KUKA

Q3 / 17

INTERIM REPORT

Developments in the third quarter of 2017

Sales revenues up 12.3% to €798.6 million in Q3/17

Orders received down 18.5% to €804.4 million after a strong prior-year quarter

The **EBIT margin** reaches 5.6% before purchase price allocation and before growth investment.

Robotics increases its EBIT margin to a record level of 12.2%.

Swisslog achieves an EBIT margin of 3.0% before purchase price allocation.

Earnings after taxes total €19.2 million in the third quarter and €79.4 million (9M/17).

Guidance targets for 2017 confirmed

Key figures

in € millions	9M/16	9M/17	Change in %
Orders received	2,627.4	2,779.2	5.8
Order backlog (September 30)	2,169.5	2,210.7	1.9
Sales revenues	2,044.1	2,597.1	27.1
Gross profit	548.6	593.2	8.1
in % of sales revenues	26.8	22.8	–
EBIT (earnings before interest and taxes)	82.6	110.7	34.0
in % of sales revenues	4.0	4.3	–
EBITDA (earnings before interest, taxes, depreciation and amortization)	138.2	166.2	20.3
in % of sales revenues	6.8	6.4	–
Earnings after taxes	78.9	79.4	0.6
Earnings per share (undiluted/diluted) in €	2.01	2.00	-0.5
Capital expenditure (annual average)	63.2	64.7	2.4
Equity ratio in % (September 30)	33.5	32.9	–
Net liquidity/debt (September 30)	85.9	-166.3	>100
Employees (September 30)	13,056	13,988	7.1

in € millions	Q3/16	Q3/17	Change in %
Orders received	987.5	804.4	-18.5
Order backlog (September 30)	2,169.5	2,210.7	1.9
Sales revenues	710.9	798.6	12.3
Gross profit	186.7	188.6	1.0
in % of sales revenues	26.3	23.6	–
EBIT (earnings before interest and taxes)	35.9	28.3	-21.2
in % of sales revenues	5.0	3.5	–
EBITDA (earnings before interest, taxes, depreciation and amortization)	56.7	47.1	-16.9
in % of sales revenues	8.0	5.9	–
Earnings after taxes	48.5	19.2	-60.4
Earnings per share (undiluted/diluted) in €	1.23	0.48	-61.0
Capital expenditure	22.2	23.8	7.2

Foreword

Dear Shareholders,

In the third quarter, sales revenues of KUKA Group rose to almost €800 million, 12.3% higher than in the same quarter of the previous year (Q3/16: €710.9 million).

The EBIT margin stood at 5.6% before purchase price allocation for Swisslog and before growth investment (Q3/16: 5.5% before purchase price allocation and before one-off costs relating to Midea).

All KUKA divisions won contracts in strategically important areas. KUKA Robotics, for example, was selected as a preferred supplier by Robert Bosch GmbH. We are truly proud of this framework agreement that consolidates our long-term business relationship. Systems won a major contract from a US automotive manufacturer. Systems is number 1 on the North American market and has been working together with the major automotive companies in the USA for many years.

KUKA is currently working very hard to expand activities in the Chinese market. In the past quarter, we visited the Internet + trade fair in Shunde, the home location of Midea, to present our Industrie 4.0 technologies. We were also present at the Midea Tech Show. This show is open to the public and provides a platform for all divisions within the Group to showcase their innovations. KUKA was presented with the Industrial Product Innovation Award for the KR 3 and itself also presented the Technology Star Award to a KUKA employee. As you can see, our cooperation with our major shareholder is taking shape and our performance is being recognized in the Midea Group. In November, we are being represented at the CIIF (China International Industry Fair) in Shanghai.

As our presence in China becomes ever stronger, so too does demand from customers there; consequently, we are currently increasing capacities at our existing plant in Shanghai. We are set to have doubled our capacities there by the end of the first quarter of 2018.

Furthermore, we are planning to participate in a technology park in the south of China, which is designed to be a regional center of excellence for robot-based automation solutions. This will complement our existing portfolio. Following on from the decision to invest in our home location in Augsburg, these global steps are very important for ongoing development as KUKA grows globally.

Greater customer proximity is our top priority, so we are working internally on customer-centric organization, i.e. a structure that will enable us to continue growing globally while focusing on our customers, no matter where in the world they are located. I am very much looking forward to pushing ahead with these projects with the global KUKA team in the fourth quarter. As always, I would like to thank our employees for their strong contribution in the past quarter. Our next task is to bring this year to a successful conclusion.

Sincerely,

Dr. Till Reuter

KUKA and the capital market

KUKA shares rise considerably during the first nine months of 2017

The stock markets in Europe and the USA performed positively in the first nine months of 2017. The DAX index rose by 11.7% to 12,828 points. The MDAX recorded an increase of 17.1%, closing on 25,954 points on September 29, 2017.

The good economic outlook and the euro exchange rate had a positive effect on the stock markets in the euro zone. One driver of the latest jump in the share price was the euro exchange rate, which lost value against the US dollar and thus had a positive effect on exports from the eurozone. Geopolitical crises on the other hand, such as the conflict between the USA and North Korea, had very little effect on the European stock exchanges.

The KUKA share price rose considerably in the first nine months of 2017. The trend towards robot-based automation and the good market outlook are affecting the share performance positively. The low number of shares freely floated led to increased fluctuation in the KUKA share price. Altogether, the price of KUKA shares rose by 78.43% from €88.55 at year-end 2016 to €158.00 on September 29, 2017. On September 21, 2017, the share price reached a new record value of €159.00.

Share prices developed within a range of +0.7% to 48.2% in KUKA's peer group (companies that have a similar business base and are of a comparable size).

KUKA's share price performance
January 1 to September 30, 2017 [1]

[1] December 30, 2016 = 100, share price performance indexed, prices: Xetra

Consolidated management report

Economic environment

Sales forecast raised for German Automotive market in 2017

The positive developments regarding the overall economic situation in Germany, the employment situation and consumer confidence have caused the German Automotive Industry Association (VDA) to raise its sales forecast for 2017. The VDA is now expecting a 4% rise year-on-year and thus around 3.5 million new cars. The increasing demand is primarily attributable to the scrapping bonus for older diesel vehicles. In the first nine months of 2017, the car market in Germany recorded a 2% increase. The European market saw sales increase by around 4% to 12 million newly-registered cars. The US market, on the other hand, recorded a slight drop. During the first nine months of 2017, sales of light vehicles fell by 2% to 12.8 million. This includes sales of cars, which fell by 11%, and light trucks, which rose 4%. The Chinese market has developed well. Some 16.7 million cars have been sold since the beginning of the year, representing an increase of 3%.

Robot-based automation continues to increase worldwide

The German economy remains buoyant. In this regard, the German Engineering Association (VDMA) forecasts production growth of 3% in 2017 in real terms. According to the VDMA, the economic upturn is set to continue in 2018. The forecast for real growth in production in 2018 in the field of mechanical and systems engineering is 3%.

According to the predictions of the International Federation of Robotics (IFR), the worldwide demand for robot-based automation will also continue to rise. Globally, average annual growth between 2018 and 2020 is expected to be at least 15%. China remains the largest sales market with an estimated annual growth rate of 20-25% on average. The Chinese government is planning to make the country the leading industrial nation and has set ambitious targets in conjunction with its “Made in China 2025” strategy. This includes an increase in sales of locally produced robots by 2020. Robot density (robots per 10,000 workers) is to increase to 150 by 2020. By comparison, the robot density in 2016 was just 68 units.

Business performance

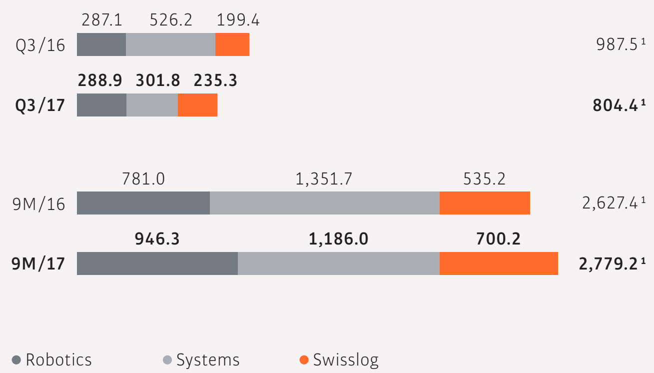
Orders received

KUKA Group

In the past quarter, KUKA Group’s volume of orders received was €804.4 million. Compared with the same quarter last year (Q3/16: €987.5 million), this represents a decrease of -18.5%. KUKA has not been able to match the record figure from last year. A sharp decline in the Systems division compared with last year was responsible for this decrease.

In the first nine months of 2017, KUKA increased the volume of orders received by 5.8% from €2,627.4 million (9M/16) to €2,779.2 million (9M/17). The cumulative volume of orders received therefore reached a new record high.

Orders received
in € millions



¹ incl. consolidation

KUKA Robotics

The Robotics division achieved new orders of €288.9 million in the third quarter of 2017. Compared to the same period last year (Q3/16: €287.1 million), this represents a slight increase of 0.6%, which is almost the same level as last year. The strong demand was supported primarily by the General Industry and Service customer segments. From a regional perspective, the increased demand was mainly from Asia, and from China in particular.

