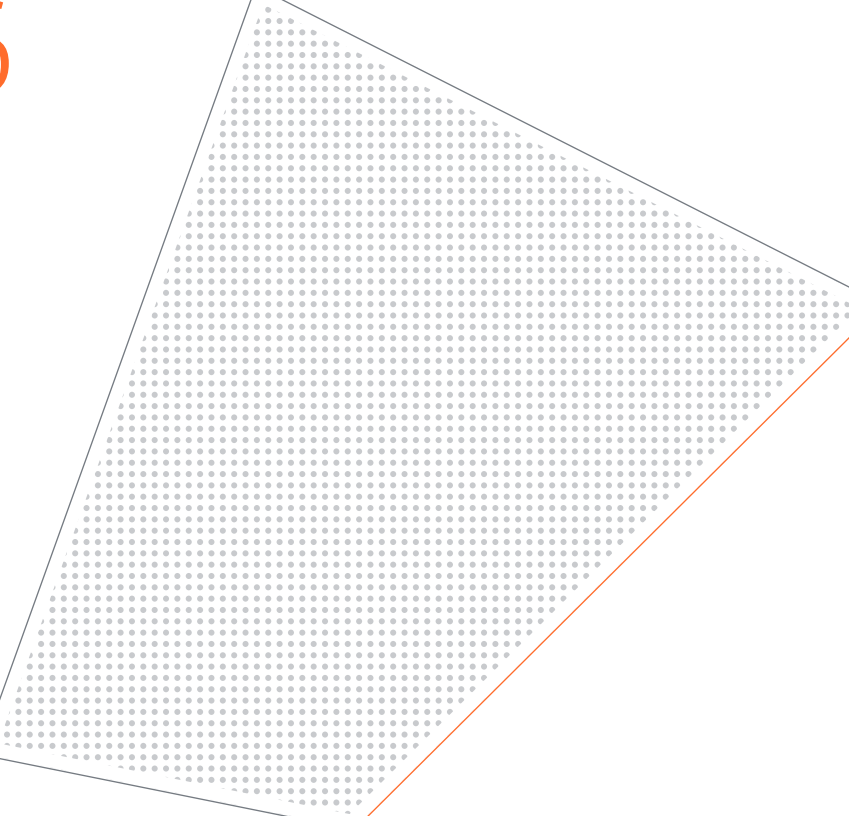


KUKA



Q1 / 16

Interim Report



Q1/16 Developments

KUKA increases the volume of orders received by 0.3%,
reaching a new record value of €746.5 million

- Swisslog boosts orders received by 13.9% to €125.7 million

Sales revenues reach €629.1 million, after €719.8 million
in the prior-year quarter

- Q1/16 performance affected by the substantial shift in execution of major projects to the remaining quarters of 2016

The EBIT margin before purchase price allocation reaches 5.4%,
after 6.3% in Q1/15

- Profitability impacted by investments in Industrie 4.0 and new products as well as the development of sales revenues

Earnings after taxes grow by 36.6% to €20.9 million

- Guidance for 2016 is confirmed: sales revenues to top €3.0 billion and EBIT margin before purchase price allocation greater than 5.5%

Key Figures

in € millions	Q1/15	Q1/16	Change
Orders received	743.9	746.5	0.3%
Order backlog (Mar. 31)	1,842.2	1,733.4	-5.9%
Sales revenues	719.8	629.1	-12.6%
Gross profit	158.2	176.6	11.6%
in % of sales revenues	22.0%	28.1%	-
Earnings before interest and taxes (EBIT)	28.1	31.4	11.7%
in % of sales revenues	3.9%	5.0%	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	59.5	48.6	-18.3%
in % of sales revenues	8.3%	7.7%	-
Earnings after taxes	15.3	20.9	36.6%
Earnings per share in € (undiluted)	0.44	0.54	22.7%
Earnings per share in € (diluted)	0.42	0.54	28.6%
Capital expenditure	22.2	19.0	-14.4%
Equity ratio in % (Mar. 31)	27.7%	32.7%	-
Net liquidity (Mar. 31)	30.7	179.0	-
Employees (Mar. 31)	12,331	12,433	0.8%

Foreword

Dear Shareholders,

Having just returned from Hannover Messe, we now look back on a successful first quarter. In Q1/16, we achieved a volume of orders received totaling €747 million. That represents a new quarterly record. It is particularly gratifying that this positive development was largely driven by Swisslog. New orders and an industry award won by Swisslog at Hannover Messe for the human-robot picking solution “Automated Item Pick” are an endorsement that we are on the right track with our integration strategy.

Sales revenues were down year-on-year from €720 million to €629 million as call-off orders have been deferred to later quarters. We are nevertheless operating at a high level. The EBIT margin before purchase price allocation was 5.4% in Q1/16, which is attributable to investments in research and development projects supporting our digitization strategy. The fusion of intelligent machines and digital domains makes it possible to evaluate and utilize process data to the competitive advantage of both KUKA and our customers. We regard digitization as an opportunity.

At Hannover Messe we demonstrated this very opportunity. With the partner country USA and the visit by President Barack Obama and Chancellor Angela Merkel, Hannover turned into a “hotspot” of digitization. We too benefited from this through broad media coverage. Our innovative booth concept provided an ideal setting for us to present solutions for the smart factory to our customers. LBR iiwa made its debut on the evening before the official start of the trade fair, performing in the stage show at the opening ceremony. Barack Obama and Angela Merkel then met our most innovative product again at the booth of our partner Weidmüller.

LBR iiwa was also at the center of the competition for the KUKA Innovation Award, which KUKA has now held for the third time. Aimed at international research teams, the award is intended to promote relevant key technologies. 25 projects on the topic of Flexible Manufacturing were entered in this year’s competition, which was won by a team of developers from Baltimore. The team established the basis for enabling end users to easily specify complex task models and teach them to the robot.

Everything was just right for KUKA at Hannover: the platform, the technologies – and first and foremost the personnel. The KUKA team worked with great energy and enthusiasm in the first quarter and I am looking forward to upcoming projects as part of this team.

