Q3/16

Interim Report

Developments **9M/16**

Orders received up 23.1% to €2,627.4 million overall in 9M/16

- Orders received reach record level of almost €1 billion (€987.5 million) in Q3/16
- All business divisions experience significant double-digit growth in Q3/16

Sales revenues amount to €2,044.1 million in 9M/16 after €2,199.4 million in 9M/15

- More and larger-volume projects to be implemented in Q4/16

EBIT margin before purchase price allocation for Swisslog (before extraordinary expenses for Midea) reaches 5.5% in 9M/16 after 6.9% in 9M/15

Earnings after taxes stand at €78.9 million in 9M/16 after €63.4 million in 9M/15

- In Q3/16, KUKA receives tax income of €21.6 million due to a legislative change

Guidance for 2016 amended: sales revenues now around €3.0 billion and EBIT margin unchanged at more than 5.5% before purchase price allocation and extraordinary expenses due to Midea takeover

Key Figures Group

in € millions	9M/15	9M/16	Change
Orders received	2,134.8	2,627.4	23.1%
Order backlog (09/30)	1,727.4	2,169.5	25.6%
Sales revenues	2,199.4	2,044.1	-7.1%
Gross profit	517.6	548.6	6.0%
in % of sales revenues	23.5%	26.8%	–
Earnings before interest and taxes (EBIT)	105.9	82.6	-22.0%
in % of sales revenues	4.8%	4.0%	–
Extraordinary expenses*	0.0	21.4	–
EBIT adjusted*	105.9	104.0	-1.8%
EBIT adjusted* in % of sales revenues	4.8%	5.1%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	199.3	138.2	-30.7%
in % of sales revenues	9.1%	6.8%	–
Extraordinary expenses*	0.0	21.4	–
EBITDA adjusted*	199.3	159.6	-19.9%
EBITDA adjusted* in % of sales revenues	9.1%	7.8%	–
Earnings after taxes	63.4	78.9	24.4%
Earnings per share in € (undiluted)	1.79	2.01	12.3%
Earnings per share in € (diluted)	1.70	2.01	18.2%
Capital expenditure	67.7	63.2	-6.6%
Equity ratio in % (09/30)	29.3%	33.5%	–
Net debt/liquidity (09/30)	16.6	85.9	>100%
Employees (09/30)	12,071	13,056	8.2%

in € millions	Q3/15	Q3/16	Change
Orders received	694.9	987.5	42.1%
Order backlog (09/30)	1,727.4	2,169.5	25.6%
Sales revenues	722.0	710.9	-1.5%
Gross profit	173.3	186.7	7.7%
in % of sales revenues	24.0%	26.3%	–
Earnings before interest and taxes (EBIT)	37.5	35.9	-4.3%
in % of sales revenues	5.2%	5.0%	–
Extraordinary expenses*	0.0	0.7	–
EBIT adjusted*	37.5	36.6	-2.4%
EBIT adjusted* in % of sales revenues	5.2%	5.1%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	66.4	56.7	-14.6%
in % of sales revenues	9.2%	8.0%	–
Extraordinary expenses*	0.0	0.7	–
EBITDA adjusted*	66.4	57.4	-13.6%
EBITDA adjusted* in % of sales revenues	9.2%	8.1%	–
Earnings after taxes	21.9	48.5	>100%
Earnings per share in € (undiluted)	0.60	1.23	>100%
Earnings per share in € (diluted)	0.57	1.23	>100%
Capital expenditure	22.8	22.2	-2.6%

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

Foreword

Dear Shareholders,

In the third quarter of 2016, we have once again achieved a new record: orders received totaling almost €1 billion. All divisions have contributed to this good result with strong double-digit growth rates. Sales revenues were down slightly year-on-year from €722 million to €710.9 million, as call-offs on major orders are predominantly being executed in the fourth quarter of this year. The result nevertheless confirms that we are operating at a high level. The EBIT margin before purchase price allocation for Swisslog and before the extraordinary expenses related to the Midea takeover was 5.5%.

Many of you have tendered your Midea shares and are now waiting for completion of the transaction. At KUKA, we are continuing to work on our future. One thing about which we have no doubt is that we will continue to pursue our successful course, working intensively on our solutions for digital production and shaping a new world for our customers with new business models. The efficient handling of Big Data will play a key role here. The ability to map and process enormous quantities of data in real time will make it possible to control and optimize highly complex systems. Our advantage is quite clearly our domain expertise. By combining our comprehensive process knowledge with the latest IT developments, we create added value for our customers.

We took an important step in this direction at IMTS in Chicago in September where we presented KUKA Connect – our cloud-based software platform for data analysis to which we can connect our robots worldwide. Our customers can use this product as a basis for optimizing their own production. Our goal is to create an ecosystem with this platform that our customers can trust. Additional benefits are derived from the fact that the customers can also use this platform to access services from other suppliers. Our focus here is also on the development of new, service-based business models and on the establishment of an ecosystem to benefit our customers.

In the fall we attended a number of trade shows, such as Motek, the K trade fair and CIIF in China. Here, with our customary KUKA team spirit, we showcased our products and solutions for the specific requirements of our focus markets, such as the electronics and plastics industries. September also saw the kick-off of the competition for the 2017 KUKA Innovation Award. The finalists of this year's Advanced Mechatronics Challenge will be presenting their solutions with the KUKA flexFellow at Hannover Messe 2017.

KUKA is currently steaming at full speed towards the end of the year. It is a great pleasure for me to be able to shape the future together with our dedicated employees. I am also proud to be part of this fantastic team. A team that is driving ahead with Industrie 4.0. My thanks go to each and every one of them. I look forward to a successful conclusion of the current year and to new projects in 2017.

Yours,

Till Reuter

KUKA and the capital market

Trends were uneven on the equity markets in Germany over the last nine months due to the subdued economic outlook in China, the sharp drop in oil prices and the EU referendum in the United Kingdom at the end of June. The DAX fell by 2.0% while the MDAX rose by 3.9%. In the third quarter of 2016, however, the equity markets benefited from the expansionary monetary policy of the central banks. Over this period, the German stock index DAX rose by 8.6% to 10,511 points and the MDAX by 8.7% to 21,584 points.

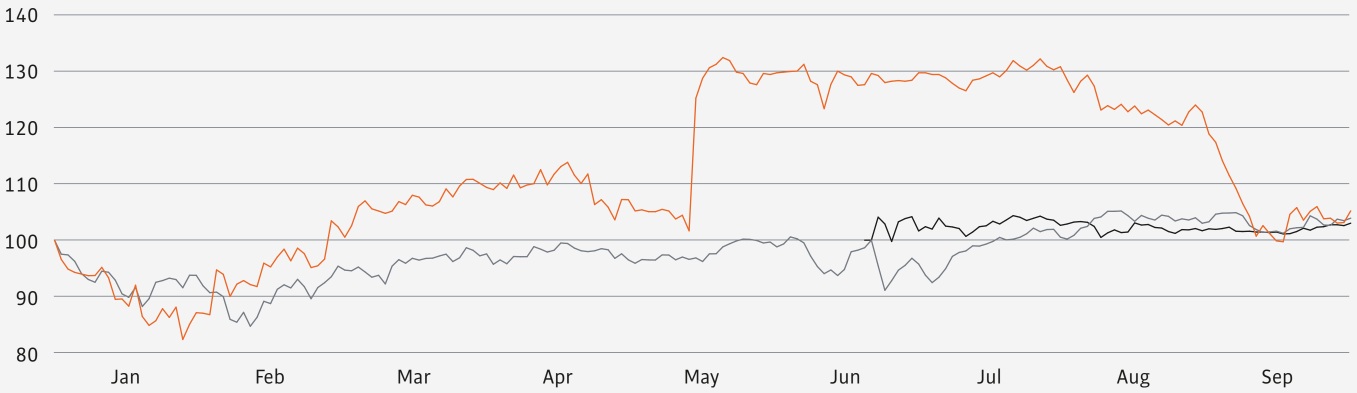
MECCA/MIDEA takeover bid for KUKA

On June 16, 2016 MECCA/MIDEA submitted the tender document for a voluntary public takeover bid to all KUKA shareholders in the form of a cash offer of €115 per KUKA share. The initial period for accepting the tender offer ended on July 15, 2016 and the extended acceptance period on August 3, 2016. On August 8, 2016 MECCA/MIDEA announced that 94.55% of KUKA shareholders had accepted the offer. The takeover is subject to the closing conditions set out in the tender document (see section 13 of the tender document). Settlement of the offer and payment to KUKA shareholders who have accepted the offer may take until March 31, 2017 on account of the requisite approval procedure (see sections 13.1.2 to 13.1.3 of the tender document).