In the first nine months of 2017, Robotics achieved orders received of €946.3 million. Compared with the reference value for the previous year, this represents growth of 21.2% (9M/16: €781.0 million). This was the highest cumulative value ever achieved in the first nine months.

The Automotive segment generated new orders valued in total at €102.4 million in the past quarter. Compared with the same quarter last year (Q3/16: €132.5 million), this represents a decline of -22.7%. In General Industry, orders received rose 25.0% to €130.9 million (Q3/16: €104.7 million). The proportion of General Industry business in the overall volume of orders received during the third quarter thus amounted to 45.3%. Service business also increased its share from €48.6 million to €55.6 million in the third quarter of 2017, accounting for growth of 14.4%. This development is attributable to the high demand for industrial robots.

KUKA Systems

In the Systems division, orders received totaled €301.8 million in the third quarter of 2017. This was -42.6% lower than the result of the prior-year quarter (Q3/16: €526.2 million). The orders received in the Systems division fluctuate greatly depending on the time at which major contracts are awarded. Unlike last year, no orders were received from the US Aerospace business, as this division has been sold.

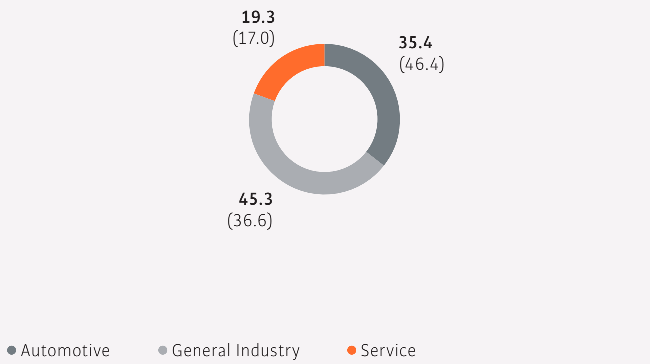
In the first nine months of 2017, Systems generated orders received totaling €1,186.0 million (9M/16: €1,351.7 million), corresponding to a decrease of -12.3% compared with the high values last year.

Swisslog

At Swisslog, orders received came to a total of €235.3 million in the past quarter (Q3/16: €199.4 million). Swisslog therefore clearly surpassed the 200-million euro threshold and, at 18%, again achieved two-digit growth compared with last year. The positive development over the previous quarters has continued into 2017. In particular, the Logistics segment achieved substantial growth.

In the first nine months of 2017, orders received reached a level of €700.2 million. This is a rise of 30.8% on the same period last year (9M/16: €535.2 million).

Robotics orders received by segment Q3/17 (Q3/16)
in % of total



Sales revenues

KUKA Group

Sales revenues of the KUKA Group reached €798.6 million in the third quarter of 2017. This is a 12.3% increase on last year's result for the same quarter (Q3/16: €710.9 million). Robotics registered an increase of 30.1% and Swisslog 27.6%.

In the first nine months of 2017, KUKA Group generated sales revenues of €2,597.1 million. This is a rise of 27.1% on the same period last year (9M/16: €2,044.1 million). KUKA has therefore achieved a new record high.

KUKA Robotics

The Robotics division reported a 30.1% increase in orders received in the third quarter of 2017 to €273.5 million (Q3/16: €210.3 million). This increase was borne by the segments General Industry and Service in particular.

In the first nine months of 2017, Robotics generated sales revenues of €895.3 million. Compared with the same period last year (9M/16: €669.0 million), this signifies an increase of 33.8%, which is a record figure for the first nine months.

KUKA Systems

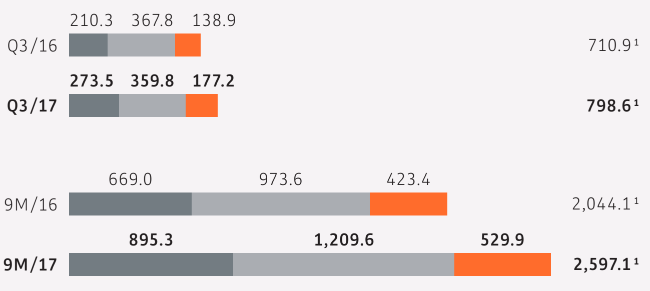
In the third quarter, sales revenues in the Systems division amounted to €359.8 million. This represents a slight decline of -2.2% on the previous year's result for the same quarter (Q3/16: €367.8 million). Here, again, the absence of the US Aerospace business has an impact. In Systems business, development of sales during the individual quarters is highly dependent on the phases of the ongoing projects. In 2017, sales declined in the third quarter following a very strong first half-year; this was due to progress on the projects.

In the first nine months of 2017 sales revenues totaled €1,209.6 million despite the lack of US Aerospace business (9M/16: €973.6 million). This corresponds to an increase of 24.2%. The Body Structure (BS) and Assembly & Test (A&T) segments made a large contribution here.

Swisslog

In the Swisslog division, sales revenues were up in the third quarter of 2017 from €138.9 million to €177.2 million. This represented a continuation of the positive development of orders received in the previous quarters.

In the first nine months of 2017, Swisslog sales revenues reached a level of €529.9 million. This is an increase of 25.2% on the previous year's result for the same quarter (9M/16: €423.4 million).



Book-to-bill ratio and order backlog

KUKA Group

The book-to-bill ratio – in other words, the ratio of orders received to sales revenues – came in at 1.01 in the previous quarter (Q3/16: 1.39). In the first nine months of 2017, this indicator amounted to 1.07 compared with 1.29 for 9M/16. This value fell year-on-year in both a quarterly and a nine-monthly comparison, but is slightly over 1 and thus indicates further growth.

As at September 30, 2017, the order backlog in the Group totaled €2,210.7 million. Compared to the prior-year quarter, this corresponds to a rise of 1.9% (Q3/16: €2,169.5 million). The indicator benefited from the high volumes of orders received.

KUKA Robotics

In the third quarter of 2017, the book-to-bill ratio at the Robotics division was 1.06, whereas it had been 1.37 in the same quarter last year. In the first nine months of 2017, the book-to-bill ratio reached a level of 1.06 (9M/16: 1.17).

As at September 30, 2017, the order backlog totaled €362.1 million excluding framework contracts. Compared to the reference value for the previous year, this represents an increase of 8.1% (9M/16: €334.9 million).

KUKA Systems

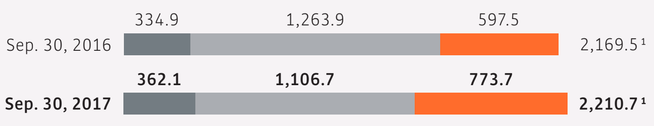
In the past quarter, Systems achieved a book-to-bill ratio of 0.84, close to last year's level (Q3/16: 1.43). This was attributable to the decline in orders received compared with the prior-year quarter. In the first nine months of the year, the figure was 0.98, slightly lower than 1 (9M/16: 1.39).

The order backlog totaled €1,106.7 million as at September 30, 2017, still a high level despite a decline of -12.4% (9M/16: €1,263.9 million).

Swisslog

The book-to-bill ratio for Swisslog came in at 1.33 in the third quarter of 2017 (Q3/16: 1.44). The cumulative figure increased from 1.26 (9M/16) to 1.32 (9M/17).

The order backlog increased considerably by 29.5% and amounted to €773.7 million on September 30, 2017 (9M/16: €597.5 million).



EBITDA

KUKA Group

KUKA Group generated earnings before interest, taxes, depreciation and amortization (EBITDA) amounting to €47.1 million in the third quarter of 2017 (Q3/16: €56.7 million). This is a decline of 16.9%. The same figure rose by 20.3% to €166.2 million in the first nine months of 2017 (9M/16: €138.2 million).

EBIT

KUKA Group

KUKA Group achieved earnings before interest and taxes (EBIT) amounting to €28.3 million in the third quarter of 2017 (margin: 3.5%). EBIT in the same period last year was €35.9 million (Q3/16) with a margin of 5.0%. Omitting the purchase price allocation for Swisslog and investment in growth for innovative solutions in the area of Industrie 4.0, the EBIT margin was 5.6%.

In the first nine months of 2017, EBIT increased by 34.0% to €110.7 million (9M/16: €82.6 million). The margin amounted correspondingly to 4.3% in the first nine months of 2017 (9M/16: 4.0%).

KUKA Robotics

The EBIT at Robotics in the third quarter of 2017 amounted to €33.5 million with an EBIT margin of 12.2%, a new record value. EBIT at 62.6% was higher than for the same period last year (Q3/16: €20.6 million) and had a positive effect on profitability in KUKA Group. The EBIT margin for the previous year was 9.8%.

EBIT at Robotics in the first nine months of 2017 totaled €97.2 million, resulting in an EBIT margin of 10.9%. EBIT in the same period last year was €67.3 million with an EBIT margin of 10.1%.

