KUKA

Q1/19
Quarterly Statement

Key figures

in € millions	Q1/18	Q1/19	Change in %
Orders received	900.2	895.2	–0.6%
Order backlog (March 31)	2,332.0	2,197.6	–5.8%
Sales Revenues	744.5	737.7	–0.9%
Gross earnings from sales	183.1	167.5	–8.5%
in % of sales revenues	24.6%	22.7%	–
EBIT (earnings before interest and taxes)	15.3	22.2	45.1%
in % of sales revenues	2.1%	3.0%	–
Extraordinary expenses	5.2	–	–100.0%
Adjusted EBIT	20.5	22.2	8.3%
Adjusted EBIT in % of sales revenues	2.8%	3.0%	9.3%
EBITDA (earnings before interest, taxes and amortization)	35.9	52.1	45.1%
in % of sales revenues	4.8%	7.1%	–
Extraordinary expenses	5.2	–	–100.0%
Adjusted EBITDA	41.1	52.1	26.8%
Adjusted EBITDA in % of sales revenues	5.5%	7.1%	–
Earnings after taxes	9.7	15.0	54.6%
Earnings per share (undiluted) in €	0.24	0.41	70.8%
Capital expenditure	43.3	36.2	–16.4%
Equity ratio in % (March 31)	31.6%	39.7%	–
Net liquidity/debt (March 31)	–195.4	76.1	> 100%
Employees (March 31)	14,240	14,238	0.0%

[1] 2018: one-off effects related to growth and reorganization expenditure
2019: no one-off effects

Quarterly Statement

Business performance

The organizational structure has been improved with effect from January 1, 2019. The new KUKA Business Organization (KBO) comprises five business segments: Systems, Robotics, Logistics Automation, Healthcare and China. (For more details see the segment report on page 5.)

KUKA Group

KUKA Group registered orders received valued at €895.2 million in the first quarter of 2019. The value was thus at virtually the same level as in the prior-year period (Q1/18: €900.2 million). The sales revenues of KUKA Group totaled €737.7 million in the first quarter of 2019 (Q1/18: €744.5 million) and were therefore slightly down year on year. Revenues were generated primarily in Europe. The book-to-bill ratio – in other words the ratio of orders received to sales revenues – stood at 1.21 in the past quarter. Values above 1 signal good capacity utilization and are an indicator of growth. This value is unchanged on the previous year. The order backlog declined by 5.8% on the same period in the previous year to €2,197.6 million as at March 31, 2019 (March 31, 2018: €2,332.0 million). KUKA Group achieved earnings before interest and taxes (EBIT) amounting to €22.2 million in the first quarter of 2019 an increase of 45.1% on the prior-year quarter with an EBIT of €15.3 million. The EBIT margin amounted to 3.0% (Q1/18: 2.1%). The increase is partly due to the change of consolidation method in connection with the establishment of a further joint venture with Midea Group in the China segment.

Systems

In the first quarter of 2019, Systems posted orders received worth €203.4 million, 37.2% lower than in the same quarter of the previous year (Q1/18: €324.0 million). Sales revenues reached a value of €216.9 million (Q1/18: €250.6 million). This corresponds to a year-on-year decrease of 13.4%. The decline is attributable to the considerably more challenging market environment expected for the first half-year. The slowdown in the strong investment cycle at US automotive customers also had an impact. The book-to-bill ratio thus dropped from 1.29 in Q1/18 to 0.94 in Q1/19. At €694.8 million, the order backlog was 6.0% below the previous year's level of €739.4 million. EBIT in Q1/19 was €3.1 million, after €19.6 million in Q1/18. The EBIT margin stood at 1.4% (Q1/18: 7.8%). Lower-margin projects from the previous year and the reduced sales volume had a negative impact on the margin.

Robotics

In the past quarter, the Robotics segment generated orders received totaling €327.3 million, 7.2% down on the previous year (Q1/18: €352.7 million). Robotics achieved sales revenues of €274.4 million in the first quarter of 2019. This is equivalent to a 6.8% increase on the prior-year quarter (Q1/18: €257.0 million). Revenues were generated primarily in Europe. At 1.19, the book-to-bill ratio remained at a good level (Q1/18: 1.37). The order backlog decreased by 24.0% from €595.6 million in Q1/18 to €452.6 million in Q1/19. EBIT at Robotics in Q1/19 was €14.6 million, compared with €8.5 million in the prior-year period. The EBIT margin increased from 3.3% in Q1/18 to 5.3% in Q1/19. The increase was partly attributable to cost reductions resulting from the efficiency program. In addition, the higher sales volume also had a positive effect on the margin.

Logistics Automation

In Logistics Automation, orders received rose 23.7% to €192.9 million (Q1/18: €156.0 million). High volumes of orders received were recorded in all regions. In the first quarter of 2019, Logistics Automation generated sales revenues of €142.0 million, virtually matching the level of the previous year (Q1/18: €142.7 million). Logistics Automation had already posted record revenues in the previous year and was able to maintain this level in order processing. At 1.36, the book-to-bill ratio was well above 1 and surpassed the prior-year ratio of 1.09, indicating growth. The order backlog increased from €556.8 million to €570.2 million. EBIT in Q1/19 amounted to €0.9 million, after €2.3 million in Q1/18. The EBIT margin was 0.6% in Q1/19 compared with 1.6% in Q1/18. Project execution was affected by delays, which had an impact on the margin.

