020. This sharp decline was due primarily to the high negative earnings after taxes, which can be attributed to the effects of the coronavirus crisis, the associated restrictions resulting from the temporary closure of various KUKA Group locations, and project deteriorations.

Cash flow from operating activities dropped from €49.8 million in the first half-year 2019 to –€84.5 million in H1/20, primarily as a consequence of the negative cash earnings. Compared with the first half-year 2019, there was a reduction in trade working capital. This was only achieved through the systematic implementation and follow-up of the project launched in fiscal 2019 to monitor and optimize trade working capital. Not only inventories but also trade receivables and contract assets showed a reduction on the previous year. At the same time, contract liabilities and trade payables decreased. Compared with the level at the beginning of the fiscal year, there was a moderate increase in trade working capital of €15.1 million(January 1, 2020: €510.1 million), which had a slightly negative impact on cash flow from operating activities. The largest rise can be observed in inventories. This was a planned increase.

The following overview shows the development of trade working capital:

in € millions	June 30, 2019	Development since Jan. 1, 2019	June 30, 2020	Development since Jan. 1, 2020
Inventories	491.2	24.4	396.6	52.1
Trade receivables and receivables from contract assets	1,054.4	145.4	814.3	–90.7
Trade payables and contract liabilities	945.6	136.1	685.7	–53.7
Trade working capital	**600.0**	**33.7**	**525.2**	**15.1**

Investments fell in the reporting period to €39.8 million (H1/19: €78.8 million). Investments for property, plant and equipment totaled €19.9 million (H1/19: €61.1 million). These consisted primarily of investments in buildings and in technical, factory and office equipment. In the previous year, investments for final completion of the production facilities at Augsburg and Toledo, USA, were included. This year's investments relate, among other things, to the education center at the Augsburg location. Intangible asset investments totaled €19.9 million (H1/19: €17.7 million), of which €17.7 million (H1/19: €13.1 million) was for internally generated intangible assets. This is offset by cash inflows of €63.4 million from current financial assets related to short-term financial management. In the first half-year of 2020, contingent purchase price payments were made for Utica Enterprises, Shelby Township, Michigan, USA among others. These changes, including interest received, resulted in a cash flow from investment activities of €36.3 million after –€72.2 million in the previous year.

The cash flow from operating activities plus cash flow from investment activities resulted in a free cash flow of –€48.2 million (H1/19: –€22.4 million).

The cash flow from financing activities amounted to –€8.4 million in H1/20 after €52.7 million in H1/19. This includes dividends to shareholders of €0.15 per no-par-value share (2019: €0.30 per share), making a total of €6.0 million (H1/19: €11.9 million). Funds of €22.6 million (H1/19: €88.0 million) were taken up under the syndicated loan.

The interest and redemption components of the lease payments are also reported in the cash flow from financing activities (H1/20: €20.0 million; H1/19: €18.3 million).

The cash and cash equivalents available to KUKA Group as at the balance sheet date on June 30, 2020 were thus €518.3 million (H1/19: €508.6 million). This represents a slight change compared with the previous year and a substantial reduction on the start of the fiscal year (January 1, 2020: €584.8 million) due to the effects of the coronavirus crisis.

For details of the financing structure, please refer to page 25.

Group cash flow statement (condensed)

in € millions	H1/19	H1/20
Cash earnings	96.7	–13.0
Cash flow from operating activities	49.8	–84.5
Cash flow from investment activities	–72.2	36.3
Free cash flow	–22.4	–48.2

Net worth

The balance sheet total of €3,240.4 million as at June 30, 2020 was €186.2 million lower than at the start of fiscal 2020 (January 1, 2020: €3,426.6 million).

At €1,105.9 million, non-current assets were down €19.3 million on the start of the fiscal year (January 1, 2020: €1,125.2 million). The slight decline is attributable to the scheduled depreciation of property, plant and equipment (June 30, 2020: €359.7 million; January 1, 2020: €366.6 million) and of right-of-use assets (June 30, 2020: €122.9 million; January 1, 2020: €135.0 million). Receivables from the finance lease at KUKA Toledo Production Operations LLC, Toledo, USA, were also down, as these are recognized proportionally over the term of the lease (June 30, 2020: €137.7 million; January 1, 2020: €152.5 million). The value of investments accounted for at-equity decreased slightly from €34.0 million as at January 1, 2020 to €33.2 million as at June 30, 2020. Deferred tax assets, on the other hand, increased by €1.8 million to €88.5 million (January 1, 2020: €86.7 million). Deferred tax assets were recognized taking planned transactions into account.

Current assets as at June 30, 2020 were down €150.8 million on the start of fiscal 2020 (June 30, 2020: €1,891.4 million; January 1, 2020: €2,042.2 million). Other assets and prepaid expenses fell from €152.4 million as at January 1, 2020 to €102.2 million as at June 30, 2020. The investments in short-term securities with a term of significantly less than one year, which were still reported under other current assets at the start of the fiscal year, have expired and have thus been derecognized. For further explanations regarding the current assets, please refer to the notes on the financial position.

In the reporting period, equity fell by €101.1 million from €1,348.6 million as at January 1, 2020 to €1,247.5 million as at June 30, 2020. This was mainly due to the earnings after taxes of –€80.6 million, the dividend payment of –€6.0 million, the reduction in currency effects (especially CNY, MXN, BRL and USD) amounting to –€8.9 million, of which –€4.3 million was attributable to minority interests, and the increase in actuarial losses from the measurement of pensions without effect on income, including the deferred taxes totaling –€7.4 million incurred on these in the first half-year.

The adjustment item for minority interests also fell from €278.8 million as at January 1, 2020 to €274.5 million as at June 30, 2020.

