H1/16

Interim Report

H1/16 Developments

Orders received rise by 13.9% to a total of €1,639.9 million in H1/16; Swisslog receives orders worth €335.8 million

- Orders received reach record level of €893.4 million in Q2/16
- All business divisions experience double-digit growth in Q2/16

Sales revenues amount to €1,333.2 million in H1/16 after €1,477.4 million in H1/15

- More and larger-volume projects are being implemented in the second half of 2016

EBITDA €81.5 MILLION (H1/16) AFTER €132.9 MILLION (H1/15)

- Profitability impacted by transaction costs due to the Midea offer, investments in Industrie 4.0, new products and revenue development

Operating **EBIT margin** before purchase price allocation for Swisslog reaches 5.5% in H1/16 (before extraordinary expenses for Midea) after 6.4% in H1/15 (before book profit HLS)

Earnings after taxes stood at €30.4 million in H1/16 after €41.5 million in H1/15

Key Figures Group

in € millions	H1/15	H1/16	Change
Orders received	1,439.9	1,639.9	13.9%
Order backlog (06 /30)	1,786.3	1,923.0	7.7%
Sales revenues	1,477.4	1,333.2	-9.8%
Gross profit	344.3	361.9	5.1%
in % of sales revenues	23.3%	27.1%	–
Earnings before interest and taxes (EBIT)	68.4	46.7	-31.7%
in % of sales revenues	4.6%	3.5%	–
Extraordinary expenses*	0.0	20.7	–
EBIT adjusted*	68.4	67.4	-1.5%
EBIT adjusted* in % of sales revenues	4.6%	5.1%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	132.9	81.5	-38.7%
in % of sales revenues	9.0%	6.1%	–
Extraordinary expenses*	0.0	20.7	0.0%
EBITDA adjusted*	132.9	102.2	-23.1%
EBITDA adjusted* in % of sales revenues	9.0%	7.7%	–
Earnings after taxes	41.5	30.4	-26.7%
Earnings per share in € (undiluted)	1.19	0.78	-34.5%
Earnings per share in € (diluted)	1.13	0.78	-31.0%
Capital expenditure	44.9	41.0	-8.7%
Equity ratio in % (06 /30)	29.1%	32.7%	–
Net debt /liquidity (06 /30)	-10.1	122.2	> 100%
Employees (06 /30)	12,384	12,675	2.3%

in € millions	Q2/15	Q2/16	Change
Orders received	696.0	893.4	28.4%
Order backlog (06 /30)	1,786.3	1,923.0	7.7%
Sales revenues	757.6	704.1	-7.1%
Gross profit	186.1	185.3	-0.4%
in % of sales revenues	24.6%	26.3%	–
Earnings before interest and taxes (EBIT)	40.3	15.3	-62.0%
in % of sales revenues	5.3%	2.2%	–
Extraordinary expenses*	0.0	20.7	–
EBIT adjusted*	40.3	36.0	-10.7%
EBIT adjusted* in % of sales revenues	5.3%	5.1%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	73.4	32.9	-55.2%
in % of sales revenues	9.7%	4.7%	–
Extraordinary expenses*	0.0	20.7	0.0%
EBITDA adjusted*	73.4	53.6	-27.0%
EBITDA adjusted* in % of sales revenues	9.7%	7.6%	–
Earnings after taxes	26.2	9.5	-63.7%
Earnings per share in € (undiluted)	0.75	0.24	-68.0%
Earnings per share in € (diluted)	0.71	0.24	–
Capital expenditure	22.7	22.0	-3.1%

* One-off effect due to the takeover bid by Midea Group

Foreword

Dear Shareholders,

The second quarter was a special one packed with events. KUKA attracted intense attention from the media. In mid-May, just a week before the Annual General Meeting, Midea announced a takeover bid for KUKA that was widely discussed in public. The period of grace for accepting the offer has meanwhile expired. It is clear that, to date, over 86 percent of KUKA shares have been tendered to Midea. This means that you, the KUKA shareholders, have assessed the offer positively and made your decision accordingly.

Independently of this, we at KUKA are concentrating on our long-term success. We have reached an agreement with Midea incorporating location and job guarantees until 2023 and a commitment by Midea to KUKA's strategy and management. On the basis of these assurances, KUKA will continue as before and remain on course for growth.

We can look back on a successful second quarter in which the volume of orders received reached a new record of €893.4 million. Sales revenues decreased from €1,477.4 million in H1/15 to €1,329.8 million in H1/16, but in 2016 more projects and also larger-scale projects are being implemented in the second half of the year.

KUKA stands worldwide for automation "made in Germany" and will continue to do so in the future. Our base is in Augsburg, where we inaugurated our new Development and Technology Center (DTC) last month.

This new building marks the starting point for our digital transformation and is simultaneously a commitment to our home location of Augsburg. Our celebrations were focused fully on our technologies, products and solutions for Industrie 4.0, with about 200 guests from the worlds of business and politics.

We were pleased to welcome EU Commissioner Günther Oettinger, for example, and Bavaria's Minister for Economic Affairs, Ilse Aigner as proponents of our digital development. Approximately 7,000 guests then joined us for our family day, which we regard as an ideal prelude to the second half-year.

Growth driver of KUKA are the Chinese market, Industrie 4.0 and the expansion of activities in the logistics sector and service robotics. Exciting topics.

I would like to thank all KUKA employees for holding together so well over the past few weeks that have been strenuous for us all. With this team we will have a successful future. That is my firm conviction.

Sincerely,

Till Reuter

KUKA and the capital market

The German equity markets performed unevenly in the first half of 2016 and were very volatile. Up to March 2016, the capital markets were characterized primarily by subdued growth prospects in China and marked declines in oil prices. The initial rebound on the capital markets early in the second quarter following a recovery in oil prices was eliminated by the reaction to the EU referendum in the UK on June 23, 2016, however. The decision to leave the EU has increased uncertainty among capital market participants regarding the further development of economic activity. Nevertheless, the markets continue to be supported by the unchanged low interest-rate environment. The DAX fell by 10% to 9,680 points and the MDAX by 5% to 19,843 points.

MECCA/MIDEA takeover bid for KUKA

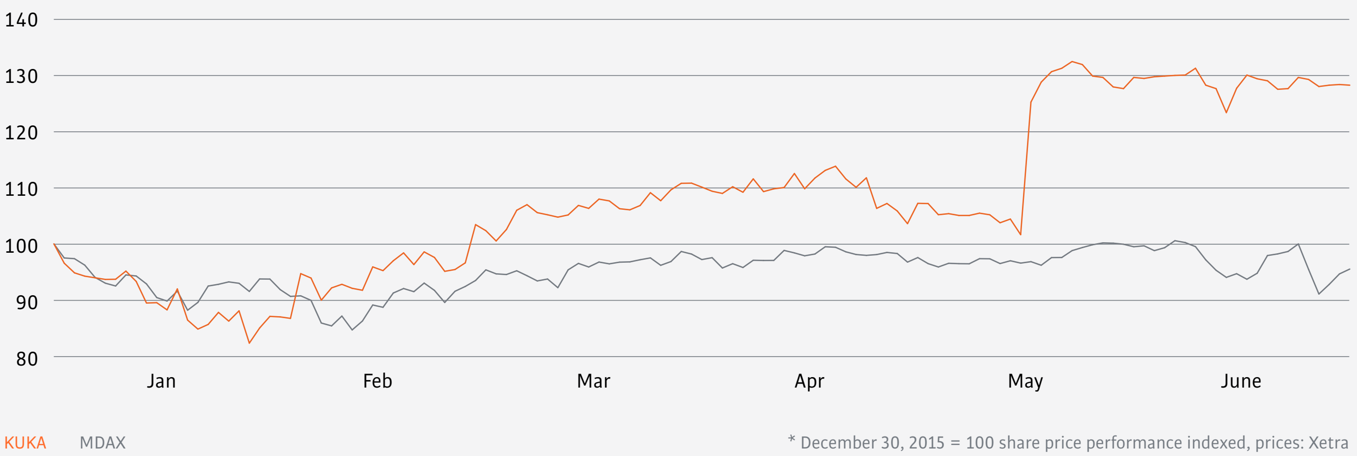
As announced on May 18, 2016, Midea issued a takeover bid on June 16, 2016 in the form of a cash offer of €115 per KUKA share to all KUKA shareholders. When the bid documents were published, the four-week acceptance period began, during which KUKA shareholders were able to consider the Midea offer. This was followed by a grace period from July 21, 2016 to August 3, 2016.

On June 28, 2016, KUKA gave notice that an investment agreement had been signed with Midea which contractually binds Midea to extensive assurances up to the end of 2023. These assurances include location and job guarantees, commitment to KUKA's existing strategy and Executive Board independence, agreements to protect business partner data and the undertaking not to pursue any direct control agreement or delisting.

After careful examination as prescribed by section 27 of the German Securities Acquisition and Takeover Act (WpÜG), the Executive Board and Supervisory Board of KUKA Aktiengesellschaft issued a reasoned opinion on June 28, 2016. This opinion concluded that the offer was in the interests of the company, its shareholders, customers and employees. Shareholders were therefore recommended to accept the offer.

Overall performance of the KUKA share in the first half of 2016 was significantly affected by the takeover bid, as a result of which it considerably outperformed the MDAX. The KUKA share price rose from €83.05 to €106.50, a gain of 28%. The shares reached a new all-time high of €114.40 on May 18, 2016.

KUKA's share price performance
January 1 to June 30, 2016*



* December 30, 2015 = 100 share price performance indexed, prices: Xetra

Consolidated management report

Economic environment

IMF reduces outlook for economic growth

In July 2016, as previously in April, the International Monetary Fund (IMF) again lowered its forecast for the development of global economic growth in 2016 and 2017 by 0.1 percentage points. Following a plus of 3.1% in 2015, growth of 3.1% is now expected this year (formerly 3.2%). In 2017, global economic output is set to rise by 3.4% (formerly 3.5%). When it first lowered its forecast in April, the IMF particularly warned about the long-term stagnation that could arise due to low commodity prices dampening investments and consumption in many emerging economies. Many industrial nations are in the midst of a growth crisis, but, like Japan or Italy, remain too heavily in debt to create major economic stimuli for companies. Growth in China is slowing down, and the country is facing further adjustment of its economic structure.