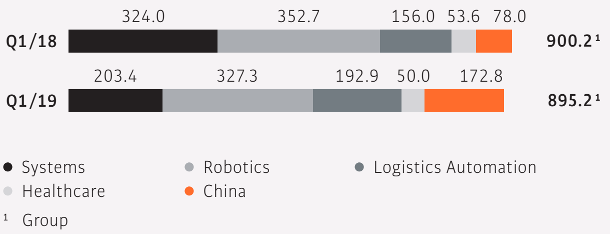
Healthcare

In the first three months of 2019, orders received in the Healthcare segment decreased by 6.7% to €50.0 million (Q1/18: €53.6 million). The volume was slightly below the previous year's level on account of postponements in the award of contracts. Healthcare generated revenues of €50.9 million in the period under review. This was a slight increase of 1.2% on the previous year's value of €50.3 million. The book-to-bill ratio dropped from 1.07 in Q1/18 to 0.98 in Q1/19. The order backlog increased by 3.7% from €201.3 million in Q1/18 to €208.8 million in Q1/19. EBIT in Q1/19 fell to €0.2 million (Q1/18: €0.3 million). The EBIT margin was 0.4% (Q1/18: 0.6%).

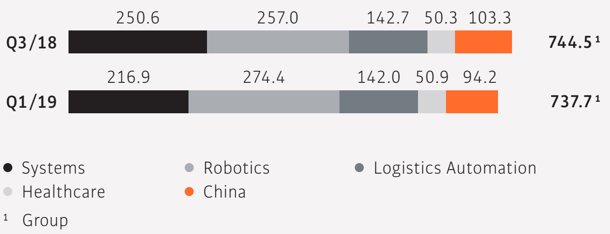
China

The China segment posted new orders totaling €172.8 million in the first quarter of 2019. This was a substantial increase of 121.5% on the previous year's result (Q1/18: €78.0 million). China is the world's largest growth market for robot-based automation. The high order volume was achieved in both the automotive industry and general industry. In the first three months of 2019, sales revenues in the China segment totaled €94.2 million compared with €103.3 million in the prior-year period. This corresponds to a decline of 8.8% and is mainly attributable to the more difficult economic environment in 2019. The book-to-bill ratio of 1.83 in Q1/19 was well above the previous year's ratio (Q1/18: 0.76). The order backlog decreased by 4.6% from €351.7 million to €335.4 million. EBIT in China stood at €5.1 million in Q1/19 (2018: –€1.4 million) with an EBIT margin of 5.4% (Q1/18: –1.4%). The increase is partly due to the change of consolidation method in connection with the establishment of a further joint venture with Midea Group in the China segment.

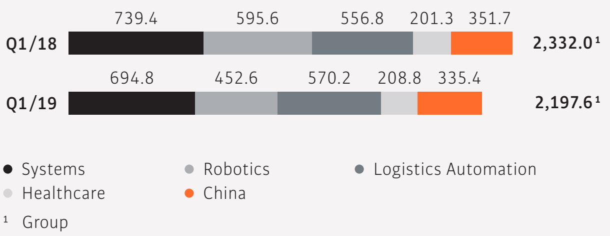
Orders received
in € millions



Sales revenues
in € millions



Order backlog
in € millions



Financial position and performance

Earnings

In the first quarter of the 2019 financial year, KUKA Group registered sales revenues totaling €737.7 million (Q1/18: €744.5 million), and thus at the same level as in the previous year. Orders received amounted to €895.2 million (Q1/18: €900.2 million). The Group continues to have a high order backlog of €2,197.6 million, surpassing the value at the end of the 2018 financial year (December 31, 2018: €2,055.7 million; March 31, 2018: €2,332.0 million). Gross earnings were down 8.5% on the first quarter of 2018 to €167.5 million (Q1/18: €183.1 million); this corresponds to a gross margin for the Group of 22.7% (Q1/18: 24.6%).

Overhead costs, consisting of the costs for sales, research & development and administration, fell by 4.6% in the reporting period from €166.7 million to €159.0 million. The ratio of overhead costs to sales revenue declined from 22.4% to 21.6%. This drop mirrors the first successes of the efficiency measures announced by KUKA Group in January 2019.

In the first quarter of 2019, incurred costs of €5.6 million for new developments (Q1/18: €8.7 million) were capitalized, corresponding to a capitalization ratio of 14.3% (Q1/18: 22.0%). This represents a decline on the reporting period in the previous year, but is comparable to the value for 2017. The capitalized costs will be recognized as expenditure through scheduled amortization in subsequent periods. In the period under review, they amounted to €5.0 million (Q1/18: €3.8 million).