These changes resulted in an equity ratio (ratio of equity to total assets) of 38.5% as at June 30, 2020, which is below the ratio at the start of the fiscal year (January 1, 2020: 39.4%).

Non-current and current financial liabilities both to third parties and to affiliated companies totaled €558.2 million as at June 30, 2020. This corresponds to an increase of €23.6 million compared with January 1, 2020. The growth resulted from the increased utilization of the syndicated loan agreement.

The balance sheet item “Pensions and similar obligations” was up from €116.9 million (January 1, 2020) to €121.6 million (June 30, 2020). This essentially reflects the effect of the measurement of actuarial losses without effect on income, as already described in the statement of changes in equity.

Current liabilities declined from €1,387.8 million as at January 1, 2020 to €1,311.0 million as at June 30, 2020 – a decrease of €76.8 million. On the one hand, trade payables, contract liabilities and other provisions decreased. On the other hand, financial liabilities increased. Information about liabilities can be found in the comments on trade working capital in the financial position.

Lease liabilities in accordance with IFRS 16 amounted to €127.9 million as at June 30, 2020, of which €97.7 million was non-current and €30.2 million current.

Net debt, calculated as cash and cash equivalents less current and non-current financial liabilities, amounted to –€39.9 million as at June 30, 2020, a deterioration of –€90.1 since the start of fiscal 2020 (January 1, 2020: €50.2 million).

in € millions	Jan. 1, 2020	June 30, 2020
Balance sheet total	3,426.6	3,240.4
Equity	1,348.6	1,247.5
in % of balance sheet total	39.4%	38.5%
Net liquidity/dept	50.2	–39.9

ROCE

ROCE (return on capital employed) was –11.3% in the first half of 2020 and thus considerably below the previous year’s figure (H1/19: 6.6%), reflecting, among other things, the effects of the coronavirus crisis. The average capital employed as at June 30, 2020 was €1,386.2 million (June 30, 2019: €1,389.8 million).

Events after the balance sheet date

At the beginning of July, KUKA Group sold its stake in Pipeline Health Holdings LLC, San Francisco (USA). The total volume of the transaction was in the single-digit million range.

Research and development

In the second quarter of 2020, research and development (R&D) expenditure in KUKA Group amounted to €38.4 million. The expenditure was thus less than in the prior-year period (Q2/19: 42,8 Mio. €). This brought R&D expenditure for the first half-year up to €81.7 million (H1/19: €81.3 million).

The new KR C5 controller generation

The new KR C5 controller generation and the corresponding micro variant will be replacing the KR C4 as the universal control system in the future. As the new standard platform, it forms the functional basis for the entire robot product range and all relevant software packages. The new generation can not only be seamlessly integrated into existing automation landscapes, but can also easily take on current KR C4 applications as a “functional twin”. All this will enormously simplify the changeover for customers. The TCO (total cost of ownership) perspective was also taken into account in the development. The modular cabinet system and an energy-optimized controller design reduce energy consumption.

The new KR IONTEC

Since the start of the year, a new product series has been available on the market in the medium payload category. The KR IONTEC sets new standards in terms of flexibility in the medium payload category. It stands out in particular for its large work envelope – the best in its class.

The KR IONTEC can be used in any installation position – on the floor, on the wall or inclined. The option of converting the payload capacity of the installed robot from 30 to up to 70 kg also makes it extremely flexible. Thanks to its long reach, the ability to work particularly close to the robot itself and the enlarged workspace beneath the robot, the KR IONTEC optimally exploits its work envelope.

Due to the reduced energy consumption, resulting from the improved drive technology and decreased weight of the robot, the running costs are lower. The new KR IONTEC excels in terms of TCO and life cycle efficiency. Technical availability is over 99 percent and the mean time between failures is around 400,000 hours of operation.

The KR IONTEC also features the lowest maintenance requirements in its class. The maintenance costs are reduced, for example, by the fact that the robot has fewer wearing parts and that, on average, an oil change is only necessary after every 20,000 hours of operation. The KR IONTEC is ready to use in both conventional and digital production worlds and is equipped with various Motion Modes. These software add-ons can be used to adapt the robot flexibly to different production processes at the press of a button, so to speak.

DC Industrie II

A total of 39 companies and research institutes are working on a revolution in industrial power supply within the framework of DC-INDUSTRIE 2. This involves the DC power supply to an entire production hall. The focus is on enhancing energy efficiency by utilizing braking energy, connecting and storing renewable energy sources more efficiently, and increasing system availability. As an associated partner, KUKA is investigating the DC power supply in its production systems together with German car manufacturers. The aim is to improve system availability and to reduce procurement and operating costs.

COVID-19 test robot in continuous action combating the virus

The LBR iiwa test robot that has been in operation in the laboratory of Bulovka Hospital in Prague since mid-March adds a solution to nasopharyngeal swabs from patients in order to detect the genetic material of the coronavirus. A positive test result indicates that the patient is infected with coronavirus. The laboratory handles some 300 to 400 samples per day, with the laboratory staff examining up to 670 samples a day at peak times when the pandemic broke out. Use of the test robot has greatly simplified the test procedure. Using a pipette, the KUKA laboratory robot adds a chemical to the samples one after the other, in each case checking directly afterwards by means of its integrated industrial balance whether the correct amount of liquid has been added. The KUKA robot can pipette up to 700 samples per day in the coronavirus application – tirelessly and without requiring any face mask. For the hospital, the test robot brings relief in two respects: the Czech Institute of Informatics, Robotics and Cybernetics (CIIRC) at the Czech Technical University in Prague (CTU) is providing the robot free of charge. In just 14 days, from the initial planning meeting to the first use in the laboratory, researchers and students at the university had designed the mechanical assistant, configured it with a pipette and computer-controlled balance, and programmed it to pipette the samples. The KUKA laboratory robot has now been working untiringly in the coronavirus application since the beginning of April.