Sincerely,



Till Reuter

KUKA and the capital market

KUKA shares rise 11% in Q1/16

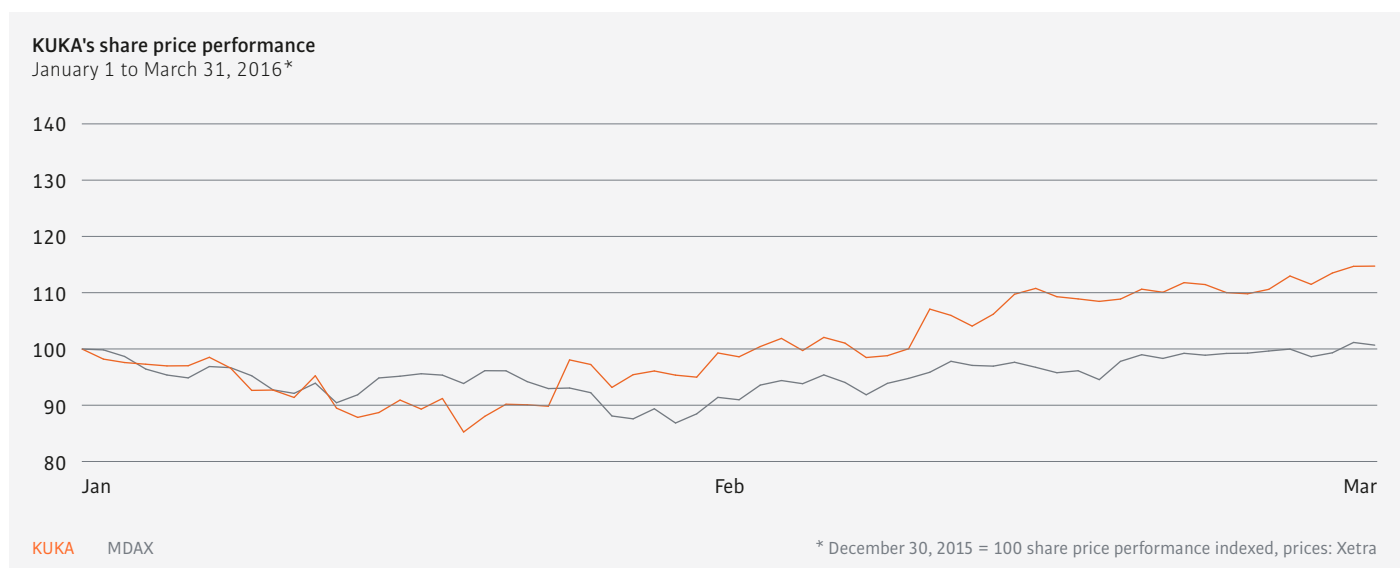
Stock markets have experienced great volatility since the start of the year. This trend was driven by the subdued growth prospects in China and the strong dips in the price of oil. Correspondingly there were marked declines in stock exchange prices up to mid-February. Over the remaining quarter, however, the markets recovered again but were not able to fully recuperate the losses. The MDAX closed at 20,394 points on March 31, 2016, 1.8% below the closing level of 20,775 points at the end of 2015.

The KUKA share too was not able to escape the price declines in January and February. However, the good market prospects for robot-based automation overall and the good key financial indicators for the full year 2015 had a positive effect on the sentiment towards the KUKA share, whose price rose as a result. Altogether, the price of KUKA shares rose from €83.05 at year-end 2015 to €92.03 at March 31, 2016. The closing price at the end of the quarter thus represented a new record high for the share.

The Executive and Supervisory Boards of KUKA AG will recommend to shareholders at the Annual General Meeting on May 27, 2016 that a dividend of €0.50 per entitled share be paid for 2015.

Investors holding more than 3% of KUKA's share capital

The free float of KUKA's shares at the end of the first quarter of 2016 was 51.6% of the total share capital. Investors holding over 3% of the total share capital were: Voith Group with 25.1%, Midea Group with 10.2%, SWOCTEM GmbH with 10.0% and Sumitomo Mitsui Trust Holdings with 3.1%.



Consolidated Management report

Economic environment

IWF reduces outlook for economic growth

In April 2016, the International Monetary Fund (IMF) lowered its January forecast for the development of global economic growth in 2016 by 0.2 percentage points. Following a plus of 3.1% in 2015, growth of 3.2% is expected this year. In 2017, global economic output is set to rise by 3.5%. The IMF warned of long-term stagnation. Low raw material prices are having a dampening effect on investments and consumption in many emerging economies. Many industrial nations are in the midst of a growth crisis, but, like Japan or Italy, are too heavily in debt for major economic stimuli. According to the IMF, investment in infrastructure and free trade agreements are possible motors for growth in this volatile situation. Growth in China is slowing down, and the country is facing further adjustment of its economic structure. The IMF is warning of risks that could arise from China's process of transformation towards more sustainable growth based on consumption and services to a greater extent. As the IMF still regards China as an important growth market, it has increased its January forecast for this year from 6.3% to 6.5% and for 2017 from 6.0% to 6.2%. In the USA, a plus of 2.4% is expected this year and 2.5% next year. In the eurozone, growth of 1.5% is anticipated in 2016 and 1.6% in 2017. The IMF is forecasting the same growth rates for Germany.

Demand for cars

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

In the first quarter of 2016, the VDA (German Association of the Automotive Industry) reported growth in the three most important car markets of Western Europe (+8%), China (+9%) and the USA (+3%). The Western European car market saw a good 1.6 million new registrations in March, and thus the highest sales volume for a single month in nine years. In Germany, new registrations in March were at the same level as the previous year. The VDA attributes the strong growth in Western Europe in the first quarter to the sustained economic recovery, low interest rates and high replacement demand – particularly in the countries of Southern Europe. The Chinese car market led the field in March with growth in double figures (+12%). According to the VDA, the automotive sector in China continues to benefit from the lower sales tax rate introduced in the fall of 2015 for cars with an engine capacity up to 1.6 liters. The VDA reports that the US market for light vehicles (cars and light trucks) is being helped by the continued favorable situation on the labor market, low interest rates and cheap fuel. In terms of sales, the first quarter of 2016 was the strongest start to a year in the USA since 2001.

Robotics and automation

Sales of industrial robots continue to grow

The International Federation of Robotics (IFR) estimates the number of industrial robots sold worldwide in 2015 at the new record of around 240,000 units. This was 8% higher than the previous year's level. The high demand is primarily attributable to the automotive and electrical industries. From a regional perspective, China recorded growth of 16% on the previous year with 66,000 units sold despite generally restrained investment. Meanwhile, the rest of Asia without China stagnated at a high level. Compared to 2014, sales in Europe increased by 9%. In the USA, Canada and Mexico, a total of 34,000 industrial robots were sold. This corresponds to an increase of 11% on the previous year.

Business performance

Orders received

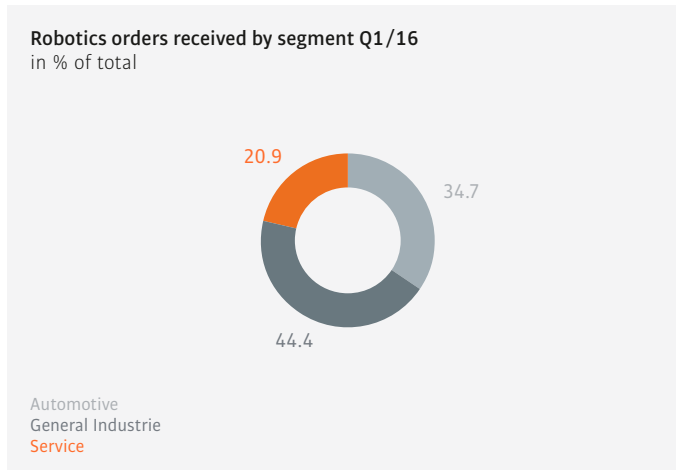
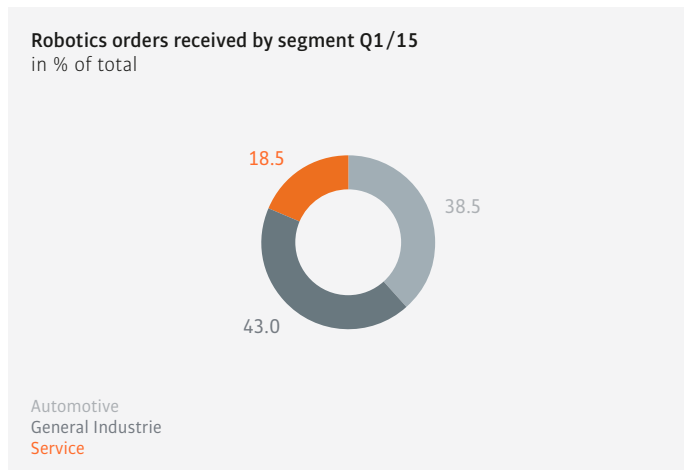
KUKA Group

In the past quarter, KUKA Group's volume of orders received was €746.5 million. Thus KUKA reached a new record level and even slightly surpassed the very high figure of the prior-year quarter by 0.3% (Q1/15: €743.9 million). Swisslog contributed significantly to this good result and Robotics and Systems too almost reached the previous year's records again.