KUKA Systems

The Systems division posted an EBIT of €6.3 million in the third quarter of 2017. This is a -75.7% decline on the previous year's result for the same quarter (Q3/16: €25.9 million). The EBIT margin was 1.8% in the third quarter of 2017 compared with 7.0% in the same period in 2016. This steep decline was caused by capacity shortages in some projects where there were delays which also incurred additional costs. These delays then led to more capacity shortages in other projects, necessitating the purchase of additional external resources. The resulting negative effect could only be partially offset by positive earnings contributions from other regions, in particular North America.

In the first nine months of 2017, EBIT stood at €55.1 million (9M/16: €64.7 million) – a decline of -14.8%. The margin stood at 4.6% (Q3/16: 6.6%).

Swisslog

In the third quarter, Swisslog's EBIT increased significantly, climbing to €3.0 million. This corresponds to a 200% increase on the third quarter of 2016 (Q3/16: €1.0 million). The EBIT margin of this division increased from 0.7% in 2016 to 1.7% in the past quarter. In the first nine months of 2017, the EBIT rose from €0.7 million (9M/16) to €2.2 million. The EBIT margin increased from 0.2% (9M/16) to 0.4% in the first nine months of 2017.

Performance of the divisions

Key figures Robotics

in € millions	Q3/16	Q3/17	Change in %
Orders received	287.1	288.9	0.6
Order backlog (Sep. 30)	334.9	362.1	8.1
Sales revenues	210.3	273.5	30.1
Gross profit	84.2	102.2	21.4
in % of sales revenues	40.0	37.4	–
Earnings before interest and taxes (EBIT)	20.6	33.5	62.6
in % of sales revenues	9.8	12.2	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	26.2	39.5	50.8
in % of sales revenues	12.5	14.4	–

in € millions	9M/16	9M/17	Change in %
Orders received	781.0	946.3	21.2
Order backlog (Sep. 30)	334.9	362.1	8.1
Sales revenues	669.0	895.3	33.8
Gross profit	261.7	311.9	19.2
in % of sales revenues	39.1	34.8	–
Earnings before interest and taxes (EBIT)	67.3	97.2	44.4
in % of sales revenues	10.1	10.9	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	83.6	115.1	37.7
in % of sales revenues	12.5	12.9	–
Employees (Sep. 30)	4,529	4,956	9.4

Key figures Systems

in € millions	Q3/16	Q3/17	Change in %
Orders received	526.2	301.8	-42.6
Order backlog (Sep. 30)	1,263.9	1,106.7	-12.4
Sales revenues	367.8	359.8	-2.2
Gross profit	64.9	40.7	-37.3
in % of sales revenues	17.6	11.3	–
Earnings before interest and taxes (EBIT)	25.9	6.3	-75.7
in % of sales revenues	7.0	1.8	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	32.2	10.8	-66.5
in % of sales revenues	8.8	3.0	–

in € millions	9M/16	9M/17	Change in %
Orders received	1,351.7	1,186.0	-12.3
Order backlog (Sep. 30)	1,263.9	1,106.7	-12.4
Sales revenues	973.6	1,209.6	24.2
Gross profit	174.7	151.2	-13.5
in % of sales revenues	17.9	12.5	–
Earnings before interest and taxes (EBIT)	64.7	55.1	-14.8
in % of sales revenues	6.6	4.6	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	79.2	68.1	-14.0
in % of sales revenues	8.1	5.6	–
Employees (Sep. 30)	5,317	5,423	2.0

Key figures Swisslog

in € millions	Q3/16	Q3/17	Change in %
Orders received	199.4	235.3	18.0
Order backlog (Sep. 30)	597.5	773.7	29.5
Sales revenues	138.9	177.2	27.6
Gross profit	38.0	45.8	20.5
in % of sales revenues	27.4	25.8	–
Earnings before interest and taxes (EBIT)	1.0	3.0	>100
in % of sales revenues	0.7	1.7	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6.9	9.3	34.8
in % of sales revenues	5.0	5.2	–

in € millions	9M/16	9M/17	Change in %
Orders received	535.2	700.2	30.8
Order backlog (Sep. 30)	597.5	773.7	29.5
Sales revenues	423.4	529.9	25.2
Gross profit	112.9	128.3	13.6
in % of sales revenues	26.7	24.2	–
Earnings before interest and taxes (EBIT)	0.7	2.2	>100
in % of sales revenues	0.2	0.4	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	17.9	20.4	14.0
in % of sales revenues	4.2	3.8	–
Employees (Sep. 30)	2,645	2,822	6.7

Financial position and performance

Earnings

In the reporting period, KUKA Group posted sales revenues totaling €2,597.1 million (9M/16: €2,044.1 million) and orders received totaling €2,779.2 million (9M/16: €2,627.4 million). For KUKA, both figures represent record highs for the first nine months of a financial year. The Group also still has a high order backlog of €2,210.7 million, well above the figure for the previous year and the figure at the end of the 2016 financial year (September 30, 2016: €2,169.5 million/December 31, 2016: €2,048.9 million). The gross earnings from sales increased compared to the same period of 2016 by 8.1% to €593.2 million. Taking into account the slightly greater increase in the cost of sales compared to sales revenues, this results in a gross profit margin at Group level of 22.8% (9M/16: 26.8%).

The sales, research & development and administration costs totaled €485.9 million (9M/16: €458.3 million) – a rise of €27.6 million or 6.0%. The increase is due mainly to the higher selling costs (increase of €28.5 million) and is mainly attributable to the expansion of the sales team (+135 employees), particularly in the Robotics segment (+102 employees). The high revenues in the Robotics segment also led to greater freight and transport costs, which are also reflected in sales expenditure. Lastly, mention must also be made of the measures for enhancing market presence. Administration costs developed counter to the sales expenditure. A reduction of €2.9 million was recorded here. The previous year had already been negatively impacted by extraordinary expenses for Midea at this time. The research and development expenditure shown in the income statement amounted to €96.9 million in the first nine months of 2017 and thus were slightly higher than in the corresponding prior-year period (9M/16: €94.9 million). In relation to sales revenues, these overhead costs were reduced overall from 22.4% to 18.7%.

KUKA stands for Industrie 4.0 made in Germany and is a driving force behind the associated digitization of production processes with its products and key technologies. The networking of automated manufacturing technologies with traditional mechanical engineering and intelligent IT systems lays the foundation for combining high-quality single-piece production with the benefits of series production. Complex process steps are optimized and dovetailed with a focus on flexibility and cost-efficiency.

The approaches on which KUKA focuses for Industrie 4.0 – and which result in expenditure and growth investments in the R&D, sales and administration areas – are highly diverse.

› Human-robot collaboration (HRC): Sensitive systems do not just enable safety fences, which would otherwise be needed, to be dispensed with; the solution can assist employees with assembly tasks in production. Moreover, it only requires around a quarter of the space compared to a design without HRC

- IT networking: Carried out, for example, through KUKA Connect. This is a cloud-based software platform that allows customers to easily view the data of their KUKA robots from anywhere in the world and thus to increase the performance and effectiveness of their production operations
- Robot vision: Machine learning via algorithms and the use of 3D cameras (for example with the smart KUKA LBR iiwa lightweight robot) can enable the robot to be used for automatic sorting after a short training phase. KUKA collaborates closely with RoboCeption GmbH on this topic
- Investments in start-ups (e.g. the new start-up connyun founded in 2016 which is responsible for the development of a cloud-based platform and forms the technical basis for KUKA Connect) or the aforementioned RoboCeption GmbH
- Strategic cooperation and projects with various partners from different industries (such as VW in the automotive sector, telecommunications supplier Huawei, software vendor SAP, Fujitsu in the IT sector) and research institutions (e.g. A*STAR Institute for Infocomm Research in Singapore, Fraunhofer Institute, EHI Retail Institute)

Supporting these activities, KUKA continuously invests in major internal projects such as with the Power ON program – to harmonize, standardize and optimize Group-wide processes with a focus on a customer-oriented organization. In 2017, KUKA also launched a project for aligning its own organization with various customer ecosystems.

The optimization of the communication culture between KUKA and its customers and partners, which has been ongoing since 2016, is also to be seen in this context. This builds especially on the cooperation with Salesforce. The cooperation enables all KUKA companies to be gradually connected to a CRM platform via Salesforce OneCRM and makes for much closer interaction of customers and partners with sales, service and marketing employees along the entire value chain.

To achieve progress on all these developments a controlled, scheduled build-up of staff is taking place. For example, where the KUKA research and development segment had 847 people employed as at September 30, 2016, one year later it now employs 983 staff. This means that every 14th employee at KUKA is already working on the development of new products and technologies.

The costs of €19.3 million (9M/16: €13.7 million) incurred for new developments in the period under review were capitalized and will be reported as planned depreciation in subsequent periods. Current research and development expenditures include €8.1 million in depreciation (9M/16: €6.0 million). This results in a capitalization ratio of 17.8% (9M/16: 13.4%).

Earnings before interest and taxes (EBIT) for the first nine months of this year increased by 34.0% from €82.6 million (9M/16) to €110.7 million. The EBIT margin for the first nine months of 2017 rose from 4.0% to 4.3% compared to the same period last year.

Without taking into account the scheduled depreciation amounting to €7.3 million arising from the purchase price allocation in connection with the acquisition of Swisslog Group, the EBIT margin would be 4.5%.