Earnings before interest and taxes (EBIT) rose by 45.1% from €15.3 million in the first quarter of 2018 to €22.2 million in the current reporting period. The EBIT margin improved accordingly from 2.1% to 3.0%. The increase is partly due to the change of consolidation method in connection with the establishment of a further joint venture with Midea Group in the China segment.

in € millions	Q1/18	Q1/19
Earnings before interest and taxes (EBIT)	**15.3**	**22.2**
in % of sales revenues	2.1%	3.0%
One-off effects[1]	5.2	–
Adjusted EBIT	20.5	22.2
Adjusted EBIT in % of sales revenues	2.8%	3.0%
Earnings before interest, tax and amortization (EBITDA)	**35.9**	**52.1**
in % of sales revenues	4.8%	7.1%
One-off effects[1]	5.2	–
Adjusted EBITDA	41.1	52.1
Adjusted EBITDA in % of sales revenues	5.5%	7.1%

[1] 2018: one-off effects related to growth and reorganization expenditure
2019: no one-off effects

Founding of further joint ventures together with majority shareholder Midea

As of January 3, 2019, Midea Group acquired a direct 50% stake in each of two Chinese companies of KUKA Group in the form of a cash contribution in the mid-double-digit million euro range. On account of the structure of the respective rights of the joint venture partners, the investment in the Healthcare business segment remains fully consolidated in KUKA Group, whereas the investment in the Logistics Automation business segment is included at equity in KUKA Group's consolidated financial statements.

In accordance with the management approach, the companies are allocated to both the Healthcare/Logistics Automation business segment and the China business segment. This double recognition in the business segments will be eliminated in the consolidated annuan financial statement.

KUKA Toledo Production Operations LLC., Toledo/USA (KTPO)

KTPO manufactures the Jeep Wrangler for Chrysler under the terms of a pay-on-production contract. Production of the JK model was discontinued in April 2018. The existing contract was then converted into a new lease, which continues to be classified as a finance lease with KUKA Group as lessor. Existing contractual arrangements were adapted in line with the new product requirements in order to produce the JT successor model of the Jeep Wrangler from April 2019 onwards. The restructured contract runs until March 2025 and covers the delivery of vehicle bodies, as previously. Conclusion of the new contract and the associated conversion of the production facilities means that the previous contract was suspended. The conversion measures were completed in March 2019 and the production of prototypes commenced at the same time. The start of series production and the associated recognition of the finance lease receivable in the balance sheet is scheduled for April 2019.

Segment reporting

The organizational structure has been improved with effect from January 1, 2019. The new KUKA Business Organization (KBO) comprises five business segments: Systems, Robotics, Logistics Automation, Healthcare and China. A key aspect of the new organization is the stronger focus on our customers. The previously rather centralized structure has been loosened in favor of the business segments. Greater entrepreneurial responsibility is being placed on the business segments. At the same time, the holding structure is being significantly streamlined. This is intended to improve competitiveness and strengthen entrepreneurial thinking and action within the business segments. Swisslog has been divided into Logistics Automation and Healthcare due to the broad range of products and services and the industry competence in the respective product areas.

The core expertise of the Systems business segment lies in customized, flexible solutions for the automation of manufacturing processes and production logistics. The focus is on system projects, particularly for the automotive industry. These include body-in-white production, the assembly and testing of internal combustion engines and transmissions, and also future-oriented business areas, such as electromobility with the assembly and testing of electric motors, battery modules and other components of the electric powertrain. The know-how lies in the bundling of process knowledge, experience and expertise in engineering, project management, commissioning and service for the automated production of vehicles. Sales revenues fell from €250.6 million in the first quarter of 2018 to €216.9 million in the first quarter of 2019. EBIT decreased from €19.6 million to €3.1 million. The EBIT margin dropped accordingly from 7.8% to 1.4%. The considerably lower earnings compared to the previous year are attributable to the effects of the project deteriorations that occurred in the fourth quarter of 2018.

The Robotics division develops, manufactures and distributes the core component for automation – the robot. In addition to the manufacture of robots, the focus is also on the robot controller, cells and software for digitalization in automation. Robotics additionally offers its customers a wide range of services. Sales revenues in the Robotics business segment increased by 6.8% from €257.0 million in the first quarter of 2018 to €274.4 million in the first quarter of 2019. EBIT rose by 71.8% to €14.6 million (Q1/18: €8.5 million). The EBIT margin was up correspondingly to 5.3% (Q1/18: 3.3%).

The Logistics Automation business segment supplies automated, robot-based and data-controlled intralogistics systems, covering the spectrum from planning to implementation and service. The integrated automation solutions are implemented for forward-looking warehouses and distribution centers. The focus is on the growth markets of e-commerce/retail and consumer goods. Sales revenues generated in the Logistics Automation business segment are at the level of the prior-year period (Q1/19: €142.0 million; Q1/18: €142.7 million). EBIT, on the other hand, fell by €1.4 million to €0.9 million (Q1/18: €2.3 million), corresponding to an EBIT margin of 0.6% (Q1/18: 1.6%).