KUKA Robotics

In the first quarter of 2016, the Robotics division received orders totaling €241.6 million. The volume of orders received thus remained almost constant compared to the same period last year (Q1/15: €244.1 million).

Orders received in the Automotive segment amounted to €83.8 million in the first quarter of 2016. Compared to the prior-year quarter, this corresponds to a decrease of 10.9% (Q1/15: €94.0 million). This decline was mainly due to the lower proportion of sizeable automotive order call-offs in early 2016 on the basis of existing framework contracts. Simultaneously, the Service business was boosted by the high demand for industrial robots in recent years and the associated increase in the installed base of KUKA robots. In this segment, orders received rose from €45.2 million (Q1/15) to €50.5 million (Q1/16), an increase of 11.7%. The General Industry business also continued to improve. Compared to the previous year, it grew by 2.4% to €107.4 million (Q1/15: €104.9 million). This also improved the proportion of General Industry business in the overall volume of orders received. It rose from 43.0% (Q1/15) to 44.4% (Q1/16). The share of Service business increased from 18.5% (Q1/15) to 20.9% (Q1/16), whereas the Automotive share decreased from 38.5% (Q1/15) to 34.7% (Q1/16).

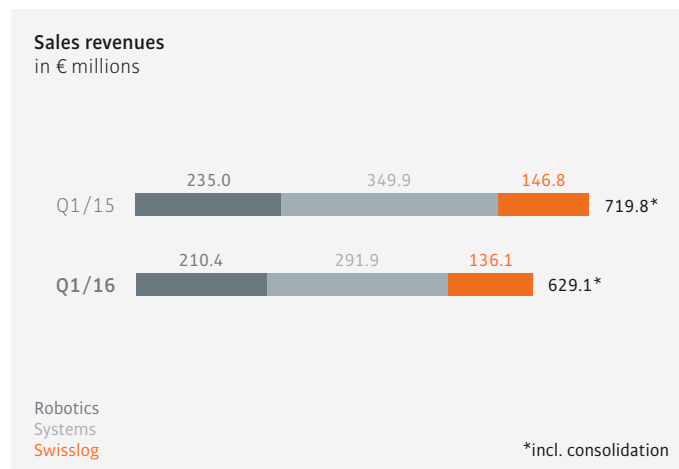
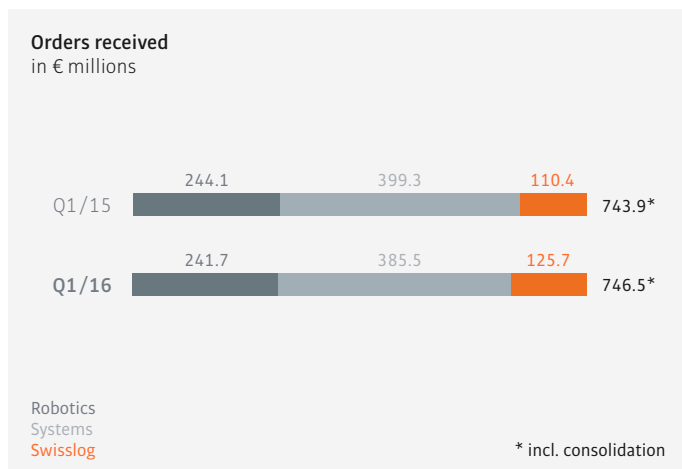


KUKA Systems

The Systems division posted orders received amounting to €385.5 million in the first quarter of 2016. Compared to the previous year's result for the same period (€399.3 million), this represents a decline of 3.5%. It should be noted, however, that in Q1/15 HLS Group and the Tools and Dies business unit contributed a total of €27.4 million to the volume of orders received. Excluding these two companies in the previous year, the orders received by the Systems division would have grown by 3.7%. In the past quarter, the Aerospace and Test & Assembly segments showed a particularly positive performance with double-digit growth rates.

Swisslog

In the first quarter of 2016, the Swisslog division recorded a volume of orders received of €125.7 million. Compared to the prior-year quarter (Q1/15: €110.4 million), orders received were therefore nearly 14% higher. Thus the positive dynamics of the fourth quarter of 2015 continued. This increase was driven by the Logistics unit, which showed substantial double-digit growth.



Sales revenues

KUKA Group

KUKA Group generated sales revenues of €629.1 million in the first quarter of 2016. Compared to the prior-year quarter, revenues decreased by 12.6% to €719.8 million (Q1/15). This development was reflected in all divisions and is mainly attributable to the fact that customers are tending to make call-offs and execute major orders in the later quarters this year.

KUKA Robotics

Sales revenues of the Robotics division reached an amount of €210.4 million in the first quarter of 2016. This represents a decrease of 10.5% (Q1/15: €235.0 million). The main reason behind this development was the Automotive segment, which benefited last year from a large number of call-offs from framework contracts. In the period under review, however, the Service segment recorded significant growth, while the General Industry segment nearly reached the same level year-on-year.

KUKA Systems

Sales revenues of the Systems division amounted to €291.9 million, which was below the figure of the prior-year quarter (Q1/15: €349.9 million) and represents a decline of 16.6%. More than 40% of this decrease is due to the sale of HLS Group and the Tools and Dies business unit, which contributed some €25 million to revenues in Q1/15. The other aspect affecting the Systems division's revenue decline is the timing of major project implementation in 2016, which is anticipated in later quarters this year.

Swisslog

The Swisslog division generated sales revenues of €136.1 million in the first quarter of 2016. Compared to the prior-year quarter, revenues declined by 7.3% (Q1/15: €146.8 million). For Swisslog, the period between winning and implementing major project contracts is often between 6 and 12 months. As the volume of orders received only improved from the fourth quarter of 2015 onwards, sales revenues in the past quarter were marked by the relatively low levels of orders received as of mid-2015.

Book-to-Bill ratio and order backlog

KUKA Group

The book-to-bill ratio, in other words the ratio of orders received to sales revenues, improved significantly. This indicator benefited from the high volumes of orders received and reached 1.19 in the past quarter (Q1/15: 1.03). This figure thus clearly surpassed last year's average level and the previous quarter's value (FY15: 0.96 and Q4/15: 0.92). As the orders received exceeded the sales revenues, the order backlog within the Group also increased during the quarter under review, reaching an amount of €1,733.4 million as of March 31, 2016. Compared to the end of the previous quarter, the order backlog rose by about €100 million or 5.8% (December 31, 2015: €1,639.0 million). Compared to the prior-year quarter, the order backlog was 5.9% lower (March 31, 2015: €1,842.2 million).

