KUKA

H1 / 21
Interim Report

Key figures

in € millions	H1/20	H1/21	Change in %
Orders received	1,240.7	1,888.2	52.2
Order backlog (June 30)	1,987.8	2,408.2	21.1
Sales revenues	1,168.8	1,529.7	30.9
Gross earnings from sales	221.3	337.3	52.4
in % of sales revenues	18.9	22.0	–
Earnings before interest and taxes (EBIT)	–78.1	33.8	> 100
in % of sales revenues	–6.7	2.2	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	–14.0	95.2	> 100
in % of sales revenues	–1.2	6.2	–
Earnings after taxes	–80.6	26.9	> 100
Diluted/undiluted earnings per share in €	–2.02	0.38	> 100
Capital expenditure	39.8	33.1	–16.7
Equity ratio in % (June 30)	38.5	37.4	–
Net liquidity/debt (June 30)	–39.9	82.8	> 100
Employees (June 30)	13.507	13.747	1.8

in € millions	Q2/20	Q2/21	Change in %
Orders received	551.7	997.7	80.9
Order backlog (June 30)	1,987.8	2,408.2	21.1
Sales revenues	544.2	808.2	48.5
Gross earnings from sales	97.1	180.6	85.9
in % of sales revenues	17.8	22.3	–
Earnings before interest and taxes (EBIT)	–43.9	25.6	> 100
in % of sales revenues	–8.1	3.2	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	–12.3	56.8	> 100
in % of sales revenues	–2.3	7.0	–
Earnings after taxes	–58.7	20.3	> 100
Diluted/undiluted earnings per share in €	–1.51	0.21	> 100
Capital expenditure	21.5	19.6	–9.1

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Foreword

Ladies and Gentlemen,

One and a half years of the coronavirus pandemic, several waves of infection and lockdown measures are behind us. And although developments are still dynamic, I am happy to say: the signs are all pointing towards an upturn.

Operationally, we have made a very good start to 2021, recording growth in EBIT and sales revenues in almost all business segments in the first six months and the second-highest level of orders received in our company's history. With regard to regions, the principal drivers of growth here were China and North America. This strong development is fueled by a number of factors:

We positioned ourselves efficiently and stably in the past year. We did not remain idle at KUKA, but have done our homework. We are now reaping the benefits of the right strategy and focus. Many customers caught up on postponed projects in the first half of the year and are investing more heavily in automation.

Moreover, the coronavirus crisis has placed robotics and automation more firmly in the spotlight. We see these trends and are taking advantage of them. Sectors in particular demand, such as healthcare or e-commerce, have received a massive boost as a result of the pandemic. Automation solutions have become indispensable, especially in the case of extremely high throughput, continuous stress, and time-critical or highly complex production.

This applies particularly to future-oriented technologies, such as e-mobility and battery production. In these areas, KUKA is benefiting from its many years of experience and know-how from a wide range of different markets, such as electronics and automotive. Here we recorded significant growth in the first half of the year, particularly in the USA.

I am pleased about major orders for e-mobility and battery production at KUKA Systems. We were also able to win high-caliber orders in China in these important areas of the future. Additionally, the share of new products in sales revenues has increased sharply – our investments in products and innovations have thus already been reflected in business results.

Another contributory factor to the positive development in the first six months was the great dedication of KUKA employees – despite the difficult conditions and private challenges due to the pandemic. I wish to express my heart-felt thanks to all employees for their efforts.

Although the coronavirus pandemic is far from over and global supply bottlenecks continue to pose risks, experts are confident thanks to the vaccination campaign and a strong global economy. We at KUKA are also entering the second half-year with optimism. Our portfolio is more in demand than ever and with our strategy and the right solutions for our customers, we are working on conquering new sectors and markets.

To this end, in the first half of the year we unveiled a preview of what is currently our largest development project – our new operating system for robotics, embedded into a complete ecosystem. Our mission between now and 2030: simple robot operation and intuitive handling of automation solutions. We will be pressing ahead with this important project for the future, as well as other innovations, in order to strengthen KUKA as a global player.

I am looking forward to working on these visions in the coming years. With effect from July 1, the Supervisory Board extended my term as CEO ahead of schedule, and I would like to express my thanks for the trust placed in my work. I have been part of the KUKA family for nine years now and greatly appreciate the unique KUKA spirit. Together we have overcome an unprecedented global crisis, and we are now looking ahead with the goal of tapping the great potential for KUKA.

We have made a good start in this direction in the first half-year.

Peter Mohnen

Sincerely, Peter Mohnen

KUKA and the capital market

KUKA share

The global economic outlook has continued to improve, but the Organization for Economic Cooperation and Development (OECD) expects the recovery to remain uneven. It is dependent, among other things, on the efficacy of countries' vaccination campaigns and health policies. Countries that take effective measures to contain the spread of coronavirus and rapidly vaccinate their populations against COVID-19 are likely to see faster economic recovery. For the year as a whole, the OECD expects growth of 5.8%. This is a marked increase on the forecast of 4.2% in December 2020.

The progress in vaccination, the decline in new coronavirus infections, increasing profits and generous fiscal aid packages also led to a significant recovery on the capital markets. In Germany, the major stock market indices reached new highs. The DAX, which tracks the performance of the 30 German stocks with the highest market capitalization and turnover on the Frankfurt Stock Exchange, registered a new high of 15.802 points on June 14, 2021. The SDAX also achieved record highs. It comprises 70 companies ranked after the stocks listed on the MDAX. Since the start of the year, the index has risen to 16.021 points – an increase of 8.5%. The SDAX also reached a high of 16.531 points on June 14, 2021. The CDAX, which tracks the performance of all German stocks in the Prime Standard and General Standard, closed at 1,466 points on June 30, 2021. The CDAX thus rose by 12.9%. It reached a high of 1,490 points on June 14, 2021.