German Innovation Award for ACPaQ solution

The fully automated Swisslog palletizing solution ACPaQ has won the German Innovation Award 2020 in the category "Machines & Engineering". The award is presented for outstanding innovations and recognizes applications that differ from existing solutions, particularly in terms of their user-oriented development and added value for customers. The prize is awarded by the German Design Council and funded by the German parliament.

ACPaQ combines high-end robotics from KUKA with Swisslog's many years of expertise in logistics. This solution creates mixed pallets fully automatically. The human operator is meanwhile relieved of a physical burden, as the robot takes over all lifting operations. Moreover, the modular system can be individually expanded and adapted and, no matter whether at room temperature or in the cooling zone, can handle up to 1,000 units per hour.

Global Company of the Year Award 2020 for Medical Robots Division

Unique, advanced, valuable: the consulting company Frost & Sullivan has analyzed the market for medical robots and praises the LBR Med from KUKA as one of the most advanced robots in the sector. Its flexibility and versatility, which are of great importance in the medical sector, were particularly highlighted. The robot system is suitable for a wide range of different applications in the field of medical technology. For all these reasons, the KUKA Medical Robotics Division received the "Global Company of the Year Award 2020".

Employees

With the outbreak of the coronavirus pandemic, KUKA took immediate action both to protect the health of employees and their families and to cushion the impact on business development. A coronavirus task force was set up as early as January to prepare a hygiene and safety concept, implement precautionary measures and keep employees regularly informed about current developments. Maintaining production operations was a particular challenge due to the disruptions in global supply chains. At Robotics, for example, supplies were not interrupted thanks to the flexibilization of ordering and delivery concepts of our in-house production in Hungary and Augsburg, and the second source strategy. This enabled continuous robot production in Augsburg and the processing of all customer orders within the standard delivery times. At other production sites, such as in Italy and the USA, production had to be closed down temporarily, sometimes due to official orders from the authorities.

Where possible, employees also switched to teleworking. During this time, an average of 40% of the Augsburg workforce worked from home. Thanks to the existing technological equipment and many years of experience with teleworking, it was possible to increase the proportion of employees working from home significantly within a very short time.

As an important measure for the long-term safeguarding of jobs, KUKA introduced short-time working in April. With the help of short-time working, temporary relief was achieved for operations in Augsburg to counter the difficult order situation. This measure was employed as required in specific areas in the second quarter. Similar models were also adopted in other countries.

As at June 30, 2020 KUKA Group employed 13,507 people. Compared with the reporting date of the previous year, this was a decline of 4.4% (June 30, 2019: 14,126). In the Systems segment, the workforce decreased by 8.5% from 3,204 as at June 30, 2019 to 2,931 as at June 30, 2020. This was attributable to the difficult order situation in Europe, which led to job cuts. Plant closures also resulted in a temporary reduction in North America. At Robotics, the workforce decreased by 8.7% from 5,647 to 5,156 as at June 30, 2020. The main reasons for the reduction were the lower production volume and the restructuring of a subdivision announced in the previous year. The Swisslog division had 2,159 employees at the end of the second quarter of this year, 7.3% more than on the reporting date of the previous year (June 30, 2019: 2,012). The number of employees at Swisslog Healthcare was 8.4% up from 1,076 (June 30, 2019) to 1,166 as at June 30, 2020. Compared with the number of employees at the start of the year, there were only minor changes at both Swisslog and Swisslog Healthcare. The increase was attributable to the previous year and the new organizational structure (for details see Annual Report 2019, page 46). At the end of the second quarter, 1,383 people were employed in China, representing a slight decline of 2.7% on the previous year's reporting date (June 30, 2019: 1,422), as positions that became vacant were only selectively filled.

Opportunity and risk report

In the overall assessment of risks, KUKA Group is primarily exposed to performance-related risks from the divisions and to legal and financial risks controlled at Group level. The uncertainties due to the coronavirus crisis are being continuously reviewed in risk management and evaluated as far as possible. Corresponding task forces have been set up to implement the necessary measures in a structured manner and to minimize the identified risks.

The risks from all divisions arising from the coronavirus pandemic were identified and assessed on the basis of the current situation. KUKA expects its business targets to be significantly affected, which could have an impact on EBIT in the upper double-digit million euro range. This does not yet include potential risks from a possible second wave and additional global economic impacts.

Risks from business processes were mitigated as far as possible by implementing a globally applicable safety standard for infection protection.

All in all, despite the circumstances, the Executive Board is not currently 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.

Detailed information on additional risks that could impact EBIT can be found in the Opportunity and Risk Report in the Annual Report/Management Report 2019 (page 48 et seq.).

Outlook

The Organization for Economic Cooperation and Development (OECD) sees the world facing one of the most severe recessions since the end of the Great Depression in the 1930s. Worldwide, countries are pumping billions into the economy to counteract the massive slumps. However, the economy will only be able to recover slowly and the effects of the coronavirus crisis will still be felt for a long time yet.

The coronavirus crisis is also having an impact on KUKA and its business development. As a result of the restrictions imposed in response to the coronavirus pandemic, and also due to global uncertainties, customers worldwide are holding back on investments. This applies to both the automotive industry and customers in general industry. Due to these ongoing difficult conditions, KUKA anticipates a decline in demand for the current fiscal year.

At the end of March 2020, KUKA forecast sales revenues at the previous year's level for the full year 2020 and a slight increase in the EBIT margin year-on-year, but pointed out that this forecast is subject to uncertainty, as it does not take into account the possible effects of the coronavirus crisis. KUKA's business development is being considerably impacted by the coronavirus pandemic. If the effects of the coronavirus crisis that are already evident are taken into account, it is to be expected that both revenue and the EBIT margin will be clearly below the previous year's level. A negative EBIT margin is expected for the full year.

