KUKA


INTERIM REPORT

# Q1/14

# Q1/14 DEVELOPMENTS

- **Group consolidated orders received** rise 27.4 percent to € 615.2 million overall
  - Orders received by newly acquired companies reported at € 39.6 million
- **Sales revenues** up 6.1 percent from the year prior to € 462.5 million
- **EBIT margin** posted at 5.9 percent, below last year due to integration and restructuring of Reis Group
- **Earnings after taxes** come in at € 12.2 million
- **Free cash flow** up despite significantly higher capital expenditures, rising from € 15.5 million in Q1/13 to € 22.0 million in Q1/14
- **2014 guidance** confirmed: sales revenues expected to reach € 1.9 – € 2.0 billion and EBIT margin about 6.0 percent

# KEY FIGURES

| in € millions | Q1 / 13 | Q1 / 14 | Change |
|---|---|---|---|
| Orders received | 482.7 | 615.2 | 27.4% |
| Order backlog (03/31) | 947.2 | 1,186.7 | 25.3% |
| Sales revenues | 436.0 | 462.5 | 6.1% |
| Gross profit | 105.4 | 108.0 | 2.5% |
| in % of sales revenues | 24.2% | 23.4% | – |
| Earnings before interest and taxes (EBIT) | 28.4 | 27.1 | -4.6% |
| in % of sales revenues | 6.5% | 5.9% | – |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 36.2 | 37.3 | 3.0% |
| in % of sales revenues | 8.3% | 8.1% | – |
| Net result | 14.5 | 12.2 | -15.9% |
| Earnings per share in € | 0.43 | 0.36 | -16.3% |
| Capital expenditure | 9.0 | 14.1 | 56.7% |
| Equity ratio in % (03/31) | 25.4% | 26.0% | – |
| Net liquidity (03/31) | 62.5 | 150.1 | >100% |
| Employees (03/31) | 7,240 | 9,392 | 29.7% |

# FOREWORD

## DEAR SHAREHOLDERS,

KUKA reported orders received of € 615.2 million in the first quarter of 2014, 27 percent higher than at the same time last year. Sales revenues were also higher, rising 6 percent to € 462.5 million. It was a good start for a new year that brings unique challenges and will move us forward. The first few months have already been very eventful.

In March, we celebrated the inauguration of our new factory in Shanghai, together with customers, partners and employees. The event was a highlight for customers and employees right at the start of the year. KUKA has a good foothold in the Chinese market and is systematically expanding its activities.

We have about 350 employees at the site, and this year we aim to build about 3,000 robots in China. This will not only better align us with the needs of our customers, but also permanently strengthen our presence throughout Asia.

The acquisition of Reis Group, which has approximately 200 employees in China, will help with this. But Reis is also an outstanding match for KUKA in other ways. The company is located around the world. Reis is a systems integrator and is successful in many general industry sectors, such as laser processing and in foundries.

**The aviation industry is currently experiencing a strong automation boost.**
Alema Automation SAS, recently acquired by KUKA, is an important supplier of application solutions to the aviation industry and has specialized applications expertise in the field of automated drilling and riveting of aircraft components. This is a good fit for KUKA and the expertise it has developed in the area of plant assembly and using robots for the aviation industry. KUKA has been particularly successful in North America, where the company is now an established supplier of turnkey automation solutions.

So the KUKA team is becoming increasingly international. KUKA is evolving into a global automation company. The basis of our success is at our home location, Augsburg. Here too, we are investing as we pool our capabilities and capacities at our new development and technology center.

The cornerstone for the new building was placed by, what else, LBR iiwa. It was the world’s first cornerstone laid by a human-robot-collaboration. The new building is scheduled to be completed by the second half of 2015. This will give employees in Augsburg more space to continue to be creative, performance-oriented and motivated. Because as diverse as our global markets may be, one principle never changes: It all depends on employees.

Sincerely,

Till Reuter

# KUKA AND THE CAPITAL MARKET

## KUKA SHARES ROSE 4.3 PERCENT IN THE FIRST QUARTER OF 2014

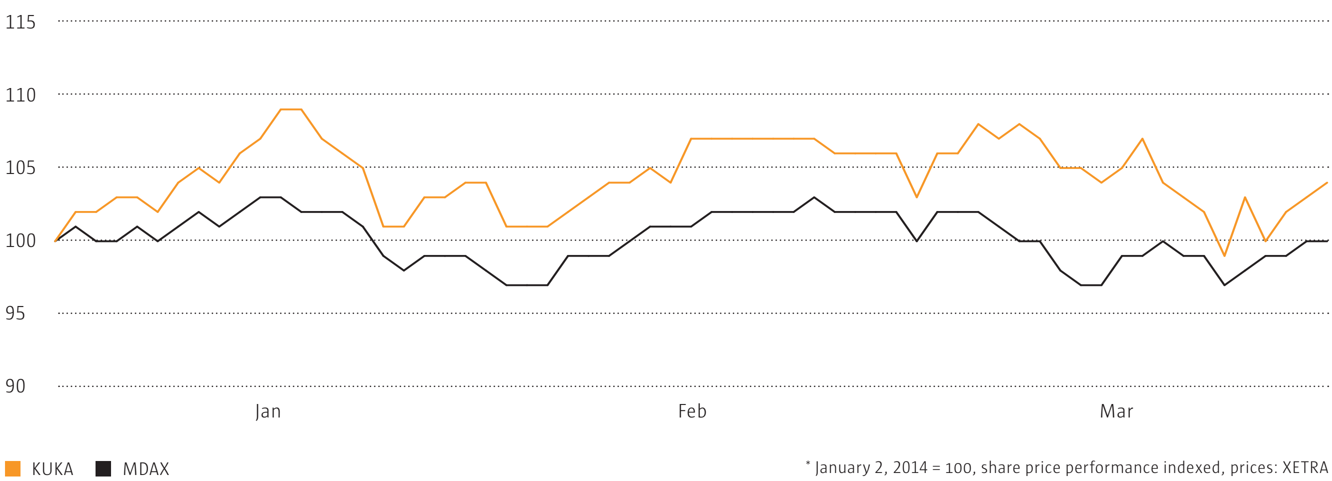
Overall, stock markets trended sideways last quarter, although sometimes with significant fluctuations. The accelerating growth of the world economy and continued low interest rates had a positive impact on investor sentiment. Still, the events in the Ukraine and currency rate fluctuations in a number of the emerging nations increased the volatility of the stock markets.

At the end of the first quarter, the DAX was almost unchanged at 9,556. The MDAX on the other hand closed at 16,462 on March 31, 2014, down 0.7 percent from its starting level of 16,574. KUKA shares outperformed the MDAX. They rose from € 34.04 to € 35.52, up 4.3 percent. The shares reached a high of € 37.10 on January 17, 2014. Excellent market prospects for robot-based automation and the excellent 2013 performance numbers spurred the share price. The price change of shares of comparable companies in the mechanical engineering and automotive industry supplier segment during the same period ranged between -14 percent and +14 percent.

## MORE INVESTORS HOLD OVER 3 PERCENT OF TOTAL SHARE CAPITAL

The free float of KUKA's shares at the end of the first quarter of 2014 was 52.8 percent of total share capital. Investors holding over 3 percent of total share capital were: Grenzebach Group, Asbach-Bäumenheim at 19.8%, Oppenheim Asset Management Services S.a.r.l. at 5.2%, BlackRock Group at 5.0%, AXA S.A. at 5.0%, Franklin Templeton Investment Fund at 3.1%, Bank of America Group at 3.1%, Franklin Mutual Advisors LLC at 3.0% and SWOCTEM GmbH at 3.0%.

KUKA'S SHARE PRICE PERFORMANCE JANUARY 1 TO MARCH 31, 2014*




* January 2, 2014 = 100, share price performance indexed, prices: XETRA

# CONSOLIDATED MANAGEMENT REPORT

## ECONOMIC ENVIRONMENT

### World economy continues to recover

The International Monetary Fund (IMF) is expecting the world's economy to expand 3.6 percent this year, compared to 3.0 percent in 2013. The United States in particular is expected to expand, with growth forecast at 2.8 percent. But the eurozone is also expected to grow in 2014, by 1.2 percent. The industrial nations are thus slowly catching up to the high-growth emerging nations. But the IMF warns that Europe should not postpone carrying out the necessary reforms in spite of the positive signs. The IMF slightly reduced its forecast for the emerging nations. It says growth in the emerging nations faces the risk of the gradual tapering of the US Federal Reserve's quantitative easing policy and increased risk aversion by capital market players investing in these countries. The IMF expects strong growth in China and confirmed its forecast of 7.5 percent for this year.