If the growth investments made in 2017 so far amounting to around €21 million – for investment in Industrie 4.0 technologies, for the organizational changes described above and for further future-oriented topics – are also eliminated, this results in an EBIT margin of 5.4% (9M/16: 5.5%).

	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17
EBIT (in € millions)	31.4	15.3	35.9	44.6	36.9	45.5	28.3
EBIT margin (in %)	5.0	2.2	5.0	4.9	4.7	4.5	3.5
EBITDA (in € millions)	48.6	32.9	56.7	67.1	55.5	63.6	47.1
EBITDA margin (in %)	7.7	4.7	8.0	7.4	7.0	6.3	5.9

Because of the improved allocation of costs due to the high sales revenues, the Robotics division at 10.9% was well above the previous year's figure (9M/16: 10.1%) and in the third quarter achieved an EBIT margin above 12% (Q3/17: 12.2%; Q3/16: 9.8%) for the first time. Swisslog improved steadily during the year and achieved a slightly higher EBIT margin of 0.4% compared with the same period of the previous year (9M/16: 0.2%). Adjusted for the effects of purchase price allocation, the margin was 1.8% (9M/16: 2.1%), and even 3.0% in the third quarter. The EBIT margin was much lower in the Systems segment at 4.6% (9M/16: 6.6%). This result was negatively impacted by the necessity of risk provisions for several projects – particularly during the second and third quarter. The deterioration of these projects is primarily attributable to capacity bottlenecks and consequent delays and added costs. The resulting negative effect could only be partially offset by positive earnings contributions from other projects.

Comparison with the previous year shows that EBITDA (earnings before interest, taxes, depreciation and amortization) rose from €138.2 million in the previous year to €166.2 million. Depreciation and amortization during the reporting period amounted to €55.5 million (9M/16: €55.6 million). €17.9 million of this (9M/16: €16.3 million) was attributable to Robotics, €13.0 million (9M/16: €14.5 million) to Systems, €18.2 million (9M/16: €17.2 million) to Swisslog and €6.5 million (9M/16: €7.6 million) to other areas.

While the income and expenditure in the financial result for the first nine months of 2016 came to a net figure of €0.6 million, during the equivalent period of 2017 foreign currency effects in particular resulted in a net financial expenditure of €5.8 million. This includes impairment charges of €0.3 million for financial assets that were taken over as part of the acquisition of Swisslog Group.

Interest income was €4.9 million (9M/16: €8.8 million). This mainly includes income from finance leases. Interest expenditure amounted to €10.4 million (9M/16: €8.2 million). Interest expenditure included therein from the promissory note loan placed in October 2015 totaled €2.7 million (9M/16: €2.7 million). The net interest expense for pensions was €1.4 million (9M/16: €1.6 million). The net currency effect in the first nine months amounted to -€3.7 million (9M/16: €+1.8 million).

Earnings before taxes (EBT) in the first nine months of 2017 totaled €104.9 million (9M/16: €83.2 million). With tax expenditure of €25.5 million during the period under review (9M/16: €4.3 million), the tax ratio amounted to 24.2% (9M/16: 5.2%). Advantageous changes in the legal environment in the USA, leading to relief in the income tax area, had a positive effect on the tax ratio, particularly also in the comparison period of the previous year.

Earnings after taxes at €79.4 million were at a similar level as in the previous year (9M/16: €78.9 million). The undiluted earnings per share only changed slightly from €2.01 to €2.00.

Consolidated income statement (condensed)

in € millions	9M/16	9M/17
Sales revenues	2,044.1	2,597.1
EBIT	82.6	110.7
EBITDA	138.2	166.2
Financial result	0.6	-5.8
Taxes on income	-4.3	-25.5
Earnings after taxes	78.9	79.4

Financial position

The cash earnings are an indicator derived from the earnings after taxes, adjusted for income taxes, net interest, cash-neutral depreciation on tangible and intangible assets, together with other non-cash expenses and income. Cash earnings increased by 19.3% and amounted to €166.5 million in the first nine months of 2017 (9M/16: €139.6 million).

Cash flow from current business operations decreased to -€143.7 million (9M/16: -€73.8 million). One cause of this reduction is the scheduled payment of mandatory provisions from 2016. However, the strong increase in trade working capital of €212.0 million to €641.1 million as at September 30, 2017 (December 31, 2016: €429.1 million) had a much greater impact on the cash flow from current business operations. The high order backlog and sales revenues, in particular, caused an increase in inventories, trade receivables and receivables from construction contracts.

The following overview shows the development of trade working capital:

in € millions	Dec. 31, 2016	Sep. 30, 2017
Inventories less advance payments	223.2	296.5
Trade receivables and receivables from construction contracts	888.9	1,103.7
Trade payables and liabilities from construction contracts	683.0	759.1
Trade working capital	**429.1**	**641.1**

In the first nine months of 2017 the company invested €64.7 million (9M/16: €63.2 million) in tangible and intangible assets. Capital investment in tangible assets totaled €30.5 million and mainly concerned technical plant and equipment as well as operating and office equipment. Investments in intangible assets totaled €34.2 million, of which €19.3 million was for internally generated intangible assets.

Spending on acquisitions of consolidated companies and other business units during the first nine months of the financial year and spending on settling open purchase price liabilities from acquisitions in the previous years came to a total of €55.2 million (9M/16: €13.2 million) and were subdivided as follows:

Spending on company acquisitions

in € millions	Sep. 30, 2016	Sep. 30, 2017
Acquisitions of companies		
Talyst Systems LLC, Delaware/USA		25.4
Reis Group Holding GmbH & Co. KG, Obernburg/Germany		9.1
UTICA Enterprises, Shelby Township, Michigan/USA	4.1	6.6
Tecnilab S.p.A., Cuneo/Italy	5.6	
Forte Industrial Equipment Systems Inc., Mason, Ohio/USA	1.6	
Others	0.3	1.9
Total	**11.6**	**43.0**
Investments accounted for at equity		
Pipeline Health Holdings LLC, San Francisco/USA		11.2
KBee AG, Munich/Germany	1.6	1.0
Total	**1.6**	**12.2**
Payments total	**13.2**	**55.2**

The cash flow from investment activities amounted to -€112.1 million in total (9M/16: -€59.2 million).

The cash flow from current business operations plus cash flow from investment activities resulted in a free cash flow of -€255.8 million (9M/16: -€133.0 million).

The cash flow from financing activities amounted to €20.6 million (9M/16: -€17.2 million). This includes dividends to shareholders of €0.50 per share (2016: €0.50 per share), making a total of €19.9 million, and drawing on current cash lines under the syndicated loan agreement.

As a result, the cash and cash equivalents available to KUKA Group as at September 30, 2017 totaled €131.5 million (September 30, 2016: €341.9 million). Compared to December 31, 2016, the cash and cash equivalents decreased by €232.7 million (December 31, 2016: €364.2 million).

Syndicated loan for KUKA Aktiengesellschaft

KUKA AG finances itself through a syndicated loan agreement ("SFA" – Syndicated Facilities Agreement) which came into effect in April 2015 as part of a refinancing operation with an original term to March 30, 2020. This included two extension options each for one year. The first extension option was exercised in 2016. The second extension option available to KUKA was requested at the start of 2017. As all banks of the SFA approved a further extension, the new final maturity date is now March 30, 2022.

After an amendment came into effect on November 28, 2016, KUKA has a guaranteed credit line from the SFA of €200.0 million and a cash line with the same volume of €200.0 million at its disposal which, as previously, can also be used for guarantees. The syndicated loan agreement is unsecured and contains only the customary equal treatment clauses and negative pledges. Covenants for leverage and interest coverage are agreed for the SFA. For further details, please refer to the company's 2016 annual report.

As at the reporting date, the utilization of the guarantee facility and cash credit lines from the syndicated loan agreement of KUKA AG amounted to a total of €200.0 million (December 31, 2016: €170.9 million).

Consolidated cash flow statement (condensed)

in € millions	9M/16	9M/17
Cash earnings	139.6	166.5
Cash flow from operating activities	-73.8	-143.7
Cash flow from investment activities	-59.2	-112.1
Free cash flow	**-133.0**	**-255.8**

Net worth

The balance sheet total of KUKA Group increased by €98.3 million from €2,543.9 million as at December 31, 2016 to €2,642.2 million as at the reporting date.

Compared to the end of the previous year, non-current assets remained at the previous year's level with €841.1 million as at September 30, 2017 (December 31, 2016: €838.1 million). In this connection, tangible assets declined by €8.2 million, and finance lease receivables by €13.1 million. This contrasts with a €15.0 million rise in intangible assets – caused in particular by disclosed hidden reserves during the acquisition of Talyst Systems LLC, Delaware/USA and the investments in internally generated intangible assets. Non-current receivables and other assets increased by €1.6 million. Amounts totaling €16.4 million were included for investments accounted for using the at-equity method (December 31, 2016: €4.2 million). This increase results above all from the acquisition of the investment in Pipeline Health Holdings LLC, San Francisco/USA during the second quarter. Deferred tax assets amounted to €44.0 million (December 31, 2016: €48.8 million).

The value of current assets amounted to €1,801.1 million as at September 30, 2017 (December 31, 2016: €1,705.8 million). Further explanations regarding the current assets are included in the notes on the financial position.