In the medium term, however, KUKA anticipates increased demand – particularly for robotic and automation solutions – as a result of the experiences made during the coronavirus crisis. Furthermore, catch-up effects from deferred investments are anticipated.

Interim Report (condensed)

Group income statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2020

in € millions	Q2/19	Q2/20	H1/19	H1/20
Sales revenues	**801.9**	**544.2**	**1,539.6**	**1,168.8**
Cost of sales	−613.3	−447.1	−1,183.5	−947.5
Gross earnings from sales	**188.6**	**97.1**	**356.1**	**221.3**
Selling expenses	−71.5	−58.4	−141.2	−123.9
Research and development expenses	−42.8	−38.4	−81.3	−81.7
General and administrative expenses	−48.3	−42.4	−99.1	−90.9
Other operating income	1.3	1.3	19.7	3.1
Other operating expenses	−2.4	−3.0	−5.8	−4.9
Loss from companies consolidated at equity	−1.2	−0.1	−2.5	−1.1
Earnings from operating activities	**23.7**	**−43.9**	**45.9**	**−78.1**
Earnings before interest and taxes (EBIT)	**23.7**	**−43.9**	**45.9**	**−78.1**
Depreciation and amortization	30.7	31.6	60.6	64.1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**54.4**	**−12.3**	**106.5**	**−14.0**
Interest income	8.5	6.1	12.6	13.6
Interest expense	−4.4	−5.5	−10.3	−11.3
Financial result	**4.1**	**0.6**	**2.3**	**2.3**
Earnings before taxes	**27.8**	**−43.3**	**48.2**	**−75.8**
Taxes on income	−7.7	−15.4	−13.1	−4.8
Earnings after taxes	**20.1**	**−58.7**	**35.1**	**−80.6**
(of which: attributable to minority interests)	(2.2)	(1.2)	(0.9)	(−0.3)
(of which: attributable to shareholders of KUKA AG)	(17.9)	(−59.9)	(34.2)	(−80.3)
Earnings per share (diluted/undiluted) in €	**0.45**	**−1.51**	**0.86**	**−2.02**

Statement of comprehensive income

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2020

in € millions	Q2/19	Q2/20	H1/19	H1/20
Earnings after taxes	**20.1**	**−58.7**	**35.1**	**−80.6**
Items that may potentially be reclassified to profit or loss				
Translation adjustments	−26.1	−12.7	5.7	−4.6
Third-party translation adjustments	2.4	−5.8	2.4	−4.3
Items that are not reclassified to profit or loss				
Changes in equity instruments (FVOCI)	0.0	−0.3	0.0	0.1
Changes of actuarial gains and losses	−7.2	−3.2	−13.7	−8.4
Deferred taxes on changes of actuarial gains and losses	1.7	0.4	2.9	1.0
Changes recognized directly in equity	**−29.2**	**−21.6**	**−2.7**	**−16.2**
Comprehensive Income	**−9.1**	**−80.3**	**32.4**	**−96.8**
(of which: attributable to minority interests)	(−8.0)	(−4.6)	(3.3)	(−4.6)
(of which: attributable to shareholders of KUKA AG)	(−1.1)	(−75.7)	(29.1)	(−92.2)

Group cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2020

in € millions	H1/19	H1/20
Earnings after taxes	**35.1**	**−80.6**
Income taxes	4.0	6.2
Net interest	−2.1	−2.3
Amortization of intangible assets	23.6	22.5
Depreciation of tangible assets	21.4	23.3
Depreciation of right-of-use assets	16.2	18.4
Other non-payment-related income	−19.7	−4.5
Other non-payment-related expenses	18.2	4.0
Cash earnings	**96.7**	**−13.0**
Result on the disposal of assets	0.3	0.7
Changes in provisions	−2.4	−30.5
Changes in current assets and liabilities		
Changes in inventories	−27.3	−57.0
Changes in receivables and deferred charges	−150.0	86.3
Changes in liabilities and deferred income (excl. financial debt)	139.2	−55.7
Income taxes paid	−4.8	−13.3
Investments/financing matters affecting cash flow	−1.9	−2.0
Cash flow from operating activities	**49.8**	**−84.5**
Payments from disposals of fixed assets	2.8	0.6
Payments for capital expenditures on intangible assets	−17.7	−19.9
Payments for capital expenditures on tangible assets	−61.1	−19.9
Proceeds from investment in financial investments and at-equity investments	15.8	0.0
Proceeds from financial assets related to short-term financial management	0.0	63.4
Payments for the acquisition of consolidated companies and other business units	−23.5	−1.6
Interest received	11.5	13.7
Cash flow from investment activities	**−72.2**	**36.3**
Free Cash flow	**−22.4**	**−48.2**
Dividend payments	−11.9	−6.0
Proceeds from the acceptance of bank loans, promissory note loans	88.0	22.6
Payments from grants received	1.7	2.0
Interest paid	−9.5	−10.2
Repayment of leases	−15.6	−16.8
Cash flow from financing activities	**52.7**	**−8.4**
Payment-related changes in cash and cash equivalents	**30.3**	**−56.6**
Exchange-rate-related and other changes in cash and cash equivalents	−0.3	−9.9
Changes in cash and cash equivalents	**30.0**	**−66.5**
(of which net increase/decrease in restricted cash)	(−0.1)	(−0.4)
Cash and cash equivalents at the beginning of the period	**478.6**	**584.8**
(of which restricted cash)	(0.5)	(0.5)
Cash and cash equivalents at the end of the period	**508.6**	**518.3**
(of which restricted cash)	(0.4)	(0.1)