The German economy is expected to grow 1.7 percent in 2014. Lower unemployment and rising common market demand will have a positive impact according to the IMF. The ifo (German Institute for Economic Research) business survey index reached 109.5 in December 2013, the highest it has been since spring 2011. In February 2014, it was 111.3, and at the end of March, it had declined to 110.7. Business sentiment in Germany continues to be very positive and the surveyed companies assess their current business situation as satisfactory.

### Demand for cars

#### Demand for cars rising in Europe, the United States and China

Car sales started rising again in the first quarter of 2014 compared to last year. Sales in Europe were up 8.1 percent during this period. In March alone, sales numbers in Germany were up 5 percent, in France 8 percent and in Great Britain 18 percent. Particularly pleasing were the growth rates in the southern European countries, with Spain reporting 10 percent growth, Italy 5 percent and Portugal as high as 47 percent. In the United States, the number of cars sold rose 1.3 percent. While the numbers were still down in January and February, new car registrations rose almost 6 percent in March. The Chinese market was up another 14 percent compared to last year. This brings the number of cars sold in China alone to 4.5 million.

In contrast, markets in some of the emerging nations retreated, with Brazil reporting -1.7 percent, India -6.9 percent and Russia -2.3 percent growth.

### Robotics and automation

#### Record sales numbers in 2013

In 2013, more robots were sold than ever before according to the International Federation of Robotics (IFR). Robot sales reached 168,000, 5 percent more than the year prior. In the Americas, robot sales rose due to a general increase in industrial manufacturing. But the high demand also positively impacted growth in Asia, especially in China and South Korea. In Europe, demand accelerated in the last quarter of 2013 and was able to fully catch up and compensate for the weak start to the year.

## BUSINESS PERFORMANCE

### Orders received

#### KUKA Group

The strong demand for robots, as well as systems and automation solutions for industrial manufacturing processes continued in the first quarter of 2014. KUKA Group reported overall consolidated orders received of € 615.2 million in the first quarter of 2014, 27.4 percent above the € 482.7 million generated in Q1/13. Here KUKA benefited from the first-time consolidation of the newly acquired companies Reis Group and Alema, which contributed orders received of € 39.6 million in the first quarter.

## KUKA Robotics

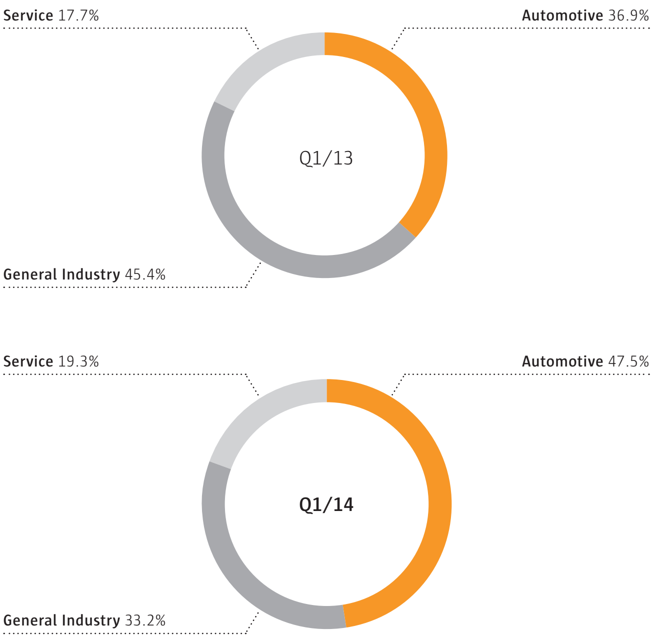
The Robotics division was again able to generate very high orders received in the first quarter of 2014, significantly above the € 200 million threshold. Robotics' total orders received came in at € 235.6 million, the second-highest ever generated in a single quarter. Strong demand from the automotive segment and from China were among the main drivers of this growth. Orders received were 0.9 percent higher than in the first quarter of 2013.

Orders received from the automotive segment for the quarter just ended were reported at € 111.9 million. This number was supported by orders from Daimler and Volkswagen Group. The increase over last year's number was 29.7 percent. Last year, the general industry segment benefited from a major medical systems order received in the first quarter of 2013 that will run for several years. Last quarter, general industry orders came in at € 78.2 million, which compares to € 106.0 million during the same period last year.

The strong demand for industrial robots also boosted the service business unit, which was able to book orders received totaling € 45.5 million in the first quarter of 2014, compared to € 41.3 million in Q1 2013.

In the first quarter of 2014, the service business unit's share of total orders received was 19.3 percent, almost the same as the 17.7 percent reported in Q1/13, while general industry's share went from 45.4 percent to 33.2 percent during the same period and automotive's rose from 36.9 to 47.5 percent.

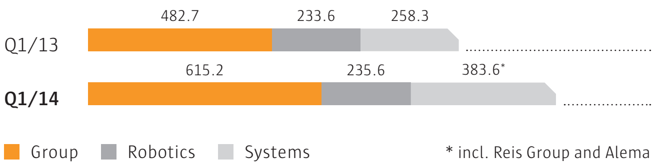
ORDERS RECEIVED BY SEGMENT
IN % OF TOTAL




## KUKA Systems

The Systems division's orders in the first quarter of 2014 came in at € 383.6 million, including € 39.6 million from newly acquired companies. This is 48.5 percent higher than the € 258.3 million recorded in Q1/13. Systems' own orders received were about € 344.0 million, 33.2 percent higher than in the same quarter last year and almost the same as the record achieved in the first quarter of 2012. Last quarter's growth was driven in part by the strong demand from automotive, with several large orders received from Ford and VW Group. Systems' solutions and assembly lines were also in demand, especially from China and the aviation industry.

ORDERS RECEIVED KUKA GROUP, ROBOTICS, SYSTEMS
IN € MILLIONS




# Sales revenues

## KUKA Group

KUKA Group's consolidated sales revenues in the first quarter of 2014 totaled € 462.5 million. KUKA benefited from high orders received from fiscal 2013, which could now be converted to sales. Sales were up 6.1 percent from the € 436.0 million reported in the first quarter of 2013. The newly acquired Reis Group and Alema companies generated sales of € 26.7 million in the quarter just ended.

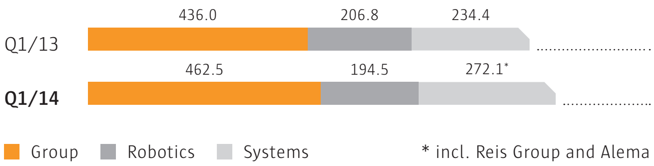
## KUKA Robotics

The Robotics division's sales revenues in the first quarter of 2014 were slightly higher than the average quarterly results of the two prior years. Invoices for robots and services totaled € 194.5 million in the first quarter of 2014. This is 5.9 percent less than the € 206.8 million invoiced in Q1/13, the best quarter in the history of the Robotics division. The result was driven mainly by the automotive segment, which benefited last year from a large number of frame contracts. General industry sales revenues were up year-over-year.

## KUKA Systems

The division's sales revenues were reported at € 272.1 million, which compares to € 234.4 million in Q1/13. Systems benefited from high orders received in prior quarters and had very high capacity utilization, roughly the same as in previous quarters. The first-quarter sales revenues include € 26.7 million from the newly acquired companies.

SALES REVENUES KUKA GROUP, ROBOTICS, SYSTEMS
IN € MILLIONS




## Book-to-bill ratio and order backlog

### KUKA Group

The book-to-bill ratio in the quarter just ended benefited from high orders received and came in at 1.33. It was 1.11 in Q1/13.

Because orders received exceeded sales revenues during the quarter, the Group's order backlog rose and reached € 1,186.7 million as of March 31, 2014. This is almost € 240 million higher than the € 947.2 million recorded on March 31, 2013. and 19.7 percent higher than the € 991.6 million posted on December 31, 2013. The order backlog includes orders on hand from newly consolidated companies, which totaled € 62.8 million as of the record date.

### KUKA Robotics

The Robotics division's book-to-bill ratio in the first quarter was 1.21, which compares to 1.13 in the first quarter of 2013. Robotics' order backlog, excluding frame contracts, especially from automotive, was reported at € 317.4 million as of March 31, 2014, up 16.9 percent from the € 271.4 million logged on March 31, 2013 and 13.1 percent higher than the year-end number of € 280.7 million reported on December 31, 2013.