The IMF has warned of risks that could arise from China's process of transformation towards more sustainable growth based to a greater extent on consumption and services. The further reduction of the forecast for the global economy in July was due primarily to the British decision to leave the EU. According to the IMF, Brexit has significantly raised economic, political and institutional uncertainties worldwide. Without the British vote, the IMF would even have raised its forecast for the global economy.

The largest adjustments to forecasts for 2017 by the IMF were for the UK (-0.9 percentage points), Germany (-0.4 percentage points), Spain (-0.2 percentage points) and Italy (-0.1 percentage points). Expectations for China and the USA were not adjusted due to the planned Brexit, however, as this is expected to have only negligible effects in those countries.

Demand for cars

Rising demand in the car markets of Europe, China and the USA in H1/16

In the first half of 2016, the VDA (German Association of the Automotive Industry) reported significant growth in the three most important car markets of Western Europe (+9%), China (+12%) and the USA (+1%). With over 7.5 million new registrations in the first six months of the year, Western European car markets experienced high sales volumes, which was particularly gratifying for German corporate brands as their market share here is around 50%. The VDA is confident that 2016 will see further growth in Western Europe over the year as a whole.

The US market for light vehicles (cars and light trucks) rose over 2% in June, helped by the continued favorable situation on the labor market, low interest rates and relatively cheap fuel. A total of 8.6 million new vehicles were sold on this market in the first half of 2016. The Chinese car market led the field with double-digit growth (+12%). This sales growth was spurred by reduced VAT for cars with engine sizes up to 1.6 liters and by rising demand for SUV models. Overall, more than 10.6 million vehicles were sold in China in the first half of 2016.

Robotics and automation

Sales of industrial robots continue to grow

On June 22, 2016, the International Federation of Robotics (IFR) published final robot sales figures for 2015 at the Automatica trade fair in Munich. These figures revealed that a new sales record was achieved in 2015: a total of 248,000 industrial robots were sold worldwide. This was 12% higher than the previous year's level. The increase was primarily driven by the metal (+63%), plastics and rubber (+40%) as well as electronics (+16%) sectors. From a regional perspective, China recorded growth of 17% on the previous year with 68,000 units sold. International robot manufacturers accounted for a 69% share of the market there. Compared to 2014, sales in Europe increased by 10% to 50,000 units. In the USA, Canada and Mexico, a total of 37,000 industrial robots were sold. This corresponds to an increase of 15% on the previous year.

Business performance

Orders received

KUKA Group

KUKA Group reported new orders valued at €893.4 million in the past quarter. This corresponds to a 28.4% increase on the previous year's good result for the same quarter (Q2/15: €696.0 million). The volume of orders received in the past quarter thus represents a new record for KUKA and underlines the generally excellent demand for robot-based automation. All three divisions contributed substantially to this result: Swisslog with +71.0%, Systems with +22.4% and Robotics with +14.6%. In terms of customer segments, both General Industry and Automotive grew.

In the first half of 2016, KUKA posted orders received totaling €1,639.9 million. This corresponds to a 13.9% increase on the result for the first half of 2015 (H1/15: €1,439.9 million).

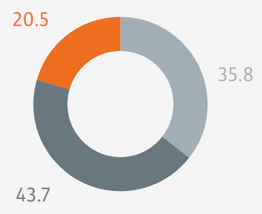
KUKA Robotics

In the second quarter of 2016, the Robotics division reported orders received totaling €252.2 million, surpassing the €200 million mark for the third time in a row. This was equivalent to a 14.6% increase compared to the second quarter of 2015 (Q2/15: €220.0 million). The reasons for this positive development included in particular strong demand in the Automotive, General Industry and Service segments. From a regional perspective, China, Germany and Eastern Europe were the main drivers behind these good results.

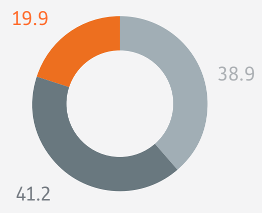
Orders received rose from €464.1 million in the first half of 2015 to €493.9 million in the same period this year.

In the second quarter of 2016 the Automotive segment received new orders amounting to €98.0 million. This represents growth of 24.4% in comparison to the same period last year (Q2/15: €78.8 million). The orders were mainly from German and Chinese car makers. General Industry business also continued to improve, growing 7.8% to €103.9 million (Q2/15: €96.1 million). This meant that the share of General Industry business in total orders received was higher than that of the Automotive segment for the ninth quarter in succession. Service orders too rose from €45.1 million in the second quarter of 2015 to €50.3 million in the second quarter of 2016. This is equivalent to an overall increase of 11.5%.

Robotics orders received by segment Q2/15
in % of total



Robotics orders received by segment Q2/16
in % of total



KUKA Systems

In the second quarter of 2016 the Systems division received new orders totaling €440.0 million. This is a rise of 22.4% on the same period last year (Q2/15: €359,6 million). The Automotive business in Europe was very dynamic in the past quarter but Assembly & Test also grew significantly.

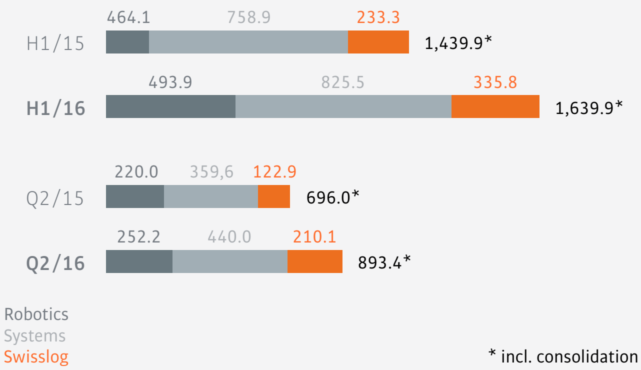
In the first half of 2016, Systems booked new orders worth €825.5 million (H1/15: €758.9 million), an increase of 8.8%. Adjusted for the disposal of HLS and the Tools and Dies business unit, which together had contributed new orders worth €46.8 million in H1/15, Systems would have posted a rise of 15.9%.

Swisslog

Orders received by the Swisslog division reached €210.1 million in the second quarter of 2016 (Q2/15: €122.9 million), 71.0% above the comparable figure for the prior-year quarter. This was due to the successful implementation of the measures to increase sales and the winning of a major order.

Orders received climbed 43.9% to €335.8 million in the first half of 2016 (H1/15: €233.3 million). The logistics sector in particular saw very substantial growth.

Orders received
in € millions



Sales revenues

KUKA Group

In the second quarter of 2016 KUKA Group generated sales revenues of €704.1 million. Compared to the previous year's result for the same period (€757.6 million), this represents a decline of -7.1%. The reason for this development is that in the Systems and Swisslog divisions this year, customers are tending to make call-offs and execute major orders in the second half of the year. In contrast to this, the Robotics division posted an increase of 14.4% overall.

In the first half of 2016, sales revenues totaled €1,333.2 million. Compared to the first six months of 2015, this corresponds to a decrease of -9.8% (H1/15: €1,477.4 million).

KUKA Robotics

In the second quarter of 2016, sales revenues at Robotics amounted to €248.3 million, the highest amount ever achieved in one quarter. This is equivalent to a 14.4% increase on the prior-year quarter (Q2/15: €217.0 million). With growth of 35.9%, the Automotive segment made the most substantial contribution to this result. In the quarter under review, the Service segment recorded growth of 11.5% while the General Industry segment reached almost the same level.

In the first half of 2016, sales revenues at Robotics climbed to €458.7 million. Compared with the same period last year (H1/15: €452.0 million), this represents growth of 1.5%. This was the highest value ever achieved in any half-year.

KUKA Systems

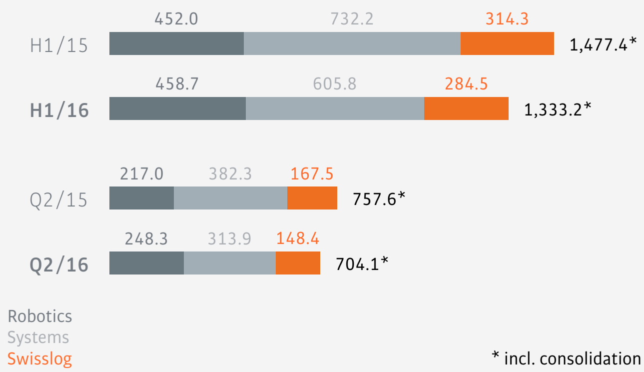
In the second quarter of 2016, sales revenues in the Systems division amounted to €313.9 million. This is a -17.9% decline on the previous year's result for the same quarter (Q2/15: €382.3 million). The reasons for this include the disposal of HLS Group and the Tools and Dies business unit, which contributed about €23 million in the prior-year quarter, and the execution of major projects due primarily in the second half of 2016.

In the first half of 2016, sales revenues fell by 17.3% to €605.8 million compared to the first six months of 2015 (H1/15: €732.2 million). Sales revenues for HLS Group and the Tools and Dies business unit were about €50 million in H1/15.

Swisslog

In the second quarter of 2016, sales revenues at Swisslog totaled €148.4 million. This corresponds to an 11.4% decline on the previous year's result for the same quarter (Q2/15: €167.5 million). Sales revenues in the first half of 2016 reached €284.5 million. Compared to the first half of 2015 (H1/15: €314.3 million), the result thus dropped 9.5%.