KUKA Robotics

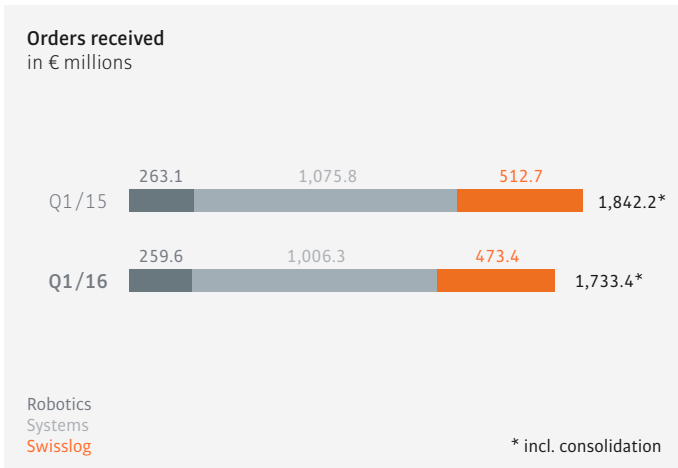
In the first quarter of 2016, the book-to-bill ratio at the Robotics division was 1.15, whereas it had been 1.04 in the same quarter last year. As of March 31, 2016, the order backlog totaled €259.6 million excluding framework contracts won especially in the Automotive segment. Compared to the reference value for the previous year, this represents a decrease of 1.3% (Q1/15: €263.1 million).

KUKA Systems

In the first quarter of 2016, the Systems division recorded a book-to-bill ratio of 1.32 and thus significantly surpassed the previous year's figure of 1.14. As of March 31, 2016, the division's order backlog totaled €1,006.3 million, 6.5% lower than the comparable amount in the previous year (Q1/15: €1,075.8 million). Disregarding HLS Group and the Tools and Dies business unit, the order backlog would have remained stable.

Swisslog

In the first quarter of 2016, the Swisslog division recorded a book-to-bill ratio of 0.92, thus reaching a higher figure than in the prior-year quarter (Q1/15: 0.75). The order backlog totaled €473.4 million and remained below the previous year's level of €512.7 million.



EBITDA

KUKA Group

KUKA Group generated earnings before interest, taxes, depreciation and amortization (EBITDA) amounting to €48.6 million in the first quarter of 2016 (Q1/15: €59.5 million).

EBIT

KUKA Group

In the first quarter of 2016, KUKA Group recorded earnings of €31.4 million before interest and taxes (EBIT). Compared to the previous year's figure, this represents a 11.7% increase (Q1/15: €28.1 million). The EBIT margin was 5.4% before purchase price allocation and 5.0% after purchase price allocation (Q1/15: 3.9% after purchase price allocation and 6.3% before purchase price allocation).

Robotics

In the Robotics division, EBIT decreased from €25.9 million (Q1/15) to €21.2 million (Q1/16). The reason for this development is the disproportionate increase in personnel in China and the almost 50% higher expenditure on research and development. The EBIT margin accordingly decreased from 11.0% in the first quarter of 2015 to 10.1% in the first quarter of 2016.

Systems

The Systems division achieved an EBIT of €20.0 million in the first quarter of 2016, which is only a slight decrease on the previous year (Q1/15: €19.1 million). In the prior-year quarter, HLS Group and the Tools and Dies business unit had still contributed a low single-digit million euro amount to this result. Despite lower sales revenues, the EBIT margin profited significantly from the benefits of the efficiency program and rose from 6.0% (Q1/15) to 6.5% (Q1/16).

Swisslog

In the first quarter of 2016, the Swisslog division's EBIT improved very markedly. The value rose from -€14.1 million (Q1/15) to -€0.7 million (Q1/16). The main reason for this development is the significantly lower amortization charge for purchase price allocation, which decreased from €17.5 million (Q1/15) to €2.7 million (Q1/16). In the past quarter, the EBIT margin amounted to 1.5% before purchase price allocation and to -0.5% after purchase price allocation (Q1/15: 2.3% before purchase price allocation and -9.6% after purchase price allocation). The economies of scale were lower in the first quarter of 2016 due to the lower sales revenues.

Performance of the divisions

Key Figures Robotics

in € millions	Q1/15	Q1/16	Change
Orders received	244.1	241.7	-1.0%
Order backlog (Mar. 31)	263.1	259.6	-1.3%
Sales revenues	235.0	210.4	-10.5%
Gross profit	83.0	85.7	3.3%
in % of sales revenues	35.3%	40.7%	-
Earnings before interest and taxes (EBIT)	25.9	21.2	-18.1%
in % of sales revenues	11.0%	10.1%	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	32.2	26.6	-17.4%
in % of sales revenues	13.7%	12.6%	-
Employees (Mar. 31)	3,800	4,302	13.2%

Key Figures Systems

in € millions	Q1/15	Q1/16	Change
Orders received	399.3	385.5	-3.5%
Order backlog (Mar. 31)	1,075.8	1,006.3	-6.5%
Sales revenues	349.9	291.9	-16.6%
Gross profit	55.0	53.9	-2.0%
in % of sales revenues	15.7%	18.5%	-
Earnings before interest and taxes (EBIT)	20.9	19.1	-8.6%
in % of sales revenues	6.0%	6.5%	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	25.6	23.3	-9.0%
in % of sales revenues	7.3%	8.0%	-
Employees (Mar. 31)	5,832	5,176	-11.2%

Key Figures Swisslog

in € millions	Q1/15	Q1/16	Change
Orders received	110.4	125.7	13.9%
Order backlog (Mar. 31)	512.7	473.4	-7.7%
Sales revenues	146.8	136.1	-7.3%
Gross profit	19.5	37.2	90.8%
in % of sales revenues	13.3%	27.3%	-
Earnings before interest and taxes (EBIT)	-14.1	-0.7	-95.0%
in % of sales revenues	-9.6%	-0.5%	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	5.3	5.0	-5.7%
in % of sales revenues	3.6%	3.7%	-
Employees (Mar. 31)	2,406	2,574	7.0%

Contributory factors were the €1.3 million increase in selling costs and a rise of €4.0 million in administrative expenses. The higher selling expenditure was attributable above all to the expansion of the sales team. At the end of the first quarter, KUKA had 1,395 employees in this area – 77 more than at the reporting date for the same period last year. An important foundation for increasing market penetration and tapping new markets has thus been laid. 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.

In other areas too, processes are being harmonized, standardized and optimized throughout the Group within the framework of major internal projects – always with the objective of focusing KUKA optimally on the cross-segment requirements of the market. These measures initially lead to higher external and internal expenditure, which is also reflected in increased administrative costs.

Financial position and performance

Earnings

In the reporting period KUKA Group posted sales revenues totaling €629.1 million (Q1/15: €719.8 million). At €746.5 million, the volume of orders received represented a new quarterly record for the Group. The gross earnings from sales improved from €158.2 million in the same quarter last year to €176.6 million. This 11.6% 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 previous quarter). In the first quarter of 2016 the Group's gross margin thus rose from 22.0% to 28.1%. Excluding the effects of purchase price allocation, the gross margin increased from 24.1% to 28.2%. 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 €143.8 million (Q1/15: €129.9 million) – an increase of €13.9 million or 10.7%. These overhead costs amounted to 22.9% of sales, which was also higher than the previous year's level of 18.0%.