Within the reporting period, equity increased from €840.2 million to €868.4 million. The increase results from earnings after taxes amounting to €79.4 million. Equity capital was reduced by exchange rate effects (essentially USD, CHF and CNY) totaling €34.8 million and dividend payments of €19.9 million for the 2016 financial year.

The income-neutral valuation of pension provisions including the associated deferred taxes in the 2017 reporting period, while not affecting earnings, resulted in equity increasing by €5.1 million due to a slight rise in the interest rate level and a positive, actual development in plan assets.

Minority interests changed slightly from -€0.3 million as at December 31, 2016 to -€0.4 million as at September 30, 2017.

The equity ratio, i.e. the ratio of equity to the balance sheet total, is 32.9%, which is slightly lower than the ratio of 33.0% at the end of the 2016 financial year.

The non-current and current financial liabilities totaled €297.8 million, which compares to €251.2 million at December 31, 2016 and primarily relate to the existing syndicated loan agreement and the issued promissory note loan.

The decrease in pension provisions and similar obligations by €11.0 million is primarily attributable to the effect of the actuarial valuation not affecting net income already described in the previous section in relation to equity changes.

Current liabilities increased from €1,258.1 million as at December 31, 2016 to €1,351.7 million as at September 30, 2017. This rise is primarily attributable to the increase in trade working capital liabilities. Further details on this can be found in the notes on the financial position.

The existing net liquidity of the Group, i.e. the liquid assets less the current and non-current financial liabilities, amounted to -€166.3 million as at September 30, 2017. The Group had a net liquidity of €113.0 million as at year-end 2016.

Group net worth

in € millions	Dec. 31, 2016	Sep. 30, 2017
Balance sheet total	2,543.9	2,642.2
Equity	840.2	868.4
in % of balance sheet total	33.0	32.9
Net liquidity	113.0	-166.3

KUKA recorded a return on capital employed (ROCE) of 14.4% in the first nine months of 2017 with average capital employed of €1,022.1 million as at September 30, 2017 (December 31, 2016: €783.0 million).

The ROCE of the individual segments is shown in the table below.

Return on Capital Employed (ROCE)

in % of capital employed	Dec. 31, 2016	Sep. 30, 2017
Group [1]	16.2	14.4
of which Robotics	51.7	54.0
of which Systems	42.8	19.7
of which Swisslog [2]	1.5	0.9

[1] incl. consolidations

[2] incl. impairment charges due to purchase price allocation

Research & development

In the third quarter of 2017, research and development (R&D) expenditure for KUKA Group amounted to €30.6 million. Investment was thus slightly below the value in the same period of the previous year (Q3/16: €31.2 million). For the first nine months of 2017, R&D expenditure totaled €96.9 million (9M/16: €94.9 million). R&D expenditure is primarily attributable to the Robotics division. At Systems, research and development activities are mainly processed within the framework of customer projects. In the third quarter of 2017, KUKA focused primarily on key technologies and solutions in conjunction with Industrie 4.0.

Ongoing development of the KR AGILUS series

The small robots from the KR AGILUS series offer impressive speed, extreme agility in confined spaces, short cycle times, and maximum precision. With effect from the end of the year, the next generation of the KR AGILUS will be replacing all standard variants of the small robot. Each of the new KR AGILUS generation robots meets the requirements of protection rating IP67 and is thus protected against water spray. For applications with lubricants or coolants, there will still be a special Waterproof (WP) variant. The other variants, such as Cleanroom, Atex protection – for potentially explosive environments – and Hygienic Machine are also still available.

Certification of the LBR Med for integration into a medical product

The KUKA LBR Med lightweight robot is the first robotic component worldwide to be certified for integration into a medical product. The LBR Med thus enjoys a unique selling point in medical robotics. The certification is based on the internationally recognized “IECEE CB Scheme”. Unlike the usual procedure with industrial robots, the Machinery Directive is not applicable to medical products.

Into the cloud with connyun: networked robotic cell for Heller machining centers

With a networked robotic cell with two integrated Heller machining centers, KUKA connects the analog and digital worlds. The cell demonstrates how a robot collaborates with two machining centers to produce robot parts. All relevant components are networked with one another and with the KUKA Cloud. The data are collected in the KUKA Connectivity Box and sent to the cloud. This was developed by connyun, a start-up and subsidiary of KUKA. Services such as authentication, management of access rights, data storage and processing, component management, predictive maintenance, and evaluation, processing and signaling of events are performed in the cloud. All data are displayed in clearly structured dashboards. In this way, operators, maintenance personnel and management have a complete overview of the production process as well as full control – at any time and from any location.

KUKA at the Schweissen & Schneiden, Motek and EMO trade fairs

At Motek, the international trade fair for production and assembly automation, KUKA presented automation solutions for human-robot collaboration with the slogan “Hello Industrie 4.0 – adding HRC value to your production”. At the flagship trade fair Schweissen & Schneiden, KUKA showcased a comprehensive selection of robot components, welding robots, software packages and solutions. Welding expertise was demonstrated to visitors by means of an example of a smart factory involving a simulated manufacturing scenario, the KUKA ready2_spot package for spot welding applications, and the software technology package KUKA.ServoGun BASIC.

At EMO, the world’s leading trade fair for machine tools for the metalworking industry, KUKA demonstrated ready2_use packages, robotic cells and industrial robots that are particularly suitable for the metal industry. Using the ready2_pilot package, KUKA industrial robots can be controlled and operated intuitively. ready2_grip is a gripper package that is easy to integrate and comes preconfigured. KUKA also demonstrated the robot control software KUKA.PLC_mxAutomation. It enables simple communication between robots and machine tools, with the result that the user only requires basic knowledge of robot programming for operation.

Swisslog at the “Materials Handling Middle East 2017” trade fair

At the intralogistics trade fair “Materials Handling Middle East” – with the slogan “Grow Smart – Robotic and Data-Driven Solutions for Smarter Growth” – Swisslog presented a comprehensive and dynamic robotic demo system that showed how efficiently different intralogistics systems can work together. Swisslog systems such as AutoStore, the CycloneCarrier and the intelligent SynQ software were exhibited; these systems enable automation in a wide range of different applications in the field of intralogistics. AutoPiQ, a system for robot-assisted order picking that Swisslog has developed together with KUKA, was also presented. Using 3D virtual reality technology, trade fair visitors were able to embark on a virtual tour of a fully-planned Swisslog warehouse and gather realistic impressions.

Employees

As at September 30, 2017 KUKA Group employed 13,988 people. Compared with the reporting date of the previous year, this was a rise of 7.1% (September 30, 2016: 13,056). The Robotics division’s workforce increased by 9.4% from 4,529 to 4,956. The new employees were hired in all customer segments – Automotive, General Industry and Service. At Systems, the workforce increased by 2.0% from 5,317 as at September 30, 2016 to 5,423 as at September 30, 2017. The Swisslog division had 2,822 employees at the end of the third quarter of this year, 6.7% more than on the reporting date of the previous year (September 30, 2016: 2,654). At the end of the third quarter, there were 3,715 employees at the Augsburg site. This was 8.2% more than at the reporting date of the previous year (September 30, 2016: 3,432).

Opportunities and risk report

Overall, KUKA Group’s named risks relate to the business performance of the divisions and financial risks associated with currency exchange rate fluctuations and corporate financing. The Executive Board is not aware of any individual or aggregated risks that could threaten the company’s existence. Strategically and financially, the company is positioned to be able to take advantage of business opportunities. For information on risks affecting EBIT, please also refer to the detailed report in the 2016 annual report/management report (page 56 ff.).

Outlook

Given the current economic forecasts and general conditions, KUKA expects high demand in the 2017 financial year. Demand is expected to be positive, above all from the North American and Asian regions, and here especially from China. Demand in Europe is expected to remain relatively stable overall. The General Industry segments are also likely to follow a positive trend. Here robot density (robots per 10,000 workers) is still relatively low and intelligent automation solutions may result in increased efficiency and improved quality among stages of production that have so far not seen much automation. Automotive customers have also significantly increased investments over the past few years.

Based on current general conditions, KUKA anticipates sales revenues of around €3.3 billion for the full year 2017, up approximately 12% on last year. Adjusted to allow for the contribution to revenues of the divested US Aerospace business in the previous year, this corresponds to growth of around 16%. Both customer segments – General Industry and Automotive – and from a regional viewpoint, China and North America, should make a positive contribution to sales revenue development. Given the current economic environment and anticipated revenue development, KUKA Group expects to achieve an EBIT margin of more than 5.5% before purchase price allocation for Swisslog and before growth investment. The expenditure for purchase price allocation at Swisslog should amount to about €9 million in 2017 and thus be at the level of the previous year.