In the first nine months of 2016, the non-tendered KUKA shares (German SIN [WKN]: 620440, ISIN: DE0006204407) performed well, gaining 5.2%. In the past quarter, KUKA share performance was influenced by the takeover bid. The share was quoting at €87.37 on September 30, 2016, the same level as before the bid was published. KUKA shares designated "KUKA shares tendered for sale" (German SIN [WKN]: A2BPXK, ISIN: DE000A2BPXK1) performed well from the date of the initial price fixing up to the end of the quarter. The share price rose from €104.50 to €107.65, a gain of 3.0%. The stock performance of comparable machine builders and automotive suppliers in the first nine months of the year ranged between +21.5% and -5.2%.

The free float of KUKA shares fell below 10% due to the high level of acceptance of 94.55%. The KUKA share was thus delisted from the MDAX in line with German stock exchange rules. The change took effect on August 11, 2016. As before, the KUKA share is included in the HDAX, CDAX and Prime All Share indices.

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



KUKA, not tendered for sale   MDAX   KUKA, tendered for sale

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

Consolidated management report

Economic environment

Demand for cars

Rising demand in the car markets of Western Europe, China and the USA

In the first nine months of 2016, the VDA (German Association of the Automotive Industry) reported growth in car sales in the three most important car markets of Western Europe (+7.1%), China (+17.7%) and the USA (+0.4%). The VDA attributes the strong growth in Western Europe to low interest rates and high replacement demand – particularly in the countries of Southern Europe. In Germany, new registrations in September were 9% up on the previous year. The Chinese car market also achieved very good results in September, increasing by almost one third. With 1.4 million units sold in September, light vehicle sales (cars and light trucks) in the US automobile market nearly reached the previous year's level (-1%). The picture here was mixed: while car purchases declined by 7% to about 550,000 units, sales of light trucks rose by a good 4% to about 870,000 units.

Robotics and automation

Rising sales figures confirm global automation trend

The worldwide positive trend in sales of industrial robots is set to continue according to the latest estimate of the International Federation of Robotics (IFR). In its September study, the IFR predicted growth of about 14% for the current year compared to 2015. In 2016 this means worldwide sales of almost 290,000 industrial robots, of which 90,000 are accounted for by China. By end-2017 about 2.6 million industrial robots are expected to be deployed in factories, with an estimated 725,000 installations in China.

The IMF is anticipating average annual growth of 13% worldwide between 2017 and 2019. The automotive and electronics industries are regarded as the major growth drivers. The electronics industry in particular is increasingly investing in the automation of production processes. Rising demand is also forecast in other general industry sectors such as the plastics industry, logistics, the food industry and the metalworking industry. The IFR expects growth in Asia to be particularly strong. Growth of 18% is anticipated in the current year.

The Chinese market offers immense automation potential. On average, annual sales of industrial robots in China will rise from 90,000 in 2016 to 160,000 in 2019. To achieve the same robot density as in other industrialized countries over the long term, around one million new robots will need to be installed in China. Sales in the Americas are set to rise by 5% in 2016. Most of the demand in this region comes from North America. The IFR forecasts growth of 8% in Europe in 2016. Between 2017 and 2019 sales in the Americas and Europe are predicted to grow by about 8% a year.

Business performance

Orders received

KUKA Group

In the past quarter, KUKA Group received orders totaling €987.5 million. Compared with the same quarter last year (Q3/15: €694.9 million), this represents growth of 42.1%. This meant that the record set by KUKA in the previous quarter (Q2/16: €893.4 million) was significantly exceeded. All three divisions contributed to this positive result with significant double-digit growth rates: Swisslog with +56.6%, Systems with +48.2% and Robotics with +29.1%. The strong demand was supported by both the Automotive and the General Industry segments.

In the first nine months of 2016, KUKA increased the volume of orders received by 23.1% from €2,134.8 million (9M/15) to €2,627.4 million (9M/16).

KUKA Robotics

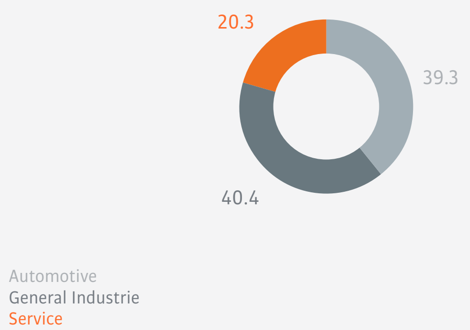
The Robotics division posted total orders received of €287.1 million in the third quarter of 2016. Compared with the prior-year quarter (Q3/15: €222.4 million), this represents growth of 29.1%. The €200 million mark has thus been topped substantially for the seventh time in a row.

These positive results are mainly due to strong demand in the Automotive and General Industry customer segments. From a country perspective, the main drivers of this encouraging development were China, Germany and the USA.

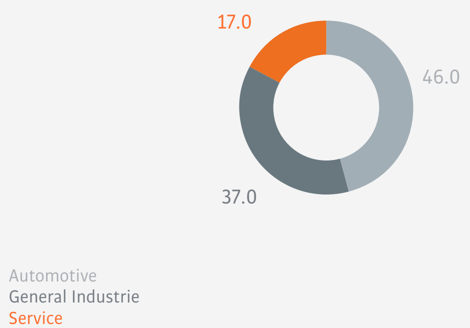
In the first nine months of 2016, Robotics reported orders received totaling €781.0 million (9M/15: €686.5 million).

The Automotive segment generated new orders valued at €132.5 million in the past quarter. Compared with the prior-year quarter (Q3/15: €87.5 million), this corresponds to growth of 51.4%, accounting for 46.0% of total orders received. The orders were placed primarily by German and Chinese car makers and were due to call-offs from framework contracts. General Industry business rose 18.7% from €89.8 million (Q3/15) to €106.6 million (Q3/16), accounting for a share of 37.0% in the quarterly result. Service also recorded 7.0% growth to €48.6 million (Q3/15: €45.4 million), constituting 17.0% of new orders in the past quarter.

Robotics orders received by segment Q3/15
in % of total



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



KUKA Systems

Orders received by the Systems division reached €526.2 million in the third quarter of 2016 (Q3/15: €355.1 million), 48.2% above the comparable figure for the prior-year quarter. All segments witnessed growth, with very strong impetus in the Automotive segment and from North America.

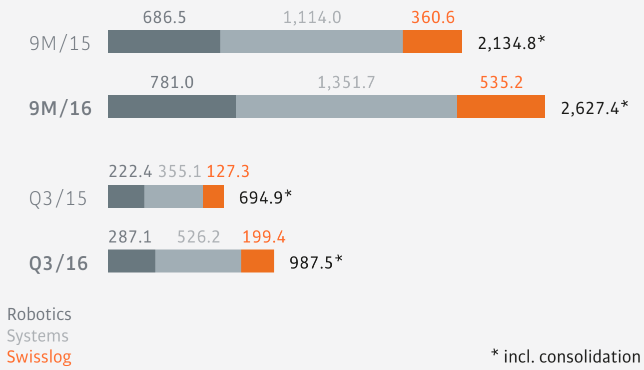
Orders received climbed 21.3% to €1,351.7 million in the first nine months of 2016 (9M/15: €1,114.0 million).

Swisslog

The strong demand also continued at Swisslog over the last quarter. In the third quarter of 2016, the division booked new order volumes of €199.4 million (Q3/15: €127.3 million). Compared with the same quarter last year, this represents growth of 56.6%. The increase was driven by the Logistics segment, which showed substantial double-digit growth.

Orders received totaled €535.2 million in the first nine months of 2016, topping the figure for the corresponding period last year by 48.4% (9M/15: €360.6 million).