### KUKA Systems

Systems' book-to-bill ratio for the first quarter was 1.41. This is significantly higher than the 1.10 the division achieved in the same quarter last year. Adjusted for the newly acquired companies, the book-to-bill ratio was 1.40 in the first quarter of 2014.

Systems' order backlog as of March 31, 2014 was reported at € 872.7 million, of which € 62.8 million is attributable to the newly acquired companies. On March 31, 2013, the number was € 685.3 million.

ORDER BACKLOG KUKA GROUP
IN € MILLIONS


## EBIT

### KUKA Group

KUKA Group generated earnings before interest and taxes (EBIT) of € 27.1 million in the first quarter of 2014, versus € 28.4 million in Q1/13. EBIT margin was 5.9 percent, down from 6.5 percent in Q1/13. Although the operations' organic growth was excellent, additional costs, especially due to the integration of Reis Group, weighed on profits in the quarter just ended.

### Robotics

Despite significantly higher research and development expenditures and an increase in the number of employees in China and the assembly facilities in Augsburg and Hungary, Robotics' EBIT only declined from € 21.0 million in Q1/13 to € 19.4 million in Q1/14. General industry business growth had a positive impact. Its share of total sales grew in the quarter just ended. EBIT margin went from 10.2 percent in the first quarter 2013 to 10.0 percent in the first quarter of 2014.

### Systems

In the first quarter of 2014, Systems' EBIT was € 11.8 million, the same as in Q1/13. The result was driven primarily by the very strong organic growth in the Systems division's business in the quarter just ended. However, the costs of integrating the newly acquired Reis Group had a dampening effect. EBIT margin declined accordingly; from 5.0 percent in Q1/13 to 4.3 percent.

## Performance of the divisions

### ROBOTICS, KEY FIGURES

| in € millions | Q1/13 | Q1/14 | Change |
|---|---|---|---|
| Orders received | 233.6 | 235.6 | 0.9% |
| Order backlog (03/31) | 271.4 | 317.4 | 16.9% |
| Sales revenues | 206.8 | 194.5 | -5.9% |
| Gross profit | 68.6 | 68.1 | -0.7% |
| in % of sales revenues | 33.2% | 35.0% | – |
| Earnings before interest and taxes (EBIT) | 21.0 | 19.4 | -7.6% |
| in % of sales revenues | 10.2% | 10.0% | – |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 26.0 | 24.3 | -6.5% |
| in % of sales revenues | 12.6% | 12.5% | – |
| Employees (03/31) | 3,180 | 3,501 | 10.1% |

### SYSTEMS, KEY FIGURES

| in € millions | Q1/13 | Q1/14 | Change |
|---|---|---|---|
| Orders received | 258.3 | 383.6 | 48.5% |
| Order backlog (03/31) | 685.3 | 872.7 | 27.3% |
| Sales revenues | 234.4 | 272.1 | 16.1% |
| Gross profit | 31.9 | 39.8 | 24.8% |
| in % of sales revenues | 13.6% | 14.6% | – |
| Earnings before interest and taxes (EBIT) | 11.8 | 11.8 | 0.0% |
| in % of sales revenues | 5.0% | 4.3% | – |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 14.0 | 16.4 | 17.1% |
| in % of sales revenues | 6.0% | 6.0% | – |
| Employees (03/31) | 3,877 | 5,668 | 46.2% |

# EARNINGS, FINANCIAL AND ASSETS SITUATION

## Earnings

Sales continued to grow in the first quarter of 2014. KUKA Group's consolidated sales of € 462.5 million for the quarter just ended surpassed the strong fourth-quarter 2013 results of € 446.9 million. The number is also a substantial 6.1 percent higher than the € 436.0 million reported for the first quarter of 2013. The € 26.7 million inherited in the first quarter from Obernburg-based Reis Group and Alema Automation SAS, based in Bordeaux France, contributed to this result. Group consolidated orders received were reported at € 615.2 million, of which € 39.6 million was due to acquisitions. The number was also significantly higher than the € 482.7 million generated the year prior. Gross earnings from sales remained strong at € 108.0 million, almost the same level as the € 105.4 million reported in Q1/2013. Consolidated gross margin on the other hand went from 24.2 percent in the first quarter of 2013 to 23.4 percent in the first quarter of 2014. Adjusted for the impact of Reis Group's weaker margins, gross margin was almost the same as last year at 24.1 percent.

Overhead costs (sales, research and development and administration) totaled € 78.6 million versus € 69.3 million in Q1/13. Overhead costs were 17.0 percent of sales, higher than last year's 15.9 percent. The ratio of cost of sales to actual sales was 0.7 percent higher, mainly because of the acquisition of Reis Group. Although sales costs have remained constant in absolute terms, Reis Group's sales since the second half of 2013 and also in the first quarter of 2014 have been significantly lower than the long-term average. This is due to the reluctance of customers to purchase from Reis Group given its business situation, plus an initial uncertainty associated with the acquisition by KUKA Aktiengesellschaft. However, demand growth since March indicates that this situation has now been overcome and that KUKA is seen as a strong, reliable partner for Reis Group.

The expenditures for research and development reported in the income statement were € 15.0 million for the first quarter of 2014, sharply higher than the € 12.3 million posted in Q1/13. When these expenditures are adjusted for the capitalized development costs of the first three months and the depreciation of development costs capitalized in previous years, the increase is an even greater € 4.0 million, or € 11.9 million to € 15.9 million. This reflects the Group's ongoing strategic focus on systematically boosting investment budgets for developments and new, trendsetting technologies, including among other things the following:

- KUKA Sunrise control software
- developments in the field of human machine collaboration based on LBR iiwa
- mobile robotics applications
- arc welding applications
- new friction welding processes

For further details about current development projects, please refer to page 12 (research and development) and the company's 2013 annual report. The research and development department hired additional staff as per the budget in order to speed up progress on the many projects. The department had 405 employees as of March 31, 2014, 45 more than on December 31, 2013 and 75 more than on March 31, 2013. As a result, R&D personnel expenses rose from € 2.0 million to € 9.9 million. The costs of € 3.2 (Q1/13: 2.6) million for new developments generated during the quarter were capitalized and will be reported as depreciation as per budget in subsequent financial statements. Current research and development expenditures include € 2.3 million in depreciation, versus

€ 3.0 million in Q1/13. In addition to its own development work, KUKA is intensifying its collaboration with other companies. For example, in February 2014, KUKA acquired a 45 percent share in the robot hardware, software and design specialist KBee AG, based in Munich, Germany. The company will be consolidated at equity in KUKA's consolidated statements. The result of companies consolidated at equity generated an expense of € 0.3 million in the first quarter of 2014.

Administration costs were 6.0 percent of sales, comparable to the 6.1 percent reported in Q1/13.

The net result of other operating expenses and income of € -2.7 million, which compares to € -8.9 million in Q1/13, was driven by currency exchange effects, especially related to the Japanese yen, Chinese yuan and US dollar, in addition to other factors.

Overall operating profit for the first three months of this year was € 26.4 million, which compares to € 27.2 million in Q1/13. Adjusted for financing charges of € 0.7 million included in operating profit, down from € 1.2 million in Q1/13, earnings before interest and taxes (EBIT) came in at € 27.1 million, down from € 28.4 million in Q1/13. EBIT margin for the first quarter of 2014 was 5.9 percent versus 6.5 percent during the same period last year.

| | Q1/13 | Q2/13 | Q3/13 | Q4/13 | Q1/14 |
|---|---|---|---|---|---|
| EBIT (in € millions) | 28.4 | 29.0 | 30.1 | 32.9 | 27.1 |
| EBIT margin (in %) | 6.5% | 6.6% | 6.6% | 7.4% | 5.9% |

The decline in EBIT margin is mainly due to the integration of Reis Group, as already indicated. This effect appears exclusively in the Systems segment, where EBIT margin went from 5.0 percent in Q1/13 to 4.3 percent. Adjusted for the acquisition-related impact, the Systems division's EBIT margin was quite high. Robotics' EBIT margin was 10.0 percent, roughly the same as the 10.2 percent generated in Q1/13. Steps to improve the earnings situation at Reis Group were already identified at the acquisition stage. These were further detailed in the first quarter of 2014 and the programs are currently being implemented. Some early successes, such as the increase in monthly orders received and improved collaboration in product development, are already apparent, but overall have not yet had an impact on the quarterly results.