Sales revenues
in € millions



Book-to-bill ratio and order backlog

KUKA Group

The book-to-bill ratio, i.e. orders received in relation to sales revenues, was 1.27 in the quarter under review (Q2/15: 0.92) and 1.23 in the first half of 2016 (H1/15: 0.98). This value improved significantly year-on-year in both a quarterly and a half-yearly comparison, and is well over 1. The indicator benefited from the high volumes of orders received.

The order backlog reached a value of €1,923.0 million as at June 30, 2016 and was thus 7.7% above the figure of €1,786.3 million achieved as at June 30, 2015. Compared to the previous quarter, the order backlog was 10.9% higher (Q1/16: €1,733.4 million).

KUKA Robotics

In the second quarter of 2016, Robotics recorded a book-to-bill ratio of 1.02, the same level as last year (Q2/15: 1.01). In the first half of 2016, the figure rose to 1.08 from 1.03 in the first half of 2015.

As at June 30, 2016, the order backlog totaled €259.2 million excluding framework contracts. Compared with the order backlog for the first half of 2015 (H1/15: €267.0 million) there was a decrease of 2.9%. The reason for this was performance in the Automotive segment, with the large order volumes in this sector significantly affecting the comparability.

KUKA Systems

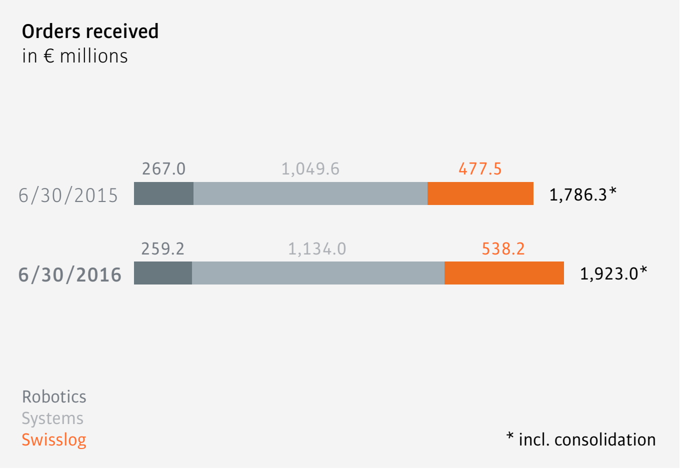
The book-to-bill ratio in the Systems division rose from 0.94 in the second quarter of 2015 to 1.40 in the second quarter of 2016. In the first half of 2016, this indicator amounted to 1.36 compared with 1.04 in H1/15.

As at June 30, the Systems division had an order backlog of €1,134.0 million. This is 8.0% above the comparable figure for the previous year (H1/15: €1,049.6 million).

Swisslog

The Swisslog book-to-bill ratio for the second quarter of 2016 was 1.42. The figure in the prior-year quarter was 0.73. In the first half of 2015, the value stood at 0.74, and this rose to 1.18 in the first half of 2016.

The order backlog as at June 30, 2016 was €538.2 million (Q2/15: €477.5 million).



EBIT

KUKA Group

The operating earnings before interest and taxes (EBIT) before the purchase price allocation for Swisslog and before the exceptional expenses related to the Midea takeover stood at €38.7 million (margin: 5.5%) in Q2/16. In the prior-year quarter the comparable operating EBIT, in other words before purchase price allocation and before the book profits from the sale of HLS, amounted to €49.4 million (margin: 6.5%). Taking into consideration the non-operating expenditure (purchase price allocation/Midea) and the non-operating income (HLS), the EBIT decreased from €40.3 million (Q2/15) to €15.3 million (Q2/16) and the EBIT margins were correspondingly 5.3% (Q2/15) and 2.2% (Q2/16).

The operating EBIT stood at €72.8 million (margin: 5.5%) in the first half-year of 2016 and at €95 million (margin: 6.4%) in the same period last year. Taking the non-operating topics into account, the EBIT dropped from €68.4 million (H1/15) to €46.7 million (H1/16).

Robotics

EBIT at Robotics rose from €24.0 million in the second quarter of 2015 to €25.5 million in the same quarter of 2016. This positive result was achieved despite the disproportionate increase in personnel in China and higher expenditure on research and development. This is attributable to the good sales revenues over the quarter. Due to lower sales revenues in the General Industry and Service segments, the EBIT margin fell from 11.1% (Q2/15) to 10.3% (Q2/16).

Systems

The Systems division posted an EBIT of €19.7 million in the second quarter of 2016. This is half the value of the same quarter last year (Q2/15: €39.4 million). One reason for the decrease are book profits of €7.9 million in the prior-year quarter due to the sale of HLS Group. Lower sales revenues additionally impacted EBIT performance during the quarter. This also affected the EBIT margin, which decreased from 10.3% (Q2/15) to 6.3% (Q2/16).

Overall, the Systems division achieved an EBIT of €38.8 million in the first half of 2016 (H1/15: €60.3 million) and an EBIT margin of 6.4% (H1/15: 8.2%). Adjusted for the book profit from the disposal of HLS Group, EBIT would have been €52.4 million in H1/15 and the margin 7.2%.

Swisslog

The Swisslog division's EBIT improved very markedly in the second quarter of 2016. The value rose from €-14.5 million (Q2/15) to €0.4 million in the past quarter. This result is due to the significantly lower amortization charge for purchase price allocation, which stood at €2.7 million over the quarter and €5.4 million in the first half of the year 2016. The EBIT margin in the second quarter 2016 before purchase price allocation was 2.1% (Q2/15: 1.5%).

In the first half of 2016, EBIT amounted to -€0.3 million, compared with €-28.6 million in the first half of 2015. EBIT before purchase price allocation came in at €5.1 million as against €5.9 million in H1/15.

Performance of the divisions

Key figures – Robotics

in € millions	H1/15	H1/16	Change
Orders received	464.1	493.9	6.4%
Order backlog (06/30)	267.0	259.2	-2.9%
Sales revenues	452.0	458.7	1.5%
Gross profit	172.2	177.5	3.1%
in % of sales revenues	38.1%	38.7%	–
Earnings before interest and taxes (EBIT)	49.9	46.7	-6.4%
in % of sales revenues	11.0%	10.2%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	63.0	57.4	-8.9%
in % of sales revenues	13.9%	12.5%	–
Employees (06/30)	3,893	4,311	10.7%

in € millions	Q2/15	Q2/16	Change
Orders received	220.0	252.2	14.6%
Order backlog (06/30)	267.0	259.2	-2.9%
Sales revenues	217.0	248.3	14.4%
Gross profit	89.2	91.8	2.9%
in % of sales revenues	41.1%	37.0%	–
Earnings before interest and taxes (EBIT)	24.0	25.5	6.3%
in % of sales revenues	11.1%	10.3%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	30.8	30.8	0.0%
in % of sales revenues	14.2%	12.4%	–

Key figures – Systems

in € millions	H1/15	H1/16	Change
Orders received	758.9	825.5	8.8%
Order backlog (06/30)	1,049.6	1,134.0	8.0%
Sales revenues	732.2	605.8	-17.3%
Gross profit	128.3	109.8	-14.4%
in % of sales revenues	17.5%	18.1%	–
Earnings before interest and taxes (EBIT)	60.3	38.8	-35.7%
in % of sales revenues	8.2%	6.4%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	69.9	47.0	-32.8%
in % of sales revenues	9.5%	7.8%	–
Employees (06/30)	5,680	5,249.0	-7.6%

in € millions	Q2/15	Q2/16	Change
Orders received	359.6	440.0	22.4%
Order backlog (06/30)	1,050.0	1,134.0	8.0%
Sales revenues	382.3	313.9	-17.9%
Gross profit	73.3	55.9	-23.7%
in % of sales revenues	19.2%	17.8%	–
Earnings before interest and taxes (EBIT)	39.4	19.7	-50.0%
in % of sales revenues	10.3%	6.3%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	44.3	23.7	-46.5%
in % of sales revenues	11.6%	7.6%	–

Key figures – Swisslog

in € millions	H1/15	H1/16	Change
Orders received	233.3	335.8	43.9%
Order backlog (06/30)	477.5	538.2	12.7%
Sales revenues	314.3	284.5	-9.5%
Gross profit	43.3	74.9	73.0%
in % of sales revenues	13.8%	26.3%	–
Earnings before interest and taxes (EBIT)	-28.6	-0.3	-99.0%
in % of sales revenues	-9.1%	-0.1%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	11.3	11.0	-2.7%
in % of sales revenues	3.6%	3.9%	–
Employees (06/30)	2,515	2,654	5.5%

in € millions	Q2/15	Q2/16	Change
Orders received	122.9	210.1	71.0%
Order backlog (06/30)	477.5	538.2	12.7%
Sales revenues	167.5	148.4	-11.4%
Gross profit	23.8	37.7	58.4%
in % of sales revenues	14.2%	25.4%	–
Earnings before interest and taxes (EBIT)	-14.5	0.4	-102.8%
in % of sales revenues	-8.7%	0.3%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6.0	6.0	0.0%
in % of sales revenues	3.6%	4.0%	–

Financial position and performance

Earnings

In the reporting period KUKA Group posted sales revenues totaling €1,333.2 million (H1/15: €1,477.4 million). With orders received amounting to €893.4 million in second quarter 2016, the previous quarterly record was beaten once again, this already having been achieved in successive previous quarters. Gross earnings from sales rose 5.1% to €361.9 million compared to the first half of 2015 (H1/15: €344.3 million). This improvement was attributable particularly to the disproportionate decline in the cost of sales (partly due to the lower amortization charge related to purchase price allocation for Swisslog compared with the same period last year). The Group's gross margin thus rose from 23.3% in the first half of 2015 to 27.1% in the first half of 2016. Excluding the effects of purchase price allocation, the gross margin increased from 25.5% to 27.3%. The main reasons for this were the improved cost-of-materials ratio and foreign currency effects pertaining to supplies and services.

The sales, research & development and administration costs totaled €311.9 million (H1/15: €277.3 million) – an increase of 12.5%. These overhead costs amounted to 23.4% of sales, which was also higher than the previous year's level of 18.8%.