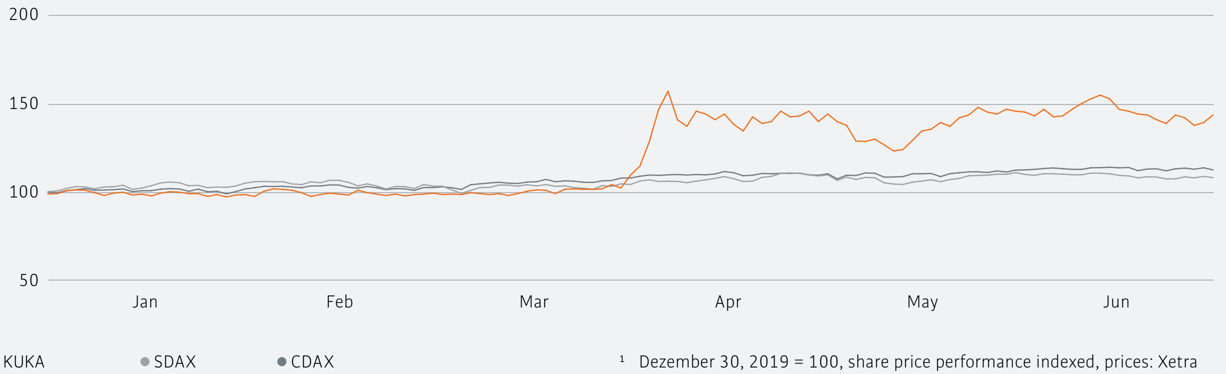
The KUKA share price has also risen strongly since the start of the year. The share price has increased sharply since the end of March 2021, reaching a high of €59.20 on April 8, 2021. By June 30, 2021, the last day of trading in the reporting period, the share price had risen by 42.9% to €53.80.

Support for the stock market gains came primarily from good economic data. The ifo Business Climate Index improved to 101.8 points in June, up from 99.2 points in May. It showed a considerable improvement in mood in the German economy and is at the highest level since November 2018. Companies assessed their current business situation as significantly better and were more optimistic about the second half-year. As recently as April, the mood was still more reserved. The third wave of infection and shortages of intermediate products dampened the recovery of the German economy. The ifo Business Climate Index is regarded as an important early indicator of the development of the German economy.

The further performance of the stock markets will also depend on how the central banks respond to rising inflation. The spread of the Delta variant of coronavirus is causing increasing concern. After the significant gains of the last months, investors are more cautious about the future.

At the online Annual General Meeting on May 21, 2021, the shareholders voted to pay a dividend of €0.11 per eligible share for fiscal 2020.

KUKA's share price performance
January 1 – June 30, 2021[1]



[1] Dezember 30, 2019 = 100, share price performance indexed, prices: Xetra

Management report

Economic environment

Pandemic accelerates structural transformation in the automotive industry

The automotive industry is undergoing a structural transformation. The focus here is on the technological transition to the electrified powertrain, which has gained considerable traction in 2020. The market share of electric vehicles in the EU-27 increased to over 10.5% (ACEA 2021), which was considerably higher than the comparable figures in China (6.3%) or the USA (2.1%). According to the Leibniz Institute for Economic Research at the University of Munich e. V. (ifo), the sales subsidies granted in the course of the pandemic led to growth, particularly in Europe.

The ifo Institute explains that the pandemic-induced crisis in the industry is increasingly concentrating the focus of all players on future-oriented issues. Among other things, this is resulting in unprecedented levels of investment by automotive manufacturers and in refinancing through sustainable cost savings in products and processes. According to the German Automotive Industry Association (VDA), the German automotive industry alone will be investing around €150 billion in e-mobility, new drive systems and digitalization. According to the VDA, the newly passed Climate Protection Act and the associated higher CO_2 reduction targets for 2030, together with the fact that the goal of making Germany greenhouse gas-neutral has been brought forward to 2045, also play a major role in these investments. The VDA states that the framework conditions, such as the accelerated expansion of a comprehensive charging infrastructure, will also be decisive for the successful transformation.

According to the VDA, 24% more new passenger cars were registered in Germany in June than in the same month last year. The figure for the first half of 2021 was also 15% higher than that for the first half of 2020, but still remained about 25% lower than the figure for 2019. As far as electric vehicles, are concerned, new registrations rose significantly in June. At almost 65.000 passenger cars, new registrations were up 243% on the previous year. This means that a total of more than 1 million electric vehicles have been newly registered in Germany. The overall e-car market reached a high for the year of around 24%. New registrations of purely battery-electric vehicles (BEVs) alone rose by 312%, while plug-in hybrids (PHEVs) were up 191%.

Despite the fact that production at German automotive plants declined in June and new domestic orders in June were also 2% below the previous year's level, a cumulative increase has been achieved since the beginning of the year. Orders were up 13% in the first half of the year compared with the previous year's figure. The supply bottlenecks for semiconductors also continue to pose a challenge for production. According to the VDA, the forecast for car production was 3.6 million vehicles, representing a year-on-year increase of 3%.

In the robotics and automation sector, the VDMA Robotics + Automation Association predicts an 11% increase in sales for 2021 to 13.4 billion euro. The chances of surpassing the record year of 2018 are particularly high for 2022. Here, once again, the focus for economic recovery is on green technology strategies.

Progress in vaccination leads to stabilizing tendencies for the economy

With the progress in vaccination, there are signs of recovery in industrialized nations and also in emerging markets, which will boost economic growth. According to the OECD, economic growth varies from country to country and is heavily dependent on health policies and vaccination campaigns. Overall, the OECD predicts global GDP growth of nearly 6% this year, representing a considerable increase after the 3.5% slump in 2020. Furthermore, this is significantly higher than the 4.2% assumed in the December 2020 economic outlook. This upturn should ensure that GDP in most economies returns to pre-pandemic levels by the end of 2022. According to the OECD, global GDP is set to grow by 4.4% next year. However, global income at the end of 2022 is still expected to be around USD 3 trillion lower than before the crisis. Growth of 4.3% is forecast for eurozone countries, while the US economy is anticipated to expand by 6.9% and the Chinese economy to grow by 8.5%.