At €29.9 million, the expenses for research and development shown on the income statement for the first quarter of 2016 were significantly higher than for the prior-year quarter (€21.3 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. One key focus of current projects is the development of industrial robots in the 3 kg range for confined cells and also functionally optimized and price-sensitive products.

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 man power for many years: the Group employs about 800 people in research and development – this is equivalent to more than 6% of the workforce. Development work is increasingly being conducted outside Europe in order to cater even better for regionally specific market requirements. As of March 31, 2015 the proportion of R&D employees was still below 5% (Q1/15: 575 employees).

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 €4.7 million (Q1/15: €4.6 million) incurred for new developments in the period under review were capitalized and will be reported as planned depreciation in subsequent financial statements. Current research and development expenditures include €1.9 million in depreciation, compared to €3.7 million in Q1/2015. This results in a capitalization ratio of 14.4% (Q1/15: 20.8%).

The earnings before interest and taxes (EBIT) for the first three months of this year totaled €31.4 million (Q1/15: €28.1 million). The EBIT margin for the first quarter of 2016 rose to 5.0% from 3.9% in the same quarter of the previous year. As previously mentioned, the increase is partly due to lower scheduled amortization relating to the purchase price allocation in connection with the acquisition of Swisslog Group (Q1/16: €2.7 million; Q1/15: €17.5 million). Without these effects, the EBIT margin declined from 6.3% to 5.4% due to the factors described above.

	Q1/15	Q2/2015	Q3/15	Q4/15	Q1/16
EBIT (in € millions)	28.1	40.3	37.5	29.7	31.4
EBIT margin (in %)	3.9%	5.3%	5.2%	3.9%	5.0%
EBITDA (in € millions)	59.5	73.4	66.4	59.8	48.6
EBITDA margin (in %)	8.3%	9.7%	9.2%	7.8%	7.7%

The Robotics division's margin of 10.1% was below that of the previous year (11.0%). Swisslog achieved a substantially improved EBIT margin of -0.5% as compared with Q1/15 (-9.6%). Adjusted for the effects of purchase price allocation, the margin was 1.5% (Q1/15: 2.3%). The EBIT margin of the Systems segment showed a positive development. Due in part to the successful completion of a number of projects in the Body Structure and Aerospace sectors, the EBIT margin increased to 6.5% (Q1/15: 6.0%).

EBITDA (earnings before interest, taxes, depreciation and amortization) decreased to €48.6 million from €59.5 million in the corresponding quarter of 2015. The contrasting development of EBITDA in comparison to EBIT is due to the lower amortization charges arising from the purchase price allocation for Swisslog Group, since these do not impact EBITDA. Depreciation and amortization during the reporting period amounted to €17.2 million (Q1/15: €31.4 million). €5.4 million of this (Q1/15: €6.3 million) was attributable to Robotics, €4.2 million (Q1/15: €4.6 million) to Systems, €5.8 million (Q1/15: €19.4 million) to Swisslog and €1.8 million (Q1/15: €1.0 million) to other areas.

The financial result improved significantly from -€2.7 million last year to €1.0 million.

Interest income was €3.5 million, up from €2.2 million in Q1/2015. This includes mainly income in connection with finance leases. Currency effects in the area of financing are shown in the financial results. The net effect in the first quarter led to a foreign currency gain of €1.4 million (Q1/15: €2.0 million).

On account of the conversions that have taken place since October 2015, the interest expense for the convertible bond decreased from €1.7 million in the prior-year quarter to an amount of €0.3 million. The promissory note loan newly issued in October 2015 resulted in an interest charge of €0.9 million. The net interest expense for pensions was €0.5 million (Q1/15: €0.4 million).

Earnings before taxes (EBT) in the first three months of 2016 amounted to €32.4 million, compared to €24.8 million in Q1/2015. In the period under consideration, taxes amounted to €11.5 million (Q1/15: €9.5 million). This represented a tax rate of 35.5% (Q1/15: 38.3%).

Earnings after taxes were €20.9 million, 36.6% higher than in the prior-year quarter (Q1/15: €15.3 million). The undiluted earnings per share increased correspondingly from €0.44 to €0.54.

Consolidated income statement (condensed)

in € millions	Q1/15	Q1/16
Sales revenues	719.8	629.1
EBIT	28.1	31.4
EBITDA	59.5	48.6
Financial result	-2.7	1.0
Taxes on income	-9.5	-11.5
Earnings after taxes	15.3	20.9

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 €48.9 million in the first quarter of 2016 (Q1/15: €61.5 million) indicates a sound earnings basis for the company.

Cash flow from current business operations decreased to -€44.5 million (Q1/15: €22.3 million). This reduction is primarily due to the increase in trade working capital by €62.9 million to €327.5 million. This measure has developed as follows:

in € millions	Dec. 31, 2015	Mar. 31, 2016
Inventories less advance payments	225.3	237.6
Trade receivables and receivables from construction contracts	658.3	697.7
Trade payables and liabilities from construction contracts	619.0	607.8
Trade working capital	264.6	327.5

In the first three months of 2016, investments amounting to €19.0 million (Q1/15: €22.2 million) were made. Capital investment in tangible assets totaled €9.9 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. Investments in intangible assets totaled €9.0 million, of which €4.7 million was for internally generated intangible assets. The next milestone payment to KBee AG, Munich, gave rise to cash outflows of €1.6 million. The cash flow from investment activities amounted to €-18.0 million in total (Q1/15: €-27.0 million).

The cash flow from current business operations plus cash flow from investment activities resulted in a free cash flow of €-62.5 million (Q1/15: €-4.7 million). As described above, this was impacted by the increase in working capital.

The cash flow from financing activities amounted to €0.6 million (Q1/15: €2.4 million).

As a result of this, the cash and cash equivalents available to KUKA Group as of March 31, 2016 were €430.9 million (March 31, 2015: €199.0 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 Q4/15. Compared to December 31, 2015 the cash and cash equivalents decreased by €65.3 million (December 31, 2015: €496.2 million).

Syndicated loan

The syndicated loan agreement concluded for corporate financing since April 2015 remains unchanged with a surety and guarantee line in the amount of €140.0 million and a working capital line, which can also be used for sureties and guarantees, in the amount of €90.0 million. In the first quarter of 2016, KUKA exercised the contractual extension option. The term of the syndicated loan has been extended until March 31, 2021. 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 €91.1 million (December 31, 2015: €100.9 million).

Cancelation of the convertible bond

In an announcement on February 18, 2016 KUKA Aktiengesellschaft irrevocably canceled the 2013 convertible bonds as of March 24, 2016. By this deadline, a total of 1,274,211 shares with a nominal value of €32.2 million were converted 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	Q1/15	Q1/16
Cash earnings	61.5	48.9
Cash flow from current business operations	22.3	-44.5
Cash flow from investment activities	-27.0	-18.0
Free cash flow	-4.7	-62.5

Net worth

The balance sheet total of KUKA Group declined slightly by €11.7 million from €2,381.7 million as of December 31, 2015 to €2,370.0 million as of the reporting date.