Selling expenses made only a marginal contribution of €0.8 million to this. The higher selling expenditure was attributable above all to the expansion of the sales team. At the end of the first half-year, there were 88 more KUKA employees in this area than at the reporting date for the same period last year. This expansion is an important foundation for increasing market penetration and tapping new markets. Another step towards this goal is optimization of the communication culture between KUKA and its customers and partners. Cooperation with Salesforce enables KUKA to achieve much closer interaction of customers and partners with sales, service and marketing employees along the entire value chain.

Under administrative expenses, the increase of €22.0 million was mostly attributable to one-off effects from the ongoing takeover bid of June 16, 2016 by Midea Group (for further details, please refer to the section entitled "KUKA and the capital market"). Considerable unplanned consultancy expenses arose in relation to the takeover bid as well as additional personnel costs for the existing phantom share programs for members of the Executive Board and senior management. Overall, the one-off effects currently amount to around €20.7 million. These are presented in the segment report under reconciliation and consolidation.

The remainder of the increase is attributable to cross-segment measures aimed at optimally focusing KUKA Group on the requirements of existing and future markets. These measures are being implemented in ongoing projects relating to the harmonization, standardization and optimization of processes. They initially lead to higher external and internal expenditure, which is reflected in increased administrative costs.

At €63.7 million, the expenses for research and development shown on the income statement for the first half-year of 2016 were significantly higher than for the prior-year period (H1/15: €51.9 million). This planned increase reflects the sustained strategic orientation of the Group based on the expansion of investment in products and solutions as well as in new and forward-looking technologies.

Three current innovative Group research projects were presented at ICRA (International Conference on Robotics and Automation) in Sweden:

- In Project AREUS, KUKA and its partners are developing technologies for the energy-efficient operation of robots.
- Machine learning via algorithms and the use of 3D cameras on the smart KUKA LBR iiwa lightweight robot, e.g. for automatic sorting after a short training phase.
- Concept study "youBot in a box": options for simple programming in Java (the programming standard for KUKA industrial robots) via KUKA Sunrise.Workbench on the user's own PC to control a five-axis robot arm with a two-finger gripper connected to the PC by means of an Ethernet cable.

Another key focus of current projects is the development of industrial robots in the 3 kg range for cells of limited size. The new compact KR 3 AGILUS was presented to the wider public at Automatica 2016 with great success as an ideal solution for small cell concepts and for assembling and handling extremely small parts.

With the aim of actively addressing the opportunities offered by Industrie 4.0 and of retaining our technological leadership in the field of robot-based automation solutions in the future as well, KUKA is pursuing two strategies. Firstly, KUKA has been investing in brain power for many years: the Group now employs about 840 people in research and development – this is equivalent to more than 6.6% of the workforce (H1/15: 5.2%). Development work is also increasingly being conducted outside Europe in order to cater even better for regionally specific market requirements. Secondly, KUKA is intensifying its cooperation with innovative companies and taking an active role in partnerships. Just recently, for example, KUKA entered into an "Industrie 4.0 partnership" with Infosys at Hannover Messe in April 2016. One of the objectives of the cooperation is to develop a software platform which will enable customers to collect, evaluate and use data in order to improve their own processes.

The costs of €9.8 million (H1/15: €5.3 million) incurred for new developments in the period under review were capitalized and will be reported as planned depreciation in subsequent financial statements. Amortization expenditure was €3.8 million, (H1/15: €6.6 million) and mainly includes research and development costs. The capitalization ratio was 14.2% (H1/15: 10.5%).

The earnings before interest and taxes (EBIT) for the first six months of this year totaled €46.7 million (H1/15: €68.4 million). The EBIT margin for the first half of 2016 fell from 4.6% to 3.5% compared to the same period last year.

The above-mentioned one-off effects amounting to €20.7 million due to the ongoing takeover bid by Midea Group had a significant influence on EBIT in the first half-year of 2016. Without these one-off effects, EBIT would amount to €67.4 million with an EBIT margin of 5.1%. Additionally eliminating the effects of the scheduled amortization relating to the purchase price allocation in connection with the acquisition of Swisslog Group (H1/16: €5.4 million; H1/15: €34.5 million) and the book profit from the sale of HLS in the first half of 2015 results in an EBIT of €72.8 million (H1/15: €95.0 million) with an EBIT margin of 5.5% (H1/15: 6.4%). This means that KUKA remains on course in 2016 on an operational basis.

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16
EBIT (in € millions)	28.1	40.3	37.5	29.7	31.4	15.3
EBIT margin (in %)	3.9%	5.3%	5.2%	3.9%	5.0%	2.2%
EBIT adjusted* (in € millions)	28.1	40.3	37.5	29.7	31.4	36.0
EBIT margin adjusted* (in %)	3.9%	5.3%	5.2%	3.9%	5.0%	5.1%
EBITDA (in € millions)	59.5	73.4	66.4	59.8	48.6	32.9
EBITDA margin (in %)	8.3%	9.7%	9.2%	7.8%	7.7%	4.7%
EBITDA adjusted* (in € millions)	59.5	73.4	66.4	59.8	48.6	53.6
EBITDA margin adjusted* (in %)	8.3%	9.7%	9.2%	7.8%	7.7%	7.6%

* One-off effect due to the takeover bid by Midea Group

The Robotics division's EBIT margin of 10.2% was slightly below the previous year's level (11.0%). Swisslog achieved a substantially improved EBIT margin of -0.1% as compared with H1/15 (-9.1%). Adjusted for the effects of purchase price allocation, the margin was 1.8% (H1/15: 1.9%). In the Systems segment the EBIT margin was 6.4% in the first half-year (H1/15: 8.2%). Excluding the book gain from the sale of the HLS entity in H1/15, the EBIT margin would have been 7.2%.

Comparison with the same period last year shows that EBITDA (earnings before interest, taxes, depreciation and amortization) fell from €132.9 million to €81.5 million. Total depreciation and amortization in the period under review was €34.8 million, versus €64.5 million in H1/15. Of this, €10.7 million (H1/15: €13.1 million) was attributable to Robotics, €8.2 million (H1/15: €9.6 million) to Systems, €11.3 million (H1/15: €39.9 million) to Swisslog and €4.6 million (H1/15: €1.9 million) to other areas. Disregarding the one-off effects of the Midea Group takeover bid, EBITDA is €102.2 million and the EBITDA margin 7.7%.

Expenses and income in the financial result balanced each other out in the first half of 2016 (€0.0 million net). This is a marked improvement on the first half of 2015, when the financial result was €-5.1 million.

Interest income was €5.7 million, (H1/15: €5.1 million) and includes mainly income in connection with the finance lease and income from short-term investments. Currency effects in the area of financing are shown in the financial result. The net balance of foreign exchange gains and losses in the first half-year led to a foreign currency gain of €0.9 million (H1/15: €-2.2 million).

In the half-year under review, interest expenditure totaled €5.7 million. Most of this relates to the new promissory note loan placed in October 2015 with interest expenditure of €1.8 million and the net interest expense for pensions of €1.0 million (H1/15: €0.9 million). Due to the conversions of the convertible bond undertaken since October 2015 and completed in March 2016, interest expenditure on the convertible bond fell from €3.4 million in the first half-year of 2015 to €0.3 million. Expenditure on sureties and guarantees amounted to €0.5 million (H1/15: €0.4 million).

Earnings before taxes (EBT) in the first six months of 2016 were €46.7 million, compared to €61.8 million in H1/15. Taxes paid in the reporting period totaled €16.3 million, versus €20.3 million in H1/15. This represented a tax rate of 34.9% (H1/15: 32.8%).

Earnings after taxes declined compared to the first half of last year from €41.5 million to €30.4 million. Undiluted earnings per share stood at €0.78 (H1/15: €1.19).

Consolidated income statement (condensed)

in € millions	H1/15	H1/16
Sales revenues	1,477.4	1,333.2
EBIT	68.4	46.7
EBIT adjusted*	68.4	67.4
EBITDA	132.9	81.5
EBITDA adjusted*	132.9	102.2
Financial result	-5.1	0.0
Taxes on income	-20.3	-16.3
Earnings after taxes	41.5	30.4

* One-off effect due to the takeover bid by Midea Group

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. The associated figure of €83.3 million in the first half of 2016 (H1/15: €136.3 million) indicates that the company is in an excellent economic position.

Cash flow from current business operations decreased to -€68.7 million (H1/15: €1.8 million). This reduction is primarily due to the increase in trade working capital by €92.3 million to €356.9 million. The increase is attributable in particular to the significantly higher volume of orders received and the accompanying upstream procurement measures. These investments are necessary and will help KUKA achieve future revenue targets. Overall, trade working capital has developed as follows:

in € millions	12/31/2015	Group 06/30/2016
Inventories less advance payments	225.3	223.5
Trade receivables and receivables from construction contracts	658.3	726.5
Trade payables and liabilities from construction contracts	619.0	593.1
Trade working capital	**264.6**	**356.9**

In the first three months of 2016 we made investments amounting to €41.0 million (H1/15: €44.9 million). Capital investment in tangible assets totaled €24.0 million, mainly concerning technical plant and equipment as well as operating and office equipment. Minor follow-on investments were still necessary for the Development and Technology Center in Augsburg completed in the last quarter of 2015, e.g. for office equipment and interior fittings. €16.8 million was invested in intangible assets, of which €9.8 million was for internally generated intangible assets and another €3.8 million for licenses acquired in the context of internal projects for harmonizing, standardizing and optimizing processes. Investment for corporate acquisitions was €3.3 million. This included an asset deal in the US for the Swisslog segment and a further milestone payment of €1.6 million to KBee AG, Munich. The cash flow from investment activities amounted to €-29.2 million in total (H1/15: €-23.1 million).

The cash flow from current business operations plus cash flow from investment activities resulted in a free cash flow of €-97.9 million, compared to €-21.3 million in H1/15.