Swisslog Healthcare provides solutions for medication management in forward-looking hospitals in order to increase their efficiency in a sustained manner and improve healthcare. The aim is to boost efficiency and increase patient satisfaction. Due to process optimizations in the field of medication management during and after in-patient treatment, hospital staff have more time for patient care, enhancing patient satisfaction. At the same time, the use of automation solutions from Swisslog Healthcare demonstrably reduces the incidence of medication errors. The newly established joint venture with Midea in the Healthcare sector is intended to expand and optimally exploit further mutual synergies on the Chinese market. Sales revenues rose slightly to €50.9 million (Q1/18: €50.3 million). EBIT decreased slightly to €0.2 million. Consequently, the EBIT margin was 0.4% (Q1/18: 0.6%).

The China segment concentrates on the Chinese growth market. In China, KUKA produces and markets industrial robots, and supplies automation solutions and automated warehouse management systems and health systems. A further production facility is currently under construction at the Technology Park in Shunde. In the future, robot models expanding the product portfolio will also be manufactured there. Furthermore, research and development activities are planned for new robot models, such as SCARA and delta robots. Sales revenues of €94.2 million were generated here in the first quarter of 2019 (Q1/18: €103.3 million). EBIT rose from –€1.4 million (EBIT margin: –1.4%) in to €5.1 million (EBIT margin: 5.4%). The effect of the deconsolidation and the 50% recognition of the at-equity investment at fair value was recognized in other operating income in the China segment. This is a one-off non-operating transaction affecting the China segment and is only reported there.

A year-on-year comparison shows that EBITDA (earnings before interest, taxes, depreciation and amortization) increased from €35.9 million to €52.1 million. Total depreciation and amortization of €29.9 million was recognized in the period under review (Q1/18: €20.6 million), of which €8.0 million is attributable to matters relating to the new IFRS 16 leasing standard.

Segment reporting

	Systems		Robotics		Logistics Automation	
in € millions	Q1/18	Q1/19	Q1/18	Q1/19	Q1/18	Q1/19
Orders received	324.0	203.4	352.7	327.3	156.0	192.9
Order backlog (March 31)	739.4	694.8	595.6	452.6	556.8	570.2
Group external sales revenues	247.2	214.7	224.2	245.3	141.7	138.2
in % of Group sales revenues	33.2%	29.1%	30.1%	33.3%	19.0%	18.7%
Intra-Group sales	3.4	2.2	32.8	29.1	1.0	3.8
Sales revenues by division	**250.6**	**216.9**	**257.0**	**274.4**	**142.7**	**142.0**
Gross earnings from sales	**37.3**	**21.4**	**92.3**	**96.8**	**26.4**	**28.2**
in % of sales revenues of the division	14.9%	9.9%	35.9%	35.3%	18.5%	19.9%
EBIT (earnings before interest and taxes)	**19.6**	**3.1**	**8.5**	**14.6**	**2.3**	**0.9**
in % of sales revenues of the division	7.8%	1.4%	3.3%	5.3%	1.6%	0.6%
One-off effects[1]	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	19.6	3.1	8.5	14.6	2.3	0.9
Adjusted EBIT in % of sales revenues	7.8%	1.4%	3.3%	5.3%	1.6%	0.6%
EBITDA (earnings before interest, taxes, depreciation and amortization)	**21.8**	**7.1**	**16.6**	**25.5**	**6.3**	**6.2**
in % of sales revenues of the division	8.7%	3.3%	6.5%	9.3%	4.4%	4.4%
One-off effects[1]	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA	21.8	7.1	16.6	25.5	6.3	6.2
Adjusted EBITDA in % of sales revenues	8.7%	3.3%	6.5%	9.3%	4.4%	4.4%
Employees (March 31)	3,452	3,204	5,911	5,889	1,838	1,933

[1] 2018: one-off effects related to growth and reorganization expenditure
2019: no one-off effects

The net financial result from income and expenses resulted in expenditure of €1.8 million in the first quarter of 2019 (Q1/18: expenditure of €2.7 million). Financial expenses include various interest expenses of €3.3 million (Q1/18: €2.6 million) and for leasing matters arising from the introduction of IFRS 16 (Q1/19: €1.3 million; Q1/18: €0.0 million). Expenses from net currency effects decreased from €1.1 million in Q1/18 to €0.6 million in Q1/19. Interest income amounted to €4.1 million – an increase of €2.7 million on the previous year (Q1/18: €1.4 million) – and mainly includes interest on bank balances totaling €3.6 million (Q1/18: €0.0 million). As in the previous year, the net interest expense for pensions totaled €0.4 million.

In the first quarter of 2019, KUKA Group achieved earnings before taxes (EBT) of €20.4 million, which was €7.8 million above the figure for the previous year (Q1/18: €12.6 million). Tax expenses increased accordingly from €2.9 million in Q1/18 to €5.4 million in Q1/19, corresponding to a tax rate of 26.5% (Q1/18: 23.0%).

Earnings after taxes totaled €15.0 million (Q1/18: €9.7 million), resulting in earnings per share of €0.41 (Q1/18: €0.24).