Compared to the end of the previous year, non-current assets decreased to €812.6 million as of March 31, 2016 (December 31, 2015: €823.3 million). In this connection, tangible assets declined by €3.6 million, finance lease receivables by €5.0 million and the other receivables and assets by €2.2 million. Exchange rate effects led to a reduction in goodwill of €2.2 million. Amounts totaling €6.5 million were included for investments in associated companies (December 31, 2015: €6.6 million) and reported under financial assets. Deferred tax assets amounted to €51.1 million (December 31, 2015: €49.2 million), with €18.6 million being attributable to losses carried forward (December 31, 2015: €11.2 million).

The value of current assets amounted to €1,557.4 million as of March 31, 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 €775.8 million. This was the result not only of the earnings after taxes (€20.9 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. Exchange rate effects (essentially USD, CHF and CNY) had the effect of reducing equity by €-11.6 million altogether. 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 €-9.9 million. Minority interests increased slightly from €0.5 million as of December 31, 2015 to €0.7 million as of March 31, 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 of December 31, 2015 to €251.9 million as of March 31, 2016. The remaining financial liabilities principally relate to drawdowns on the existing syndicated loan agreement and the newly issued promissory note loan.

The increase of the pension provisions and similar obligations by €10.4 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 of December 31, 2015 to €1,142.4 million as of March 31, 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 €179.0 million as of March 31, 2016.

Group net worth

€ millions	Dec. 31, 2015	Mar. 31, 2016
Balance sheet total	2,381.7	2,370.0
Equity	732.5	775.8
in % of balance sheet total	30.8%	32.7%
Net liquidity	199.9	179.0

Research and development

During the first quarter of 2016, expenditure on research and development by KUKA Group amounted to €29.9 million (Q1/15: €21.3 million). This meant that capital investment was considerably higher than during the same period last year. R&D expenditure is attributable predominantly to the Robotics division. Systems conducts most of its research and development in conjunction with customer projects. In the first quarter of 2016, KUKA focused on expanding the existing product portfolio. This also included key technologies for Industrie 4.0, such as human-robot collaboration, mobility and smart platforms, which KUKA presented at Hannover Messe.

Hello Industrie 4.0_we go digital

At Hannover Messe, with the slogan "Hello Industrie 4.0_we go digital", KUKA brought abstract terms such as the Cloud, Big Data and the Smart Factory to life through real solutions and application examples. It also demonstrated the added value that customers can glean from the digitization megatrend. As part of this, conventional high-tech solutions go hand in hand with the latest services from the IT world. KUKA allowed a glimpse into the Smart Factory, where fully automated and networked machines manufactured an individual product on demand, and demonstrated how cloud computing and networking can help to minimize downtimes and service costs. The booth concept also addressed the secure handling of large amounts of data.

KR 3 AGILUS for the electronics industry

At Hannover Messe, KUKA unveiled the newly developed KR 3 AGILUS that has been specifically tailored to the requirements of the electronics industry. This sector is one of the world's largest and fastest-growing markets for robotic automation. With the global premiere of this particularly compact robot, KUKA has rounded out its product series of agile small robots. As with the other small robots of the KR AGILUS series, the focus here is on speed and precision. At the same time, it is even more compact and thus the ideal solution for very small cell concepts in confined spaces such as those required in the 3C market (computers, communications and consumer electronics).

Safe human-robot collaboration with KR AGILUS Cobotics Concept

KUKA demonstrated an HRC implementation for the industrial robot portfolio with the example of the KR AGILUS Cobotics Concept (CC). For this, KUKA has equipped the KR AGILUS series with a force/torque sensor in the robot base as part of a concept study. This enables the KR AGILUS CC to detect collisions with humans and perform sensitive tasks. For the purpose of collision detection, the sensor continuously measures the acting forces and torques. In the event of a collision, the difference between the setpoint and actual values is detected and the robot immediately stops the action. Here, the extreme speed and precision of an industrial robot are combined with the HRC functionality. The user can carry out a teaching process by manually guiding the KR AGILUS CC in HRC mode. The small robot executes the application at production velocity in automatic mode within the enclosed area.

KUKA Sunrise.Workbench – Graphical programming

Humans and robots working hand in hand: with the KUKA LBR iiwa, a “robotic colleague” that can be deployed universally is already a reality. Using the KUKA Sunrise.Workbench engineering suite, graphical programming of the LBR iiwa is now really easy – even without programming knowledge. The users decide which program they would like to execute with the lightweight robot. They do so by selecting pre-programmed blocks from the application toolboxes in the KUKA Sunrise.Workbench engineering suite. These are suitable for implementing the simplest of handling applications as well as complex assembly tasks in HRC mode. In this manner, users can quickly create their own individual robot application in just a few steps. The robot program is then transferred to the controller. Users subsequently have the opportunity, as usual, to intuitively teach the target points by simple demonstration and to optimize the parameters of the blocks. Immediately afterwards, the LBR iiwa executes the application as desired by the users.

Employees

As of March 31, 2016, KUKA Group employed 12,433 people. Compared with the reporting date of the previous year, this was a slight rise of 0.8% (Q1/15: 12,331). The Robotics division's workforce increased by 13.2% from 3,800 to 4,302. The new employees were hired in all customer segments – Automotive, General Industry, Service – as well as in research and development. At KUKA Systems, the workforce decreased by 11.2% from 5,832 to 5,176. The reason for this was the sale of HLS Engineering Group and the Tools and Dies business unit. The Swisslog division had 2,574 employees at the end of the first quarter of this year, 7.0% more than on the reporting date of the previous year (Q1/15: 2,406). The number of temporary workers at Group level fell by 22.8% from 1,795 to 1,386. At the end of the first quarter, there were 3,334 employees at the Augsburg site. Compared with the reporting date of the previous year, this represented an increase of 4.8% from 3,182.

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 good 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, general industry growth is expected to be positive. 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 and exchange rates, KUKA is expecting sales revenues of more than €3.0 billion in 2016. Both customer segments – general industry and automotive – and from a regional viewpoint, China and North America, should make a positive contribution to sales development. Given the current economic environment and anticipated sales development, KUKA Group expects to achieve an EBIT margin of more than 5.5% before PPA (purchase price allocation) for Swisslog. The expenditure for PPA at Swisslog should amount to about €10 million in 2016 and thus be significantly lower than in the previous year.