Nevertheless, the global economy remains below pre-pandemic growth rates, and in many OECD countries living standards at the end of 2022 will still be below the level expected prior to the pandemic.

In Korea and the United States, per capita income is likely to return to pre-pandemic levels after about 18 months. In large parts of Europe, on the other hand, this will probably not be the case for almost three years, and in Mexico and South Africa possibly not for three to five years.

Business performance

KUKA Group

After more than a year of the coronavirus pandemic, there have been clear signs of recovery and the outlook for the global economy has become more optimistic. These developments were also reflected in KUKA Group's business segments. In the second quarter of 2021, KUKA Group posted orders received worth €997.7 million. This represents a sinificant increase of 80.9% year-on-year (Q2/20: €551.7 million). The orders received thus not only surpassed the level of 2019, but KUKA even achieved the second-highest volume of orders received in the company's history. This also had a positive effect on sales revenues, which improved by 48.5% to €808.2 million (Q2/20: €544.2 million). The book-to-bill ratio – the ratio of orders received to sales revenues – increased to 1.23 in the past quarter (Q2/20: 1.01). At €25.6 million, EBIT in the second quarter of 2021 was significantly higher year-on-year (Q2/20: –€43.9 million). The EBIT margin rose accordingly from –8.1% in the second quarter of 2020 to 3.2% in the second quarter of 2021. The increase is primarily attributable to the successes of the efficiency program as well as the improved economic environment and the resulting higher revenue volume.

Since the beginning of the year, customers have once again been investing more heavily in automation solutions. At €1,888.2 million, orders received in the first half-year were 52.2% higher than the figure for the previous year (H1/20: €1,240.7 million). Compared to previous volumes of orders received in a second quarter, this was the second-highest figure for KUKA Group. Sales revenues also increased significantly and, at €1,529.7 million in the first half of 2021, were up 30.9% on the prior-year figure (H1/20: €1,168.8 million) and thus at the same level as before the coronavirus pandemic. The book-to-bill ratio improved to 1.23 in the first half-year 2021 (H1/20: 1.06). The order backlog increased by 21.1% from €1,987.8 million as at June 30, 2020 to €2,408.2 million as at June 30, 2021. KUKA Group also achieved a significant improvement in earnings before interest and taxes (EBIT); at €33.8 million, the result was considerably higher than the previous year's figure (H1/20: –€78.1 million). The EBIT margin too rose from –6.7% in the first half-year 2020 to 2.2% in the first half-year 2021.

Systems

In the second quarter of 2021, Systems achieved a significant increase in orders received. At €362.1 million, orders received were well above the previous year's figure (Q2/20: €123.9 million). Systems benefited from the sharp increase in demand in North America, as automotive manufacturers increasingly invested in the electrification of their vehicle fleets. In Europe, the order situation remained difficult. Sales revenues rose to €236.2 million in the second quarter of 2021, corresponding to a significant year-on-year increase of 99.0% (Q2/20: €118.7 million). Compared with the same period of the previous year, the book-to-bill ratio improved from 1.04 (Q2/20) to 1.53 (Q2/21). EBIT increased to €5.4 million in the second quarter of 2021 after –€25.7 million in the prior-year quarter. The EBIT margin of 2.3% was well above the previous year's figure of –21.7%. In particular, the recovery in North America and improved project management had a positive impact on earnings.

In the first half of 2021, orders received by Systems rose sharply and totaled €640.7 million (H1/20: €239.5 million). Sales revenues also increased in the first half-year, up 58.3% to €462.1 million, and were thus considerably higher than the previous year's level (H1/20: €291.9 million). The book-to-bill ratio rose from 0.82 in H1/20 to 1.39 in H1/21. In conjunction with increased customer demand, the order backlog also grew, totaling €781.2 million as at June 30, 2021, representing an increase on the previous year's level (June 30, 2020: €546.2 million). EBIT increased to €16.9 million after –€34.0 million in H1/20. This corresponds to an EBIT margin of 3.7% (H1/20: –11.6%).

Robotics

In the second quarter of 2021, the Robotics segment generated orders received totaling €265.1 million, up 35.5% on the previous year's figure (Q2/20: €195.7 million). Customers around the world have once again been investing more in automation solutions and services, which has also had a positive impact on sales. Sales revenues rose by 34.2% from €186.7 million in Q2/20 to €250.5 million in Q2/21. More than 1/3 of revenues are meanwhile generated with product innovations from recent years. This includes both newly developed products and further developments of existing product groups. The book-to-bill ratio rose to 1.06 (Q2/20: 1.05). The noticeable recovery with higher revenue volumes and improved project management has had a positive impact on earnings. However, the growth in demand has also increased the pressure on global supply chains. Supply shortages have led to higher costs in some cases, which has, in turn, had a negative impact on earnings. At €12.2 million, EBIT was considerably higher than the previous year's figure (Q2/20: -€10.3 million). The EBIT margin rose to 4.9% after –5.5% in Q2/20.

Orders received in the first half-year 2021 had a value of €568.5 million, corresponding to a 22.1% increase on the same period of the previous year (H1/20: €465.5 million). Sales revenues increased by 17.2% to €477.8 million in the first half of 2021 (H1/20: €407.8 million). At 1.19, the book-to-bill ratio was above the previous year's figure (H1/20: 1.14). The order backlog grew by 9.0% year-on-year to €358.9 million as at June 30, 2021 (June 30, 2020: €329.4 million). EBIT improved in the first half-year to €17.2 million (H1/20: –€14.2 million). The EBIT margin rose from –3.5% in the first half of 2020 to 3.6% in the first half of 2021.