Consolidated income statement (condensed)

in € millions	Q1/18	Q1/19
Sales revenues	744.5	737.7
EBIT	15.3	22.2
EBITDA	35.9	52.1
Financial result	–2.7	–1.8
Taxes on income	–2.9	–5.4
Earnings after taxes	9.7	15.0

Healthcare		China		KUKA AG and other companies		Reconciliation and consolidation		Group	
Q1/18	Q1/19	Q1/18	Q1/19	Q1/18	Q1/19	Q1/18	Q1/19	Q1/18	Q1/19
53.6	50.0	78.0	172.8	0.0	0.0	-64.1	-51.2	900.2	895.2
201.3	208.8	351.7	335.4	0.0	0.0	-112.8	-64.2	2,332.0	2,197.6
50.2	50.7	92.4	85.6	0.0	0.0	-11.2	3.2	744.5	737.7
6.7%	6.9%	12.4%	11.6%	0.0%	0.0%	-1.5%	0.4%	100.0%	100.0%
0.1	0.2	10.9	8.6	23.4	34.3	-71.6	-78.2	0.0	0.0
50.3	**50.9**	**103.3**	**94.2**	**23.4**	**34.3**	**-82.8**	**-75.0**	**744.5**	**737.7**
15.9	**18.4**	**10.2**	**4.6**	**15.4**	**34.3**	**-14.4**	**-36.2**	**183.1**	**167.5**
31.6%	36.1%	9.9%	4.9%	65.8%	100.0%	17.4%	48.3%	24.6%	22.7%
0.3	**0.2**	**-1.4**	**5.1**	**-14.3**	**-3.3**	**0.3**	**1.6**	**15.3**	**22.2**
0.6%	0.4%	-1.4%	5.4%	-61.1%	-9.6%	-0.4%	-2.1%	2.1%	3.0%
1.6	0.0	0.0	0.0	0.0	0.0	3.6	0.0	5.2	0.0
1.9	0.2	-1.4	5.1	-14.3	-3.3	3.9	1.6	20.5	22.2
3.8%	0.4%	-1.4%	5.4%	-61.1%	-9.6%	-4.7%	-2.1%	2.8%	3.0%
2.6	**3.5**	**-0.2**	**7.5**	**-11.6**	**0.9**	**0.4**	**1.4**	**35.9**	**52.1**
5.2%	6.9%	-0.2%	8.0%	-49.6%	2.6%	-0.5%	-1.9%	4.8%	7.1%
1.6	0.0	0.0	0.0	0.0	0.0	3.6	0.0	5.2	0.0
4.2	3.5	-0.2	7.5	-11.6	0.9	4.0	1.4	41.1	52.1
8.3%	6.9%	-0.2%	8.0%	-49.6%	2.6%	-4.8%	-1.9%	5.5%	7.1%
934	1,054	1,340	1,422	850	829	-85	-93	14,240	14,238

Financial position

Cash earnings rose year on year by €10.2 million to €41.3 million (Q1/18: €31.1 million) as a result of the higher earnings after taxes compared with the same period of the previous year.

Cash flow from operating activities totaled €18.0 million in the first quarter of 2019 and was thus considerably higher than in the same prior-year quarter (Q1/18: –€97.0 million). The trade working capital increased by €29.4 million compared with the start of the financial year from €566.3 million to €595.7 million. This increase has had a negative impact on cash flow from operating activities.

The following overview shows the development of trade working capital:

in € millions	Jan. 1, 2019	Mar. 31, 2019
Inventories	466.8	495.6
Trade receivables and contract assets	909.0	963.1
Trade payables and contract liabilities	809.5	863.0
Trade working capital	**566.3**	**595.7**

In the first quarter of 2019, investments in tangible and intangible assets totaled €36.0 million (Q1/18: €43.3 million). Capital expenditure on tangible assets amounted to €27.7 million and was primarily for the construction of the production facilities in Augsburg and Toledo, USA, and for the training center in Augsburg. €5.6 million of the total of €8.5 million invested in intangible assets was attributable to internally generated intangible assets.

KUKA Group acquired 50.01% of the shares in Device Insight GmbH, Munich, for €37.5 million in the fourth quarter of 2017, with €18.9 million already being paid in the 2017 financial year. The contracting parties agreed reciprocal options for the purchase of the remaining shares of 49.99%, which were acquired in the first quarter of 2019 for the agreed remaining amount. The cash flow from investment activities also includes two further contingent purchase price payments relating to Utica Enterprises (Shelby Township, Michigan, USA) and Visual Components Oy (Espoo, Finland). The corresponding amount is in the mid-single-digit million euro range.

The cash contribution from Midea Group for the investment in the Chinese company in the Healthcare business segment is reported under cash inflows for financial investments.

The cash flow from investment activities amounted to –€38.7 million in total (Q1/18: –€50.0 million).

The resultant free cash flow comprising the cash flow from current business operations and the cash flow from investment activities totaled –€20.7 million (Q1/18: –€147.0 million).