Orders received
in € millions



Sales revenues

KUKA Group

KUKA Group generated sales revenues of €710.9 million in the third quarter of 2016. This is a slight decline compared to the result of €722.0 million in the same quarter last year (-1,5%). The Robotics and Systems divisions performed well (1.4% and 0.1% respectively). In contrast, sales at Swisslog fell 10.0% on the prior-year quarter. The main reason for the low growth here, despite strong new order volumes, is that customers are increasingly making call-offs on major orders in the fourth quarter this year.

In the first nine months of 2016, KUKA Group posted sales revenues of €2,044.1 million. Compared with the previous year's figure there was a decrease of 7.1% (9M/15: €2,199.4 million).

KUKA Robotics

In the third quarter of 2016, sales revenues in the Robotics division increased by 1.4% to €210.3 million compared to the third quarter of 2015 (Q3/15: €207.4 million). It was mainly the General Industry and Service segments which had a positive impact on the growth in sales revenues over the quarter.

In the first nine months of 2016, sales revenues reached €669.0 million, 1.5% over last year's figure (9M/15: €659.4 million).

KUKA Systems

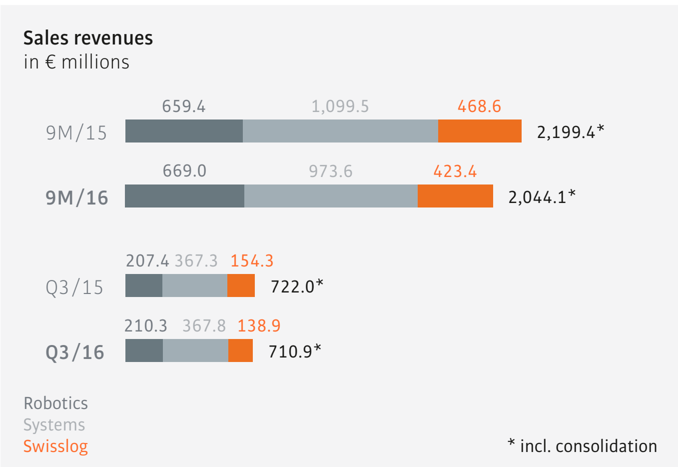
The Systems division generated sales revenues of €367.8 million in the third quarter of 2016, on a par with the same quarter last year (Q3/15: €367.3 million). Compared to the previous quarter (Q2/16: €313.9 million), this represents an increase of 17.2%.

In the first nine months of 2016, sales revenues totaled €973.6 million. Compared to the same period in 2015 (9M/15: €1,099.5 million), the result thus decreased by 11.5%. The first reason for this is the fact that the result for the first nine months of 2015 included sales revenues of €46.8 million for the divested HLS Group and the Tools and Dies business unit. The second reason is that with major orders in the Systems division there is often a lapse of more than nine months between winning a contract and realizing the corresponding revenue.

Swisslog

In the third quarter of 2016, sales revenues in the Swisslog division amounted to €138.9 million, down 10.0% on the third quarter of 2015 (Q3/15: €154.3 million).

After the first nine months, the figure stood at €423.4 million, -9.6% below the comparable figure for the previous year (9M/15: €468.6 million). Similarly to the situation at Systems, orders are often executed 9 – 12 months after they are won.



Book-to-bill ratio and order backlog

KUKA Group

The book-to-bill ratio, i.e. orders received in relation to sales revenues, improved significantly in the quarter under review – coming in at 1.39 (Q3/15: 0.96). In the first nine months of 2016, the figure was 1.29 – again topping the comparable result for the previous year (9M/15: 0.97). This ratio was thus markedly over 1 when compared with the previous quarter as well as on a cumulative basis after nine months, a key positive indicator for the Group's future capacity utilization.

The Group order backlog rose again and amounted to €2,169.5 million as at September 30, 2016. The figure thus surpassed the previous year's level by 25.6% (September 30, 2015: €1,727.4 million). Compared to the previous quarter, the order backlog was 12.8% higher (Q2/16: €1,923.0 million).

KUKA Robotics

In the past quarter, Robotics recorded a book-to-bill ratio of 1.37, above last year's level (Q3/15: 1.07). In the first nine months of the comparative period, the figure climbed from 1.04 to 1.17.

As at September 30, 2016, Robotics had an order backlog of €334.9 million. This is a 19.7% improvement compared to last year (September 30, 2015: €279.8 million).

KUKA Systems

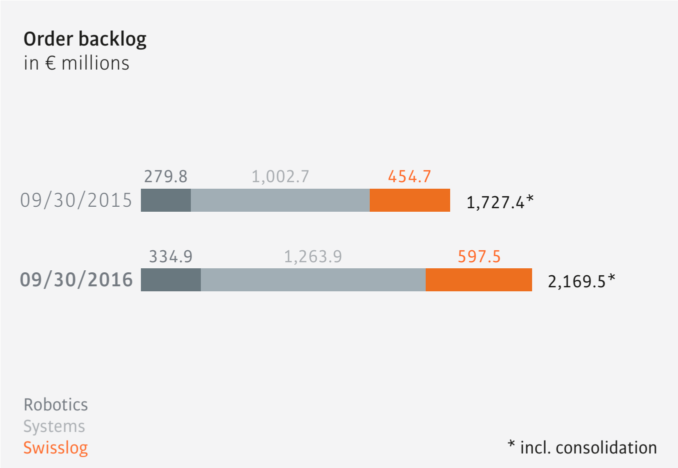
In the third quarter of 2016, the Systems book-to-bill ratio rose from 0.97 to 1.43. After nine months in 2016, the figure stood at 1.39, up significantly on the same period last year (9M/15: 1.01).

The order backlog totaled €1,263.9 million as at September 30, representing 26.0% growth (9M/15: €1,002.7 million).

Swisslog

The book-to-bill ratio for Swisslog came in at 1.44 in the third quarter of 2016 (Q3/15: 0.83). The cumulative figure increased from 0.77 (9M/15) to 1.26 (9M/16).

As at September 30, 2016, the order backlog was €597.5 million (Q3/15: €454.7 million).



EBIT

KUKA Group

KUKA Group's earnings before interest and taxes (EBIT) in the third quarter of 2016 stood at €39.4 million (margin: 5.5%) before purchase price allocation for Swisslog and before the extraordinary expenses related to the Midea takeover. On a comparable basis, operating EBIT in the third quarter of 2015, in other words before purchase price allocation and before the book profits from the sale of the Tools and Dies business unit, amounted to €44.6 million (margin: 6.2%). Taking into consideration non-operating expenditure (purchase price allocation/Midea) and non-operating income (Tools and Dies business unit), EBIT was €35.9 million (Q3/16), only slightly down on the same quarter last year (Q3/15: €37.5 million). The EBIT margins stood accordingly at 5.0% (Q3/16) and 5.2% (Q3/15).

In the first nine months, EBIT decreased from €105.9 million (9M/15) to €82.6 million (9M/16). The EBIT margin declined accordingly, from 4.8% to 4.0% (9M/16). Discounting the purchase price allocation and the extraordinary expenses related to the Midea takeover, EBIT stood at €112.2 million in 9M/16 (margin: 5.5%).

Robotics

In the third quarter of 2016, the Robotics EBIT amounted to €20.6 million (Q3/15: €22.9 million). This reduction is primarily attributable to the significant increase in research and development investments. The EBIT margin for the past quarter was 9.8% (Q3/15: 11.0%).

EBIT at Robotics in the first nine months of 2016 totaled €67.3 million, giving an EBIT margin of 10.1%. EBIT in the same period last year was €72.8 million with an EBIT margin of 11.0%.

Systems

The Systems division posted an EBIT of €25.9 million in the third quarter of 2016, down 12.2% on the prior-year quarter (Q3/15: €29.5 million). One reason for the decrease is a book profit in the prior-year quarter due to the sale of the Tools and Dies business unit. The EBIT margin was down accordingly, from 8.0% (Q3/15) to 7.0% (Q3/16).

In the first nine months of 2016, EBIT stood at €64.7 million, down from €89.8 million in the same period last year (9M/15). The EBIT margin decreased from 8.2% (9M/15) to 6.6% (9M/16). Adjusted for the book profit from the disposal of HLS Group and the Tool and Dies business unit, EBIT would have been €77.2 million in 9M/15 and the margin 7.0%.