Swisslog

Swisslog recorded a 35.5% increase in orders received to €148.8 million in the second quarter of 2021 (Q2/20: €109.8 million). Swisslog concentrated on its focus markets of consumer goods and e-commerce/retail and benefited from the continued high demand for automated logistics solutions. Sales revenues increased by 18.3% from €131.4 million in Q2/20 to €155.5 million in Q2/21. The book-to-bill ratio rose accordingly to 0.96 (Q2/20: 0.84). EBIT improved to €3.8 million in the second quarter of 2021 after –€2.0 million in the second quarter of 2020. The EBIT margin rose accordingly to 2.5% in Q2/21 after –1.5% in Q2/20. The improvement is attributable to the higher revenue volume as well as to the intensified efficiency measures and the improved cost structure.

On a cumulative basis, the Swisslog business segment reported orders received valued at €301.1 million in the first half-year 2021 – a plus of 15.7% (H1/20: €260.2 million). Sales revenues in the first half-year 2021 amounted to €298.8 million and were thus above the previous year's level (H1/20: €278.7 million). The book-to-bill ratio increased from 0.93 in the previous year to 1.01. The order backlog amounted to €744.4 million as at June 30, 2021, representing year-on-year growth of 19.5% (June 30, 2020: €623.1 million). EBIT in the first half-year 2021 totaled €6.2 million with an EBIT margin of 2.1% (H1/20: EBIT €1.2 million; EBIT margin 0.4%).

Swisslog Healthcare

At €60.3 million, orders received at Swisslog Healthcare in the second quarter of 2021 considerably surpassed the previous year's figure of €35.9 million by 68.1%. Swisslog Healthcare benefited from increased customer demand. Following the slump caused by the coronavirus crisis, demand in the healthcare sector picked up again significantly. This also included catch-up effects from postponements of projects due to coronavirus. At €51.0 million, the sales revenues generated in the reporting period were on a par with the previous year (Q2/20: €50.7 million), which was mainly due to the lower volume of orders received in the previous year, as customers postponed their planned projects due to the coronavirus pandemic. The book-to-bill ratio improved from 0.71 in Q2/20 to 1.18 in the second quarter of 2021. EBIT decreased to €0.4 million after €1.4 million in the previous year. This corresponds to an EBIT margin of 0.8% (Q2/20: 2.8%). The decline is mainly due to the restructuring expenses. Swisslog Healthcare also stepped up investment in research & development activities, focusing mainly on software solutions and expansion of its product portfolio.

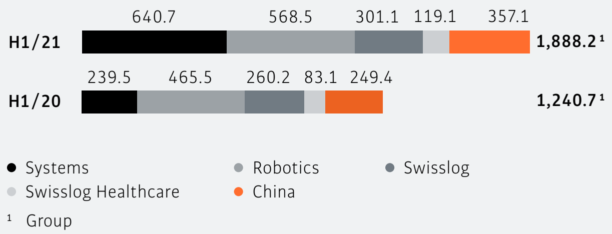
In the first half of 2021, the Swisslog Healthcare segment generated orders received worth €119.1 million, thus surpassing the previous year's level of €83.1 million. Sales revenues decreased from €106.5 million in H1/20 to €98.9 million in H1/21. The resulting book-to-bill ratio stood at 1.20 after 0.78 in the first half-year 2020. The order backlog of €203.9 million as at June 30, 2021 was up slightly year-on-year (June 30, 2020: €186.0 million). EBIT fell to €0.9 million in the first half-year 2021 (H1/20: €1.8 million), corresponding to an EBIT margin of 0.9% (H1/20: 1.7%).

China

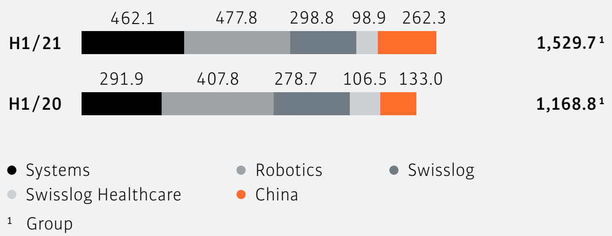
In the second quarter of 2021, the China segment recorded a strong increase in orders received, which totaled €201.2 million. This represents year-on-year growth of 83.7% (Q2/20: €109.5 million). The recovery in the Chinese market has been noticeable since the second half of 2020 and continued in the first half of the year 2021. Sales revenues grew to €152.1 million, representing a considerable year-on-year plus of 82.1% (Q2/20: €83.5 million). The book-to-bill ratio rose from 1.31 in the second quarter of 2020 to 1.32 in the second quarter of 2021. EBIT was up from –€16.8 million (Q2/20) to €15.7 million in the second quarter of 2021. This corresponds to an EBIT margin of 10.4% (Q2/20: –20.2%). The high demand for automation solutions had a positive effect, as did subsidies.

Altogether, orders received in the China segment totaled €357.1 million in the first half-year 2021 and were thus 43.2% above the previous year's figure (H1/20: €249.4 million). At €262.3 million, sales revenues in the first half of 2021 were significantly above the previous year's level (H1/20: €133.0 million). The book-to-bill ratio of 1.36 (H1/20: 1.88) was below the high level of the previous year. The order backlog grew by 15.6% from €327.7 million as at June 30, 2020 to €378.9 million as at June 30, 2021. EBIT increased from –€22.1 million to €13.9 million in the first half-year 2021. The EBIT margin stood accordingly at 5.3% as opposed to –16.6% in the first half-year 2020.

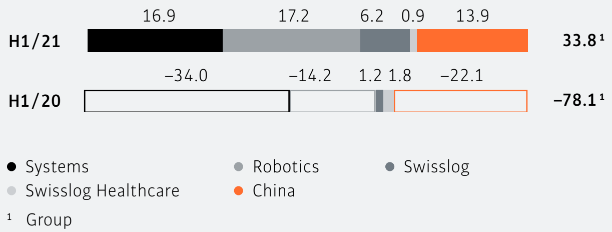
Orders received
in € millions



Sales revenues
in € millions



EBIT
in € millions



Financial position and performance

Earnings

In the first half of 2021, KUKA Group's sales revenues were up 30.9% year-on-year to €1,529.7 million (H1/20: €1,168.8 million) and thus back to pre-crisis levels. Orders received in the reporting period rose by 52.2% from €1,240.7 million to €1,888.2 million, representing the second-highest volume of orders received in the company's history. In the first half of 2021, the order backlog reached a value of €2,408.2 million – an increase of 21.1% compared with June 30, 2020, when it stood at €1,987.8 million. Gross earnings increased by €116.0 million or 52.4% from €221.3 million in H1/20 to €337.3 million in H1/21. This resulted in a gross margin for the Group of 22.0% for the first half-year 2021 compared with 18.9% in the first half-year 2020.