Interim Report (condensed)

Group income statement

of KUKA Aktiengesellschaft for the period January 1 to September 30, 2017

in € millions	Q3/16	Q3/17	9M/16	9M/17
Sales revenues	**710.9**	**798.6**	**2,044.1**	**2,597.1**
Cost of sales	-524.2	-610.0	-1,495.5	-2,003.9
Gross income	**186.7**	**188.6**	**548.6**	**593.2**
Selling expenses	-66.2	-70.2	-193.1	-221.6
Research and development costs	-31.2	-30.6	-94.9	-96.9
General and administrative expenses	-49.0	-59.8	-170.3	-167.4
Other operating income	0.3	3.5	6.7	14.0
Other operating expenses	-3.9	-2.5	-11.4	-8.9
Loss from companies consolidated at equity	-0.8	-0.7	-3.0	-1.7
Earnings from operating activities	**35.9**	**28.3**	**82.6**	**110.7**
Reconciliation to earnings before interest and taxes (EBIT)				
Earnings before interest and taxes (EBIT)	**35.9**	**28.3**	**82.6**	**110.7**
Depreciation and amortization	20.8	18.8	55.6	55.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**56.7**	**47.1**	**138.2**	**166.2**
Depreciation of financial assets	–	-0.3	–	-0.3
Interest income	3.1	1.4	8.8	4.9
Interest expense	-2.5	-3.2	-8.2	-10.4
Financial result	**0.6**	**-2.1**	**0.6**	**-5.8**
Earnings before tax	**36.5**	**26.2**	**83.2**	**104.9**
Taxes on income	12.0	-7.0	-4.3	-25.5
Earnings after taxes	**48.5**	**19.2**	**78.9**	**79.4**
(of which: attributable to minority interests)	(0.0)	(0.0)	(-0.5)	(-0.1)
(of which: attributable to shareholders of KUKA AG)	(48.5)	(19.2)	(79.4)	(79.5)
Earnings per share (undiluted/diluted) in €	**1.23**	**0.48**	**2.01**	**2.00**

Statement of comprehensive income

of KUKA Aktiengesellschaft for the period January 1 to September 30, 2017

in € millions	Q3/16	Q3/17	9M/16	9M/17
Earnings after taxes	**48.5**	**19.2**	**78.9**	**79.4**
Items that may potentially be reclassified to profit or loss				
Translation adjustments	-2.4	-15.4	-10.3	-34.8
Items that are not reclassified to profit or loss				
Changes of actuarial gains and losses	-4.0	-0.8	-23.0	5.6
Deferred taxes on changes of acturial gains and losses	0.6	0.5	5.0	-0.5
Changes recognized directly in equity	**-5.8**	**-15.7**	**-28.3**	**-29.7**
Comprehensive Income	**42.7**	**3.5**	**50.6**	**49.7**
(of which: attributable to minority interests)	(0.0)	(0.0)	(-0.5)	(-0.1)
(of which: attributable to shareholders of KUKA AG)	(42.7)	(3.5)	(51.1)	(49.8)

Cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to September 30, 2017

in € millions	9M/16	9M/17
Net income after taxes	**78.9**	**79.4**
Income taxes	20.5	33.1
Net interest result	-0.6	5.5
Depreciation of intangible assets	25.5	25.7
Depreciation of tangible assets	30.1	29.8
Depreciation of financial investments	–	0.3
Other non-payment related income	-19.9	-11.6
Other non-payment related expenses	5.1	4.3
Cash earnings	**139.6**	**166.5**
Result on the disposal of assets	0.2	0.0
Changes in provisions	-16.1	-42.1
Changes in current assets and liabilities		
Changes in inventories	-53.9	-105.4
Changes in receivables and deferred charges	-102.3	-283.3
Changes in liabilities and deferred income (excl. financial debt)	19.4	155.5
Income taxes paid	-57.8	-32.0
Investments/financing matters affecting cash flow	-2.9	-2.9
Cash flow from operating activities	**-73.8**	**-143.7**
Payments from disposals of fixed assets	3.1	3.8
Payments for capital expenditures on intangible assets	-33.4	-34.2
Payments for capital expenditures on tangible assets	-29.8	-30.5
Payments for investment in financial investments	-0.9	-0.9
Payments received from financial assets in the course of short-term funds management	8.9	–
Payments for the acquisition of consolidated companies and other business units	-13.2	-55.2
Interest received	6.1	4.9
Cash flow from investing activities	**-59.2**	**-112.1**
Free cash flow	**-133.0**	**-255.8**
Dividend payments	-19.3	-19.9
Proceeds from/payments for the acceptance/repayment of bank loans	3.9	42.6
Payments from grants received	2.9	2.9
Interest paid	-4.7	-5.0
Cash flow from financing activities	**-17.2**	**20.6**
Payment-related changes in cash and cash equivalents	**-150.2**	**-235.2**
Changes due to acquisitions of companies	0.1	–
Exchange rate-related and other changes in cash and cash equivalents	-4.2	2.5
Changes in cash and cash equivalents	**-154.3**	**-232.7**
(of which net increase/decrease in restricted cash)	(-0.3)	**(-0.6)**
Cash and cash equivalents at the beginning of the period	496.2	364.2
(of which increase/decrease of restricted cash at the beginning of the period)	(3.5)	(1.1)
Cash and cash equivalents at the end of the period	**341.9**	**131.5**
(of which restricted cash at the end of the period)	(1.4)	(0.4)

Group balance sheet

of KUKA Aktiengesellschaft as of September 30, 2017

Assets

in € millions	Dec. 31, 2016	Sep. 30, 2017
Non-current assets		
Intangible assets	445.1	460.1
Property, plant and equipment	261.2	253.0
Financial investments	4.9	5.2
Investments accounted for at equity	4.2	16.4
	715.4	**734.7**
Finance lease receivables	57.7	44.6
Other long-term receivables and other assets	16.2	17.8
Deferred taxes	48.8	44.0
	838.1	**841.1**
Current assets		
Inventories	318.8	413.3
Receivables and other assets		
Trade receivables	353.2	393.3
Receivables from construction contracts	535.7	710.4
Finance lease receivables	9.6	9.1
Income tax receivables	33.4	33.9
Other assets, prepaid expenses and deferred charges	90.9	109.6
	1,022.8	**1,256.3**
Cash and cash equivalents	364.2	131.5
	1,705.8	**1,801.1**
	2,543.9	**2,642.2**

Equity and liabilities

in € millions	Dec. 31, 2016	Sep. 30, 2017
Equity		
Subscribed capital	103.4	103.4
Capital reserve	306.6	306.6
Revenue reserve	430.5	458.8
Minority interests	-0.3	-0.4
	840.2	**868.4**
Non-current liabilities, provisions and accruals		
Financial liabilities	249.6	249.6
Other liabilities	28.0	29.3
Pensions and similar obligations	122.7	111.7
Deferred taxes	45.3	31.5
	445.6	**422.1**
Current liabilities		
Financial liabilities	1.6	48.2
Trade payables	459.3	524.1
Advances received	95.6	116.8
Liabilities from construction contracts	223.7	235.0
Accounts payable to affiliated companies	–	0.1
Income tax liabilities	40.0	44.0
Other liabilities and deferred income	280.0	267.3
Other provisions	157.9	116.2
	1,258.1	**1,351.7**
	2,543.9	**2,642.2**

Development of Group equity

of KUKA Aktiengesellschaft for the period January 1 to September 30, 2017

				Revenue reserves					
in € millions	Number of shares out-standing	Subscribed capital	Capital reserve	Translation gains/losses	Actuarial gains and losses	Annual net income and other revenue reserves	Equity to shareholders	Minority interests	Total
January 1, 2016	**38,501,259**	**100.1**	**265.3**	**53.0**	**-15.2**	**329.8**	**733.0**	**-0.5**	**732.5**
Earnings after taxes	–	–	–	–	–	79.4	79.4	-0.5	78.9
Other income	–	–	–	-10.3	-18.0	–	-28.3	–	-28.3
Comprehensive income	**–**	**–**	**–**	**-10.3**	**-18.0**	**79.4**	**51.1**	**-0.5**	**50.6**
Capital increase from conversions	1,274,211	3.3	41.3	–	–	–	44.6	–	44.6
Dividend of KUKA AG	–	–	–	–	–	-19.3	-19.3	–	-19.3
Change in scope of consolidation/other changes	–	–	–	–	–	-1.9	-1.9	0.7	-1.2
September 30, 2016	**39,775,470**	**103.4**	**306.6**	**42.7**	**-33.2**	**388.0**	**807.5**	**-0.3**	**807.2**
January 1, 2017	**39,775,470**	**103.4**	**306.6**	**61.1**	**-23.7**	**393.1**	**840.5**	**-0.3**	**840.2**
Earnings after taxes	–	–	–	–	–	79.5	79.5	-0.1	79.4
Other income	–	–	–	-34.8	5.1	–	-29.7	–	-29.7
Comprehensive income	**–**	**–**	**–**	**-34.8**	**5.1**	**79.5**	**49.8**	**-0.1**	**49.7**
Dividend of KUKA AG	–	–	–	–	–	-19.9	-19.9	–	-19.9
Change in scope of consolidation/other changes	–	–	–	–	–	-1.6	-1.6	–	-1.6
September 30, 2017	**39,775,470**	**103.4**	**306.6**	**26.3**	**-18.6**	**451.1**	**868.8**	**-0.4**	**868.4**

Notes on the consolidated financial statements (condensed)