Swisslog

In the third quarter of 2016, the Swisslog division's EBIT rose from -€6.2 million (Q3/15) to €1.0 million. The main reason for this positive development is the significantly lower amortization charges for purchase price allocation, which amounted to €2.8 million in the third quarter of 2016 (Q3/15: €11.8 million) and €8.2 million after the first nine months of 2016 (9M/15: €46.3 million). The EBIT margin therefore increased considerably from -4.0% (Q3/15) to 0.7% (Q3/16). Discounting the effect of purchase price allocation, EBIT in Q3/16 was €3.8 million (Q3/15: €5.6 million).

Overall, Swisslog achieved an EBIT of €0.7 million in the first nine months of 2016 (9M/15: -€34.8 million) and an EBIT margin of 0.2% (9M/15: -7.4%). Before purchase price allocation, EBIT amounted to €8.9 million (9M/15: €11.5 million).

Performance of the divisions

Key figures – Robotics

in € millions	9M/15	9M/16	Change
Orders received	686.5	781.0	13.8%
Order backlog (09/30)	279.8	334.9	19.7%
Sales revenues	659.4	669.0	1.5%
Gross profit	254.8	261.7	2.7%
in % of sales revenues	38.6%	39.1%	–
Earnings before interest and taxes (EBIT)	72.8	67.3	-7.6%
in % of sales revenues	11.0%	10.1%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	91.5	83.6	-8.6%
in % of sales revenues	13.9%	12.5%	–
Employees (09/30)	4,055	4,529	11.7%

in € millions	Q3/15	Q3/16	Change
Orders received	222.4	287.1	29.1%
Order backlog (09/30)	279.8	334.9	19.7%
Sales revenues	207.4	210.3	1.4%
Gross profit	82.6	84.2	1.9%
in % of sales revenues	39.8%	40.0%	–
Earnings before interest and taxes (EBIT)	22.9	20.6	-10.0%
in % of sales revenues	11.0%	9.8%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	28.5	26.2	-8.1%
in % of sales revenues	13.7%	12.5%	–

Key figures – Systems

in € millions	9M/15	9M/16	Change
Orders received	1,114.0	1,351.7	21.3%
Order backlog (09/30)	1,002.7	1,263.9	26.0%
Sales revenues	1,099.5	973.6	-11.5%
Gross profit	193.5	174.7	-9.7%
in % of sales revenues	17.6%	17.9%	–
Earnings before interest and taxes (EBIT)	89.8	64.7	-28.0%
in % of sales revenues	8.2%	6.6%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	106.5	79.2	-25.6%
in % of sales revenues	9.7%	8.1%	–
Employees (09/30)	5.126	5.317	3.7%

in € millions	Q3/15	Q3/16	Change
Orders received	355.1	526.2	48.2%
Order backlog (09/30)	1,002.7	1,263.9	26.0%
Sales revenues	367.3	367.8	0.1%
Gross profit	65.2	64.9	-0.5%
in % of sales revenues	17.8%	17.6%	–
Earnings before interest and taxes (EBIT)	29.5	25.9	-12.2%
in % of sales revenues	8.0%	7.0%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	36.6	32.2	-12.0%
in % of sales revenues	10.0%	8.8%	–

Key figures – Swisslog

in € millions	9M/15	9M/16	Change
Orders received	360.6	535.2	48.4%
Order backlog (09/30)	454.7	597.5	31.4%
Sales revenues	468.6	423.4	-9.6%
Gross profit	69.6	112.9	62.2%
in % of sales revenues	14.9%	26.7%	–
Earnings before interest and taxes (EBIT)	-34.8	0.7	-102.0%
in % of sales revenues	-7.4%	0.2%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	20.2	17.9	-11.4%
in % of sales revenues	4.3%	4.2%	–
Employees (09/30)	2,543	2,645	4.0%

in € millions	Q3/15	Q3/16	Change
Orders received	127.3	199.4	56.6%
Order backlog (09/30)	454.7	597.5	31.4%
Sales revenues	154.3	138.9	-10.0%
Gross profit	26.3	38.0	44.5%
in % of sales revenues	17.0%	27.4%	–
Earnings before interest and taxes (EBIT)	-6.2	1.0	116.1%
in % of sales revenues	-4.0%	0.7%	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	8.9	6.9	-22.5%
in % of sales revenues	5.8%	5.0%	–

Financial position and performance

Earnings

In the reporting period KUKA Group posted sales revenues totaling €2,044.1 million (9M/15: €2,199.4 million). With orders received totaling €2,627.4 million in the first nine months of 2016 and the quarterly figure for Q3/2016 of €987.5 million, all previous records were beaten. Gross earnings from sales rose 6.0% to €548.6 million compared to the same period last year (9M/15: €517.6 million). This improvement was attributable particularly to the decline in the cost of sales. The Group's gross margin thus increased from 23.5% in the first nine months of 2015 to 26.8% in the first nine months of 2016. The main reasons for this were once again the improved cost-of-materials ratio and foreign currency effects pertaining to supplies and services.

The costs of sales, research & development and administration rose by 9.7% to €458.3 million (9M/15: €417.7 million). These overhead costs amounted to 22.4% of sales revenues, which was higher than the previous year's level of 19.0%.

The figures include higher selling expenses of €7.4 million, largely reflecting the expansion of the sales team by 139 KUKA employees compared with 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.

Administrative expenses increased by €26.1 million. As already indicated in the interim report for H1/16, this increase 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 €21.4 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 internal projects relating to the harmonization, standardization and optimization of processes as well as the introduction of global IT platforms. They initially lead to higher external and internal expenditure, which is reflected in increased administrative costs.

It has been and remains important for KUKA as a technology company to provide its employees with a modern environment and the freedom to pursue groundbreaking research & development activities. Progress towards this goal was also marked by the construction of the new Development and Technology Center (DTC) at the Augsburg site. After a construction period of around 2 years, the new building was officially inaugurated in July 2016 with around 200 guests from business and politics. As well as room for around 850 staff, the new building houses an impressive showroom and the KUKA College, where between 6,000 and 7,000 customer employees are to undergo training each year.

The research and development expenditure shown in the income statement amounted to €94.9 million in the first nine months of 2016 and thus were higher than in the corresponding prior-year period (9M/15: €87.8 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.

Examples of this are the three ongoing innovative projects presented at the ICRA (International Conference on Robotics and Automation, Sweden) in May 2016:

- 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.

In cooperation with system partners, KUKA is also developing solutions to meet the growing needs for flexibility and ever shorter product life cycles. In October 2016 at the K trade fair for plastics in Düsseldorf, KUKA showcased a "ready-to-use" application as an application-oriented automation solution.

In the Systems division (Industries), LaserSpy, an optical sensor designed to monitor safety in laser processing, offers safe protection from misdirected laser beams. Through efficient further development, the radius of the sensor range for monitoring has been increased from 2.5 to 3.5 meters. This makes laser cells even safer and offers significantly improved and more cost-effective design possibilities in cell construction (for example, the use of elements with large surface areas).

In the Swisslog segment the focus of development in the Healthcare division is on upgrading the enterprise-wide software used to control and monitor the flow of materials and the administration of medication, incorporating the various Swisslog solution components. Also the existing solution components are being developed further, particularly in the hospital pharmacy area. In industrial warehouse automation a new shuttle system ("Cyclone Carrier") has been developed and investments have been made in palletizing solutions ("Automated Case Picking" and "Automated Item Picking"); these solutions enable Swisslog customers to achieve greater gains in efficiency in the automation of their warehouses.

With the aim of actively addressing the opportunities offered by Industrie 4.0 and retaining our technological leadership in the field of robot-based automation solutions in the future as well, KUKA is pursuing a number of strategies. Firstly, KUKA has been investing in brain power for many years: the Group now employs 847 people in research and development – this is equivalent to 6.5% of the workforce (9M/15: 5.8%). 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 Hanover 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 founding of the company conyunn GmbH in April 2016 is also worthy of mention. This company develops app-based applications which are controlled via Cloud platforms. With these tools customers are able to evaluate the data they have collected on production and logistics processes and use them to improve the efficiency of their processes.

The costs of €13.7 million (9M/15: €8.5 million) incurred for new developments in the period under review were capitalized and will be reported as scheduled amortization in subsequent financial statements. Amortization expenditure was €6.0 million (9M/15: €13.3 million) and mainly includes research and development costs. The capitalization ratio was 13.4% (9M/15: 10.2%).