The cash flow from financing activities amounted to €-19.7 million (H1/15: €-38.2 million). This includes dividend payments to shareholders of €0.50 per share (2015: €0.40 per share) totaling €19.3 million.

As a result of this, the cash and cash equivalents available to KUKA Group at June 30, 2016 were €374.9 million (H1/15: €136.1 million). The marked increase on the previous year's value is due essentially to the incoming payment on the basis of the promissory note loan issued in October 2015 totaling €250.0 million. Compared to December 31, 2015 the cash and cash equivalents decreased by €121.3 million (December 31, 2015: €496.2 million), primarily due to the above-mentioned increase in trade working capital.

Syndicated loan

The syndicated loan agreement concluded for corporate financing in April 2015 remains unchanged with a surety and guarantee line in the amount of €140.0 million and a working capital line in the amount of €90.0 million, which can also be used for sureties and guarantees. In the first quarter of 2016, KUKA exercised its first contractual extension option, which all syndicate banks agreed to. The term of the syndicated loan has been extended until March 31, 2021 with the volume remaining unchanged. As at the reporting date the utilization of the guarantee facility and cash credit line from the syndicated loan agreement of KUKA AG amounted to a total of €122.5 million (December 31, 2015: €100.9 million). The syndicated loan agreement contains a standard change-of-control clause. After speaking with all syndicate banks, however, KUKA does not expect them to withdraw from the financing of KUKA Group on account of a change of control resulting from the takeover bid by Midea Group.

The existing ABS program also contains a change-of-control clause. Here again, KUKA does not expect the receivables purchaser to terminate the program due to the change of control.

The existing bilateral lines of credit with banks and surety companies do not contain change-of-control clauses.

Cancelation of the convertible bond

In an announcement on February 18, 2016 KUKA Aktiengesellschaft irrevocably canceled the February and July 2013 convertible bonds as of March 24, 2016 (redemption date). By this date, further convertible bond units with a nominal value of €46.9 million were converted into 1,274,211 shares in the first quarter of 2016. The non-converted bond units with a nominal value of €0.3 million were redeemed to the investors together with the interest accrued in the financial year.

Consolidated cash flow statement (condensed)

in € millions	H1/15	H1/16
Cash earnings	136.3	83.3
Cash flow from current business operations	1.8	-68.7
Cash flow from investment activities	-23.1	-29.2
Free cash flow	-21.3	-97.9

Net worth

The balance sheet total of KUKA Group declined by €37.2 million from €2,381.7 million as at December 31, 2015 to €2,344.5 million as at the reporting date. This corresponds to a reduction of 1.6%.

Compared to the end of the previous year, non-current assets decreased to €828.2 million as at June 30, 2016 (December 31, 2015: €823.3 million). In this connection, tangible assets rose marginally by €1.1 million, and other receivables and assets by €0.7 million. Finance lease receivables fell to €5.7 million. Amounts totaling €5.4 million were included for investments in associated companies (December 31, 2015: €6.6 million) and reported under "At equity financial assets". Deferred tax assets amounted to €57.2 million (December 31, 2015: €49.2 million), with €23.9 million being attributable to losses carried forward (December 31, 2015: €11.2 million). Deferred tax assets for loss carryforwards in Germany totaled €14.5 million. These will probably expire pursuant to the German Corporate Income Tax Act on the legal transfer of more than 50% of shares to Midea.

The value of current assets amounted to €1,516.3 million as at June 30, 2016 (December 31, 2015: €1,558.4 million). Further explanations regarding the current assets are included in the notes on the financial position.

Within the reporting period, equity capital increased from €732.5 million to €766.2 million. This was the result not only of the earnings after taxes (€30.4 million), but also primarily of the conversion of the convertible bond into shares in KUKA Aktiengesellschaft and the resultant capital increase of €44.6 million. Equity capital was reduced by exchange rate effects (essentially USD, CHF, CNY and BRL) totaling €-7.9 million and dividend payments of €19.3 million for the 2015 financial year. Because of the further reduction in interest rates in comparison with those prevailing at the end of fiscal 2015, the valuation of pension provisions including the associated deferred taxes, while not affecting earnings, caused an additional decline in equity with a total impact of €-14.6 million. Minority interests changed slightly from €-0.5 million as at December 31, 2015 to €-1.0 million as at June 30, 2016.

The equity ratio, i.e. the ratio of equity capital to the balance sheet total, was 32.7%, which was much higher than at the end of the 2015 financial year (December 31, 2015: 30.8%).

Due in particular to the conversion of the convertible bonds, as described above, financial liabilities were reduced from €296.3 million as at December 31, 2015 to €252.7 million as at June 30, 2016. The remaining financial liabilities principally relate to minor drawdowns by foreign subsidiaries on the existing syndicated loan agreement and the newly issued promissory note loan.

The increase of the pension provisions and similar obligations by €16.2 million is primarily attributable to the actuarial loss, recognized in equity, resulting from the further reduction of the discount interest rate.

The current liabilities decreased from €1,160.6 million as at December 31, 2015 to €1,120.4 million as at June 30, 2016. The seasonal increase in liabilities in the personnel sector such as accruals for unused leave was one of the factors contributing to this. Details of the liabilities for the trade working capital are included 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, dropped from €199.9 million at year-end 2015 to €122.2 million as of June 30, 2016.

Group net worth

in € millions	12/31/2015	06/30/2016
Balance sheet total	2,381.7	2,344.5
Equity	732.5	766.2
in % of balance sheet total	30.8	32.7
Net liquidity	199.9	122.2

Research & development

In the second quarter of 2016, research and development expenditure for KUKA Group amounted to €33.8 million. Investment was thus at the same level as in the same period of the previous year (Q2/15: €30.6 million). This brings research and development expenditure for the first half of the year up to €63.7 million (H1/15: €51.9 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 second quarter of 2016, KUKA concentrated on the ongoing development of key technologies for the digitization of production and on rounding out the product portfolio for the specific requirements of the focused growth markets.

AUTOMATICA 2016: real application examples for digital production

At AUTOMATICA, the trade fair for automation and mechatronics in Munich, KUKA demonstrated solutions and concepts for the digital production of the future. The products and concrete application examples presented covered three core areas of Industrie 4.0: networking in the cloud, the future of human-robot collaboration and the new robots for new markets and industries. KUKA made the complex topics of the Cloud and Big Data tangible and showed how cloud computing and networking help to simplify asset management and minimize downtimes and service costs.

The new KR 3 AGILUS – the agile lightweight robot

With a payload of 3 kg and a reach of 540 mm, the KR 3 AGILUS is ideally suited to the requirements of a wide range of industries, in particular the electronics industry – one of the largest and fastest-growing markets for automation. The KR 3 AGILUS is used wherever very short cycle times and maximum production output are required. It is even more compact and is thus the ideal solution for small cell concepts, such as those needed in the 3C market (computers, communications and consumer electronics). Thanks to its intelligent design, the KR 3 AGILUS is cost-efficient, requires minimal maintenance and is extremely reliable.

Modern laser welding solution – KUKA flexibleCUBE laser

KUKA Industries presented the new "KUKA flexibleCUBE laser" compact welding cell at Lasys 2016, the international trade fair for laser material processing. The laser cell with its plug & play solution is user-friendly and its compact design enables flexible implementation. It is ideal for a dynamic production environment and can be upgraded, converted or relocated very quickly. The special features of the laser cube are the stationary optics for laser cladding and the robot that takes over workpiece handling tasks inside the cell.

INDUSTRY AWARD 2016 for "Automated Item Pick"

The human-robot order-picking solution "Automated Item Pick (AIP)" from Swisslog was honored with the INDUSTRY AWARD 2016 at Hannover Messe. With the slogan "Success through progress", AIP managed to win through as the most innovative solution with the greatest benefits for the economy and society in the category "Intralogistics & Production Management". The fully-automated picking system AIP is Swisslog's response to the trend for ever smaller batch sizes and uses human-robot collaboration to boost efficiency in the picking of individually packaged goods. The LBR iiwa sensitive lightweight robot is networked with automated goods-to-person warehousing systems, such as AutoStore or CarryPick, and assists the human operator in safe, direct collaboration. Order processing can be carried out considerably faster, more flexibly and with a lower error rate thanks to intelligent human-robot collaboration.

Human-robot collaboration in medical technology: robotic ultrasound application

At the Computer Assisted Radiology and Surgery (CARS) research congress, KUKA showcased the "Haptic Ultrasound" application. The robotic ultrasound application with the LBR iiwa sensitive lightweight robot demonstrated the possibilities that human-robot collaboration opens up in the field of medical technology. The robot arm is fitted with an ultrasound sensor and executes exactly those motions specified by the user in a haptic input system. A special phantom is used as the model. The sensor then generates images in real time, which are delivered to the monitors through USB interfaces. The separation of controller and robot allows the patient and doctor to be in different places and enables reliable remote diagnosis during ultrasound examinations.

KUKA at ICRA in Stockholm

At the world's largest robotics conference, the International Conference on Robotics and Automation (ICRA) in Stockholm, KUKA presented innovative projects from the Group's research department. Taking the KR AGILUS as an example, a new type of energy-efficient path planning was demonstrated that can achieve savings of up to 30% depending on the specific task. The important value of peak demand for energy supply can even be reduced by up to 60%. KUKA is developing technologies for the energy-efficient operation of robots as part of the AREUS project. Another special feature of the application is that it uses the innovative KUKA Sunrise control software that is not yet used as standard with the KR AGILUS. In another application, KUKA demonstrated machine learning with a smart KUKA LBR iiwa lightweight robot.