Group segment reporting

of KUKA Aktiengesellschaft for the period January 1 to September 30, 2017

	Robotics		Systems		Swisslog		KUKA AG and other companies		Reconciliation and consolidation		Group	
in € millions	9M/16	9M/17	9M/16	9M/17	9M/16	9M/17	9M/16	9M/17	9M/16	9M/17	9M/16	9M/17
Orders received	781.0	946.3	1,351.7	1,186.0	535.2	700.2	–	–	-40.5	-53.3	2,627.4	2,779.2
Order backlog (Sep. 30)	334.9	362.1	1,263.9	1,106.7	597.5	773.7	–	–	-26.8	-31.8	2,169.5	2,210.7
Group external sales revenues	651.0	871.9	969.6	1,195.9	423.4	529.0	0.0	0.0	0.1	0.3	2,044.1	2,597.1
in % of Group sales revenues	31.8%	33.6%	47.4%	46.0%	20.7%	20.4%	–	–	–	–	100.0%	100.0%
Intra-Group sales	18.0	23.4	4.0	13.7	0.0	0.9	–	67.8	-22.0	-105.8	–	0.0
Sales revenues by division	**669.0**	**895.3**	**973.6**	**1,209.6**	**423.4**	**529.9**	**0.0**	**67.8**	**-21.9**	**-105.5**	**2,044.1**	**2,597.1**
Gross profit	**261.7**	**311.9**	**174.7**	**151.2**	**112.9**	**128.3**	**0.0**	**68.0**	**-0.7**	**-66.2**	**548.6**	**593.2**
in % of sales revenues of the division	39.1%	34.8%	17.9%	12.5%	26.7%	24.2%	–	–	–	–	26.8%	22.8%
EBIT (earnings before interest and taxes)	**67.3**	**97.2**	**64.7**	**55.1**	**0.7**	**2.2**	**-28.7**	**-44.1**	**-21.4**	**0.3**	**82.6**	**110.7**
in % of sales revenues of the division	10.1%	10.9%	6.6%	4.6%	0.2%	0.4%	–	–	–	–	4.0%	4.3%
EBITDA (earnings before interest, taxes, depreciation and amortization)	**83.6**	**115.1**	**79.2**	**68.1**	**17.9**	**20.4**	**-21.1**	**-37.6**	**-21.4**	**0.2**	**138.2**	**166.2**
in % of sales revenues of the division	12.5%	12.9%	8.1%	5.6%	4.2%	3.8%	–	–	–	–	6.8%	6.4%
Assets	450.9	569.9	811.0	1,063.6	627.5	688.2	562.0	628.4	-442.5	-483.3	2,008.9	2,466.8
Number of employees (Sep. 30)	4,529	4,956	5,317	5,423	2,645	2,822	565	787	–	–	13,056	13,988

IFRS/IAS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, has prepared its interim financial statements for the period ending September 30, 2017 in line with the IAS 34 "Interim Financial Reporting Guidelines" as adopted by the European Union. The company has elected to prepare a condensed version in accordance with this standard. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements as at December 31, 2016. 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 315a 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 http://www.midea.com/global/investors/financial_statements.

Scope of consolidation

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

Number of fully consolidated companies

	Robotics	Systems	Swisslog	Other	Total
Status as of Jan. 1, 2017	24	39	33	4	100
First-time consolidations	–	–	2	–	2
Mergers	–	–	-1	–	-1
Status as of Sep. 30, 2017	24	39	34	4	101
of which, Germany	1	11	4	3	19
of which, abroad	23	28	30	1	82

Number of at-equity consolidated companies

	Robotics	Systems	Swisslog	Other	Total
Status as of Jan. 1, 2017	1	2	–	–	3
First-time consolidations	–	–	1	–	1
Status as of Sep. 30, 2017	1	2	1	–	4
of which associated companies	1	1	1	–	3
of which joint ventures	–	1	–	–	1

Additions of companies through company acquisitions

Talyst Systems LLC, Delaware/USA

All the shares in the company Talyst Systems LLC, Delaware/USA were acquired in the third quarter of 2017.

Talyst is a leading supplier in the pharmacy inventory management sector and the so-called "inpatient pharmacies" and has extensive customer relationships, particularly in the USA. Technology as well as products add to the existing Swisslog business in the Healthcare Solutions sector, particularly in the area of hospital pharmacies in North America. Swisslog thus achieves greater market penetration. The company is allocated to the Swisslog segment. Around USD 30 million of the USD 33.0 million purchase price was paid in cash on closing. The remaining sum mainly relates to retention in conjunction with a lease receivable. Cash and cash equivalents as well as shares of previously fully consolidated companies were not acquired. The gross amount of trade receivables acquired was €3.1 million. Taking a valuation adjustment of €0.1 million into account, this resulted in a fair value of €3.0 million.

Sales revenues of around €3 million and a net loss for the year of around €0.1 million were attributable to the acquisition during the reporting period. If the company had already been taken over at the beginning of 2017, the contribution to sales revenues would have amounted to around €13 million and net income would have decreased by around €2 million.

The following table shows the carrying amounts assumed as a result of the purchase immediately prior to the acquisition as well as the opening balance sheet in fair values based on provisional figures. The fact that these figures are only temporary is due to valuation issues still to be finalized as well as tax assessments.

in € millions	Carrying amounts	Opening balance sheet in fair values
Intangible assets	0.4	14.1
Property, plant and equipment	0.2	0.2
Inventories	1.2	1.2
Receivables and other assets	9.1	9.1
Liabilities and provisions	-7.6	-7.5
Total	**3.3**	**17.1**

The acquired intangible assets consist to a large extent of customer relationships, technologies and the brand name. Receivables and inventories primarily concern orders in house at the time of the acquisition. Contingent liabilities were not transferred. Deferred taxes did not have to be allocated due to the company's legal form and the structure of the acquisition. The transaction thus led to goodwill of €10.8 million. The goodwill particularly reflects the future synergies in the cash generating unit resulting from the acquisition.

Other acquisitions

100% of the shares in the company Easy Conveyors B.V., Nuenen/Netherlands were acquired for a low single-digit million amount in the second quarter of 2017. The acquisition in the Swisslog segment in the sector of Warehouse and Distribution Solutions (WDS) was made with the aim of increasing market penetration and enhancing the vertical value chain.

Mergers

In 2017, Swisslog Automation GmbH, Karlsruhe was merged with Swisslog GmbH, Dortmund.

Investments in associates and joint ventures

In the second quarter of 2017, 25% of shares in the American company Pipeline Health Holdings LLC, San Francisco/USA were acquired for a purchase price of €13.9 million (USD 15.2 million) in the Swisslog segment, of which €11.2 million had been paid by the balance sheet date. The company offers telepharmacy services for hospitals. This involves organizing medical staff who provide digital services on demand (so-called "remote" pharmacists) and providing software solutions for the automated supply of medication. The reason for the acquisition is to expand the product portfolio of integrated automation solutions in the sector of Healthcare Solutions.

In the first nine months of 2017, further shares amounting to €1.0 million were purchased in KBee AG, Munich.

As at the reporting date, the investment carrying amount of the associated companies KBee AG, Munich, Yawei Reis Robot Manufacturing (Jiangsu) Co., Ltd., Yangzhou/China, Pipeline Health Holdings LLC, San Francisco/USA as well as of the joint venture Chang'an Reis Robotic Intelligent Equipment (Chongqing) Co., Ltd, Chongqing/China, was valued at €16.4 million; the effect on the pro-rata earnings of these companies was -€1.7 million.

Accounting and valuation methods

With the exception of the changes outlined below, the same valuation methodology and accounting principles as those used for the consolidated financial statements for the 2016 financial year were applied in preparing this consolidated interim report. For further information, please refer to the consolidated financial statements dated December 31, 2016, which form the basis of the interim report presented here. These are also available on the Internet at www.kuka.com.

The adoption of the new standard IFRS 15 – Revenue from Contracts with Customers into European law was announced through "Regulation (EU) No. 2016/1905 of the Commission" on September 22, 2016. IFRS 15 clarifies how, when and over what period revenue should be recognized. The standard also requires entities preparing financial statements to provide the users of such statements with more informative disclosures than before. The standard provides a principles-based five-step model to be applied to all contracts with customers. The changes must be applied in the EU no later than for financial years beginning on or after January 1, 2018. The initial application therefore corresponds to the date of application stipulated by the IASB. In the context of the implementation, a Group-wide internal project was launched, comprising various steps ranging from an analysis phase to training courses. Determination of the effects due to the initial application of the new standard is currently still ongoing. However, the current status of the project indicates that barely any impact is expected on the consolidated financial statements in the Robotics segment (mainly revenue recognition on a specific date) and altogether only a minor impact in the Systems and Swisslog segments (mainly revenue recognition over a specific period).

Changes in accounting and valuation methods and changes in estimates

No new standards or interpretations based on endorsement by the European Union have become mandatory since the start of the 2017 financial year.

The useful life of the “Swisslog” brand, which was capitalized within the scope of the company acquisition of Swisslog Group and has previously been amortized using the straight-line method, was changed to indefinite at the beginning of the 2017 financial year on account of a modified management assessment. The brand name was previously amortized annually at around €1.2 million. The impairment of the residual book value amounting to €22.2 million will therefore be assessed on an annual basis, with an impairment test being carried out if there are relevant indications. There was no need for recognition of an impairment loss as at September 30, 2017.