Unlike EBIT, EBITDA (earnings before interest, taxes, depreciation and amortization) rose year-over-year, going from € 36.2 million in the first quarter 2013 to € 37.3 million in the first quarter of 2014. This is due to higher depreciation numbers, especially for property plant and equipment. Total depreciation for the first quarter of 2013 was € 10.2 million, versus € 7.8 million in Q1/13. Of this total, € 4.9 million are attributable to Robotics (5.0 million in Q1/13), € 4.6 million to Systems (2.2 million in Q1/13), and € 0.7 million to other (0.6 million in Q1/13).

Net finance costs improved from € -4.1 million last year to € -3.6 million. Adjusted for one-time effects, finance costs went from € -4.1 million in Q1/13 to € -6.0 million

| in € millions | Q1/13 | Q1/14 |
|---|---|---|
| Interest income from finance lease | 1.7 | 1.5 |
| Remaining interest and similar income | 0.4 | 0.9 |
| **Other interest and similar income** | **2.1** | **2.4** |
| Interest component for allocations to pension provisions | 0.6 | 0.6 |
| Guarantee commission | 0.3 | 0.2 |
| Interest expense for the convertible bond | 0.4 | 1.7 |
| Interest expense for the corporate bond | 4.7 | 3.6 |
| Financing costs reclassified to operating results | -1.2 | -0.7 |
| Remaining interest and similar expenses | 1.4 | 0.6 |
| **Current other interest and similar expenses** | **6.2** | **6.0** |
| **Current financial result** | **-4.1** | **-3.6** |
| Interest expense from the repurchase of corporate bond shares | – | 2.4 |
| **Financial result** | **-4.1** | **-6.0** |

Interest income was € 2.4 million, up from € 2.1 million in Q1/13. This includes mainly income in connection with the finance lease and income from short-term investments.

The net interest item includes € 1.7 million for interest on the convertible bond valued at € 150.0 million placed in February and July 2013 in two tranches. In Q1/13, this number was € 0.4 million. The ongoing interest payments for the bond issued in November 2010 were reduced to € 3.6 million because of last year's repurchase of € 4.7 million worth of bonds. Bonds valued at a further nominal € 19.0 million were repurchased in the first quarter of 2014. The difference between the repurchase price and the book value resulted in a € 2.4 million charge against net interest income. Accounting-related reclassification of financing charges into operating profit had a positive impact on the net interest result; in Q1/14 it came in at € 0.7 million versus € 1.2 million in Q1/13. The net interest expense for pensions was € 0.6 million, the same as in Q1/13.

Earnings before taxes (EBT) in the first three months of 2014 totaled € 20.4 million. This compares to € 23.1 million in Q1/13. Taxes paid in Q1/14 totaled € 8.2 million, versus € 8.6 million in Q1/13. The tax rate for the quarter just ended is thus 40.2 percent, compared to 37.2 percent in Q1/13.

KUKA Group's earnings after taxes for Q1/14 declined to € 12.2 million from € 14.5 million in Q1/13. Earnings per share declined accordingly, going from € 0.43 in Q1/13 to € 0.36 in Q1/14.

### CONSOLIDATED INCOME STATEMENT (CONDENSED)

| in € millions | Q1/13 | Q1/14 |
|---|---|---|
| Sales revenues | 436.0 | 462.5 |
| EBIT | 28.4 | 27.1 |
| EBITDA | 36.2 | 37.3 |
| Financial results | -4.1 | -6.0 |
| Taxes on income | -8.6 | -8.2 |
| Net result | 14.5 | 12.2 |

## Financial position

The company's strong financial position is reflected in cash earnings, which consist of earnings after taxes adjusted for cash-neutral depreciation on fixed assets and intangible assets and other income and expenses not impacting cash. Cash earnings came in at € 32.6 million, 2.4 million higher than the comparable prior year's number of € 30.2 million.

Cash flow from operating activities was € 49.7 million, which compares to € 24.4 million in Q1/13. Changes in provisions of € 9.9 million and trade working capital contributed to this result, as shown in the following table:

| in € millions | 12/31/2013 | 12/31/2014 incl. acquisitions | 12/31/2014 without acquisitions |
|---|---|---|---|
| Inventories less advance payments | 133.9 | 166.7 | 139.3 |
| Trade receivables and receivables from construction contracts | 348.6 | 356.3 | 332.9 |
| Trade payables and liabilities from construction contracts | 304.4 | 305.8 | 287.8 |
| **Trade working capital** | **178.1** | **217.2** | **184.4** |

Overall, trade working capital (excluding acquisitions) rose from € 6.3 million to € 184.4 million.

The company invested € 14.1 million in the first three months of 2014 compared to € 9.0 million in Q1/13. Capital expenditures for property plant and equipment totaling € 9.6 million are mainly for technical systems and additional advance payments for the new development and technology center being built in Augsburg. Intangible asset investments totaled € 4.5 million, of which € 3.2 million was for internally generated intangible assets. The outflow resulting from the acquisition of companies and shares in companies totaled € 13.8 million. Income from asset retirement in Q1/14 was € 0.2 million versus € 0.1 million in Q1/13. Cash flow from investments was thus € -27.7 million compared to € -8.9 million in Q1/13.

The improved cash flow from operating activities plus cash flow from investment activities resulted in a free cash flow of € 22.0 million, which compares to € 15.5 million in Q1/13.

The cash flow from financing activities is dominated by the repurchase of parts of the corporate bond in the amount of nominally € 19.0 million, as well as the takeover of liabilities associated with the corporate acquisitions. Overall, cash flow from financing activities was € -38.6 million, which compares to € 57.2 million in Q1/13. During the first quarter of 2013, the first tranche of the convertible bond was issued, which resulted in a cash inflow of € 57.7 million.

KUKA Group had disposable funds for financing of € 428.3 million as of March 31, 2014, 34.3 percent more than the € 318.8 million reported at the end of Q1/13.

### CONSOLIDATED CASH FLOW STATEMENT (CONDENSED)

| in € millions | Q1/13 | Q1/14 |
|---|---|---|
| Cash Earnings | 30.2 | 32.6 |
| Cash flow from operating activities | 24.4 | 49.7 |
| Cash flow from investing activities | -8.9 | -27.7 |
| Free Cash flow | 15.5 | 22.0 |

## Net worth

Non-current assets rose from the € 327.7 million reported on December 31, 2013 to € 397.9 million. This sharp increase is mainly due to the acquisitions in the first quarter of 2014. KUKA acquired intangible assets, especially expertise and technology valued at € 17.5 million. The amount reported for the first time for goodwill was € 9.6 million. Fixed assets valued at € 31.6 million were recognized for the first time. A large portion of this is attributable to local and foreign properties owned by Reis Group. Financial assets include € 5.4 million for the shares purchased in Munich-based KBee AG. Deferred tax assets totaled € 26.7 million, which compares to € 25.6 billion on December 31, 2013. Of this amount, € 15.1 million is for loss carry forwards. Here the comparable number for December 31, 2013 is € 14.7 million.

Current assets at March 31, 2014 were €1,103.8 million, versus €1,049.4 million on December 31, 2013. The increase of 5.2 percent is primarily due to higher inventories, which rose by €42.8 million due to the acquisitions. Further information hereto is outlined in the "Financial position" section.

As of the record date, KUKA Group's balance sheet total rose from €1,377.1 million on December 31, 2013 to €1,501.7 million, up 9.0 percent.

Equity increased from €379.1 million to €390.7 million in the first quarter of 2014, driven mainly by the earnings after taxes of €12.2 million. The equity ratio; that is, equity over total assets, fell to 26.0 percent from 27.5 percent at the close of fiscal 2013 as a result of the higher total assets.

Financial debt consists mainly of the corporate bond maturing in November 2017 (total nominal amount outstanding: €140.4 million) and the convertible bond maturing in February 2018 (total nominal amount: €150.0 million). The corporate bond will be repurchased on May 15, 2014 in accordance with the documented rules for high yield bonds.

Current liabilities rose from €597.3 million on December 31, 2013 to €719.7 million as of March 31, 2014. In addition to the aforementioned change in trade working capital, these were due especially to the increase of €63.3 million in other liabilities and accruals and the increase in other provisions of €27.7 million. The increase in other liabilities is mainly due to the recognition of liabilities for the contingent purchase price payment for Reis Group and seasonal higher liabilities in the personnel area, such as accruals for vacation. The increase in other provisions is due to higher provisions for outstanding order costs and the consolidation of the Reis Group.

KUKA Group's net liquidity of €146.5 million as of December 31, 2013, consisting of liquid assets minus current and non-current financial liabilities, has thus risen slightly to €150.1 million.