Employees

As at June 30, 2016 KUKA Group employed 12,675 people. Compared with the reporting date of the previous year, this was a rise of 2.4% (June 30, 2015: 12,384). The Robotics division's workforce increased by 10.7% from 3,893 to 4,311. Most new staff were hired in the area of research and development. At KUKA Systems, the workforce decreased by 7.6% from 5,680 as at June 30, 2015 to 5,249 as at June 30, 2016. The reason for this drop was the sale of HLS Engineering Group. The Swisslog division had 2,654 employees at the end of the second quarter of this year, 5.5% more than on the reporting date of the previous year (June 30, 2015: 2,515). The number of temporary workers at Group level fell by 35.0% from 1,865 to 1,212. At the end of the second quarter, there were 3,332 employees at the Augsburg site. This was 9.2% more than as at the reporting date of the previous year (June 30, 2015: 3,051).

Opportunities and risk report

Overall, KUKA Group's named risks relate to the business performance of the divisions and financial risks associated with currency exchange rate fluctuations and corporate financing. The Executive Board is not aware of any individual or aggregated risks that could threaten the company's existence. Strategically and financially, the company is positioned to be able to take advantage of business opportunities. For information on risks affecting EBIT, please also refer to the detailed report on pages 53 and following of the 2015 annual report/management report.

Outlook

Given the current economic forecasts and general conditions, KUKA expects high demand in the 2016 financial year, particularly from the North America and Asia regions, and here especially from China. Demand in Europe is expected to remain relatively stable overall. From a sector perspective, a positive development is predicted for the General Industry market. This is due in part to the low penetration rate of robot-based automation in some areas and in part to new robot types and technologies enabling the efficiency of production stages previously characterized by a low degree of automation to be improved. Automotive customers have already significantly increased investments over the past few years.

On the basis of the current general conditions, KUKA is expecting sales revenues of more than €3.0 billion for the full year 2016. 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. Based on the current economic environment and the expected development of sales, KUKA Group expects to achieve an EBIT margin of more than 5.5% before the purchase price allocation for Swisslog and also before extraordinary expenses of about €30 million related to the takeover by MECCA/Midea. The expenditure for purchase price allocation at Swisslog should amount to about €10 million in 2016 and thus be significantly lower than in the previous year.

Events after the balance sheet date

On June 16, 2016, MECCA International (BVI) Limited, a 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, based on the fairness opinion, the Executive Board recommended that KUKA shareholders accept the offer. KUKA shareholders may offer their shares to Midea up to August 3, 2016 (current grace period, due to the 30% minimum acceptance threshold being exceeded). For further details please refer to the section "KUKA and the capital market".

In connection with this and with the strong order intake in the second quarter of 2016, KUKA Aktiengesellschaft published the following ad hoc announcement on July 21, 2016:

"In reference to the tender offer of MECCA International (BVI) Limited ('Bidder'), a 100% subsidiary of Midea Group Co., Ltd. ('Midea'), as of 16 June 2016, extraordinary expenses will be incurred for such items as consultancy costs and costs resulting from the share programs for employees. In the 2016 financial year, the Executive Board is anticipating an impact on the earnings before interest and taxes (EBIT) of around €30 million, of which approximately €21 million must already be taken into account as of June 30, 2016.

The Executive Board still expects for the 2016 financial year sales revenues in excess of €3.0 billion and an EBIT margin of more than 5.5% before purchase price allocation for Swisslog, though now also before extraordinary expenses amounting to around €30 million.

In the second quarter of 2016, KUKA achieved orders received amounting to approximately €890 million according to preliminary figures, significantly surpassing expectations."

Interim Report (condensed)

Consolidated income statement
of KUKA Aktiengesellschaft for the period January 1 to June 30, 2016

in € millions	Q2/15	Q2/16	H1/15	H1/16
Sales revenues	757.6	704.1	1,477.4	1,333.2
Cost of sales	-571.5	-518.8	-1,133.1	-971.3
Gross profit	186.1	185.3	344.3	361.9
Selling expenses	-66.8	-66.3	-126.1	-126.9
Research and development expenses	-30.6	-33.8	-51.9	-63.7
General and administrative expenses	-50.0	-68.0	-99.3	-121.3
Other operating income	10.8	3.6	13.7	6.4
Other operating expenses	-9.5	-4.3	-11.8	-7.5
Earnings from companies valued at equity	-0.6	-1.2	-2.0	-2.2
Earnings from operating activities	39.4	15.3	66.9	46.7
Reconciliation to earnings before interest and taxes (EBIT)				
Financing costs included in cost of sales	0.9	0.0	1.5	0.0
Earnings before interest and taxes (EBIT)	40.3	15.3	68.4	46.7
Depreciation and amortization	33.1	17.6	64.5	34.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	73.4	32.9	132.9	81.5
Net interest income	2.9	2.2	5.1	5.7
Net interest expense	-5.3	-3.2	-10.2	-5.7
Financial result	-2.4	-1.0	-5.1	0.0
Earnings before taxes	37.0	14.3	61.8	46.7
Taxes on income	-10.8	-4.8	-20.3	-16.3
Earnings after taxes	**26.2**	**9.5**	**41.5**	**30.4**
of which: attributable to minority interests	-0.6	-0.3	-1.0	-0.5
of which: attributable to shareholders of KUKA AG	26.8	9.8	42.5	30.9
Earnings per share (undiluted) in €	0.75	0.24	1.19	0.78
Earnings per share (diluted) in €	0.71	0.24	1.13	0.78

Statement of comprehensive income
of KUKA Aktiengesellschaft for the period January 1 to June 30, 2016

in € millions	Q2/15	Q2/16	H1/15	H1/16
Earnings after taxes	26.2	9.5	41.5	30.4
Items that may potentially be reclassified to profit or loss				
Currency translation adjustments	-5.6	3.8	50.6	-7.9
Items that are not reclassified to profit or loss				
Changes of actuarial gains and losses	10.3	-6.9	0.7	-19.0
Deferred taxes on changes of actuarial gains and losses	-3.1	2.2	-1.1	4.4
Changes recognized directly in equity	1.6	-0.9	50.2	-22.5
Comprehensive income	**27.8**	**8.6**	**91.7**	**7.9**
of which: attributable to minority interests	-0.8	-0.3	0.2	-0.5
of which: attributable to shareholders of KUKA AG	28.6	8.9	91.5	8.4

Consolidated cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2015

in € millions	H1/15	H1/16
Earnings after taxes	**41.5**	**30.4**
Income taxes	34.7	24.3
Net interest	5.1	0.0
Depreciation/amortization on intangible assets	48.1	15.7
Depreciation/amortization on tangible assets	16.4	19.1
Other non-payment-related income	-15.1	-11.3
Other non-payment-related expenses	5.6	5.1
Cash earnings	**136.3**	**83.3**
Result on the disposal of assets	-8.0	0.1
Changes in provisions	8.2	-13.5
Changes in current assets and liabilities:		
Changes in inventories	-30.3	-6.7
Changes in receivables and deferred charges	-51.7	-81.4
Changes in liabilities and deferred charges (excl. financial debt)	-27.2	-21.7
Income taxes paid	-24.3	-27.3
Investment/financing matters affecting cash flow	-1.2	-1.5
Cash flow from current business operations	**1.8**	**-68.7**
Payments from disposals of fixed assets	0.7	2.0
Payments for capital expenditures on intangible assets	-10.6	-17.5
Payments for capital expenditures on tangible assets	-34.3	-23.5
Payments for investment in financial investments	-0.3	0.0
Payments received from financial assets in the course of short-term funds management	23.4	8.9
Payments received from the sale of consolidated companies and other business units	21.2	0.0
Payments for the acquisition of consolidated companies and other business units	-27.3	-3.3
Interest received	4.1	4.2
Cash flow from investment activities	**-23.1**	**-29.2**
Free cash flow	**-21.3**	**-97.9**
Dividend payments	-16.9	-19.3
Proceeds/payments from the issuance/repayment of bonds and similar liabilities	–	–
Proceeds from/payments for the acceptance/repayment of bank loans	-17.8	2.1
Payments from grants received	1.2	1.6
Interest paid	-4.7	-4.1
Cash flow from financing activities	**-38.2**	**-19.7**
Payment-related changes in cash and cash equivalents	**-59.5**	**-117.6**
Changes in cash and cash equivalents related to acquisitions	-3.1	0.0
Exchange-rate-related and other changes in cash and cash equivalents	6.6	-3.7
Changes in cash and cash equivalents	**-56.0**	**-121.3**
(of which net increase/decrease in restricted cash)	-4.4	-0.3
Cash and cash equivalents at the beginning of the period	192.1	496.2
(of which restricted cash at the beginning of the period)	-2.4	3.5
Cash and cash equivalents at the end of the period	**136.1**	**374.9**
(of which restricted cash at the end of the period)	-6.8	3.2

Group balance sheet
of KUKA Aktiengesellschaft as of June 30, 2016

ASSETS in € millions	12/31/2015	06/30/2016
Non-current assets		
Intangible assets	423.0	424.9
Tangible assets	259.0	260.1
Financial investments	3.9	3.9
Investments accounted for at equity	6.6	5.4
	692.5	694.3
Finance lease receivables	65.2	59.5
Income tax receivables	1.6	1.7
Other long-term receivables and other assets	14.8	15.5
Deferred taxes	49.2	57.2
	823.3	828.2
Current assets		
Inventories	297.8	306.5
Receivables and other assets		
Trade receivables	310.6	341.1
Receivables from construction contracts	347.7	385.4
Finance lease receivables	8.5	8.7
Income tax receivables	10.5	9.4
Other assets, prepaid expenses and deferred charges	87.1	90.3
	764.4	834.9
Cash and cash equivalents	496.2	374.9
	1,558.4	1,516.3
	2,381.7	2,344.5