The expenditure anticipated in 2017 from the Swisslog purchase price allocation therefore amounts to around €8.8 million (previously around €10.0 million).

Earnings per share

Undiluted earnings per share break down as follows:

	9M/16	9M/17
Net income for the year attributable to the shareholders of KUKA AG (in € millions)	79.4	79.5
Weighted average number of shares outstanding (No. of shares)	39,536,687	39,775,470
Undiluted/Diluted earnings per share (in €)	2.01	2.00

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

In the first nine months of 2017, the weighted average number of shares in circulation was 39.8 million (September 30, 2016: 39.5 million shares).

Equity

The capital stock of KUKA Aktiengesellschaft amounts to €103,416,222.00 (September 30, 2016: €103,416,222.00). This is subdivided into 39,775,470 (September 30, 2016: 39,775,470) no-par-value bearer shares outstanding. Each share carries one vote.

IAS 19 Employee Benefits

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

in %	Dec. 31, 2016	Sep. 30, 2017
Germany	1.50	1.65
Switzerland	0.60	0.65
UK	2.60	2.50
Sweden	2.50	2.54
USA	3.96 – 4.00	3.62 – 3.63

Due to a slight increase in the interest rate level in Germany, Switzerland and Sweden, and the positive, actual development of plan assets (primarily at the Swiss companies), actuarial income of €5.6 million was recorded in the first nine months of 2017. The actuarial effects were reported under equity as an income-neutral sum of €5.1 million, taking deferred taxes into account.

Promissory note loan

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

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

The promissory note loans contain a change-of-control clause that entitles the promissory note investors to request repayment of the investment on the next interest payment date after a change of control. The closing of the takeover bid by Midea was a change of control pursuant to the promissory note document. The shares announced as part of this change of control have now been taken by other investors, so there were no repayments.

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

The carrying amount stands at €249.3 million as at September 30, 2017 (December 31, 2016: €249.2 million). Interest amounting to €3.3 million (December 31, 2016: €0.8 million) was deferred.

Syndicated loan for KUKA Aktiengesellschaft

KUKA AG finances itself through a syndicated loan agreement ("SFA" – Syndicated Facilities Agreement) which came into effect in April 2015 as part of a refinancing operation with an original term to March 30, 2020. This included two extension options each for one year. The first extension option was exercised in 2016. The second extension option available to KUKA was requested at the start of 2017. As all banks of the SFA approved a further extension, the new final maturity date is now March 30, 2022.

After an amendment came into effect on November 28, 2016, KUKA has a guaranteed credit line from the SFA of €200.0 million and a cash line with the same volume of €200.0 million at its disposal which, as previously, can also be used for guarantees. The syndicated loan agreement is unsecured and contains only the customary equal treatment clauses and negative pledges. Covenants for leverage and interest coverage are agreed for the SFA. For further details, please refer to the company's 2016 annual report.

As at the reporting date, the utilization of the guarantee facility and cash credit lines from the syndicated loan agreement of KUKA AG amounted to a total of €200.0 million (December 31, 2016: €170.9 million).

Guarantee facility lines from banks and surety companies

The guarantee facility lines pledged by banks and surety companies outside the SFA total €118.0 million as at September 30, 2017, and can be utilized up to a total volume of €100.0 million in accordance with the regulations of the SFA.

As at the reporting date, the amount exercised was €86.0 million (December 31, 2016: €87.2 million).

Asset-backed securities program

In June 2011, KUKA Group set up an ABS (Asset-Backed Securities) facility with a volume of €25.0 million. Under the terms of this program, €20.4 million was utilized as at September 30, 2017. The volume was used entirely as at December 31, 2016.

Financial instruments measured at fair value

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

Level 1
Quoted prices in active markets for identical assets or liabilities

Level 2
Inputs other than quoted prices that are observable either directly or indirectly

Level 3
Inputs for assets and liabilities that are not based on observable market data

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

September 30, 2017

	Level 2	Level 3	Total
Financial assets	13.2	3.3	16.5
Financial liabilities	6.5	–	6.5

December 31, 2016

in € millions	Level 2	Level 3	Total
Financial assets	9.6	3.0	12.6
Financial liabilities	13.0	–	13.0

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

All other financial instruments are reported at amortized cost and mainly correspond to the book values.

Segment reporting

The internal reporting and organizational structure subdivides KUKA into the KUKA Robotics, KUKA Systems and Swisslog segments. Key financial indicators are determined for all three segments. 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 Robotics, Systems and Swisslog operating business divisions, as well as in the tables at the beginning of the notes to the quarterly report.

Cash flow statement

The cash flow statement shows changes to KUKA Group's liquidity position in accordance with IAS 7. This item comprises all funds recognized on the balance sheet as cash and cash equivalents; i. e. cash in hand, checks and cash balances with financial institutions, provided that they are available within three months. Cash and cash equivalents of €0.4 million (December 31, 2016: €1.1 million) are subject to restrictions. These restrictions relate to a government-funded contract in Brazil and government funding for eligible development projects with a German company.

Contingent liabilities and other financial commitments

There has been no material change in other financial obligations and contingent liabilities since December 31, 2016.

Related party disclosures

Due to the change in shareholdings (see the section "Takeover of KUKA by Midea Group"), Voith Group and Loh Group are no longer included among the related parties. The group of related parties has been expanded to include the companies allocable to Midea Group.

Aside from these changes and the newly acquired at-equity investment Pipeline Health Holdings LLC, San Francisco/USA, the group of related parties has remained unchanged compared to December 31, 2016 in terms of associated companies, joint ventures and non-consolidated subsidiaries.

In the first nine months of 2017, services to the value of €4.3 million were performed by related companies and persons, and services to the value of €9.1 million were received by them.

Furthermore, as at the reporting date, the sums outstanding in relation to dealings with related parties amounted to €1.0 million for receivables and €1.3 million for liabilities and other obligations.

The contractually agreed future capital contributions to KBee AG are to be made depending on the achievement of certain milestones and amount to a further €1.3 million. There are currently significant differences in opinion between the parties regarding the interpretation of certain components of the contract in respect of the stage of development and series maturity of the robot developed by KBee AG and the arrangements for further collaboration, including the associated company and licensing agreements.

Takeover of KUKA by Midea Group

On June 16, 2016, MECCA International (BVI) Limited, Tortola/British Virgin Islands, an indirect wholly-owned subsidiary of Midea Group Co. Ltd. (Midea) published the bid document for the public tender offer for KUKA Aktiengesellschaft (KUKA). The takeover bid was made in the form of a cash offer of €115.0 per KUKA share and was addressed to all KUKA shareholders.

At the end of June 2016, based on the fairness opinion, the Executive Board recommended that KUKA shareholders accept the offer. KUKA shareholders were able to offer their shares to Midea up to August 3, 2016 during a grace period (due to the 30% minimum acceptance threshold being exceeded).

After the grace period expired, the stake held by Midea Group Co. Ltd., Foshan City, Guangdong Province/China in KUKA amounted to 94.55% taking into account the tendered shares.

Completion of the takeover was subsequently dependent on antitrust and regulatory authorizations in the various countries in which KUKA operates. Following the sale of the Aerospace operating division in mid-December 2016, the final outstanding condition was met in order to fulfill the security-related requirements of the US authorities CFIUS (Committee on Foreign Investment in the United States) and DDTC (Directorate of Defense Trade Controls). The takeover of KUKA Aktiengesellschaft by MECCA International (BVI) Limited was approved by the aforementioned US authorities on December 29, 2016.

All the closing conditions of the takeover bid of June 16, 2016 were therefore met and the takeover bid was finally settled effective January 6, 2017.

For further details, please refer to the company's 2016 annual report.

Changes to the Supervisory Board

The following persons were elected by a large majority of the shareholders as new members of the Supervisory Board at this year's Annual General Meeting held on May 31, 2017:

- Dr. Yanmin (Andy) Gu
- Mr. Honbo (Paul) Fang
- Ms. Min (Francoise) Liu
- Professor Dr. Michèle Morner
- Mr. Alexander Liong Hauw Tan
- Professor Dr. Henning Kagermann

In addition, Mr. Michael Leppek, Mr. Wilfried Eberhardt, Mr. Siegfried Greulich, Mr. Armin Kolb, Dr. Constanze Kurz and Ms. Carola Leitmeir continue to be members of the KUKA AG Supervisory Board.

Events of material importance after the end of the reporting period

From the balance sheet date to the date of this report there have been no events subject to reporting requirements that had an impact on the financial position and performance of the company.

Augsburg, October 27, 2017
The Executive Board

Dr. Till Reuter Peter Mohnen

Financial calendar 2018

Financial results press conference	March 22, 2018
Interim update for the first quarter	April 27, 2018
Annual General Meeting	June 6, 2018
Interim report for the first half-year	August 7, 2018
Interim update for the first nine months	October 29, 2018

This quarterly report was published on October 27, 2017, and is available in German and English from KUKA Aktiengesellschaft Corporate Communications/Investor Relations department. In the event of doubt, the German version applies.

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