### GROUP NET WORTH

| in € millions | 12/31/2013 | 03/31/2014 |
|---|---|---|
| Total assets | 1,377.1 | 1,501.7 |
| Equity | 379.1 | 390.7 |
| in % of total assets | 27.5% | 26.0% |
| Net liquidity | 146.5 | 150.1 |

# RESEARCH AND DEVELOPMENT

In the first quarter of 2014, KUKA group spent €15.0 million on research and development, compared to €12.3 million in Q1/13. This spending was considerably higher than during the same period last year.

R&D expenses are attributable almost exclusively to the Robotics division. Systems conducts most of its R&D in conjunction with customer projects.

In the first quarter of 2014, KUKA focused primarily on improving efficiencies, improving its existing product portfolio, developing new robotic applications and further developing ways to enhance human-robot-collaboration using the LBR iiwa and the Sunrise controller. At this year's AUTOMATICA trade show, the company plans to showcase quite a few applications in which the lightweight robot operates without protective barriers.

## KR FORTEC added to the heavy payload end of the robot portfolio

### KUKA's new heavy payload robot series

KUKA Robotics expanded its product portfolio with the addition of a new heavy payload series. The new robots are suitable for payloads from 360 to 600 kg and close the gap between the existing product line and KUKA's KR1000 titan. The payload range that KUKA is able to offer after developing the KR FORTEC series is unique. None of its competitors is able to offer such a wide range. 25 types of robots cover payloads ranging from 360 to 600 kg with a reach of up to 3.326 mm. In addition to standard robots, KUKA offers types suitable for ceiling mounting, as well as for use with machine tools and in combination with foundries. The new KR FORTEC series together with the KR 1000 titan now form an end-to-end heavy payload portfolio.

## Products and solutions developed for sensitive lightweight robotics

### LBR iiwa lightweight robot and KUKA Sunrise controller

During the course of qualifying the LBR iiwa for series production, it was installed as a standard product at a number of automotive customers. Version 1.0 of KUKA's Sunrise control software was completed at the same time. In addition, the LBR iiwa's sensitivity was further improved.

### Market introduction of LBR iiwa continues

KUKA Systems' Advanced Technology Solutions business unit has also invested heavily in developing applications for the lightweight LBR iiwa robot leading up to the AUTOMATICA trade show. New applications without protective fences will be presented to the general public for the first time during AUTOMATICA, which will be held in Munich at the beginning of June 2014.

### LWR TechCenter established

The LBR TechCenter was established organizationally within KUKA Group in order to further accelerate the development of applications in which human-robot-collaboration. The new unit has already set up some new applications. Other applications that demonstrate the potential of LBR iiwa in the field of human-robot-collaboration will now be installed step-by-step. They will also be used as demonstration units for potential customers.

### New "Genius" friction welding machine developed

KUKA systems completed the design of the new "Genius" friction welding machine during the first quarter. The first prototype is currently being built. Startup is planned for the next quarter.

## EMPLOYEES

The number of people employed by KUKA Group rose 29.7 percent in the first quarter of 2014. The total went from 7,240 to 9,392. The increase is primarily due to the acquisitions since last year. The Robotics division's headcount went from 3,180 in 3,501, an increase of 10.1 percent. The new employees were hired primarily for the general industry business, service and research and development. The employees added because of the acquired companies are allocated to the Systems division. The number of people employed worldwide was up about 46.2 percent, rising from 3,877 to 5,668. Excluding the changes due to the newly acquired companies Reis and Alema, the increase at Systems was 13.7 percent and the final total 4,408. The number of temporary workers at the Group level rose slightly, from 1,337 to 1,477. The other non-operations departments had 233 employees versus 183 last year.

KUKA GROUP EMPLOYEES


## RISKS AND OPPORTUNITIES

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.

Please refer also to of the detailed report on pages 106 and following of the 2013 annual report.

## OUTLOOK

Given the current economic forecasts from the IMF, KUKA expects increased demand in fiscal 2014, particularly from North America and Asia, especially from China. Overall, current economic trends should have a positive impact on earnings. From a sector perspective, general industry growth is expected to be strong. This is due in part to the high potential for automation solutions, as well as the positive economic prospects for general industry customers. Automotive customers invested heavily over the past few years. These high levels of spending are not expected to be repeated in 2014. Investments by this sector are therefore expected to decline slightly compared to last year.

Based on current general conditions, KUKA expects sales revenues between € 1.9 and 2.0 billion, up from last year. The newly acquired Reis Group will contribute to the sales revenues growth. Based on the current economic general conditions, KUKA Group is expecting an EBIT margin of about 6.0 percent for fiscal 2014. The main reason it is expected to be lower than last year is because of the first-time consolidation of Reis Group. We expect a one-time charge from the integration and planned restructuring of Reis.

# INTERIM REPORT (CONDENSED)

## GROUP CONSOLIDATED INCOME STATEMENT (CUMULATIVE)

of KUKA Aktiengesellschaft for the period January 1 – March 31, 2014

| in € millions | Q1/13 | Q1/14 |
|---|---|---|
| **Sales revenues** | 436.0 | 462.5 |
| Cost of sales | -330.6 | -354.5 |
| **Gross profit** | **105.4** | **108.0** |
| Selling expenses | -30.6 | -35.7 |
| Research and development expenses | -12.3 | -15.0 |
| General and administrative expenses | -26.4 | -27.9 |
| Other operating income | 11.7 | 11.1 |
| Other operating expenses | -20.6 | -13.8 |
| Ergebnis aus at-Equity bewerteten Unternehmen | – | -0.3 |
| **Result from operating activities** | **27.2** | **26.4** |
| **Reconciliation to earnings before interest and taxes (EBIT)** | | |
| Financing costs included in cost of sales | 1.2 | 0.7 |
| **Earnings before interest and taxes (EBIT)** | **28.4** | **27.1** |
| Net interest income | 2.1 | 2.4 |
| Net interest expense | -6.2 | -8.4 |
| **Financial results** | **-4.1** | **-6.0** |
| **Earnings before tax** | **23.1** | **20.4** |
| Taxes on income | -8.6 | -8.2 |
| **Net result** | **14.5** | **12.2** |
| thereof minority interests in profits | 0.0 | 0.0 |
| thereof shareholders of KUKA AG | 14.5 | 12.2 |
| **Earnings per share (diluted/undiluted) in €** | **0.43** | **0.36** |

## INTERIM FINANCIAL STATEMENTS (CUMULATIVE)

of KUKA Aktiengesellschaft for the period January 1 – March 31, 2014

| in € millions | Q1/13 | Q1/14 |
|---|---|---|
| Earnings after taxes | 14.5 | 12.2 |
| **Items that may potentially be reclassified to profit or loss** | | |
| Translation adjustments | 1.7 | -1.1 |
| **Items that are not reclassified to profit or loss** | | |
| Changes in the share of net assets of investments in associates | – | 3.2 |
| Changes of actuarial gains and losses | 0.5 | -3.5 |
| Deferred taxes on changes of acturial gains and losses | -0.2 | 0.8 |
| **Changes recognized directly in equity** | **2.0** | **-0.6** |
| **Comprehensive income** | **16.5** | **11.6** |
| of which: attributable to minority interests | 0.0 | 0.0 |
| of which: attributable to shareholders of KUKA AG | 16.5 | 11.6 |

# CONSOLIDATED CASH FLOW STATEMENT

of KUKA Aktiengesellschaft for the period January 1 – March 31, 2014

| in € millions | Q1/13 | Q1/14 |
|---|---|---|
| **Net result** | 14.5 | 12.2 |
| Depreciation/amortization on intangible assets | 3.6 | 3.8 |
| Depreciation/amortization on tangible assets | 4.2 | 6.5 |
| Other non-payment-related income | -1.0 | -0.7 |
| Other non-payment-related expenses | 8.9 | 10.8 |
| **Cash Earnings** | **30.2** | **32.6** |
| Result on the disposal of assets | 0.0 | 0.0 |
| Changes in provisions | -1.9 | 9.9 |
| Changes in current assets and liabilities: | | |
| Changes in inventories | 5.8 | -15.8 |
| Changes in receivables and deferred charges | -54.9 | 17.6 |
| Changes in liabilities and deferred charges (without debts) | 45.2 | 5.4 |
| **Cash flow from operating activities** | **24.4** | **49.7** |
| Payments from disposals of fixed assets | 0.1 | 0.2 |
| Payments for capital expenditure on intangible assets | -3.4 | -4.5 |
| Payments for investments on tangible assets | -5.6 | -9.6 |
| Payments for investments in consolidated companies | – | -13.8 |
| **Cash flow from investing activities** | **-8.9** | **-27.7** |
| **Free cash flow** | **15.5** | **22.0** |
| Proceeds/payments from the issuance/repayment of bonds and liabilities similar to bonds | 57.7 | – |
| Proceeds from/payments for the acceptance/repayment of bank loans | – | -20.9 |
| Cash flow from financing activities | -0.5 | -17.7 |
| **Cashflow aus Finanzierungstätigkeit** | **57.2** | **-38.6** |
| **Payment-related change in cash and cash equivalents** | **72.7** | **-16.6** |
| Changes in cash and cash equivalents related to acquisitions | – | 4.3 |
| Exchange-rate-related and other changes in cash and cash equivalents | 1.8 | -0.5 |
| **Change in cash and cash equivalents** | **74.5** | **-12.8** |
| (of which net increase/decrease in restricted cash at the beginning of the period) | 0.0 | 5.1 |
| Cash and cash equivalents at the beginning of the period | 244.3 | 441.1 |
| (of which restricted cash at the beginning of the period) | 0.0 | 6.1 |
| **Cash and cash equivalents at the end of the period** | **318.8** | **428.3** |
| (of which restricted cash at the end of the period) | 0.0 | 11.2 |