LIABILITIES in € millions	12/31/2015	06/30/2016
Equity		
Subscribed capital	100.1	103.4
Capital reserve	265.3	306.6
Revenue reserves	367.6	357.2
Minority interests	-0.5	-1.0
	732.5	**766.2**
Non-current liabilities		
Financial liabilities	294.2	249.5
Other liabilities	24.0	26.7
Pensions and similar obligations	114.0	130.2
Deferred taxes	56.4	51.5
	488.6	**457.9**
Current liabilities		
Financial liabilities	2.1	3.2
Trade payables	402.0	335.5
Advances received	72.5	83.0
Liabilities from construction contracts	217.0	257.6
Accounts payable to affiliated companies	0.0	0.0
Income tax liabilities	33.4	29.3
Other liabilities and deferred income	290.6	277.0
Other provisions	143.0	134.8
	1,160.6	**1,120.4**
	2,381.7	**2,344.5**

Development of Group equity
of KUKA Aktiengesellschaft for the period January 1 to June 30, 2016

				Revenue reserves					
	Number of shares outstanding	Subscribed capital (in € millions)	Capital reserve (in € millions)	Translation gains/losses (in € millions)	Actuarial gains and losses (in € millions)	Annual net income and other revenue reserves (in € millions)	Equity to shareholders (in € millions)	Minority interests (in € millions)	**Total** (in € millions)
01/01/2015	35,708,315	92.8	176.5	9.7	-17.2	262.5	524.3	16.8	541.1
Earnings after taxes						42.5	42.5	-1.0	41.5
Other earnings				49.4	-0.4		49	1.2	50.2
Comprehensive income	–	–	–	49.4	-0.4	42.5	91.5	0.2	91.7
KUKA AG dividend						-14.3	-14.3		-14.3
Other changes						-4.8	-4.8	-7.0	-11.8
06/30/2015	**35,708,315**	**92.8**	**176.5**	**59.1**	**-17.6**	**285.9**	**596.7**	**10.0**	**606.7**
01/01/2016	38,501,259	100.1	265.3	53.0	-15.2	329.8	733.0	-0.5	732.5
Earnings after taxes						30.9	30.9	-0.5	30.4
Other earnings				-7.9	-14.6		-22.5	0.0	-22.5
Comprehensive income	–	–	–	-7.9	-14.6	30.9	8.4	-0.5	7.9
Capital incease from conversions	1,274,211	3.3	41.3				44.6		44.6
KUKA AG dividend						-19.3	-19.3		-19.3
Other changes						0.5	0.5		0.5
06/30/2016	**39,775,470**	**103.4**	**306.6**	**45.1**	**-29.8**	**341.9**	**767.2**	**-1.0**	**766.2**

Notes to the quarterly report (condensed)

Group segment report
of KUKA Aktiengesellschaft for the period January 1 to June 30, 2016

	Robotics		Systems		Swisslog		KUKA AG and other companies		Reconciliation and consolidation		Group	
in € millions	H1/15	H1/16	H1/15	H1/16	H1/15	H1/16	H1/15	H1/16	H1/15	H1/16	H1/15	H1/16
Orders received	464.1	493.9	758.9	825.5	233.3	335.8	–	–	-16.4	-15.3	1,439.9	1,639.9
Order backlog (06/30)	267.0	259.2	1,049.6	1,134.0	477.5	538.2	–	–	-7.8	-8.4	1,786.3	1,923.0
Group external sales revenues	436.5	445.5	726.6	603.3	314.3	284.5	–	–	–	-0.1	1,477.4	1,333.2
in % of Group sales revenues	29.5%	33.4%	49.2%	45.3%	21.3%	21.3%	–	–	–	–	100.0%	100.0%
Intra-Group sales revenues	15.5	13.2	5.6	2.5	0.0	0.0	–	–	-21.1	-15.7	–	–
Sales revenues by division	**452.0**	**458.7**	**732.2**	**605.8**	**314.3**	**284.5**	**–**	**–**	**-21.1**	**-15.8**	**1,477.4**	**1,333.2**
Gross profit	**172.2**	**177.5**	**128.3**	**109.8**	**43.3**	**74.9**	**–**	**0.0**	**0.5**	**-0.3**	**344.3**	**361.9**
in % of sales revenues of the division	38.1%	38.7%	17.5%	18.1%	13.8%	26.3%	–	–		–	23.3%	27.1%
EBIT	**49.9**	**46.7**	**60.3**	**38.8**	**-28.6**	**-0.3**	**-11.0**	**-17.8**	**-2.2**	**-20.7**	**68.4**	**46.7**
in % of sales revenues of the division	11.0%	10.2%	8.2%	6.4%	-9.1%	-0.1%	–	–		–	4.6%	3.5%
Extraordinary expenses*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.7	0.0	20.7
EBIT adjusted*	49.9	46.7	60.3	38.8	-28.6	-0.3	-11.0	-17.8	-2.2	0.0	68.4	67.4
EBIT adjusted* in % of sales revenues of the devision	11.0%	10.2%	8.2%	6.4%	-9.1%	-0.1%	–	–			4.6%	5.1%
EBITDA	**63.0**	**57.4**	**69.9**	**47.0**	**11.3**	**11.0**	**-9.1**	**-13.2**	**-2.2**	**-20.7**	**132.9**	**81.5**
in % of sales revenues of the division	13.9%	12.5%	9.5%	7.8%	3.6%	3.9%	–	–		–	9.0%	6.1%
Extraordinary expenses*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.7	0.0	20.7
EBITDA adjusted*	63.0	57.4	69.9	47.0	11.3	11.0	-9.1	-13.2	-2.2	0.0	132.9	102.2
EBITDA adjusted* in % of sales revenues of the devision	13.9%	12.5%	9.5%	7.8%	3.6%	3.9%	–	–			9.0%	7.7%
Assets (06/30)	425.9	432.4	820.2	760.0	580.1	615.5	511.5	545.3	-438.5	-442.5	1,899.2	1,910.7
Number of employees (06/30)	3,893	4,311	5,680	5,249	2,515	2,654	296	461	–	–	12,384	12,675

* One-off effect due to the takeover bid by Midea Group

IFRS/IAS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, has prepared its interim financial statements for the period ending June 30, 2016 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 Group interim financial statements should be read in conjunction with the consolidated financial statements as of December 31, 2015. Unless stated to the contrary, all values are stated in € millions.

The consolidated Group financial statements were prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IAS) 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.

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, 2016	23	40	32	3	98
First-time consolidations	–	–	1	1	2
Deconsolidations	–	–	–	–	0
Mergers	–	–	-1	–	-1
Status as of June 30, 2016	23	40	32	4	99
of which, Germany	1	11	5	3	20
of which, abroad	22	29	27	1	79

Number of fully consolidated companies	Robotics	Systems	Swisslog	Other	Total
Status as of June 30, 2016	1	1	–	1	3

Additions of companies

With effect from April 20, 2016, connyun GmbH, Augsburg was founded as a wholly-owned subsidiary of KUKA AG, Augsburg.

In May 2016, Swisslog AG, Buchs/Switzerland and Links Solstice Commercial Brokers LLC Dubai/United Arab Emirates founded Swisslog Healthcare Trading MEA LLC, Dubai/United Arab Emirates. Under the articles of association, Swisslog holds 49.0% (corresponding to < €0.1 million) of the share capital. Based on the contractual provisions, Swisslog has an interest of 100% in the income and determines the entire composition of management, with the effect that the new company is fully incorporated into KUKA Group.

Total business operations for both newly founded companies in 2016 are still of minor significance.

Disposals and mergers of companies

In the second quarter of 2016, with effect from January 1, 2016, Swisslog AG, Buchs/Switzerland was merged with Swisslog IP AG, Buchs/Switzerland. Swisslog IP AG, Buchs/Switzerland was then renamed Swisslog AG, Buchs/Switzerland.

Investments in associates

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 and Barrett Technology, LLC, Newton, Massachusetts/USA, was valued at €5.4 million; the effect on earnings was €-2.2 million.

The stake in KBee AG was increased by a contractual milestone payment of €1.6 million in the first quarter. For further details please refer to the company's 2015 annual report.

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 2015 financial year were applied in preparing this consolidated interim report. For further information on the valuation methodology and accounting principles please refer to the consolidated financial statements dated December 31, 2015, which form the basis of the interim report presented here. This is also available on the Internet at www.kuka.com.

Changes in accounting policies

The following new standards and interpretations have become mandatory since the start of the 2016 financial year:

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 – Notes
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- Amendments to IAS 27 – Equity Method in Separate Financial Statements
- Annual Improvements 2012 – 2014

The first-time application of these standards and interpretations led to only slight effects on the consolidated financial statements, or to no effects on them at all.

Pursuant to IAS 23, borrowing costs in connection with long-term construction contracts were capitalized in KUKA Group up to 2015 because long-term construction contracts have to be classified as qualifying assets and an indirect relationship existed in respect of financing extended to the subsidiaries via the Group parent company. Through the improvements achieved in the external financing conditions of KUKA Group, it has proved possible to reduce the borrowing costs significantly (2016: 1.4%; 2015: 3.3%). Owing to the fact that determining the interest to be capitalized causes a great amount of internal work, while the capitalized financing costs neither constitute a control parameter in the Group nor result in a higher information content in the financial statements (H1/15: €-1.6 million capitalized financing costs), KUKA has decided, for cost-benefit reasons, no longer to take borrowing costs into account in the case of long-term construction contracts with effect from the start of the 2016 financial year.

Earnings per share

Undiluted/diluted earnings per share break down as follows:

	H1/15	H1/16
Net result attributable to shareholders of KUKA AG (in € millions)	42.5	30.9
Weighted average number of shares outstanding	35,708,315	39,417,296
Undiluted earnings per share (in €)	1.19	0.78
Diluted earnings per share (in €)	1.13	0.78

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 six months of 2016, the weighted average number of shares in circulation was 39.4 million (June 30, 2015: 35.7 million shares). The increase in relation to the comparative period is due to the full conversion of the convertible bond issued in 2013. In the fourth quarter of 2015, bond units with a nominal value of €102.8 million had already been converted into 2,792,944 shares. The very good performance of the KUKA share prompted KUKA Aktiengesellschaft to exercise its right of redemption. On February 18, 2016 the company gave notice that the convertible bond would be irrevocably canceled as of March 24, 2016 (redemption date). Units of the convertible bond that had not been converted into shares in KUKA Aktiengesellschaft by this redemption date were repaid to the holders at a rate of 100%. Together with the conversions that had taken place prior to the announcement, further convertible bond units with a nominal value of €46.9 million were converted into 1,274,211 shares in the first quarter of 2016.