Group balance sheet

of KUKA Aktiengesellschaft as of June 30, 2020

Assets

in € millions	Dec. 31, 2019	June 30, 2020
Non-current assets		
Intangible assets	565.5	565.9
Property, plant and equipment	366.6	359.7
Financial investments	24.1	24.2
Investments accounted for at equity	34.0	33.2
Rights of Use	135.0	122.9
	1,125.2	**1,105.9**
Finance lease receivables	152.5	137.7
Other long-term receivables and other assets	20.0	16.9
Deferred taxes	86.7	88.5
	1,384.4	**1,349.0**
Current assets		
Inventories	344.5	396.6
Receivables and other assets		
Trade receivables	443.5	399.4
Contract Assets	461.5	414.9
Finance lease receivables	29.4	30.7
Income tax receivables	26.1	29.3
Other assets, prepaid expenses and deferred charges	152.4	102.2
	1,112.9	**976.5**
Cash and cash equivalents	**584.8**	**518.3**
	2,042.2	**1,891.4**
	3,426.6	**3,240.4**

Equity and Liabilities

in € millions	Dec. 31, 2019	June 30, 2020
Equity		
Subscribed capital	103.4	103.4
Capital reserve	306.6	306.6
Revenue reserve	659.8	563.0
Minority interests	278.8	274.5
	1,348.6	**1,247.5**
Non-current liabilities		
Financial liabilities	232.0	232.5
Financial liabilities to affiliated companies	150.0	150.0
Lease liabilities	105.8	97.7
Other liabilities	43.7	38.5
Pension provisions and similar obligations	116.9	121.6
Deferred taxes	41.8	41.6
	690.2	**681.9**
Current liabilities		
Financial liabilities	152.6	175.7
Lease liabilities	32.5	30.2
Trade payables	402.3	369.3
Contract Liabilities	337.1	316.4
Accounts payable to affiliated companies	0.1	0.1
Income tax liabilities	46.1	40.8
Other liabilities and deferred income	229.9	215.3
Other provisions	187.2	163.2
	1,387.8	**1,311.0**
	2,078.0	**1,992.9**
	3,426.6	**3,240.4**

Development of Group equity

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2020

in € millions	Number of shares outstanding	Subscribed capital	Capital reserve	Revenue reserves: Translation gains/ losses	Revenue reserves: FVOCI measurement	Revenue reserves: Actuarial gains and losses	Annual net income and other revenue reserves	Equity to Shareholders	Minority interests	Total
Jan. 1, 2020	**39,775,470**	**103.4**	**306.6**	**56.4**	**–0.2**	**–46.5**	**650.1**	**1,069.8**	**278.8**	**1,348.6**
Earnings after taxes	–	–	–	–	–	–	–80.3	–80.3	–0.3	–80.6
Other income	–	–	–	–4.6	0.1	–7.4	–	–11.9	–4.3	–16.2
Comprehensive income	**–**	**–**	**–**	**–4.6**	**0.1**	**–7.4**	**–80.3**	**–92.2**	**–4.6**	**–96.8**
KUKA AG dividend	–	–	–	–	–	–	–6.0	–6.0	–	–6.0
Change in scope of consolidation/ Other changes	–	–	–	–	–	–	1.4	1.4	0.3	1.7
June 30, 2020	**39,775,470**	**103.4**	**306.6**	**51.8**	**–0.1**	**–53.9**	**565.2**	**973.0**	**274.5**	**1,247.5**
Jan. 1, 2019	**39,775,470**	**103.4**	**306.6**	**45.5**	**0.0**	**–28.3**	**652.7**	**1,079.9**	**259.7**	**1,339.6**
Earnings after taxes	–	–	–	–	–	–	34.2	34.2	0.9	35.1
Other income	–	–	–	5.7	0.0	–10.8	–	–5.1	2.4	–2.7
Comprehensive income	**–**	**–**	**–**	**5.7**	**0.0**	**–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**	**0.0**	**–39.1**	**677.7**	**1,099.8**	**271.6**	**1,371.4**

Notes on the consolidated financial statements (condensed)

Group segment reporting

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2020

Segment reporting

	Systems		Robotics		Swisslog	
in € millions	H1/19	H1/20	H1/19	H1/20	H1/19	H1/20
Orders received	425.6	239.5	606.9	465.5	473.3	260.2
Order backlog (June 30)	684.6	546.2	438.0	329.4	701.7	623.1
Group external sales revenues	449.3	289.1	487.9	372.3	282.5	276.7
in % of Group sales revenues	29.2%	24.7%	31.7%	31.9%	18.3%	23.7%
Intra-Group sales revenues	6.5	2.8	74.4	35.5	2.1	2.0
Sales revenues by segment	**455.8**	**291.9**	**562.3**	**407.8**	**284.6**	**278.7**
Gross earnings from sales	**50.6**	**–5.6**	**198.3**	**130.4**	**57.6**	**53.4**
in % of sales revenues of the segment	11.1%	–1.9%	35.3%	32.0%	20.2%	19.2%
EBIT	**17.7**	**–34.0**	**34.8**	**–14.2**	**6.9**	**2.1**
in % of sales revenues of the segment	3.9%	–11.6%	6.2%	–3.5%	2.4%	0.8%
EBITDA	**25.4**	**–25.1**	**55.1**	**7.0**	**14.8**	**10.9**
in % of sales revenues of the segment	5.6%	–8.6%	9.8%	1.7%	5.2%	3.9%
Employees (June 30)	3,204	2,931	5,647	5,156	2,012	2,159

IFRS / IAS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, has prepared its consolidated interim financial statements for the period ending June 30, 2020 in line with IAS 34 “Interim Financial Reporting Guidelines” as adopted by the European Union. The method of condensed presentation permitted in IAS 34 was chosen. This means that the condensed consolidated interim financial statements are to be read in conjunction with the consolidated financial statements as at December 31, 2019. 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 applied. The recommendations of the ESMA (European Securities and Markets Authority) were also taken into account in these financial statements.