The earnings before interest and taxes (EBIT) for the first nine months of this year totaled €82.6 million (9M/15: €105.9 million). The EBIT margin for the 2016 reporting period therefore decreased to 4.0% compared to the figure of 4.8% for the same period of the previous year.

The above-mentioned one-off effects amounting to €21.4 million due to the ongoing takeover bid by Midea Group had a significant influence on EBIT in the first nine months of 2016. Without these one-off effects, EBIT would amount to €104.0 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 (9M/16: €8.2 million; 9M/15: €46.3 million) and the book profit from the sale of HLS (sale in Q2/15) and Tools and Dies (sale in Q3/15) results in an EBIT of €112.2 million (9M/15: €139.6 million) with an EBIT margin of 5.5% (9M/15: 6.3%). 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	Q3/16
EBIT (in € millions)	28.1	40.3	37.5	29.7	31.4	15.3	35.9
EBIT margin (in %)	3.9%	5.3%	5.2%	3.9%	5.0%	2.2%	5.0%
EBIT adjusted* (in € millions)	28.1	40.3	37.5	29.7	31.4	36.0	36.6
EBIT margin adjusted* (in %)	3.9%	5.3%	5.2%	3.9%	5.0%	5.1%	5.1%
EBITDA (in € millions)	59.5	73.4	66.4	59.8	48.6	32.9	56.7
EBITDA margin (in %)	8.3%	9.7%	9.2%	7.8%	7.7%	4.7%	8.0%
EBITDA adjusted* (in € millions)	59.5	73.4	66.4	59.8	48.6	53.6	57.4
EBITDA margin adjusted* (in %)	8.3%	9.7%	9.2%	7.8%	7.7%	7.6%	8.1%

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

As expected, the Robotics division's EBIT margin of 10.1% was below the previous year's level (11.0%). Swisslog achieved a substantially improved EBIT margin of 0.2% as compared with 9M/15 (-7.4%). Adjusted for the effects of purchase price allocation, the margin was 2.1% (9M/15: 2.5%). In the Systems segment the EBIT margin was 6.6% in the first nine months (9M/15: 8.2%). Without the book profit from the sale of HLS/Tools and Dies in 2015, the EBIT margin would amount to 7.0% for 9M/15.

Comparison with the same period last year shows that EBITDA (earnings before interest, taxes, depreciation and amortization) fell from €199.3 million to €138.2 million. Total depreciation and amortization for the reporting period was €55.6 million (9M/15: €93.4 million). Of this, €16.3 million (9M/15: €18.7 million) was attributable to Robotics, €14.6 million (9M/15: €16.7 million) to Systems, €17.2 million (9M/15: €55.0 million) to Swisslog and €7.5 million (9M/15: €3.2 million) to other areas. Disregarding the one-off effects of the Midea Group takeover bid, EBITDA is €159.6 million and the EBITDA margin is 7.8%.

The net expenses and income in the financial result equated to income of €0.6 million in the first nine months of the year. This is a marked improvement on the same period of the previous year when the financial result was -€8.0 million.

The interest income amounted to €8.8 million (9M/15: €6.2 million) which mainly includes income in connection with finance leases 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 nine months led to a foreign currency gain of €1.8 million (9M/15: €1.5 million).

In the reporting period, interest expenditure totaled €8.2 million. Most of this relates to the new promissory note loan placed in October 2015 with interest expenditure of €2.7 million and the net interest expense for pensions of €1.6 million (9M/15: €1.3 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 same period of the previous year to €0.3 million. Expenditure on sureties and guarantees amounted to €0.7 million (9M/15: €0.4 million).

Earnings before taxes (EBT) in the first nine months of 2016 totaled €83.2 million (9M/15: €95.8 million). The tax rate is 5.2% (9M/15: 33.8%) taking account of the tax expenditure of €4.3 million (9M/15: €32.4 million) in the reporting period. Advantageous changes in the legal environment for certain tax subsidies in the US have brought about relief on income taxes totaling €26.1 million.

Earnings after taxes rose compared to the same period of the previous year from €63.4 million to €78.9 million. Undiluted earnings per share stood at €2.01 (9M/15: €1.79).

Consolidated income statement (condensed)

in € millions	9M/15	9M/16
Sales revenues	2,199.4	2,044.1
EBIT	105.9	82.6
EBIT adjusted*	105.9	104.0
EBITDA	199.3	138.2
EBITDA adjusted*	199.3	159.6
Financial result	-8.0	0.6
Taxes on income	32.4	-4.3
Earnings after taxes	63.4	78.9

* 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 assets, together with other non-cash income and expenses. The associated figure of €139.6 million in the first nine months of 2016 (9M/15: €201.5 million) indicates that the company is in an excellent economic position.

Cash flow from current business operations decreased to -€73.8 million (9M/15: €34.6 million). This reduction is primarily due to the increase in trade working capital by €119.1 million to €383.7 million. The increase is attributable in particular to the significantly higher volume of orders received and the accompanying upstream procurement measures. This expenditure is necessary and will help KUKA achieve future revenue targets. Overall, trade working capital has developed as follows:

in € millions	12/31/2015	Group 09/30/2016
Inventories less advance payments	225.3	263.6
Trade receivables and receivables from construction contracts	658.3	736.1
Trade payables and liabilities from construction contracts	619.0	616.0
Trade working capital	**264.6**	**383.7**

In the first nine months of 2016 the company invested €63.2 million (9M/15: €67.7 million). Capital investment in tangible assets totaled €29.8 million and concerned 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. €33.4 million was invested in intangible assets, of which €13.6 million was for internally generated intangible assets and another €10.6 million for licenses acquired in the context of internal projects for harmonizing, standardizing and optimizing processes. Investment in corporate acquisitions was €13.2 million. This included payments for an asset deal in the US in the Swisslog segment relating to the acquisition of Tecnilab S.p.A., Cuneo/Italy and a further milestone payment of €1.6 million to KBee AG, Munich. A further €4.1 million became due from conditional purchase price liabilities and €0.3 million was paid for the progressive acquisition of the outstanding 49% shareholding in the subsidiary, Faude Automatisierungstechnik GmbH. The cash flow from investment activities amounted to -€59.2 million in total (9M/15: -€27.4 million).

The cash flow from current business operations plus cash flow from investment activities resulted in a free cash flow of -€133.0 million (9M/15: €7.2 million).

The cash flow from financing activities amounted to -€17.2 million (9M/15: -€43.7 million). This includes dividend payments to shareholders of €0.50 per share (2015: €0.40 per share) making a total of €19.3 million.

As a result, the cash and cash equivalents available to KUKA Group at September 30, 2016 totaled €341.9 million (9M/15: €158.9 million). The marked increase on the previous year's figure 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 €154.3 million (December 31, 2015: €496.2 million), which was 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 of 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 €157.0 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	9M/15	9M/16
Cash earnings	201.5	139.6
Cash flow from current business operations	34.6	-73.8
Cash flow from investment activities	-27.4	-59.2
Free cash flow	7.2	-133.0

Net worth

The balance sheet total of KUKA Group increased by €28.4 million from €2,381.7 million as at December 31, 2015 to €2,410.1 million as at the reporting date. This corresponds to an increase of 1.2%.

Compared to the end of the previous year, non-current assets decreased to €836.0 million as at September 30, 2016 (December 31, 2015: €823.3 million). In this connection, tangible assets declined marginally by €3.8 million, and other receivables and assets by €0.3 million. Finance lease receivables fell by €8.3 million. Amounts totaling €6.4 million were included for investments in associated companies and joint ventures (December 31, 2015: €6.6 million) and reported under "At equity financial assets". Deferred tax assets amounted to €59.3 million (December 31, 2015: €49.2 million), with €26.1 million being attributable to losses carried forward (December 31, 2015: €11.2 million). Deferred tax assets for loss carryforwards in Germany totaled €12.6 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 €1,574.1 million as at September 30, 2016 (December 31, 2015: €1,558.4 million). The advantageous changes in the legal environment for certain tax subsidies in the US, which lead to relief in the income tax area, as mentioned in the section on earnings, are reflected in higher income tax receivables on the balance sheet. 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 €807.2 million. This was the result not only of the earnings after taxes (€78.9 million), but also primarily of the conversion of the convertible bond into shares in KUKA AG and the resultant capital increase of €44.6 million. Equity capital was reduced by exchange rate effects (essentially USD, CHF, CNY and BRL) totaling -€10.3 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 -€18.0 million. Minority interests changed slightly from -€0.5 million as at December 31, 2015 to €0.3 million as at September 30, 2016. €0.7 million was reclassified from minority interests to the equity available to shareholders on account of the progressive acquisition of Faude Automatisierungstechnik GmbH.