As a result, there were no financial liabilities related to convertible bonds as at June 30, 2016.

Equity

The capital stock of KUKA Aktiengesellschaft amounts to €103,416,222.00 (June 30, 2015: €92,841,619). This is subdivided into 39,775,470 (June 30, 2015: 35,708,315) 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:

	12/31/2015	06/30/ 2016
Germany	2.20%	1.25%
Switzerland	0.75%	0.25%
UK	4.00%	3.20%
Sweden	2.90%	3.00%
USA	4.12% – 4.25%	3.43% – 3.50%

Overall an actuarial loss of €19.0 million arose for the Defined Benefit Obligation (DBO) and for the funds invested in external pension funds. The actuarial result was reported under equity as an income-neutral sum of €-14.6 million in consideration of deferred taxes.

The renewed decline in discount rates led to actuarial losses, particularly at German and Swiss companies with pension provisions in 2016.

Convertible bond

In 2013 KUKA Aktiengesellschaft issued a convertible bond with a total nominal amount of €150.0 million in two tranches. The bond was issued in denominations of €100,000. The initial conversion price was €36.8067 per share, which meant the conversion ratio was 2,716.8967 shares per €100,000 unit. In total, the convertible bond entitled holders to convert their holdings into up to 4,075,344 new bearer shares of KUKA Aktiengesellschaft. The bond carried an interest coupon of 2.0% p.a.

As already stated above, the convertible bond was irrevocably canceled as of March 24, 2016. By the cancelation date, bond units with a total nominal value of €149.7 million had been converted into 4,067,155 shares in KUKA Aktiengesellschaft. The non-converted bond units with a nominal value of €0.3 million were redeemed to the investors together with the interest accrued in the financial year.

Promissory note loan

On October 9, 2015, KUKA Aktiengesellschaft issued an unsecured promissory note loan with a total volume of €250.0 million, of which €248.9 million accrued to KUKA Aktiengesellschaft after deduction of the transaction costs of €1.1 million.

The total volume of the loan was placed in two separate tranches. Tranche 1 has a volume of €142.5 million with a term to maturity of five years; tranche 2 has a volume of €107.5 million and a term to maturity of seven years. The issue price was 100.0% with a denomination per unit of at least €0.5 million or a multiple thereof. 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. Interest amounting to €2.4 million (December 31, 2015: €0.8 million) was deferred as at June 30, 2016.

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 including pro rata accrued interest stands at €251.5 million as at June 30, 2016 (December 31, 2015: €249.0 million).

Syndicated loan

KUKA Aktiengesellschaft is financed inter alia via a syndicated loan agreement with a surety and guarantee line of €140.0 million and a working capital line of €90.0 million, which can also be used for sureties and guarantees. The syndicated loan agreement is unsecured and contains only the customary equal treatment clauses and negative pledges. The financial covenants are a lower limit to the interest coverage ratio (ratio of EBITDA to net interest expense) and an upper limit to the leverage (ratio of net financial liabilities to EBITDA). The syndicated loan agreement contains a standard change-of-control clause. After speaking with all syndicate banks, however, KUKA does not expect them to withdraw from the financing of KUKA Group on account of a change of control resulting from the takeover bid by Midea Group.

In March 2016 KUKA Aktiengesellschaft, with the agreement of all syndicate banks, exercised the first of the two existing extension options and extended the term of the syndicated loan agreement by one year to March 30, 2021. For further details please refer to the company's 2015 annual report.

As at June 30, 2016, the utilization of the guarantee facility and cash credit line from the syndicated loan agreement of KUKA Aktiengesellschaft amounted to a total of €122.5 million (December 31, 2015: €100.9 million).

Lines of credit from banks and surety companies

The guarantee facilities promised by banks and surety companies outside the syndicated loan agreement amounted to €89.0 million on June 30, 2016 (December 31, 2015: €89.0 million) and were available to be utilized in full. As at the reporting date, the amount exercised was €55.5 million (December 31, 2015: €47.1 million).

The existing bilateral lines of credit with banks and surety companies do not contain change-of-control clauses.

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, €23.1 million was utilized as of June 30, 2016, which compares to €16.4 million at December 31, 2015.

The existing ABS program also contains a change-of-control clause. Here again, KUKA does not expect the receivables purchaser to terminate the program due to the change of control.

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:

06/30/2016

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	–	8.1	2.0	10.1
Financial liabilities	–	6.1	–	6.1

12/31/2015

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	–	4.6	2.1	6.7
Financial liabilities	–	3.8	–	3.8

The financial assets of 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 and are measured using the discounted future cash flows from the sale of a minority interest

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 Robotics, Systems and Swisslog segments as well as KUKA Aktiengesellschaft and other companies. Key financial indicators are determined for all four 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 divisions, as well as in the tables at the beginning of the notes to this interim 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 €3.2 million (December 31, 2015: €3.2 million) are subject to restrictions. These are still related to company acquisitions made in the preceding years and to a government-funded contract in Brazil.

Contingent liabilities and other financial commitments

There has been no material change in other financial obligations and contingent liabilities since December 31, 2015.

Related party disclosures

The scope of related companies and persons has remained virtually unchanged since December 31, 2015.

These related parties comprise the associated companies and the non-consolidated subsidiaries. The companies of Voith Group and Loh Group are also included in this category until the respective equity stakes are transferred.

In the first half of 2016, services to the value of €4.2 million were performed by related companies and persons, and services to the value of €3.8 million were received by them.

Furthermore, as of the reporting date, the sums outstanding in relation to dealings with related companies and persons amounted to €0.8 million for receivables and €0.9 million for liabilities and other obligations.

The contractually agreed, future capital contributions to KBee AG are to be made by the end of 2016 depending on the achievement of certain milestones and amount to a further €1.3 million. The parties are currently discussing differences in the interpretation of various 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 possible adaptation of the existing company and licensing agreements.

Events of material importance after the end of the reporting period

On June 16, 2016, MECCA International (BVI) Limited, a 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, based on the fairness opinion, the Executive Board recommended that KUKA shareholders accept the offer. KUKA shareholders may offer their shares to Midea up to August 3, 2016 (current grace period, due to the 30% minimum acceptance threshold being exceeded). For further details please refer to the section “KUKA and the capital market”.

In connection with this and with the strong order intake in the second quarter of 2016, KUKA Aktiengesellschaft published the following ad hoc announcement on July 21, 2016:

“In reference to the tender offer of MECCA International (BVI) Limited ("Bidder"), a 100% subsidiary of Midea Group Co., Ltd. ("Midea"), as of 16 June 2016, extraordinary expenses will be incurred for such items as consultancy costs and costs resulting from the share programs for employees. In the 2016 financial year, the Executive Board is anticipating an impact on the earnings before interest and taxes (EBIT) of around €30 million, of which approximately €21 million must already be taken into account as of June 30, 2016.

The Executive Board still expects for the 2016 financial year sales revenues in excess of €3.0 billion and an EBIT margin of more than 5.5% before purchase price allocation for Swisslog, though now also before extraordinary expenses amounting to around €30 million.

In the second quarter of 2016, KUKA achieved orders received amounting to approximately €890 million according to preliminary figures, significantly surpassing expectations.”

Responsibility statement

To the best of our knowledge and belief, and in accordance with the applicable reporting principles for interim financial reporting, the Group’s condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and income of the Group, and the Group’s interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the rest of the financial year.

Augsburg, August 2, 2016

The Executive Board

Dr, Till Reuter　　Peter Mohnen

Declaration by the auditors

To KUKA Aktiengesellschaft, Augsburg

We have reviewed the condensed consolidated interim financial statements – consisting of the condensed income statement, statement of comprehensive income, consolidated Group cash flow statement, condensed Group balance sheet, changes to Group equity statement and selected explanatory notes – and the interim Group management report of KUKA Aktiengesellschaft, Augsburg, for the period from January 1, 2016 to June 30, 2016, all of which form part of the half-year report as per section 37w of the German Securities Trading Act (WpHG). Preparation of the condensed consolidated interim financial statements in accordance with IAS 34 for interim reporting as adopted by the EU, and the interim Group management report in accordance with the applicable provisions of the German Securities Trading Act (WpHG) for interim group management reports is the responsibility of the parent company's Executive Board. Our responsibility is to issue a statement on the condensed consolidated interim financial statements and the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with the German standards for the review of financial statements stipulated by the Institute of Public Auditors in Germany (IDW). According to these standards, we are required to plan and conduct our review so that we can be reasonably certain through critical evaluation that the condensed consolidated interim financial statements have been prepared in all material respects in accordance with the IAS 34 requirements as applicable to interim financial reporting, and as adopted by the EU, and that the interim Group management report has been prepared in all material respects in accordance with the applicable provisions of the German Securities Trading Act (WpHG). A review is primarily restricted to interviews with company employees and analytical evaluations and is therefore less rigorous than an audit. Since we have not conducted an audit, we are unable to express an audit opinion.

When conducting our review, we did not encounter any issues that lead us to conclude that the condensed consolidated interim financial statements have not been prepared in all material respects in accordance with the IAS 34 requirements as applicable to interim financial reporting, and as adopted by the EU. Nor did we conclude that the interim Group management report has not been prepared in all material respects in accordance with the provisions of the German Securities Trading Act (WpHG) as applicable to interim group management reports.

Munich, August 2, 2016

KPMG
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Karl Braun
(Auditor)

Rainer Rupprecht
(Auditor)

Financial Calendar 2016

Interim report for the first nine months	**November 9, 2016**

This Interim Report was published on August 3, 2016 and is available in German and English.
In the event of doubt, the German version applies.

Contact and Imprint

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