Cash flow from financing activities increased slightly from €55.6 million in the first quarter of 2018 to €57.7 million in the first quarter of 2019. This includes the short-term assumption of a financial liability of €67.5 million in connection with the syndicated loan agreement. The interest and redemption component of the lease payments under the new IFRS 16 leasing standard is also included in the cash flow from financing activities (Q1/19: –€7.2 million; Q1/18: €0.0 million).

As at March 31, 2019, KUKA Group had cash and cash equivalents of €532.3 million (March 31, 2018: €132.2 million), representing an increase of €53.7 million on December 31, 2018 (January 1, 2019: €478.6 million).

Consolidated cash flow statement (condensed)

in € millions	Q1/18	Q1/19
Cash earnings	31.1	41.3
Cash flow from operating activities	–97.0	18.0
Cash flow from investment activities	–50.0	–38.7
Free cash flow	–147.0	–20.7

Asset-backed securities program

The ABS program at KUKA Deutschland GmbH, in existence since 2011 and extended in 2018, ended as scheduled in January 2019. Pursuant to the termination agreement, KUKA repurchased trade receivables totaling around €14 million as at the end of January 2019.

Net worth

As a result of the mandatory application of the new leasing standard (IFRS 16) with effect from January 1, 2019, changes in presentation had to be made in the opening balance sheet. Due to the capitalization of rights of use for leased assets that were not previously recognized as operating leases, the balance sheet total increased by €134.0 million to €3,352.5 million (December 31, 2018: €3,218.5 million). A liability was accordingly recorded on the liabilities side, divided into non-current and current components.

As at March 31, 2019, non-current assets totaled €1,348.4 million and were thus €24.0 million higher than the value at the start of the year (January 1, 2019: €1,324.4 million). The most significant change after capitalization of the rights of use for leased assets is the increase in the investment (January 1, 2019: €13.9 million; Ma rch 31, 2019: €36.0 million).

Current assets grew from € 2,028.1 million (January 1, 2019) to €2,162.0 million (March 31, 2019). Trade receivables were up from €415.1 million as at January 1, 2019 to €471.0 million as at March 31, 2019. Cash and cash equivalents also increased by €53.7 million to €532.3 million (January 1, 2019: €478.6 million) due to the payment from Midea Group for the investment in the Chinese subsidiary in the Heathcare business segment among others.

Within the reporting period, equity capital grew from €1,339.6 million to €1,392.4 million. Retained earnings mainly rose by €32.9 million to €702.8 million (January 1, 2019: €669.9 million) due to earnings after taxes and foreign currency effects. The valuation of pension provisions including the associated deferred taxes, while not affecting earnings, resulted in equity decreasing by €5.3 million in the period under review. Equity capital attributable to minority interests changed from €259.7 million as at January 1, 2019 to €279.6 million as at March 31, 2019, which is also due to Midea Group's investment in a Chinese subsidiary in the Healthcare business segment. At 39.7%, the equity ratio was almost unchanged from the beginning of the financial year (January 1, 2019: 40.0%).

Non-current and current financial liabilities totaled €456.2 million (January 1, 2019: €385.7 million). This increase primarily relates to short-term borrowing in connection with the syndicated loan agreement.

Current liabilities increased from €1,342.1 million as at January 1, 2019 to €1,422.7 million as at March 31, 2019. The increase is mainly attributable to contract liabilities (January 1, 2019: €406.8 million; March 31, 2019: €471.7 million) and financial liabilities (January 1, 2019: €5.2 million; March 31, 2019: €73.2 million). Additionally, current leasing liabilities of €29.8 million were recognized as at March 31, 2019 on account of the first-time application of IFRS 16.

As at March 31, 2019, the Group's net liquidity, which consists of cash and cash equivalents less non-current and current financial liabilities, amounted to €76.1 million (January 1, 2019: €92.9 million).

in € millions	Jan. 1, 2019	Mar. 31, 2019
Balance sheet total	3,352.5	3,510.4
Equity	1,339.6	1,392.4
in % of balance sheet total	40.0%	39.7%
Net debt	92.9	76.1

Opportunity and risk report

In the overall assessment of risks, KUKA Group is primarily exposed to performance-related risks from the divisions and to legal and financial risks controlled at Group level. 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 absorb potential risks and take advantage of business opportunities.

Outlook

Given the current economic forecasts and general conditions and taking into consideration the existing risk and opportunity potential, KUKA anticipates a slight increase in demand in the 2019 financial year. Growth is expected primarily in Asia, and there especially in China. A slightly positive development is anticipated in Europe and the Americas. From a sector perspective, KUKA expects an increase on the previous year for the sales markets in general industry. Demand in the automotive industry is expected to remain stable. Uncertainties are due primarily to current political and global economic developments. This also affects the world's largest robotics markets, such as the automotive and electronics industries, where we shall keep a close eye on developments.

On the basis of the current general conditions and exchange rates, KUKA is expecting slightly higher sales revenues of around €3.3 billion for the full year 2019. Given the current economic environment and anticipated business development, KUKA Group expects to achieve an EBIT margin of approximately 3.5% before final evaluation of the ongoing reorganization expenditure. Better performance is anticipated in the second half of the year in line with KUKA's market expectations and as a result of the efficiency measures which will have a greater impact towards the end of the year.