The equity ratio, i.e. the ratio of equity capital to the balance sheet total, was 33.5%, 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 described above, financial liabilities were reduced from €296.3 million as at December 31, 2015 to €256.0 million as at September 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 €19.5 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 €1,147.5 million as at September 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 €85.9 million as at September 30, 2016.

Group net worth

in € millions	12/31/2015	09/30/2016
Balance sheet total	2,381.7	2,410.1
Equity	732.5	807.2
in % of balance sheet total	30.8%	33.5%
Net liquidity	199.9	85.9

Research & development

In the third quarter of 2016, research and development expenditure for KUKA Group amounted to €31.2 million. Investment was thus below the value in the same period of the previous year (Q3/15: €35.9 million). Research and development expenditure for the first nine months of 2016 totaled €94.9 million (9M/15: €87.8 million). R & D expenditure is attributable predominantly to the Robotics division. Systems and Swisslog mainly carry out research and development activities within the framework of customer projects. KUKA concentrated on specific requirements of the target markets in the third quarter of 2016 such as the electronics and plastics industries. One focus was on the further development of key technologies for digital, networked production.

Ready-to-use solutions showcased at the K trade fair

Robotics focused on application-oriented automation solutions at the 2016 K trade fair for plastics in Düsseldorf. Hardly any other sector is characterized by such short product life cycles as the plastics industry. Products and model series are modified even after just a few months. Automation solutions for production must therefore pay for themselves quickly or be designed so that they can be used for the next model series. At the same time, the complexity of plastic components and the degree of functional integration are constantly increasing. As a consequence, the plastics industry demands solutions and applications that are designed for immediate use and which are simple to operate and integrate. In this context and in collaboration with system partners, KUKA displayed the "ready2_run" application, for example, for the "plug and play" connection of multiple robot cells with a single cable or the "ready2_pilot" solution where a 6D mouse is installed directly on the robot arm, enabling the intuitive path planning of the robot through simple navigation – without any knowledge of programming.

Ideal for injection molding machines: the shelf-mounted robots from the KR QUANTEC series

For the special requirements of the plastics industry, KUKA has developed the shelf-mounted robots of the KR QUANTEC K series. Thanks to their reduced weight, the robots are always able to access their intended workplace. To save space, they can be mounted on the machine and work from above.

Digital Insights – Networking with KUKA Connect

What cloud computing and networking look like in a modern factory was demonstrated by the Digital Insights exhibit. Using the example of the global KUKA Connect network, the exhibit shows how the complete information of all networked devices can be centrally collected and processed. This knowledge minimizes downtimes and service times, therefore saving costs.

KUKA.mxAutomation software upgraded

KUKA has developed its KUKA.PLC mxAutomation software as the interface between robots and machine controllers so that companies and their employees can easily work with robots. Robot programming and diagnosis are performed easily via the machine controller and user interface – even by those with no special knowledge of robot programming. The new version of the KUKA.PLC mxAutomation 2.1 software allows KUKA to control robot motions via a simple open PLC controller in an environment known to the customer. What is more, the usability of the software has been further enhanced, and new functions, for example for Motion Control, have been added. It was these new software blocks that opened the door to certification to PLCopen Motion Control Part 4.

The KUKA flexibleCUBE laser compact cell

Besides the KUKA flexibleCUBE arc (the compact welding cell for automated arc welding), KUKA Industries now also offers its customers the KUKA flexibleCUBE laser. The flexible design of the flexibleCUBE laser enables a broad spectrum of laser processes and is ideally suited to a dynamic production environment. Laser cutting and welding as well as laser cladding can be carried out. Thanks to the open system, the optimal laser beam source can be selected for the specific application. The compact turnkey cell includes a KUKA robot, the laser processing head, the laser-proof safety enclosure, the positioner as well as a modern cell and process visualization tool.

Employees

As at September 30, 2016 KUKA Group employed 13,056 people. Compared with the reporting date of the previous year, this was a rise of 8.2% (September 30, 2015: 12,071). The Robotics division's workforce increased by 11.7% from 4,055 to 4,529. Most new staff were hired in the area of research and development. At KUKA Systems, the workforce decreased by 3.7% from 5,126 as at September 30, 2015 to 5,317 as at September 30, 2016. The Swisslog division had 2,645 employees at the end of the first nine months of this year, 4.0% more than on the reporting date of the previous year (September 30, 2015: 2,543). The number of temporary workers in Augsburg fell by 22% from 415 to 324. At the end of the third quarter, there were 3,432 employees at the Augsburg site. This was 9.2% more than at the reporting date of the previous year (September 30, 2015: 3,143).

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.

KUKA amends revenue outlook while leaving prospective margin unchanged

On the basis of the current general conditions, KUKA is expecting sales revenues of around €3.0 billion (previously: more than €3.0 billion) for the full year 2016. The reason for this is that the improvement in revenue development in the second half of 2016 is not sufficient to offset the declines in the first half-year. 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 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.

Interim financial statements (condensed)

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

in € millions	Q3/15	Q3/16	9M/15	9M/16
Sales revenues	**722.0**	**710.9**	**2,199.4**	**2,044.1**
Cost of sales	-548.7	-524.2	-1,681.8	-1,495.5
Gross profit	**173.3**	**186.7**	**517.6**	**548.6**
Selling expenses	-59.6	-66.2	-185.7	-193.1
Research and development expenses	-35.9	-31.2	-87.8	-94.9
General and administrative expenses	-44.9	-49.0	-144.2	-170.3
Other operating income	6.9	0.3	20.6	6.7
Other operating expenses	-1.9	-3.9	-13.7	-11.4
Earnings from companies valued at equity	-1.0	-0.8	-3.0	-3.0
Earnings from operating activities	**36.9**	**35.9**	**103.8**	**82.6**
Reconciliation to earnings before interest and taxes (EBIT)				
Financing costs included in cost of sales	0.6	0.0	2.1	0.0
Earnings before interest and taxes (EBIT)	**37.5**	**35.9**	**105.9**	**82.6**
Depreciation and amortization	28.9	20.8	93.4	55.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**66.4**	**56.7**	**199.3**	**138.2**
Net interest income	1.1	3.1	6.2	8.8
Net interest expense	-4.0	-2.5	-14.2	-8.2
Financial result	**-2.9**	**0.6**	**-8.0**	**0.6**
Earnings before taxes	**34.0**	**36.5**	**95.8**	**83.2**
Taxes on income	-12.1	12.0	-32.4	-4.3
Earnings after taxes	**21.9**	**48.5**	**63.4**	**78.9**
of which: attributable to minority interests	0.6	0.0	-0.4	-0.5
of which: attributable to shareholders of KUKA AG	21.3	48.5	63.8	79.4
Earnings per share (undiluted) in €	**0.60**	**1.23**	**1.79**	**2.01**
Earnings per share (diluted) in €	**0.57**	**1.23**	**1.70**	**2.01**

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

in € millions	Q3/15	Q3/16	9M/15	9M/16
Earnings after taxes	**21.9**	**48.5**	**63.4**	**78.9**
Items that may potentially be reclassified to profit or loss				
Currency translation adjustments	-13.3	-2.4	37.3	-10.3
Items that are not reclassified to profit or loss				
Changes of actuarial gains and losses	-0.4	-4.0	0.3	-23.0
Deferred taxes on changes of actuarial gains and losses	-1.7	0.6	-2.8	5.0
Changes recognized directly in equity	**-15.4**	**-5.8**	**34.8**	**-28.3**
Comprehensive income	**6.5**	**42.7**	**98.2**	**50.6**
of which: attributable to minority interests	-0.6	0.0	-0.4	-0.5
of which: attributable to shareholders of KUKA AG	7.1	42.7	98.6	51.1