The second quarter of 2021 showed clear signs of recovery after more than a year of the coronavirus pandemic. KUKA Group achieved sales revenues totaling €808.2 million (Q1/21: €721.6 million). Orders received rose from €890.5 million in the first quarter of 2021 to €997.7 million in the second quarter of 2021. The order backlog as at June 30 of the reporting year also increased by a further €180.3 million compared with March 31, 2021 (March 31, 2021: €2,227.9 million; June 30, 2021 €2,408.2 million). At €180.6 million, the gross earnings generated by the Group were higher than in the previous quarter (Q1/21: €156.7 million), corresponding to a gross margin for the Group of 22.3% (Q1/21: 21.7%).

Overhead costs for the functional areas of sales, research & development and administration rose slightly from €296.5 million to €303.8 million. This corresponds to an increase of 2.4% or €7.3 million. Selling expenses made the largest contribution to this change, increasing by €7.2 million. In relation to sales revenues, it was possible to reduce these overhead costs from 25.4% to 19.9%. The increase in selling expenses is attributable in particular to the higher business volume on the one hand and the increased risk provision in accordance with IFRS 9 for expected credit losses as a result of the economic crisis on the other. Research & development costs were up slightly year-on-year by €0.1 million. Administrative expenses remained at the previous year's level (H1/21: €90.9 million; H1/20: € 90.9 million). It proved possible to keep costs stable, due to both the continuation of the efficiency program and the measures adopted in connection with the coronavirus crisis, such as the use of short-time working. Additionally, expenses such as those for consulting services and marketing were sustainably reduced.

The number of employees grew by 1.8% to 13,747 as at June 30, 2021 (June 30, 2020: 13,507). The increase in the operating area, which is mainly related to the improved economic situation and the higher sales volume, was partially offset by staff reductions in the indirect functional areas.

The costs of €16.7 million incurred for new developments in the period under review (H1/20: €17.7 million) were capitalized and will be reported as planned depreciation in subsequent financial statements. Depreciation and amortization recognized in research & development costs totaled €10.3 million compared to €8.3 million in the first half of 2020. This results in a capitalization ratio of 18.9% (H1/20: 19.4%). For further details on current development topics, please refer to KUKA Group publications and public media coverage in connection with the Hannover Messe trade fair and automatica sprint.

Other operating income increased year-on-year from €3.1 million to €4.9 million. By contrast, other expenses fell slightly from –€4.9 million in the previous year to –€4.8 million in the first half of 2021.

Overall, earnings before interest and taxes (EBIT) for the first six months of fiscal 2021 totaled €33.8 million (H1/20: –€78.1 million). This resulted in a significantly improved EBIT margin of 2.2% after –6.7% in the previous year.

	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21
EBIT (in € millions)	–34.2	–43.9	7.6	–42.7	8.2	25.6
EBIT margin (in %)	–5.5	–8.1	1.1	–6.0	1.1	3.2
EBITDA (in € millions)	–1.7	–12.3	38.5	8.7	38.3	56.8
EBITDA margin (in %)	–0.3	–2.3	5.6	1.2	5.3	7.0

Segment reporting

The KUKA Business Organization (KBO) segment structure was further optimized at the beginning of fiscal 2021. Certain Chinese companies were previously reported both in the China segment and in the Swisslog or Swisslog Healthcare segment. As of the current fiscal year, this double reporting no longer applies and the business activities of the Chinese companies are presented exclusively in the China segment. In addition, a Swisslog holding company is no longer reported in the Corporate Functions segment but in the Swisslog segment. This results in changes to some key figures in the individual segments and in the reconciliation to the Group, but has no effect on the Group's key performance indicators. The comparative figures for fiscal 2020 have been adjusted accordingly.

For explanatory comments on the individual segments, please refer to the section on business performance.

Group income statement

EBITDA (earnings before interest, taxes, depreciation and amortization) increased from –€14.0 million in the first half-year 2020 to €95.2 million in the first half-year 2021. Depreciation and amortization fell from €64.1 million in H1/20 to €61.4 million in H1/21. Depreciation on leased assets in accordance with IFRS 16 totaled €16.8 million (H1/20: €18.4 million).

The financial result grew by €2.5 million in the first half of 2021 compared with the first half of 2020 and totaled €4.8 million (H1 /20: €2.3 million). Interest income fell to €13.4 million (H1/20: €13.6 million) and, as in the previous year, includes interest income from leases and interest income on bank balances. This is offset by interest expenses totaling €9.0 million (H1/20: €10.7 million), consisting primarily of interest expenses for the existing financing instruments (further details can be found in the notes) as well as interest expenses from lease transactions. The net balance of foreign exchange gains and losses in the first half of 2021 led to a foreign currency gain of €0.2 million (H1/20: –€0.6 million). Since the end of fiscal 2020, foreign currency effects have been reported separately within the financial result. To ensure comparability of the figures, the previous year's value for interest expense/income has been adjusted and the foreign currency effects eliminated. Net interest expense for pensions was down slightly from €0.6 million in H1/20 to €0.4 million in H1/21. Changes in the value of financial investments increased by €0.1 million (H1/20: €0.0 million).

This led to earnings before taxes (EBT) of €38.6 million (H1/20: –€75.8 million) – a substantial increase compared with the same period of the previous year. Taxes paid in the reporting period totaled €11.7 million (H1/20: €4.8 million). The tax rate was thus 30.4%, as opposed to –6.3% in the previous year. Planning of the tax rate takes into account the possible impact of one-off effects in connection with deferred taxes and tax subsidies. The negative tax rate in the previous year was mainly due to the valuation of deferred tax assets and the offsetting effects of tax subsidies in North America and China.