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 https://www.midea-group.com/Investors/financial-reports.

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

Scope of consolidation

The scope of consolidation has been reduced by one company compared with the end of fiscal 2019 due to the liquidation of a French subsidiary. 97 companies are now fully consolidated in KUKA Group as at June 30, 2020 (December 31, 2019: 98 companies).

Accounting and valuation methods

This consolidated interim report essentially contains the same accounting and valuation methods as those used for the consolidated financial statements of fiscal 2019. Further information can be found in the consolidated financial statements as at December 31, 2019, also available on the Internet at www.kuka.com, which form the basis for these interim financial statements.

Swisslog Healthcare		China		KUKA AG and other companies		Reconciliation and consolidation		Group	
H1/19	H1/20	**H1/19**	H1/20	**H1/19**	H1/20	**H1/19**	H1/20	**H1/19**	H1/20
105.9	89.7	312.0	249.4	0.0	0.1	−114.5	−63.7	1,809.2	1,240.7
206.5	202.3	327.9	327.7	0.0	0.0	−65.6	−40.9	2,293.1	1,987.8
105.8	110.9	217.1	127.1	0.1	0.1	−3.1	−7.4	1,539.6	1,168.8
6.9%	9.5%	14.1%	10.9%	0.0%	0.0%	−0.2%	−0.6%	100.0%	100.0%
−0.1	0.1	10.6	5.9	57.2	48.0	−150.7	−94.3	–	–
105.7	**111.0**	**227.7**	**133.0**	**57.3**	**48.1**	**−153.8**	**−101.7**	**1,539.6**	**1,168.8**
36.8	**38.3**	**15.3**	**6.3**	**57.0**	**48.1**	**−59.5**	**−49.6**	**356.1**	**221.3**
34.8%	34.5%	6.7%	4.7%	99.5%	100.0%	38.7%	48.8%	23.1%	18.9%
0.0	**1.7**	**3.1**	**−22.1**	**−15.2**	**−12.3**	**−1.4**	**0.7**	**45.9**	**−78.1**
0.0%	1.5%	1.4%	−16.6%	−26.5%	−25.6%	0.9%	−0.7%	3.0%	−6.7%
5.2	**7.5**	**8.1**	**−15.8**	**−6.5**	**−3.1**	**4.4**	**4.6**	**106.5**	**−14.0**
4.9%	6.8%	3.6%	−11.9%	−11.3%	−6.4%	−2.9%	−4.5%	6.9%	−1.2%
1,076	1,166	1,422	1,383	854	811	−89	−99	14,126	13,507

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. Risk provisions were increased in accordance with IFRS 9 and the recommendations of the ESMA. Future developments for the calculation of deferred tax assets were taken into account. The coronavirus crisis represents a triggering event for KUKA Group, which is why a goodwill impairment test was carried out (see also page 24).

Changes in accounting and valuation methods and changes in estimates

At the beginning of fiscal 2020, a number of amendments to existing standards came into force which, either on their own or in combination with other standards, had no material effect on the presentation of the interim consolidated financial statements.

Furthermore, standards and interpretations that will only be mandatory in the coming financial years were not taken into account in the consolidated financial statements.

Sales revenues

In the first half of 2020, KUKA Group generated sales revenues amounting to €1,168.8 million (H1/19: €1,539.6 million). Revenues for performance obligations fulfilled over time accounted for €691.0 million (H1/19: €772.2 million). This includes construction contracts and also certain services. Generally, KUKA Group recognizes sales revenues as soon as a contractual obligation is fulfilled by transferring promised goods to or performing a service for a customer. The revenues are generated through the sale of products such as industrial robots, through construction contracts and also through mainly downstream services. With the sale of products and individual services, the performance obligation is usually satisfied at a specific point in time. In the reporting period, KUKA Group achieved revenues of €477.8 million related to obligation fulfillment at a point in time (H1/19: €767.4 million).

Altogether, sales revenues decreased compared to the same period of the previous year, which was mainly due to the coronavirus crisis. In the course of the worldwide shutdown, there were numerous project delays, which meant that planned performance progress or product deliveries had to be postponed. Customer service activities were also reduced. Overall, a slight shift in revenues was evident from obligation fulfillment at a point in time to fulfillment over time. The presentation of sales revenues at segment level includes intra-Group sales, while only external revenues are shown at regional level.

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:

	H1/20				H1/19			
in € millions	Group	Europe/ Middle East/ Africa	Americas	Asia/ Australia	Group	Europe/ Middle East/ Africa	Americas	Asia/ Australia
Revenue recognized over a period of time	691.0	274.0	328.8	88.2	772.2	328.1	346.0	98.1
Revenue recognized at a point in time	477.8	298.2	70.4	109.2	767.4	480.5	100.2	186.7
Total	**1,168.8**	**572.2**	**399.2**	**197.4**	**1,539.6**	**808.6**	**446.2**	**284.8**

	H1/20						
in € millions	Group	Systems	Robotics	Logistic Automation	Healthcare	China	Other/ consolidation
Revenue recognized over a period of time	691.0	268.8	64.2	258.7	104.1	48.5	–53.3
Revenue recognized at a point in time	477.8	23.1	343.6	20.0	6.9	84.5	–0.3
Total	**1,168.8**	**291.9**	**407.8**	**278.7**	**111.0**	**133.0**	**–53.6**

Goodwill impairment test

The pandemic led to worldwide restrictions – also for KUKA Group. Both Group locations and numerous production sites of customers had to reduce their production operations or temporarily shut them down completely. This circumstance and the general development of the market environment caused KUKA Group to classify the coronavirus crisis as a so-called triggering event. Consequently, an impairment test was carried out on the goodwill reported in the balance sheet. As at the balance sheet date June 30, 2020, goodwill of €318.0 million was recognized (December 31, 2019: €315.3 million). The increase was attributable to the development of the exchange rate. The structure of the impairment test remained basically unchanged from the end of the 2019 fiscal year. A three-year detailed planning period was used, followed by a further three-year period based on strategic planning. This total of six planning years and a market-specific growth rate of 2.0% formed the calculation basis for a transition year from which the perpetuity was subsequently calculated. Within the context of analyzing the effects of the coronavirus crisis, as already apparent, the planning data were also updated with the new estimates from the changed market environments and subsequently taken into account in the current event-related impairment test.