# CONSOLIDATED BALANCE SHEET

of KUKA Aktiengesellschaft as of March 31, 2013

## ASSETS

| in € millions | 12/31/2013 | 03/31/2014 |
|---|---|---|
| Non-Current assets | | |
| **Fixed assets** | | |
| Intangible assets | 92.5 | 120.4 |
| Tangible assets | 133.6 | 167.5 |
| Financial investments | 0.2 | 5.8 |
| | **226.3** | **293.7** |
| **Long-term finance lease receivables** | **61.9** | **62.8** |
| **Long term tax receivables** | **4.8** | **4.9** |
| **Other long-term receivables and other assets** | **9.1** | **9.8** |
| **Deferred taxes** | **25.6** | **26.7** |
| | **327.7** | **397.9** |
| Current assets | | |
| **Inventories** | **186.2** | **244.2** |
| **Receivables and other assets** | | |
| Trade receivables | 167.5 | 141.8 |
| Receivables from construction contracts | 181.1 | 214.5 |
| Current finance lease receivables | 5.3 | 5.7 |
| Current tax receivables | 7.1 | 6.8 |
| Other assets and deferred charges | 61.1 | 62.5 |
| | **422.1** | **431.3** |
| | | |
| **Cash and cash equivalents** | **441.1** | **428.3** |
| | **1,049.4** | **1,103.8** |
| | | |
| | **1,377.1** | **1,501.7** |

## EQUITY AND LIABILITIES

| in € millions | 12/31/2013 | 03/31/2014 |
|---|---|---|
| **Equity** | | |
| Subscribed capital | 88.2 | 88.2 |
| Capital reserve | 94.5 | 94.5 |
| Revenue reserves | 195.1 | 206.7 |
| Minority interests | 1.3 | 1.3 |
| | **379.1** | **390.7** |
| **Non-current liabilities** | | |
| Non-current financial liabilities | 288.1 | 270.8 |
| Other non-current liabilities | 14.7 | 16.0 |
| Pensions and similiar obligations | 73.4 | 77.7 |
| Deferred taxes | 24.5 | 26.8 |
| | **400.7** | **391.3** |
| **Current liabilities** | | |
| Current financial liabilities | 6.5 | 7.4 |
| Trade payables | 171.7 | 198.6 |
| Advances received | 52.3 | 77.5 |
| Liabilities from construction contracts | 132.7 | 107.2 |
| Accounts payable to affiliated companies | 0.1 | 0.1 |
| Provision for taxes | 7.1 | 11.0 |
| Other current liabilities and deferred income | 132.2 | 195.5 |
| Other provisions | 94.7 | 122.4 |
| | **597.3** | **719.7** |
| | **1,377.1** | **1,501.7** |

# CHANGES TO GROUP EQUITY

of KUKA Aktiengesellschaft for the period January 1 – March 31, 2014

| in € millions | Number of shares outstanding | Subscribed capital | Capital reserve | Revenues reserves: Translation gains/losses | Revenues reserves: Actuarial gains and losses | Revenues reserves: Assessment of associates | Revenues reserves: Annual net income and other revenue reserves | Equity to shareholders | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **01/01/2014** | **33,915,431** | **88.2** | **94.5** | **-2.2** | **-4.9** | **–** | **202.2** | **377.8** | **1.3** | **379.1** |
| Comprehensive income | | | | -1.1 | -2.7 | 3.2 | 12.2 | 11.6 | 0.0 | 11.6 |
| Other changes | | | | | | | | | | 0.0 |
| **03/31/2014** | **33,915,431** | **88.2** | **94.5** | **-3.3** | **-7.6** | **3.2** | **214.4** | **389.4** | **1.3** | **390.7** |

# CHANGES TO GROUP EQUITY

of KUKA Aktiengesellschaft for the period January 1 – March 31, 2013

| in € millions | Number of shares outstanding | Subscribed capital | Capital reserve | Revenues reserves: Translation gains/losses | Revenues reserves: Actuarial gains and losses | Revenues reserves: Assessment of associates | Revenues reserves: Annual net income and other revenue reserves | Equity to shareholders | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **01/01/2013** | **33,915,431** | **88.2** | **67.5** | **-0.1** | **-10.2** | **–** | **150.7** | **296.1** | **1.4** | **297.5** |
| Comprehensive income | | | | 1.7 | 0.3 | | 14.5 | 16.5 | 0.0 | 16.5 |
| Other changes | | | 7.6 | | 0.8 | | -0.2 | 8.2 | | 8.2 |
| **03/31/2013** | **33,915,431** | **88.2** | **75.1** | **1.6** | **-9.1** | **–** | **165.0** | **320.8** | **1.4** | **322.2** |

# NOTES ON THE QUARTERLY REPORT (CONDENSED)

## GROUP SEGMENT REPORT

of KUKA Aktiengesellschaft for the period January 1 – March 31, 2014

| | Robotics | | Systems | | KUKA AG and other companies | | Reconciliation and consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| in € millions | Q1/13 | Q1/14 | Q1/13 | Q1/14 | Q1/13 | Q1/14 | Q1/13 | Q1/14 | Q1/13 | Q1/14 |
| Orders received | 233.6 | 235.6 | 258.3 | 383.6 | – | – | -9.2 | -4.0 | 482.7 | 615.2 |
| Order backlog | 271.4 | 317.4 | 685.3 | 872.7 | – | – | -9.5 | -3.4 | 947.2 | 1,186.7 |
| Group external sales revenues | 202.5 | 191.1 | 233.6 | 271.4 | – | – | – | – | 436.0 | 462.5 |
| as a % of Group sales revenues | 46.4% | 41.3% | 53.6% | 58.7% | – | – | – | – | 100.0% | 100.0% |
| Intra-Group sales | 4.3 | 3.4 | 0.8 | 0.7 | – | – | -5.2 | -4.1 | – | – |
| **Sales revenue by division** | **206.8** | **194.5** | **234.4** | **272.1** | **–** | **–** | **-5.2** | **-4.1** | **436.0** | **462.5** |
| **Operating profit/loss** | **68.6** | **68.1** | **31.9** | **39.8** | **–** | **–** | **4.9** | **0.1** | **105.4** | **108.0** |
| as a % of sales revenues of the division | 33.2% | 35.0% | 13.6% | 14.6% | – | – | – | – | 24.2% | 23.4% |
| **EBIT** | **21.0** | **19.4** | **11.8** | **11.8** | **-5.0** | **-4.4** | **0.5** | **0.3** | **28.4** | **27.1** |
| as a % of sales revenues of the division | 10.2% | 10.0% | 5.0% | 4.3% | – | – | – | – | 6.5% | 5.9% |
| **EBITDA** | **26.0** | **24.3** | **14.0** | **16.4** | **-4.4** | **-3.7** | **0.6** | **0.3** | **36.2** | **37.3** |
| as a % of sales revenues of the division | 12.6% | 12.5% | 6.0% | 6.0% | – | – | – | – | 8.3% | 8.1% |
| Assets (03/31) | 350.6 | 349.0 | 494.5 | 646.0 | 232.6 | 230.0 | -172.1 | -175.0 | 905.6 | 1,050.0 |
| Employees (03/31) | 3,180 | 3,501 | 3,877 | 5,668 | 183 | 223 | – | – | 7,240 | 9,392 |

## IFRS/IAS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, prepared its interim financial statements for the period ending March 31, 2014 in line with the IAS 34 Interim Financial Reporting guidelines as adopted by the European Union. The company elected to prepare a condensed version in accordance with this standard. The condensed interim report should be read in conjunction with the Group's consolidated financial statements to December 31, 2013. Unless otherwise noted, numbers are reported in millions of euro.