Earnings after taxes rose compared to the same half of the previous year from –€80.6 million to €26.9 million. Undiluted earnings per share therefore stood at €0.38 (H1/20: –€2.02).

in € millions	H1/20	H1/21
Sales revenues	1,168.8	1,529.7
EBIT	–78.1	33.8
EBITDA	–14.0	95.2
Financial result	2.3	4.8
Taxes on income	–4.8	–11.7
Earnings after taxes	–80.6	26.9

Financial position

The improved income situation was also reflected in the cash earnings. These are derived from earnings after taxes, adjusted for income taxes, net interest, cash-neutral depreciation and other non-cash income and expenses. At €102.9 million in the first half of 2021 (H1/20: –€13.0 million), this key figure is an indicator of the company's very sound economic situation, after the effects of the coronavirus crisis and the associated restrictions as well as project deteriorations still had a strong impact on results in the previous year.

Cash flow from operating activities increased from –€84.5 million in the first half-year 2020 to €13.1 million in H1/21, primarily as a consequence of the positive cash earnings. Compared with the first half of 2020, a reduction of €38.3 million in trade working capital was achieved, due largely to the systematic implementation of the trade working capital monitoring and optimization project already set up in fiscal 2019. On the one hand, trade accounts receivable and contract assets increased, while on the other hand, inventories decreased followed by a rise in contract liabilities and trade accounts payable. However, compared with the level at the start of the fiscal year, there was an increase of €92.2 million in trade working capital (January 1, 2021: €394.6 million), which was mainly associated with higher business volumes.

The following overview shows the development of trade working capital:

in € millions	June 30, 2020	Develop-ment-since Jan. 1, 2020	June 30, 2021	Develop-ment since Jan. 1, 2021
Inventories	396.6	52.1	383.2	75.3
Trade receivables and contract assets	814.3	–90.7	975.5	219.2
Trade payables and contract liabilities	685.7	–53.7	871.8	202.3
Trade working capital	**525.2**	**15.1**	**486.9**	**92.2**

Payments for investments fell in the reporting period to €33.1 million (H1/20: €39.8 million). Investments for property, plant and equipment totaled €12.6 million (H1/20: €19.9 million). These consisted primarily of investments in buildings and in technical, factory and office equipment. The education center at the Augsburg site was still in the completion phase in the first half of fiscal 2020 and was completed and opened at the end of 2020. Intangible asset investments amounted to €20.5 million (H1/20: €19.9 million), of which €16.7 million (H1/20: €17.7 million) was for internally generated intangible assets. This is offset by cash inflows of €49.8 million from current financial assets related to short-term financial management (H1/20: €63.4 million). In the first half of 2020 and 2021, contingent purchase price payments were made, among other things, for Utica Enterprises, Shelby Township, Michigan, USA (H1/21: €0.6 million; H1/20 €1.6 million). Proceeds from investments in financial assets and at equity investments include dividend payments from the Yawei Reis Robot Manufacturing joint venture (H1/21: €0.7 million; H1/20: €0.0 million). These changes, including interest received, resulted in a cash flow from investment activities of €31.1 million after €36.3 million in the previous year.

The cash flow from operating activities plus cash flow from investment activities led to a positive free cash flow of €44.1 million (H1/20: –€48.2 million).

The cash flow from financing activities amounted to –€17.5 million in H1/21 after –€8.4 million in H1/20. This includes dividends to shareholders of €0.11 per no-par share (2020: €0.15 per share) totaling €4.4 million (H1/20: €6.0 million), borrowings under the syndicated loan and the change in current liabilities to banks (H1/21: –€4.5 million ; H1/20: € 22.6 milion)

Furthermore, both the redemption component of lease payments (H1/21: €16.0 million; H1/20: €16.8 million) and interest payments including the interest component from leases (H1/21: €8.5 million; H1/20: €10.2 million), as well as the payments from grants received (H1/21: €15.9 million; H1/20: €2.0 million) are reported in the cash flow from financing activities.

The cash and cash equivalents available to KUKA Group as at the balance sheet date of June 30, 2021 were thus €606.6 million (H1/20: €518.3 million). This represents an increase compared with the previous year and the start of the fiscal year (January 1, 2020: €584.8 million), due primarily not only to the recovery of the economic situation after a difficult year of the coronavirus crisis, but also to the successes of the efficiency program and systematic working capital management.

For details of the financing structure, please refer to page 20.

Group cash flow statement (condensed)

in € millions	H1/20	H1/21
Cash earnings	–13.0	102.9
Cash flow from operating activities	–84.5	13.1
Cash flow from investment activities	36.3	31.1
Free cash flow	–48.2	44.1

Net assets and financial position

The balance sheet total of €3,400.6 million as at June 30, 2021 was €284.1 million higher than at the start of fiscal 2021 (January 1, 2021: €3,116.5 million).

At €1,271.3 million, non-current assets were down €25.4 million on the previous year's figure (January 1, 2021: €1,296.7 million). Scheduled depreciation and amortization reduced both tangible assets (June 30, 2021: €343.4 million; January 1, 2021: €353.1 million) and intangible assets (June 30, 2021: €528.6 million; January 1, 2021: €533.3 million). Receivables from finance leases, which are recognized over the term of the lease, decreased by €10.2 million (June 30, 2021: €109.4 million; January 1, 2021: €119.6 million). Deferred tax assets recognized using the best estimate of the weighted average annual income tax rate expected for the full year amounted to €123.7 million, compared with €127.8 million at the start of the fiscal year. At equity investments (June 30, 2021: €26.5 million; January 1, 2021: €26.4 million) and financial invesments (June 30, 2021: €17.6 million; January 1, 2021:€17.1 million) remained virtually unchanged. By contrast, right-of-use assets increased slightly (June 30, 2021: €119.4 million; January 1, 2021: €115.5 million). The increase was mainly related to the relocation to the new company buildings in Slovakia (Systems) and in Germany (Swisslog).