Interim Report (condensed)

Group income statement

of KUKA Aktiengesellschaft for the period January 1 to March 31, 2019

in € millions	Q1/18	Q1/19
Sales revenues	**744.5**	**737.7**
Cost of sales	−561.4	−570.2
Gross income	**183.1**	**167.5**
Selling expenses	−73.3	−69.7
Research and development costs	−34.7	−38.5
General and administrative expenses	−58.7	−50.8
Other operating income	3.4	18.4
Other operating expenses	−3.8	−3.4
Loss from companies consolidated at equity	−0.7	−1.3
Earnings from operating activities	**15.3**	**22.2**
Reconciliation to earnings before interest and taxes (EBIT)		
Earnings before interest and taxes (EBIT)	**15.3**	**22.2**
Depreciation and amortization	20.6	29.9
Earnings before interest, tax and amortization (EBITDA)	**35.9**	**52.1**
Interest income	1.4	4.1
Interest expense	−4.1	−5.9
Financial result	**−2.7**	**−1.8**
Earnings before tax	**12.6**	**20.4**
Taxes on income	−2.9	−5.4
Earnings after taxes	**9.7**	**15.0**
(of which: attributable to minority interests)	(0.2)	(−1.3)
(of which: attributable to shareholders of KUKA AG)	(9.5)	(16.3)
Earnings per share (undiluted) in €	**0.24**	**0.41**

Statement of comprehensive income

of KUKA Aktiengesellschaft for the period January 1 to March 31, 2019

in € millions	Q1/18	Q1/19
Earnings after taxes	**9.7**	**15.0**
Items that may potentially be reclassified to profit or loss		
Translation adjustments	−5.9	31.8
Items that are not reclassified to profit or loss		
Changes of actuarial gains and losses	1.7	−6.5
Deferred taxes on changes of acturial gains and losses	−0.5	1.2
Changes recognized directly in equity	**−4.7**	**26.5**
Comprehensive Income	**5.0**	**41.5**
(of which: attributable to minority interests)	(0.2)	(11.3)
(of which: attributable to shareholders of KUKA AG)	(4.8)	(30.2)

Cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to March 31, 2019

in € millions	Q1/18	Q1/19
Net income after taxes	**9.7**	**15.0**
Income taxes	2.1	2.7
Net interest result	2.7	1.9
Depreciation of intangible assets	10.5	11.6
Depreciation of tangible assets	10.1	10.6
Depreciation of financial investments	0.0	7.9
Other non-payment related income	–5.5	–15.2
Other non-payment related expenses	1.5	6.8
Cash earnings	**31.1**	**41.3**
Result on the disposal of assets	0.1	0.0
Changes in provisions	8.4	–14.3
Changes in current assets and liabilities		
Changes in inventories	–58.1	–25.9
Changes in receivables and deferred charges	–113.7	–58.2
Changes in liabilities and deferred income (excl. financial debt)	50.3	74.8
Income tax payments	–14.1	1.1
Investments/financing matters affecting cash flow	–1.0	–0.8
Cash flow from operating activities	**–97.0**	**18.0**
Payments from disposals of fixed assets	0.2	1.2
Payments for capital expenditures on intangible assets	–12.7	–8.5
Payments for capital expenditures on tangible assets	–30.6	–27.7
Payments for/from the sale of consolidated companies and other business units	–0.4	15.8
Payments for the acquisition of consolidated companies and other business units	–7.8	–23.3
Interest received	1.3	3.8
Cash flow from investing activities	**–50.0**	**–38.7**
Free cash flow	**–147.0**	**–20.7**
Dividend payments	57.5	67.5
Proceeds from the acceptance/repayment of bank loans	1.0	0.6
Payments from grants received	–2.9	–4.5
Interest paid	0.0	–5.9
Cash flow from financing activities	**55.6**	**57.7**
Payment-related changes in cash and cash equivalents	**–91.4**	**37.1**
Exchange rate-related and other changes in cash and cash equivalents	0.0	16.6
Changes in cash and cash equivalents	**–91.4**	**53.7**
(of which net increase/decrease in restricted cash)	(–0.2)	(–0.1)
Cash and cash equivalents at the beginning of the period	**223.6**	**478.6**
(of which net increase/decrease in restricted cash)	(0.4)	(0.5)
Cash and cash equivalents at the end of the period	**132.2**	**532.3**
(Restricted cash)	(0.3)	(0.4)