The cost of equity capital and borrowing costs were determined on the basis of segment-specific peer groups comprising KUKA Group's national and international competitors. There was no change in the composition of the peer groups compared with the impairment test at the end of the 2019 fiscal year.

The market risk premium included in the WACC was 7.00% in all business segments and remained unchanged on 2019. The market risk premium represents a long-term perspective, which is why short-term influences do not lead to significant changes. The influence of the coronavirus crisis was taken into account by adding a risk premium of 1% to the WACC.

The ratios for the cost of equity capital and the cost of borrowed capital were determined by CGU based on the average leverage ratios of the respective peer group for the last three years. The tax rates applied per segment ranged between 15.6% and 26.8%, changing only slightly compared to the end of the last fiscal year. The Systems business segment has a tax rate of 21.9%, Robotics 26.8%, Swisslog 21.3%, Swisslog Healthcare 23.7% and China 15.6%.

	December 31,2019		June 30, 2020	
in € millions	Goodwill	WACC (%)	Goodwill	WACC (%)
Systems	27.8	11.0	27.8	12.7
Robotics	69.4	12.6	69.4	13.9
Swisslog	126.8	11.4	128.7	12.6
Swisslog Healthcare	56.9	9.8	57.7	11.2
China	34.4	12.3	34.4	12.7
Total	**315.3**		**318.0**	

The result of the goodwill impairment test showed that, despite the impact of the coronavirus crisis, all CGUs have retained their value and there was no need to write down the goodwill reported in the balance sheet.

Earnings per share

Undiluted/diluted earnings per share break down as follows:

	H1/19	H1/20
Net income for the year attributable to the shareholders of KUKA AG (in € millions)	35.1	–80.3
Weighted average number of shares outstanding (No. of shares)	39,775,470	39,775,470
Undiluted/diluted earnings per share (in €)	0.86	–2.02

	H1/19						
	Group	Systems	Robotics	Logistic Automation	Healthcare	China	Other/ consolidation
	772.2	364.6	114.7	227.1	96.5	65.9	–96.6
	767.4	91.2	447.6	57.5	9.2	161.8	0.1
	1,539.6	**455.8**	**562.3**	**284.6**	**105.7**	**227.7**	**–96.5**

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 2020 was 39.8 million.

Equity

As at June 30, 2020, KUKA Aktiengesellschaft has a share capital of €103,416,222.00, unchanged from the beginning of the fiscal year.

This is subdivided into 39,775,470 (June 30, 2019: 39,775,470) no-par-value bearer shares outstanding. Each share carries one vote.

IAS 19 Employee Benefits

Pension provisions are affected by changes in discount rates. This leads to 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	H1/19	H1/20
Germany	0.95%	0.85%
Switzerland	0.38%	0.45%
UK	2.30%	1.40%
Sweden	1.73%	1.03%
USA	3.35–3.4%	2.54–2.64%

The interest rate level developed differently compared with the previous year. Mostly a decline in interest rates can be observed. An exception to this is Switzerland, where the discount rate rose slightly. In total, actuarial expenses in the first half-year 2020 amounted to €8.5 million (H1/19: expenses of €13.7 million). The actuarial effects were reported under equity as an income-neutral sum of €7.4 million (H1/19: €10.8 million), taking deferred taxes into account.

€250 million promissory note loans

KUKA AG issued unsecured promissory note loans with a total volume of €250.0 million in two tranches on October 9, 2015. Tranche 1 has a volume of €142.5 million and is due for repayment in 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 (H1/19: €1.7 million) was deferred as at the balance sheet date.

USD 150 million assignable loans

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 assignable 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 and is due in 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 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.

€150 million subordinated financing framework

In June 2018, KUKA AG reached an agreement with Midea Electric Trading (Singapore) Company Pte. Ltd., Singapore, a wholly-owned subsidiary of Midea Group, on a financing framework of €150.0 million. The financing framework has a term based on the term of the syndicated loan agreement, but at least until March 31, 2023. Drawings under this financing framework can be made at any time and with terms of between 1 and 12 months. The terms and conditions correspond to the applicable margin for loan drawdowns under the syndicated loan agreement.

Midea Electric Trading (Singapore) Company Pte. Ltd. declared in a subordination agreement with the syndicate banks of KUKA AG's syndicated loan agreement that its receivables arising under this financing framework are deeply subordinated.

Following an initial drawing in June 2018 with a term of 1 month, which was repaid in July 2018, no further drawings have been made; nor had the financing framework been drawn as at the reporting date June 30, 2020.

€150 million inter-company loan

In December 2019, KUKA AG had signed an inter-company loan agreement for the advance refinancing of the tranches of the existing promissory note loans due in August and October 2020 for a loan volume of €150.0 million with Midea International Corporation Company Limited, Hong Kong, a wholly-owned subsidiary of Midea Group.

At the same time, Midea International Corporation Company Limited declared in a subordination agreement with the banks of KUKA AG's syndicated loan agreement that its receivables arising from this loan agreement are deeply subordinated.

The original term of the inter-company loan was 5½ years. The loan is due on June 20, 2025 and bears interest at 0.85% p.a.; interest payments are made every six months.