The value of current assets totaled €2,129.3 million at June 30, 2021 (January 1, 2021: € 1,819.8 million). The rise compared with the start of the fiscal year was primarily due to contract assets, which grew by €146.1 million to €507.0 million. Other assets and prepaid expenses fell from €142.4 million as at January 1, 2021 to €107.2 million as at June 30, 2021. The investments in short-term securities with a term of significantly less than one year, which were still reported under other current assets at the start of the fiscal year, have expired and have thus been derecognized. Current income tax receivables decreased by €7.2 million (June 30, 2021: €23.0 million; January 1, 2021: €30.2 million). Further explanations regarding the current assets are included in the notes on the financial position.

Assets held for sale amounting to €3.5 million as at June 30, 2021 include real estate no longer required for efficiency reasons.

In the reporting period, equity grew by €69.7 million from €1,203.7 million as at January 1, 2021 to €1,273.4 million as at June 30, 2021. The positive earnings after taxes of €26.9 million, the differences from foreign currency translation of €20.6 million and of €12.9 million attributable to minority interests, and the reduction in actuarial losses from the measurement of pensions not affecting net income, including the deferred taxes of €16.7 million thereon in the first half-year 2021, were partly offset by the dividend distribution of –€4.4 million. The adjustment item for minority interests also increased from €280.5 million as at January 1, 2021 to €305.7 million as at June 30, 2021.

These changes resulted in an equity ratio (ratio of equity to total assets) of 37.4% as at June 30, 2021, which is slightly below the ratio at the start of the fiscal year (January 1, 2021: 38.6%), primarily due to the increase in the balance sheet total.

Non-current and current financial liabilities to both third parties and affiliated companies totaled €523.8 million as at June 30, 2021, thus remaining at the same level as at the start of the fiscal year (January 1, 2021: €524.6 million).

The balance sheet item "Pension provisions and similar obligations" was down from €117.6 million (January 1, 2021) to €94.9 million (June 30, 2021). This essentially reflected the effect of the measurement of actuarial losses without effect on income, as already described in the statement of changes in equity, resulting from adjustment of the discount interest rate. Further details can be found in the notes.

Current liabilities grew by €284.9 million from €1,278.2 million as at January 1, 2021 to €1,563.1 million as at June 30, 2021. On the one hand, there was an increase in trade accounts payable, contract liabilities and other liabilities and prepaid expenses. On the other hand, income tax liabilities and other provisions showed a decrease. Information about liabilities can be found in the comments on trade working capital in the financial position. The reduction of €14.4 million in income tax liabilities from €43.5 million as at January 1, 2021 to €29.1 million as at June 30, 2021 was related to the assessment of tax matters in the USA. The €9.8 million decrease in other provisions from €168.6 million as at January 1, 2021, to €158.9 million as at June 30, 2021, is attributable primarily to the lower provision for the job cuts announced in fiscal 2020.

Lease liabilities in accordance with IFRS 16 amounted to €126.4 million as at June 30, 2021, of which €97.2 million was non-current and €29.2 million current.

Net liquidity, which is calculated as cash and cash equivalents less current and non-current financial liabilities to both third parties and affiliated companies, amounted to €82.8 million as at June 30, 2021. This represents an improvement of €52.8 million compared with the start of fiscal 2021 (January 1, 2021: €30.0 million), which was achieved thanks to the successes from the efficiency program, active working capital management and the improved economic environment.

in € millions	Jan. 1, 2021	June 30, 2021
Balance sheet total	3,116.5	3,400.6
Equity	1,203.7	1,273.4
in % of balance sheet total	38.6	37.4
Net liquidity	30.0	82.8

ROCE

ROCE (return on capital employed) was 5.5% in the first half of 2021 and thus considerably higher than the previous year's figure (H1/20: –11.3%), reflecting, among other things, the economic recovery after over a year of the coronavirus crisis. The average capital employed as at June 30, 2021 was €1,230.6 million (June 30, 2020: €1,386.2 million).

Events after the balance sheet date

KUKA Group sold its investment in Servotronix Motion Control Ltd., Petah Tikva, Israel. The total volume of the transaction was in the low double-digit million euro range.

Research and development

In the second quarter of 2021, research and development (R&D) expenditure for KUKA Group amounted to €40.1 million. The expenditure was thus greater than in the prior-year period (Q2/20: €38.4 million). This brought R&D expenditure for the first half-year up to €81.8 million (H1/20: €81.7 million). There were no changes to the strategic focus of research and development. KUKA is concentrating here primarily on expanding its existing product portfolio, for example with software solutions such as the new operating system. The company is also working on the development of new products and solutions.

Employees

The protective measures relating to the coronavirus pandemic continued to have the utmost priority in the first half of 2021. Hygiene and safety concepts were regularly adapted to the ongoing situation. Where their jobs allowed, employees were encouraged to continue working from home. Furthermore, the option of short-time working was used on a division-specific basis at German locations in the first two quarters. Similar models were also adopted in other countries. As at June 30, 2021, KUKA Group employed 13,747 people. The number of employees was thus 1.8% higher than in the previous year (H1/20: 13,507). The Systems division employed 3,005 staff as at June 30, 2021. The number of employees showed an increase of 1.2% on the previous year (H1/20: 2,969). In the Robotics division, the workforce increased slightly by 0.5% to 5,223 employees (H1/20: 5,199). The number of employees at Swisslog rose by 1.9% to 2,270 (H1/20: 2,227). At Swisslog Healthcare, the number of employees fell slightly by 0.6% to 1,069 from 1,076 in the previous year. The workforce in China comprised 1,527 employees at the end of the first half-year, 10.4% above the headcount of 1,383 in the previous year. The Chinese market is one of KUKA's focus markets. For this reason, KUKA further expanded its presence in this strategically important growth market.