Group balance sheet

of KUKA Aktiengesellschaft as of March 31, 2019

Assets

in € millions	Dec. 31, 2018	Adj.	Jan. 1, 2019	Mar. 31, 2019
Non-current assets				
Intangible assets	563.9	–	563.9	564.3
Property, plant and equipment	493.7	–	493.7	483.5
Financial investments	8.7	–	8.7	9.0
Investments accounted for at equity	13.9	–	13.9	36.0
Rights of Use IFRS 16	0.0	134.0	134.0	128.2
	1,080.2	**134.0**	**1,214.2**	**1,221.0**
Finance lease receivables	1.0	–	1.0	0.9
Other long-term receivables and other assets	18.7	–	18.7	18.1
Deferred taxes	90.5	–	90.5	108.4
	1,190.4	**134.0**	**1,324.4**	**1,348.4**
Current assets				
Inventories	466.8	–	466.8	495.6
Receivables and other assets				
Trade receivables	415.1	–	415.1	471.0
Contract Assets	493.9	–	493.9	492.1
Finance lease receivables	0.6	–	0.6	0.6
Income tax receivables	42.8	–	42.8	35.1
Other assets, prepaid expenses and deferred charges	130.3	–	130.3	135.3
	1,082.7	**0.0**	**1,082.7**	**1,134.1**
Cash and cash equivalents	**478.6**	**0.0**	**478.6**	**532.3**
	2,028.1	**0.0**	**2,028.1**	**2,162.0**
	3,218.5	**134.0**	**3,352.5**	**3,510.4**

Equity and liabilities

in € millions	Dec. 31, 2018	Adj.	Jan. 1, 2019	Mar. 31, 2019
Equity				
Subscribed capital	103.4	–	103.4	103.4
Capital reserve	306.6	–	306.6	306.6
Revenue reserve	669.9	–	669.9	702.8
Minority interests	259.7	–	259.7	279.6
	1,339.6	**–**	**1,339.6**	**1,392.4**
Non-current liabilities, provisions and accruals				
Financial liabilities	380.5	–	380.5	383.0
IFRS 16 leasing liabilities	0.0	101.6	101.6	98.9
Other liabilities	35.9	–	35.9	36.1
Pensions and similar obligations	110.4	–	110.4	115.6
Deferred taxes	42.4	–	42.4	61.7
	569.2	**101.6**	**670.8**	**695.3**
Current liabilities				
Financial liabilities	5.2	–	5.2	73.2
IFRS 16 leasing liabilities	0.0	32.4	32.4	29.8
Trade payables	402.7	–	402.7	391.3
Liabilities from construction contracts	406.8	–	406.8	471.7
Accounts payable to affiliated companies	0.1	–	0.1	0.1
Income tax liabilities	40.5	–	40.5	37.4
Other liabilities and deferred income	287.7	–	287.7	256.7
Other provisions	166.7	–	166.7	162.5
	1,309.7	**32.4**	**1,342.1**	**1,422.7**
	1,878.9	**134.0**	**2,012.9**	**2,118.0**
	3,218.5	**134.0**	**3,352.5**	**3,510.4**

Development of Group equity

of KUKA Aktiengesellschaft for the period January 1 to March 31, 2019

in € millions	Number of shares outstanding	Subscribed capital	Capital reserve	Revenue reserves: Translation gains/losses	Revenue reserves: Actuarial gains and losses	Revenue reserves: Annual net profit and other revenue reserves	Equity to shareholders	Minority interests	Total
Dec. 31, 2017	**39,775,470**	**103.4**	**306.6**	**20.1**	**−23.1**	**460.1**	**867.1**	**−0.5**	**866.6**
Initial application effect of IFRS 9	–	–	–	–	–	−4.7	−4.7	–	−4.7
Jan. 1, 2018	**39,775,470**	**103.4**	**306.6**	**20.1**	**−23.1**	**455.4**	**862.4**	**−0.5**	**861.9**
Result after tax	–	–	–	–	–	9.5	9.5	0.2	9.7
Other income	–	–	–	−5.9	1.2	–	−4.7	–	−4.7
Comprehensive income	**–**	**–**	**–**	**−5.9**	**1.2**	**9.5**	**4.8**	**0.2**	**5.0**
Change in scope of consolidation/ other changes	–	–	–	–	–	0.5	0.5	–	0.5
Mar. 31, 2018	**39,775,470**	**103.4**	**306.6**	**14.2**	**−21.9**	**465.4**	**867.7**	**−0.3**	**867.4**
Dec. 31, 2018	**39,775,470**	**103.4**	**306.6**	**45.5**	**−28.3**	**652.7**	**1,079.9**	**259.7**	**1,339.6**
Initial application effect of IFRS 16	–	–	–	–	–	–	–	–	–
Jan. 1, 2019	**39,775,470**	**103.4**	**306.6**	**45.5**	**−28.3**	**652.7**	**1,079.9**	**259.7**	**1,339.6**
Result after tax	–	–	–	–	–	16.3	16.3	−1.3	15.0
Other income	–	–	–	19.2	−5.3	–	13.9	12.6	26.5
Comprehensive income	**–**	**–**	**–**	**19.2**	**−5.3**	**16.3**	**30.2**	**11.3**	**41.5**
Change in scope of consolidation/ other changes	–	–	–	–	–	2.7	2.7	8.6	11.3
Mar. 31, 2019	**39,775,470**	**103.4**	**306.6**	**64.7**	**−33.6**	**671.7**	**1,112.8**	**279.6**	**1,392.4**

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