€520 million syndicated loan for KUKA Aktiengesellschaft

On February 1, 2018, KUKA AG had 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 syndicated loan agreement was five years and contained two contractually agreed one-year extension options (5+1+1). Following the approval of all banks for the first agreed extension option in 2018 and the second one in 2019, the loan agreement now expires on February 1, 2025. 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 €218.9 million (H1/19: €363.5 million).

Guarantees from banks and surety companies

In addition to the guarantee lines and the cash facilities which can be used for guarantees under the syndicated loan agreement, as at 30 June 2020 there were further guarantee lines agreed bilaterally with banks and guarantee insurers with a total commitment volume of €177 million. The guarantee volume granted within these lines amounted to €37.8 million as at June 30, 2020 (H1/19: €67.8 million). In accordance with the terms of the syndicated loan agreement, KUKA can provide guarantees up to a total volume of €150.0 million outside of the group of syndicate banks.

Impact of COVID-19 on financing frameworks

KUKA's available liquidity and financing options remain unchanged under COVID-19 scenarios and provide sufficient financial leeway. Adjustments to existing financing agreements have not yet been necessary and are not planned at present.

KUKA has very closely monitored and analyzed the state-guaranteed funding and support programs in the various countries. However, KfW funds in Germany or government subsidies in other countries have not been utilized and there is currently no intention of doing so.

Financial instruments measured at fair value

The determination of fair value and the associated disclosures in the notes are governed by IFRS 13. However, the standard lacks a definition of the cases for which fair value is to be used. Fair value is generally 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 allocated 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, 2020

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	0.0	6.0	28.3	34.3
Financial liabilities	0.0	6.1	0.0	6.1

January 1, 2020

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	0.0	3.2	27.3	30.5
Financial liabilities	0.0	6.9	0.0	6.9

As at the balance sheet date on June 30, 2020, neither financial assets nor financial liabilities are allocated to level 1. The financial assets reported under level 2 mainly relate to forward exchange transactions carried as assets or liabilities. The values were 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 were used for this calculation. Level 2 financial liabilities decreased whereas there was an increase in the corresponding financial assets. Shares of investments not traded on the market, current other assets and current interest receivables are included in the third level of financial assets. There was no shift in the levels of financial assets or liabilities due to the coronavirus crisis.

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

Segment reporting

KUKA Group comprises the five business segments – Systems, Robotics, Swisslog, Swisslog Healthcare and China. The segment reporting structure improved in the previous year remains unchanged. As of January 1, 2020, however, KUKA Group intensified measures to optimize working capital, to focus on sales potential and to integrate business units acquired in the past. Management of the individual reporting segments is now controlled on the basis of key performance indicators adjusted for these measures. This leads to changes in key performance indicators within the individual segments in some cases, but the Group performance indicators remain unaffected. The comparative figures for the respective reporting dates have been adjusted accordingly.

Among other things, the Systems segment provides customers with tailor-made solutions for automating production processes. The Robotics division supplies the core component for the automation of manufacturing processes: industrial robots including robot controllers, cells and software. Swisslog offers integrated automation solutions for forward-looking warehouses and distribution centers. Swisslog Healthcare develops and implements automation solutions for modern hospitals. The China segment comprises all business activities of the Chinese companies in the aforementioned business segments.

Earnings before interest and taxes (EBIT) are used as the key performance indicator for managing segment profits.

The main elements of segment reporting are contained in the management report as well as in the tables at the beginning of the notes to the half-yearly report.

Cash flow statement

In accordance with IAS 7, changes in KUKA Group's cash and cash equivalents are presented in the cash flow statement. Cash and cash equivalents include all liquid assets shown in the balance sheet (cash on hand, checks and credit balances) if they are available within three months. As at the reporting date on June 30, 2020, KUKA Group reported restricted cash in the amount of €0.1 million (January 1, 2020: €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 to the end of fiscal 2019, other financial liabilities decreased from €12.5 million to €4.8 million and purchase commitments from €7.0 million to €3.2 million.

Related party disclosures

In the first six months of the 2020 fiscal year, services to the value of €11.0 million were performed by related companies and persons, and services valued at €4.9 million were received by them.

As at June 30, 2020, receivables and contingent assets amounted to €17.4 million (June 30, 2019: €15.1 million), while liabilities totaled €153.0 million (June 30, 2019: €11.4 million). While receivables and contingent assets increased only slightly year-on-year, liabilities grew significantly. The liabilities include a loan from Midea Group amounting to €150.0 million. Detailed information on this can be found under the heading "€150 million inter-company loan".

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

Events after the balance sheet date

At the beginning of July, KUKA Group sold its stake in Pipeline Health Holdings LLC, San Francisco (USA). The total volume of the transaction was in the single-digit million range.

Composition of the Supervisory Board

The Supervisory Board consists of the following members:

- Dr. Yanmin (Andy) Gu (Chairman of the Supervisory Board)
- Michael Leppek (Deputy Chairman of the Supervisory Board)
- Wilfried Eberhardt
- Manfred Hüttenhofer
- Prof. Dr. Henning Kagermann
- Armin Kolb
- Carola Leitmeir
- Min (Francoise) Liu
- Dr. Myriam Meyer
- Tanja Smolenski
- Dr. Chengmao Xu
- Helmut Zodl

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 5, 2020

The Executive Board

Peter Mohnen   Andreas Pabst

Financial calendar 2020

Interim report for the third quarter	**October 29, 2020**

This quarterly report was published on August 5, 2020, and is available in German and English from KUKA Aktiengesellschaft Corporate Communications/Investor Relations department. In the event of doubt, the German version applies. The release contains forward-looking statements on expected developments. These statements are based on current assessments and are naturally subject to risks and uncertainties. Actual results may differ from these statements. The key performance indicators contained in the quarterly release 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.

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