Interim Report (Condensed)

Group consolidated income statement of KUKA Aktiengesellschaft for the period January 1 to March 31, 2016

in € millions	Q1/15	Q1/16
Sales revenues	719.8	629.1
Cost of sales	-561.6	-452.5
Gross income	158.2	176.6
Selling expenses	-59.3	-60.6
Research and development expenses	-21.3	-29.9
General and administrative expenses	-49.3	-53.3
Other operating income	2.9	2.8
Other operating expenses	-2.3	-3.2
Earnings from companies valued at equity	-1.4	-1.0
Earnings from operating activities	27.5	31.4
Reconciliation to earnings before interest and taxes (EBIT)		
Financing costs included in cost of sales	0.6	0.0
Earnings before interest and taxes (EBIT)	28.1	31.4
Depreciation and amortization included in EBIT	31.4	17.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	59.5	48.6
Net interest income	2.2	3.5
Net interest expense	-4.9	-2.5
Financial result	-2.7	1.0
Earnings before taxes	24.8	32.4
Taxes on income	-9.5	-11.5
Earnings after taxes	15.3	20.9
of which: attributable to minority interests	-0.4	-0.2
of which: attributable to shareholders of KUKA AG	15.7	21.1
Earnings per share (undiluted) in €	0.44	0.54
Earnings per share (diluted) in €	0.42	0.54

Statement of comprehensive income of KUKA Aktiengesellschaft for the period January 1 to March 31, 2016

in € millions	Q1/15	Q1/16
Earnings after taxes	15.3	20.9
Items that may potentially be reclassified to profit or loss		
Translation adjustments	56.2	-11.7
Items that are not reclassified to profit or loss		
Changes of actuarial gains and losses	-9.6	-12.1
Deferred taxes on changes of actuarial gains and losses	2.0	2.2
Changes recognized directly in equity	48.6	-21.6
Comprehensive income	63.9	-0.7
of which: attributable to minority interests	1.0	-0.2
of which: attributable to shareholders of KUKA AG	62.9	-0.5

Consolidated cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to March 31, 2016

in € millions	Q1/15	Q1/16
Earnings after taxes	15.3	20.9
Income taxes	17.5	13.4
Net interest	2.7	-1.0
Depreciation/amortization on intangible assets	23.5	7.7
Depreciation/amortization on tangible assets	7.9	9.5
Other non-payment-related income	-7.7	-3.0
Other non-payment-related expenses	2.3	1.4
Cash earnings	61.5	48.9
Result on the disposal of assets	-0.1	0.2
Changes in provisions	-1.1	-14.4
Changes in current assets and liabilities:		
Changes in inventories	-11.9	-19.4
Changes in receivables and deferred charges	-26.4	-56.0
Changes in liabilities and deferred charges (excl. financial debt)	4.5	8.4
Income taxes paid	-3.5	-11.2
Investment/financing matters affecting cash flow	-0.7	-1.0
Cash flow from operating activities	22.3	-44.5
Payments from disposals of fixed assets	0.4	0.5
Payments for capital expenditures on intangible assets	-6.6	-9.7
Payments for capital expenditures on tangible assets	-15.6	-9.3
Payments for the acquisition of consolidated companies and other business units	-7.4	-1.6
Interest received	2.2	2.1
Cash flow from investment activities	-27.0	-18.0
Free cash flow	-4.7	-62.5
Proceeds from/payments for the acceptance/repayment of bank loans	4.3	1.8
Payments from grants received	0.7	1.0
Interest paid	-2.6	-2.2
Cash flow from financing activities	2.4	0.6
Payment-related changes in cash and cash equivalents	-2.3	-61.9
Changes in cash and cash equivalents related to acquisitions	-	-
Exchange-rate-related and other changes in cash and cash equivalents	9.2	-3.4
Changes in cash and cash equivalents	6.9	-65.3
(of which net increase/decrease in restricted cash)	4.5	0.1
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	3.2
Cash and cash equivalents at the end of the period	199.0	430.9
(of which restricted cash at the end of the period)	6.9	3.3

Consolidated balance sheet of KUKA Aktiengesellschaft as of March 31, 2016

Assets in € millions	Dec. 31, 2015	Mar. 31, 2016
Non-current assets		
Intangible assets	423.0	421.3
Non-current assets	259.0	255.4
Financial investments	3.9	3.8
Investments accounted for at equity	6.6	6.5
	692.5	687.0
Finance lease receivables	65.2	60.2
Income tax receivables	1.6	1.7
Other long-term receivables and other assets	14.8	12.6
Deferred taxes	49.2	51.1
	823.3	812.6
Current assets		
Inventories	297.8	316.6
Receivables and other assets		
Trade receivables	310.6	330.7
Receivables from construction contracts	347.7	367.0
Finance lease receivables	8.5	8.3
Income tax receivables	10.5	9.4
Other assets, prepaid expenses and deferred charges	87.1	94.5
	764.4	809.9
Cash and cash equivalents	496.2	430.9
	1,558.4	1,557.4
	2,381.7	2,370.0

Liabilities in € millions	Dec. 31, 2015	Mar. 31, 2016
Equity		
Subscribed capital	100.1	103.4
Capital reserve	265.3	306.6
Revenue reserves	367.6	366.5
Minority interests	-0.5	-0.7
	732.5	775.8
Non-current liabilities		
Financial liabilities	294.2	249.4
Other liabilities	24.0	24.5
Pensions and similar obligations	114.0	124.4
Deferred taxes	56.4	53.5
	488.6	451.8
Current liabilities		
Financial liabilities	2.1	2.5
Trade payables	402.0	333.2
Advances received	72.5	79.0
Liabilities from construction contracts	217.0	274.6
Accounts payable to affiliated companies	0.0	0.1
Income tax liabilities	33.4	35.6
Other liabilities and deferred income	290.6	290.7
Other provisions	143.0	126.7
	1,160.6	1,142.4
	2,381.7	2,370.0

Development of group equity

of KUKA Aktiengesellschaft for the period January 1 to March 31, 2016

	Number of shares outstanding	Subscribed capital (in € millions)	Capital reserve (in € millions)	Revenue reserves			Equity to shareholders (in € millions)	Minority interests (in € millions)	Total (in € millions)
				Translation gains/losses (in € millions)	Actuarial gains and losses (in € millions)	Annual net income and other revenue reserves (in € millions)			
Jan. 1, 2015	35,708,315	92.8	176.5	9.7	-17.2	262.5	524.3	16.8	541.1
Earnings after taxes						15.7	15.7	-0.4	15.3
Other earnings				54.8	-7.6		47.2	1.4	48.6
Comprehensive income	-	-	-	54.8	-7.6	15.7	62.9	1.0	63.9
Other changes						-1.4	-1.4	-5.1	-6.5
Mar. 31, 2015	35,708,315	92.8	176.5	64.5	-24.8	276.8	585.8	12.7	598.5
Jan. 1, 2016	38,501,259	100.1	265.3	53.0	-15.2	329.8	733.0	-0.5	732.5
Earnings after taxes						21.1	21.1	-0.2	20.9
Other earnings				-11.7	-9.9		-21.6		-21.6
Comprehensive income	-	-	-	-11.7	-9.9	21.1	-0.5	-0.2	-0.7
Capital increase from conversions	1,274,211	3.3	41.3				44.6		44.6
Change in scope of consolidation/Other changes						-0.6	-0.6		-0.6
Mar. 31, 2016	39,775,470	103.4	306.6	41.3	-25.1	350.3	776.5	-0.7	775.8

Notes on the quarterly report (condensed)