The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards (IAS) as approved by the European Union. The IFRS designation includes the still 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 regulations applicable according to section 315a, clause 1 of the German Commercial Code (HGB), were also applied.

## Group of consolidated companies

In comparison to the end of last year, the acquired companies Reis Group (24 companies in total), based in Obernburg, Germany and Alema Automation SAS, based in Bordeaux, France, were added to the group of consolidated companies. All of the new companies belong to the Systems division. In addition, C.M.A-Technology SRL, based in Sibiu, Romania, was merged with KUKA Systems SRL, also based in Sibiu, Romania. An associated company, KBee AG, based in Munich, Germany, was also incorporated into the consolidated statements using the at equity method (for further information see "Investments in associated companies"). The interest is held by the Robotics segment.

The following table shows the changes to the group of consolidated companies since January 1, 2014:

### ACQUISITIONS

| Number of fully consolidated companies | Robotics | Systems | Other | Total |
|---|---|---|---|---|
| **as of 01/01/2014** | **23** | **25** | **3** | **51** |
| First consolidation | 0 | 25 | 0 | 25 |
| Merger | 0 | -1 | 0 | -1 |
| **as of 03/31/2014** | **23** | **49** | **3** | **75** |
| thereof Germany | 2 | 13 | 3 | 18 |
| thereof abroad | 21 | 36 | 0 | 57 |

| Number of associated companies | Robotics | Systems | Other | Total |
|---|---|---|---|---|
| **as of 03/31/2014** | **1** | **0** | **0** | **1** |

In order to strengthen its market presence and penetrate new markets, the Systems segment acquired Reis Group, based in Obernburg, Germany, and Alema Automation SAS, based in Bordeaux, France. These companies were incorporated into the consolidated financial statements based on preliminary numbers.

### Reis Group

Reis Group, based in Obernburg, Germany was acquired at the beginning of the year. Reis Group's parent company is Reis Group Holding GmbH & Co. KG, based in Obernburg, Germany, which is managed by Reis Holding GmbH, based in Obernburg, Germany. Reis is mainly a systems integrator that also develops and manufactures industrial robots and robot controllers. The company applies robots and systems in numerous industrial processes such as welding, cutting and laser machining, as well as making castings and plastic components and supplies to a variety of sectors; from automotive to chemicals, electronics and white goods. KUKA expects the acquisition to result in further penetration of general industry markets and enable it to strengthen its presence in China. Significant future synergies are also expected in the product development area.

The deal to acquire all shares of Reis Holding GmbH and contribute capital to the limited liability capital of Reis Group Holding GmbH & Co. KG, after which KUKA became the majority shareholder with a 51 percent stake, was signed subject to certain conditions on December 21, 2013 (see also "Events after the reporting period" section in the 2013 annual report). The conditions were fulfilled in January 2014 and the company was initially consolidated effective January 1, 2014. Reis Group is now already 100 percent consolidated into KUKA Group under the terms of the anticipative method as outlined in IAS 32.

Reis Holding GmbH was acquired at a cost of € 1. KUKA contributed € 2.1 million in capital to Reis Group Holding GmbH & Co. CG in January 2014. The sum of € 41.4 million has been recognized for future purchase price payments. Most of this is for the claim for surrender of the property in Obernburg. It also includes fixed and performance related amounts at the time of the potential acquisition of the remaining limited partner's shares according to civil law in 2017 and a guaranteed annual dividend distribution to the original shareholders.

Cash and cash equivalents of € 3.7 million were transferred as part of the deal. Shares of previously fully consolidated companies were not acquired.

As of March 31, 2014, sales of 25.3 million and a net loss for the year of 6.5 million are attributable to the acquisition. The following table shows the carrying amounts assumed as a result of the purchase of the divisions immediately prior to the acquisition as well as the opening balance sheet in fair values.

| in € millions | Carrying amounts assumed | Opening balance sheet in fair values |
|---|---|---|
| Intangible assets | 1.6 | 15.7 |
| Tangible assets | 35.1 | 31.5 |
| Inventories | 41.4 | 41.4 |
| Receivables and other assets | 20.4 | 20.6 |
| Liabilities and provisions | 63.8 | 70.6 |

The acquired intangible assets consist mainly of the brand name and the acquired technology. Receivables and inventories relate mainly to the orders in house at the time of the acquisitions. Accruals had to be formed for loss generating contracts and orders on hand. Contingent liabilities were not assumed. Deferred tax liabilities of € 0.9 million resulted from the acquisition. As a result, there was no goodwill associated with the preliminary purchase price allocation for the transaction.

### Alema Automation

On February 26, 2014, the company acquired all the shares of Alema Automation SAS, based in Bordeaux, France. Alema supplies automation solutions to the aviation industry and has specialized applications expertise in the field of automated drilling and riveting of aircraft components. KUKA expects future synergies related to executing its general industry growth strategy from the expertise acquired, especially in the aviation industry.

The purchase price of € 11.4 million was immediately paid. Cash and cash equivalents of € 0.6 million were transferred as part of the deal. Shares of previously fully consolidated companies were not acquired.

As of March 31, 2014, sales of 1.4 million and a net income for the year of 0.1 million are attributable to the acquisition. If the businesses had already been consolidated at the beginning of 2014, they would have contributed € 2.0 million to revenues and reduced net earnings by € 0.3 million.

The following table shows the carrying amounts assumed as a result of the purchase of the divisions immediately prior to the acquisition as well as the opening balance sheet in fair values.

| in € millions | Carrying amounts assumed | Opening balance sheet in fair values |
|---|---|---|
| Intangible assets | 1.1 | 1.8 |
| Tangible assets | 0.1 | 0.1 |
| Inventories | 1.3 | 1.4 |
| Receivables and other assets | 9.9 | 9.9 |
| Liabilities and provisions | 11.7 | 11.7 |

The acquired intangible assets consist mainly of software licenses, patents, customer lists and order backlog. Receivables and inventories relate mainly to the orders in house at the time of the acquisition. Contingent liabilities were not assumed. Deferred tax liabilities of € 0.3 million resulted from the acquisition. The transaction resulted in goodwill of € 9.6 million. The goodwill reflects mainly future synergies in the area of market penetration in the aviation industry.

## Investments in associated companies

On February 27, 2014, KUKA Group acquired a 45.0 percent stake in KBee AG, based in Munich, Germany. The company develops and sells robot hardware, software and design. Plans call for developing a number of innovative automation and robotics applications for the first time. The shareholders of KBee AG have either contributed expertise, or financial means, as in the case of KUKA. The contractually agreed further injection of capital will depend on achieving specified milestones.

The partial acquisition will be included in the financial statements according to the equity method, since a material influence on the company exists. Initially, the investment book value will be recognized as the share of equity. The initial difference between the cash injection and share of equity (€ 3.2 million) will be reported under equity without affecting net income. The share of the company's earnings or losses attributable to KUKA will be reported directly in the income statement under the item "Result of companies consolidated at equity" under earnings before interest and taxes. A loss of € 0.3 million was recognized to March 31, 2014. The book value as of the record date is € 5.4 million.

## Accounting and valuation methods

The same valuation methodology and accounting principles as those used for the consolidated financial statements for the business year ending 2013 – with the exception of investments in the associated companies and the changes outlined below – were applied in preparing this consolidated interim report, with the exception of the changes described in the following. For further information, please refer to the consolidated financial statements dated December 31, 2013, which form the basis of the interim report presented here. The latter are also available on the Internet at www.KUKA.com.

## Changes to accounting and valuation policies

The following new standards and interpretations have come become mandatory since the start of the 2014 financial year:

- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosures regarding shares in other companies
- New version of IAS 27, Separate Financial Statements
- New version of IAS 28, Investments in Associates and Joint Ventures
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
- Investment companies: amendments to IFRS 10, IFRS 12 and IAS 28
- Amendments to IAS 36, Disclosure of Recoverable Amounts for Non-financial Assets
- Amendments to IAS 39, Novations of Derivatives

The first-time applications of these standards and interpretations had only a minor or no impact on the consolidated financial statements.