Consolidated cash flow statement
of KUKA Aktiengesellschaft for the period January 1 to September 30, 2016

in € millions	9M/15	9M/16
Earnings after taxes	63.4	78.9
Income taxes	48.7	20.5
Net interest	8.0	-0.6
Depreciation/amortization on intangible assets	69.1	25.5
Depreciation/amortization on tangible assets	24.3	30.1
Other non-payment-related income	-19.7	-19.9
Other non-payment-related expenses	7.7	5.1
Cash earnings	201.5	139.6
Result on the disposal of assets	-10.3	0.2
Changes in provisions	12.1	-16.1
Changes in current assets and liabilities:		
Changes in inventories	-59.3	-53.9
Changes in receivables and deferred charges	-91.2	-102.3
Changes in liabilities and deferred charges (excl. financial debt)	19.7	19.4
Income taxes paid	-35.8	-57.8
Investment/financing matters affecting cash flow	-2.1	-2.9
Cash flow from current business operations	34.6	-73.8
Payments from disposals of fixed assets	5.8	3.1
Payments for capital expenditures on intangible assets	-20.0	-33.4
Payments for capital expenditures on tangible assets	-47.7	-29.8
Payments for investment in financial investments	-0.5	-0.9
Payments received from financial assets in the course of short-term funds management	23.5	8.9
Payments received from the sale of consolidated companies and other business units	47.2	0.0
Payments for the acquisition of consolidated companies and other business units	-41.7	-13.2
Interest received	6.0	6.1
Cashflow from investment activities	-27.4	-59.2
Free Cashflow	7.2	-133.0
Dividend payments	-16.9	-19.3
Proceeds from/payments for the acceptance/repayment of bank loans	-22.2	3.9
Payments from grants received	2.1	2.9
Interest paid	-6.7	-4.7
Cash flow from financing activities	-43.7	-17.2
Payment-related changes in cash and cash equivalents	-36.5	-150.2
Changes in cash and cash equivalents related to acquisitions	1.9	0.1
Exchange-rate-related and other changes in cash and cash equivalents	1.4	-4.2
Changes in cash and cash equivalents	-33.2	-154.3
(of which net increase/decrease in restricted cash)	(1.5)	-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	158.9	341.9
(of which restricted cash at the end of the period)	(3.8)	1.4

Group balance sheet

of KUKA Aktiengesellschaft as of September 30, 2016

ASSETS in € millions	12/31/2015	09/30/2016
Non-current assets		
Intangible assets	423.0	438.9
Tangible assets	259.0	255.2
Financial investments	3.9	4.8
Investments accounted for at equity	6.6	6.4
	692.5	705.3
Finance lease receivables	65.2	56.9
Income tax receivables	1.6	0.0
Other long-term receivables and other assets	14.8	14.5
Deferred taxes	49.2	59.3
	823.3	836.0
Current assets		
Inventories	297.8	352.1
Receivables and other assets		
Trade receivables	310.6	306.1
Receivables from construction contracts	347.7	430.0
Finance lease receivables	8.5	8.8
Income tax receivables	10.5	38.4
Other assets, prepaid expenses and deferred charges	87.1	96.8
	764.4	880.1
Cash and cash equivalents	496.2	341.9
	1,558.4	1,574.1
	2,381.7	2,410.1

LIABILITIES in € millions	12/31/2015	09/30/2016
Equity		
Subscribed capital	100.1	103.4
Capital reserve	265.3	306.6
Revenue reserves	367.6	397.5
Minority interests	-0.5	-0.3
	732.5	807.2
Non-current liabilities		
Financial liabilities	294.2	249.5
Other liabilities	24.0	26.9
Pensions and similar obligations	114.0	133.5
Deferred taxes	56.4	45.5
	488.6	455.4
Current liabilities		
Financial liabilities	2.1	6.5
Trade payables	402.0	346.4
Advances received	72.5	88.5
Liabilities from construction contracts	217.0	269.6
Income tax liabilities	33.4	23.6
Other liabilities and deferred income	290.6	284.2
Other provisions	143.0	128.7
	1,160.6	1,147.5
	2,381.7	2,410.1

Development of Group equity

of KUKA Aktiengesellschaft for the period January 1 to September 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						63.8	63.8	-0.4	63.4
Other earnings				37.3	-2.5		34.8		34.8
Comprehensive income	–	–	–	37.3	-2.5	63.8	98.6	-0.4	98.2
KUKA AG dividend						-14.3	-14.3		-14.3
Change in consolidation scope/ Other changes						-5.1	-5.1	-16.7	-21.8
09/30/2015	**35,708,315**	**92.8**	**176.5**	**47.0**	**-19.7**	**306.9**	**603.5**	**-0.3**	**603.2**
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	–					79.4	79.4	-0.5	78.9
Other earnings				-10.3	-18.0		-28.3		-28.3
Comprehensive income	–	–	–	-10.3	-18.0	79.4	51.1	-0.5	50.6
Capital incease from conversions	1,274,211	3.3	41.3				44.6		44.6
KUKA AG dividend						-19.3	-19.3		-19.3
Change in consolidation scope/ Other changes						-1.9	-1.9	0.7	-1.2
09/30/2016	**1,274,211**	**103.4**	**306.6**	**42.7**	**-33.2**	**388.0**	**807.5**	**-0.3**	**807.2**

Notes to the quarterly report (condensed)

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

	Robotics		Systems		Swisslog		KUKA AG and other companies		Reconciliation and consolidation		Group	
in € millions	9M/15	9M/16	9M/15	9M/16	9M/15	9M/16	9M/15	9M/16	9M/15	9M/16	9M/15	9M/16
Orders received	686.5	781.0	1,114.0	1,351.7	360.6	535.2	–	–	-26.3	-40.5	2,134.8	2,627.4
Order backlog (09/30)	279.8	334.9	1,002.7	1,263.9	454.7	597.5	–	–	-9.8	-26.8	1,727.4	2,169.5
Group external sales revenues	638.3	651.0	1,092.5	969.6	468.6	423.4	0.0	0.0	–	0.1	2,199.4	2,044.1
in % of Group sales revenues	29.0%	31.8%	49.7%	47.4%	21.3%	20.7%	–	–	–	–	100.0%	100.0%
Intra-Group sales revenues	21.1	18.0	7.0	4.0	0.0	0.0	–	–	-28.1	-22.0	–	–
Sales revenues by division	**659.4**	**669.0**	**1,099.5**	**973.6**	**468.6**	**423.4**	**0.0**	**0.0**	**-28.1**	**-21.9**	**2,199.4**	**2,044.1**
Gross profit	**254.8**	**261.7**	**193.5**	**174.7**	**69.6**	**112.9**	**–**	**0.0**	**-0.3**	**-0.7**	**517.6**	**548.6**
in % of sales revenues of the division	38.6%	39.1%	17.6%	17.9%	14.9%	26.7%	–	–		–	23.5%	26.8%
EBIT	**72.8**	**67.3**	**89.8**	**64.7**	**-34.8**	**0.7**	**-19.7**	**-28.7**	**-2.2**	**-21.4**	**105.9**	**82.6**
in % of sales revenues of the division	11.0%	10.1%	8.2%	6.6%	-7.4%	0.2%	–	–		–	4.8%	4.0%
Extraordinary expenses*	–	–	–	–	–	–	–	–	–	21.4	0.0	21.4
EBIT adjusted*	72.8	67.3	89.8	64.7	-34.8	0.7	-19.7	-28.7	-2.2	0.0	105.9	104.0
EBIT adjusted* in % of sales revenues of the devision	11.0%	10.1%	8.2%	6.6%	-7.4%	0.2%	–	–			4.8%	5.1%
EBITDA	**91.5**	**83.6**	**106.5**	**79.2**	**20.2**	**17.9**	**-16.6**	**-21.1**	**-2.3**	**-21.4**	**199.3**	**138.2**
in % of sales revenues of the division	13.9%	12.5%	9.7%	8.1%	4.3%	4.2%	–	–		–	9.1%	6.8%
Extraordinary expenses*	–	–	–	–	–	–	–	–	–	21.4	0.0	21.4
EBITDA adjusted*	91.5	83.6	106.5	79.2	20.2	17.9	-16.6	-21.1	-2.3	0.0	199.3	159.6
EBITDA adjusted* in % of sales revenues of the devision	13.9%	12.5%	9.7%	8.1%	4.3%	4.2%	–	–	–	0.0%	9.1%	7.8%
Assets (09/30)	455.9	450.9	751.4	811.0	552.6	627.5	530.2	562.0	-445.0	-442.5	1,845.1	2,008.9
Number of employees (09/30)	4,055	4,529	5,126	5,317	2,543	2,645	347	565	–	–	12,071	13,056