Group segment report

of KUKA Aktiengesellschaft for the period January 1 to March 31, 2016

in € millions	Robotics		Systems		Swisslog		KUKA AG and other companies		Reconciliation and consolidation		Group	
	Q1/15	Q1/16	Q1/15	Q1/16	Q1/15	Q1/16	Q1/15	Q1/16	Q1/15	Q1/16	Q1/15	Q1/16
Orders received	244.1	241.7	399.3	385.5	110.4	125.7	-	-	-9.9	-6.4	743.9	746.5
Order backlog (03/31)	263.1	259.6	1,075.8	1,006.3	512.7	473.4	-	-	-9.4	-5.9	1,842.2	1,733.4
Group external sales revenues	226.5	202.6	346.4	290.4	146.8	136.1	-	-	-	-	719.8	629.1
in % of Group sales revenues	31.5%	32.2%	48.1%	46.2%	20.4%	21.6%	-	-	-	-	100.0%	100.0%
Intra-Group sales	8.5	7.8	3.5	1.5	0.0	0.0	-	-	-12.0	-9.3	-	-
Sales revenues by division	235.0	210.4	349.9	291.9	146.8	136.1	-	-	-12.0	-9.3	719.8	629.1
Gross profit	83.0	85.7	55.0	53.9	19.5	37.2	-	-	0.7	-0.2	158.2	176.6
in % of sales revenues of the division	35.3%	40.7%	15.7%	18.5%	13.3%	27.3%	-	-	-	-	22.0%	28.1%
EBIT	25.9	21.2	20.9	19.1	-14.1	-0.7	-4.4	-8.1	-0.2	-0.1	28.1	31.4
in % of sales revenues of the division	11.0%	10.1%	6.0%	6.5%	-9.6%	-0.5%	-	-	-	-	3.9%	5.0%
EBITDA	32.2	26.6	25.6	23.3	5.3	5.0	-3.4	-6.3	-0.2	0.0	59.5	48.6
in % of sales revenues of the division	13.7%	12.6%	7.3%	8.0%	3.6%	3.7%	-	-	-	-	8.3%	7.7%
Assets	432.0	459.1	809.2	709.3	582.4	614.4	518.4	547.3	-437.7	-443.7	1,904.3	1,886.4
Number of employees (03/31)	3,800	4,302	5,832	5,176	2,406	2,574	293	381	-	-	12,331	12,433

IFRS/IAS accounting standards

KUKA Aktiengesellschaft, headquartered in Augsburg, has prepared its interim financial statements for the period ending March 31, 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

There were no changes to the scope of consolidation in the first quarter of 2016.

The following tables show the scope of the consolidated companies as of March 31, 2016:

Number of associated companies	Robotics	Systems	Swisslog	Other	Total
Status as of Jan. 1, 2016	23	40	32	3	98
Status as of Mar. 31, 2016	23	40	32	3	98
of which. Germany	1	11	5	2	19
of which. abroad	22	29	27	1	79
Number of associated companies	Robotics	Systems	Swisslog	Other	Total
Status as of Mar. 31, 2016	1	1	-	1	3

Investments in associates

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, was valued at €6.5 million; the effect on earnings was €-1.0 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.

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, 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 19 – Defined-Benefit Plans: Employee Contributions
- Amendments to IAS 27 – Equity Method in Separate Financial Statements
- Annual Improvements 2010 – 2012
- Annual Improvements 2012 – 2014
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

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 (Q1/15: €-0.7 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 earnings per share break down as follows:

	Q1/15	Q1/16
Net result attributable to shareholders of KUKA AG (in € millions)	15.7	21.1
Weighted average number of shares outstanding	35,708,315	39,059,122
Undiluted earnings per share (in €)	0.44	0.54
Diluted earnings per share (in €)	0.42	0.54

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 three months of 2016, the weighted average number of shares in circulation was 39.1 million (Q1/15: 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. Units of the convertible bond that had not been converted into shares in KUKA Aktiengesellschaft by this date were repaid to the holders at a rate of 100%. Together with the conversions that had taken place prior to the announcement, a total of 1,274,211 shares with a nominal value of €32.2 million were converted in the first quarter of 2016.

As a result, no further financial liabilities related to convertible bonds exist as of March 31, 2016.

Equity

The capital stock of KUKA Aktiengesellschaft amounts to €103,416,222.00 (Q1/15: €92,841,619.00). This is subdivided into 39,775,470 (Q1/15: 38,501,259) of 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:

	Dec. 31, 2015	Mar. 31, 2016
Germany	2.20%	1.65%
Switzerland	0.75%	0.50%
UK	4.00%	3.70%
Sweden	2.90%	2.75%
USA	4.12% – 4.25%	3.75%

Overall an actuarial loss of €12.1 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 €-9.9 million in consideration of deferred taxes.

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

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 means the conversion ratio was 2,716.8967 shares per €100,000 unit. In total, the bond entitled holders to convert their holdings into up to 4,075,344 new no-par-value bearer shares of KUKA Aktiengesellschaft (of which 1,597,535 were for the tranche in February 2013 and 2,477,809 for the tranche in July 2013). The bond carried an interest coupon of 2.0% p.a. Interest payments were made at six-monthly intervals on February 12 and August 12 every year.

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 (1,274,211 of these 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.

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 an amount of €248.9 million accrued to KUKA Aktiengesellschaft 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 5 years; tranche 2 has a volume of €107.5 million and a term to maturity of 7 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 €1.6 million (December 31, 2015: €0.8 million) was deferred as of March 31, 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 €250.6 million as of March 31, 2016 (December 31, 2015: €249.0 million).

Syndicated loan

One source of funding for KUKA AG is a syndicated loan providing for a surety and guarantee line in the amount of €140.0 million and a working capital line, which can also be used for sureties and guarantees, in the amount of €90.0 million. 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).

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 €91.1 million (December 31, 2015: €100.9 million).

In March 2016 KUKA AG 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.

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 March 31, 2016 (December 31, 2015: €89.0 million) and were available to be utilized in full. As of the reporting date, the amount exercised was €51.3 million (December 31, 2015: €47.1 million).

Asset-backed securities program

In June 2011, KUKA Group set up an ABS (Asset-Backed Securities) facility with a volume of €25.0 million. Under the terms of this program, €16.2 million was utilized as of March 31, 2016, which compares to €16.4 million at December 31, 2015.

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:

Mar. 31, 2016

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	–	6.9	2.0	8.9
Financial liabilities	–	1.7	–	1.7

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

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

Segment reporting

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

The main elements of the segment reports are contained in the management report on the Robotics, Systems and Swisslog operating business divisions, as well as in the tables at the beginning of the notes to the quarterly report.

Cash flow statement

The cash flow statement shows changes to KUKA Group's liquidity position in accordance with IAS 7. This item comprises all funds recognized on the balance sheet as cash and cash equivalents; i.e. cash in hand, checks and cash balances with financial institutions, provided that they are available within three months. Cash and cash equivalents of €3.3 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.

In the first quarter of 2016, services to the value of €2.0 million were performed by related companies and persons, and services to the value of €0.9 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 €1.3 million for receivables and €1.2 million for liabilities and other obligations.

The contractually agreed, future capital contributions to KBee AG are to be made by the end of 2016 as a factor of the achievement of certain milestones and amount to a further €1.3 million.

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, May 3, 2016

The Executive Board

Dr. Till Reuter

Peter Mohnen

Financial Calendar 2016

Annual General Meeting, Augsburg **May 27, 2016**

Annual Report to mid-year **August 3, 2016**

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

This quarterly report was published on May 4, 2016 and is available in German and English. In the event of doubt, the German version applies.

Contact and Imprint

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