## Earnings per share

Undiluted/diluted earnings per share break down as follows:

| in € millions | Q1/13 | Q1/14 |
|---|---|---|
| Net result attributable to shareholders of KUKA AG (in € millions) | 14.5 | 12.2 |
| Weighted average number of shares outstanding (numbers) | 33,915,431 | 33,915,431 |
| Earnings per share (in €) | 0.43 | 0.36 |

Undiluted earnings per share due to shareholders of KUKA Aktiengesellschaft were calculated as per IAS 33 on the basis of Group consolidated earnings after taxes and the weighted average number of shares outstanding for the year.

In the first three months of 2014, the weighted average number of shares in circulation was 33.9 million. Some stock dilution could arise in the future if bondholders convert their convertible bonds issued in February and July 2013 to shares, because capital was conditionally increased. In the first quarter of 2014, the average price of the shares on the stock market was below the conversion price on two days. No conversion was however undertaken. On the record date, the closing price in Xetra trading on the Frankfurt stock exchange was € 35.51, significantly below the conversion price of € 36.8067. This would have resulted in a loss if bondholders had converted, so there was no dilution as of the record date.

## Shareholders' equity

The subscribed share capital of KUKA Aktiengesellschaft of € 88,180,120.60 is subclassified into 33,915,431 no par value bearer shares. Each share entitles its holder to one vote.

## IAS 19 employee benefits

The balance sheet employee benefits account rate of return as of March 31, 2014 and as per IAS 19 for German companies is 3.15 percent per annum and 4.44 percent per annum in North America. On December 31, 2013 it was 3.55 percent for German companies and 4.80 percent in North America. This resulted in actuarial losses for the defined benefit obligation (DBO) of € 3.5 million. Investment income growth from external pension funds was as expected. The actuarial result was reported under equity as an income-neutral sum of € 2.7 million in consideration of deferred taxes.

## Convertible bond

Last February, KUKA Aktiengesellschaft issued a convertible bond with a face value of € 58.8 million maturing in February 2018 (tranche 1) and increased the size by € 91.2 million in July 2013 (tranche 2). The convertible bond thus now has a total face value of € 150.0 million. The face value of each bond is € 100,000. The initial conversion price is € 36.8067 per share. The conversion ratio is thus 2,716.8967 shares for each € 100,000 bond. In total, the bond entitles bondholders to convert their holdings into up to 4,075,344 new bearer shares of KUKA AG (of which 1,597,535 are for the tranche in February 2013 and 2,477,809 for the tranche in July 2013). The conversion rights are valid for the entire term of the convertible bond. The bond carries an interest coupon of 2.0 percent p.a. Interest is paid twice a year, on February 12 and on August 12. The first payment was made on August 12, 2013.

## Bond

In the first quarter, KUKA Aktiengesellschaft bought back bonds with a nominal value of € 19.0 million out of the € 202.0 million face value bond issued by KUKA Aktiengesellschaft in November 2010 at market prices, which ranged between 109.35 and 110.60 percent. The buybacks aim to adjust the company's financing portfolio. Including the bonds already repurchased in 2013, the outstanding nominal volume is thus € 140.4 million, which compares to € 159.4 million on December 31, 2013. To further optimize the company's financing structure, the Executive Board decided on an early redemption of the corporate bond (high yield bond) dated May 15, 2014 in accordance with the documented rules for high yield bonds and released an announcement regarding its intentions on the Luxemburg Stock exchange on March 26, 2014.

## Syndicated senior facilities agreement

In December 2013, KUKA Group refinanced the secured Senior Facilities Agreement dated 2010 in view of the significantly improved business conditions. The Syndicated Senior Facilities Agreement comprises a total of € 160.0 million (of which € 50.0 million is a cash credit line and € 110.0 million a line of credit for guarantee facilities) with a term to maturity of five years. The cash credit line may also be used as a line of credit for guarantee facilities. The new Syndicated Senior Facilities Agreement is unsecured and contains only typical equal treatment and negative pledges.

Line of credit utilization totaled € 44.7 million as of record date versus € 53.9 on December 31, 2013; the existing operating line of credit was utilized in the amount of € 9.0 million (of which € 7.4 million is for guarantees). As of December 31, 2013, the number was € 3.4 million, only cash.

As a result of the changes to the constituent members of the bank consortium for the new Syndicated Senior Facilities Agreement compared to the old, the banks that are no longer members had to be reimbursed for the associated guarantees. This was done by way of cash deposits in the amount of the still active guarantees held by these banks into pledged bank accounts. KUKA will only have access to these monies after expiry of the guarantees or returning the guarantees in question. As a result, the amounts are reported as restricted cash (for further information please refer to "Cash flow").

## Lines of credit from banks and surety companies

The lines of credit from banks and surety companies not included in the Syndicated Senior Facilities Agreement totaled € 85.6 million as of March 31, 2014 versus € 72.8 million as of March 1, 2013. These can be fully utilized. As of the record date, the company had utilized € 50.0 million versus € 50.4 million on December 31, 2013.

## Asset-backed securities (ABS) program

As outlined in the 2013 annual report, KUKA implemented two ABS programs (Asset-Backed Securities) totaling € 25.0 million in June 2011. Under the terms of this program, € 22.3 million were utilized as of March 31, 2013, which compares to € 4.1 million on December 31, 2013.

## Financial instruments reported at fair market value

IFRS 13 defines how to determine fair market value and expands on disclosures related to the fair market value. The standard does not contain any indication of the cases in which such fair market values are to be reported. The fair market value is the price that arm's-length investors would pay on the valuation record date when buying an asset or transferring a liability under typical market conditions. In accordance with IFRS 13, assets and financial liabilities measured 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:

### Step 1
Quoted price in active markets for identical assets or liabilities.

### Step 2
Inputs other than quoted prices that are observable either directly or indirectly.

### Step 3
Inputs for assets and liabilities that are not based on observable market data.

Affected by this in KUKA Group are primarily the forward exchange transactions carried as an asset (March 31, 2014: € 2.9 million; December 31, 2013: € 3.6 million) and those carried as a liability (March 31, 2014: € 1.2 million; December 31, 2013: € 2.2 million). These are measured according to step 2. The values are 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. Average prices are used for this calculation.

All other financial instruments are reported at amortized cost. The market values here are reflected mainly by the book values with the exception of the bond and the convertible bond. As of the record date, the market value of the bond was € 150.6 million versus € 176.6 million on December 31, 2013, and the book value € 141.5 million versus € 156.8 million on December 31, 2013. As of the record date, the market value of the convertible bond was € 177.6 million versus € 172.8 million on December 31, 2013, and the book value € 134.4 million versus € 134.2 million on December 31, 2013.

## Segment reporting

The internal reporting and organizational structure subdivides KUKA into the KUKA Robotics and KUKA Systems segments. Key financial indicators are determined for both segments. Earnings before interest and taxes (EBIT) is used as the key indicator in regard to managing segment profits.

The main elements of the segment reports are contained in the management report on the operating business divisions, Robotics and Systems, 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. Of the total, € 11.2 million is reported as restricted cash. This compares to € 6.1 million on December 31, 2013. The increase to the December 31, 2013 number is primarily the result of acquisitions.

## Continued obligations and commercial commitments

There has been no material change in other financial obligations and contingent liabilities since December 31, 2013. KUKA has an obligation to inject further cash in the single-digit million range between now and the end of 2016 depending on further developments and the achievement of certain milestones in connection with the stake the company holds in Munich-based KBee AG. No material financial obligations or liabilities were assumed in connection with the acquisition of Reis Group and Alema with the exception of the purchase order commitments from normal business operations.

## Related parties

There have been no changes in dealings with related persons or companies since December 31, 2013. No material services were provided to or received from related persons or companies in the first three months of the fiscal year.

## Events of material importance after the end of the reporting period

There were no events of material significance after the close of the reporting period.

Augsburg, May 7, 2014

The Executive Board

Dr. Till Reuter Peter Mohnen

# FINANCIAL CALENDAR

May 28 .......... Annual general meeting, Augsburg

August 6 ......... Annual report to midyear

November 5 ..... Interim report for the first nine months

This quarterly report was published on November 6, 2013 and is available in German and English from KUKA AG's Public/Investor Relations department. In the event of doubt, the German version applies.

## DISCLAIMER

The Group interim report contains forward-looking statements based on assumptions and estimates made by the management of KUKA Aktiengesellschaft. Although management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results could deviate significantly from these assumptions and estimates due to a variety of different factors. Some of these factors could, for example, include a change in the overall economic climate, exchange rates and interest rates, as well as changed conditions in the markets themselves. KUKA Aktiengesellschaft makes no guarantees that future developments and actual future results will align with the assumptions and estimates contained in this report, nor does it accept any liability for same.

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