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

IFRS/IAS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, has prepared its consolidated interim financial statements for the period ending September 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 consolidated 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 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	–	–	3	1	4
Mergers	–	–	-1	–	-1
Status as of Sep. 30, 2016	23	40	34	4	101
of which, Germany	1	11	5	3	20
of which, abroad	22	29	29	1	81

Number of at equity consolidated companies	Robotics	Systems	Swisslog	Sonstige	Gesamt
Status as of Jan. 1, 2016	1	1	–	1	3
First-time consolidations – joint ventures	–	1	–	–	1
Status as of Sep. 30, 2016	1	2	–	1	4
of which associated companies	1	1	–	1	3
of which joint ventures	–	1	–	–	1

Additions of companies through establishment

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. The company is fully incorporated into KUKA Group.

Swisslog AG, Buchs/Switzerland founded the wholly-owned subsidiary Swisslog Korea Co. Ltd, Bucheon si, Kyeonggi-do/South Korea in Q3/2016.

At the end of September 2016, the company Chang’an Reis Robotic Intelligent Equipment (Chongqing) Co., Ltd., Chongqing/China was founded jointly with a Chinese partner. Since both companies hold 50% of the capital stock and exercise joint control over the founded company, Chang’an has been classified as a joint venture pursuant to the regulations of IFRS 11 and is recognized in the consolidated balance sheet using the “at equity” method according to IAS 28.

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

Additions of companies through company acquisitions

Tecnilab S. p.A.

All shares in the company Technilab S. p.A., Cuneo/Italy were acquired on June 24, 2016. Tecnilab is a leading provider of automation solutions in the pharmaceutical sector with customer relationships in Europe, China and Australia. The company is also the manufacturer and supplier of a key product solution used in automation solutions of the Swisslog segment in the field of Health Care Solutions (HCS). Aside from the aim of greater market penetration, the acquisition also involves pursuing an increase in vertical added value. The company is allocated to the Swisslog segment.

The purchase price of €7.0 million was paid in cash to the amount of €5.6 million. Cash and cash equivalents of €0.2 million were transferred. Shares of previously fully consolidated companies were not acquired.

Sales revenues of €1 million and net income of €0 million were attributable to the acquisition during the reporting period. If the business had already been taken over at the beginning of 2016, this would have contributed €6.6 million more to sales revenues and €0.9 million more to net income.

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 based on provisional figures.

in € millions	Aquired carrying amounts	Opening balance sheet at fair value
Intangible Assets	1.05	3.1
Property, plant and equipment	0.47	0.5
Inventories	1.96	2.0
Accounted receivables and other assets	2.50	2.5
Liabilities and provisions	-6.69	-7.4

The acquired intangible assets consist to a large extent of internally generated assets in the technology sector and customer lists. Receivables and inventories primarily concern orders in house at the time of the acquisition. Contingent liabilities were not transferred. The acquisition resulted in deferred tax liabilities of €0.7 million. The transaction thus led to goodwill of €6.3 million. The goodwill particularly reflects the future synergies in the HCS sector.

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 and joint ventures

As of 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 as well as of the joint venture Chang'an Reis Robotic Intelligent Equipment (Chongqing) Co., Ltd, Chongqing/China, was valued at €6.4 million; the effect on earnings was -€3.0 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.

The joint venture Chang'an Reis Robotic Intelligent Equipment (Chongqing) Co., Ltd. is still not operational as at September 30, 2016. The carrying amount therefore remains unchanged compared to the time of establishment and stands at €1.9 million.

Accounting and valuation methods

With the exception of the changes outlined below, the same valuation methodology and accounting principles as those used for the consolidated financial statements for the 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 financial statements presented here. These are also available on the Internet at www.kuka.com.

Changes in accounting and valuation methods

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 (9M/15: -€2.5 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:

	9M/15	9M/16
Net result attributable to shareholders of KUKA AG (in € millions)	63.8	79.4
Weighted average number of shares outstanding	35,708,315	39,536,687
Undiluted earnings per share (in €)	1.79	2.01
Diluted earnings per share (in €)	1.70	2.01

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.

Earnings per share were diluted by the convertible bond issued in 2013 until the first quarter of 2016.

In the first nine months of 2016, the weighted average number of shares in circulation was 39.5 million (September 30, 2015: 35.7 million shares). The increase in relation to the comparative period is due to the full conversion of the convertible bond. 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 the redemption date were repaid to the holders at a rate of 100%. Together with the conversions that had taken place prior to the announcement, the remaining units with a nominal value of €46.9 million were converted into 1,274,211 shares in the first quarter of 2016.

Equity

The capital stock of KUKA Aktiengesellschaft amounts to €103,416,222.00 (September 30, 2015: €92,841,619). This is subdivided into 39,775,470 (September 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	09/30/2016
Germany	2.20%	1.05%
Switzerland	0.75%	0.25%
UK	4.00%	2.30%
Sweden	2.90%	2.30%
USA	4.12% – 4.25%	3.41% – 3.45%

Overall an actuarial loss of €23.1 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 -€18.0 million in consideration of deferred taxes.

The renewed decline in discount rates compared to December 31, 2015 led to actuarial losses for all 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 AG. 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 cancellation 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 convertible bonds 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 AG issued an unsecured promissory note loan with a total volume of €250.0 million, of which an amount of €248.9 million accrued to KUKA AG after deduction of the transaction costs.

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 €3.3 million (December 31, 2015: €0.8 million) was deferred as of September 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 €252.4 million as of September 30, 2016 (December 31, 2015: €249.0 million).

Syndicated loan

KUKA AG 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 AG, 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 September 30, 2016, the utilization of the guarantee facility and cash credit line from the syndicated loan agreement of KUKA AG amounted to a total of €157.0 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 September 30, 2016 (December 31, 2015: €89.0 million) and were available to be utilized in full. As of the reporting date, the amount exercised was €62.9 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, €10.6 million was utilized as at September 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:

09/30/2016

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	–	6.5	2.9	9.4
Financial liabilities	–	3.7	–	3.7

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 financial assets of level 3 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 AG 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 €1.4 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.

This includes associates, the non-consolidated subsidiaries and the newly founded joint venture Chang'an Reis Robotic Intelligent Equipment (Chongqing) Co., Ltd, Chongqing/China. The companies of Voith Group and Loh Group are also included in this category until the respective equity stakes are transferred.

In the first nine months of 2016, services to the value of €5.0 million were performed by related companies and persons, and services to the value of €5.9 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 €0.5 million for receivables and €2.4 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.

MECCA/MIDEA takeover bid for KUKA

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 were able to offer their shares to Midea up to August 3, 2016 during a grace period (due to the 30% minimum acceptance threshold being exceeded).

After the grace period expired, the stake held by MECCA in KUKA amounted to 94.55% taking into account the tendered shares.

Completion of the takeover is subsequently dependent on antitrust and regulatory authorizations in various countries in which KUKA is active. In some countries, such as Germany, Mexico, Brazil, Russia and on EU level, antitrust approval has already been granted. Approval from the European Commission is expected this fall. All in all, Midea still has until March 31, 2017 to obtain all the necessary approvals.

For further details please refer to the section “KUKA and the capital market”.

Events of material importance after the end of the reporting period

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

Augsburg, November 8, 2016

The Executive Board

Dr. Till Reuter

Peter Mohnen

Financial calendar 2017

Annual Accounts Press Conference	**March 22, 2017**
Q1/17	**May 10, 2017**
Annual General Meeting	**May 31, 2017**
Q2/17	**August 2, 2017**
Q3/17	**November 8, 2017**

This quarterly report was published on November 9, 2016 and can be obtained from KUKA Aktiengesellschaft, Public Relations/Investor Relations department, in German and English. The German version is legally binding in cases of doubt.

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