Opportunity and risk report

In the overall assessment, no further material opportunities and risks were identified beyond those presented in the Annual Report 2020. Moreover, we are not currently aware of any individual or aggregate risks that could threaten the company's continued existence. Detailed information on additional risks that could impact EBIT can be found in the Opportunity and Risk Report in the Annual Report/Management Report 2020 (page 34 et seq.).

Outlook

The Organization for Economic Cooperation and Development (OECD) estimates that the global economy will recover gradually. In addition to the progress made in vaccination, government support programs will also be crucial for an economic upswing. In the OECD's view, governments should continue to provide financial support to people and businesses until all sectors of the economy can fully reopen. Furthermore, states should invest in digital and ecological transformation.

At KUKA Group, business picked up strongly in the first half of 2021. Due to a considerable increase in demand, KUKA Group achieved its second highest volume of orders received in the company's history. Based on economic forecasts and taking into consideration the existing opportunity and risk potential, KUKA anticipates an increase in demand for the full year 2021 in all sectors relevant to KUKA.

At the end of March 2021, KUKA forecast that orders received for the full year 2021 should exceed the prior-year level. Sales revenues are expected to increase slightly compared to the previous year. The EBIT margin is predicted to increase and to be in the positive low single-digit percentage range. For 2021, KUKA expects positive earnings after taxes at Group level. Moreover, free cash flow is expected to be positive, but below the prior-year level due to the resurgence of investment activities as the economy recovers.

In the medium term, KUKA anticipates increased demand – particularly for intelligent robotic and automation solutions – partly as a result of the experiences made during the coronavirus crisis.

Interim financial statements (condensed)

Group income statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2021

in € millions	Q2/20	Q2/21	H1/20	H1/21
Sales revenues	**544.2**	**808.2**	**1,168.8**	**1,529.7**
Cost of sales	–447.1	–627.6	–947.5	–1,192.4
Gross earnings from sales	**97.1**	**180.6**	**221.3**	**337.3**
Selling expenses	–58.4	–68.2	–123.9	–131.1
(of which, impairment losses including reversals of impairment losses on trade receivables and contract assets)	–0.5	–5.1	0.8	–4.6
Research and development expenses	–38.4	–40.1	–81.7	–81.8
General and administrative expenses	–42.4	–46.0	–90.9	–90.9
Other operating income	1.3	1.8	3.1	4.9
Other operating expenses	–3.0	–2.8	–4.9	–4.8
Earnings from companies valued at equity	–0.1	0.4	–1.1	0.1
Earnings before interest and taxes (EBIT)	**–43.9**	**25.6**	**–78.1**	**33.8**
Depreciation and amortization	31.6	31.3	64.1	61.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**–12.3**	**56.8**	**–14.0**	**95.2**
Changes in value of financial investments	0.0	0.1	0.0	0.1
Interest income	6.9	7.7	13.6	13.4
Interest expense	–4.9	–4.7	–10.7	–9.0
Foreign currency gains/losses	–1.3	0.8	–0.6	0.2
Financial result	**0.6**	**3.9**	**2.3**	**4.8**
Earnings before taxes	**–43.3**	**29.5**	**–75.8**	**38.6**
Taxes on income	–15.4	–9.3	–4.8	–11.7
Earnings after taxes	**–58.7**	**20.3**	**–80.6**	**26.9**
(of which, attributable to minority interests)	(1.2)	(12.1)	(–0.3)	(11.7)
(of which, attributable to shareholders of KUKA AG)	(–59.9)	(8.2)	(–80.3)	(15.2)
Earnings per share (diluted/undiluted) in €	**–1.51**	**0.21**	**–2.02**	**0.38**

Group statement of comprehensive income

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2021

in € millions	Q2/20	Q2/21	H1/20	H1/21
Earnings after taxes	**–58.7**	**20.3**	**–80.6**	**26.9**
Items that may potentially be reclassified to profit or loss				
Translation adjustments	–12.7	–3.5	–4.6	20.6
Third-party translation adjustments	–5.8	0.4	–4.3	12.9
Items that are not reclassified to profit or loss				
Changes in equity instruments (FVOCI)	–0.3	–0.2	0.1	0.5
Changes of actuarial gains and losses	–3.2	4.7	–8.4	20.3
Deferred taxes on changes of actuarial gains and losses	0.4	–1.0	1.0	–3.6
Changes recognized directly in equity	**–21.6**	**0.4**	**–16.2**	**50.7**
Comprehensive income	**–80.3**	**20.7**	**–96.8**	**77.6**
(of which, attributable to minority interests)	(–4.6)	(12.5)	(–4.6)	(24.6)
(of which, attributable to shareholders of KUKA AG)	(–75.7)	(8.2)	(–92.2)	(53.0)

Group cash flow statement

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2021

in € millions	H1/20	H1/21
Earnings after taxes	**–80.6**	**26.9**
Income taxes	6.2	–4.7
Net interest	–2.3	–4.3
Amortization of intangible assets	22.5	22.8
Depreciation of tangible assets	23.3	21.8
Depreciation of right-of-use assets	18.4	16.8
Other non-payment-related income	–4.5	–2.7
Other non-payment-related expenses	4.0	26.3
Cash earnings	**–13.0**	**102.9**

in € millions	H1/20	H1/21
Result on the disposal of assets	0.7	0.0
Changes in provisions	–30.5	–16.2
Changes in current assets and liabilities:		
Changes in inventories	–57.0	–70.1
Changes in receivables and deferred charges	86.3	–202.7
Changes in liabilities and deferred income (excl. financial debt)	–55.7	217.4
Income taxes paid	–13.3	–2.4
Investment/financing matters affecting cash flow	–2.0	–15.9
Cash flow from operating activities	**–84.5**	**13.1**
Payments from disposals of fixed assets	0.6	0.9
Payments for capital expenditures on intangible assets	–19.9	–20.5
Payments for capital expenditures on tangible assets	–19.9	–12.6
Proceeds from investment in financial investments and at equity investments	0.0	0.7
Proceeds from financial assets related to short-term financial management	63.4	49.8
Payments for the acquisition of consolidated companies and other business units	–1.6	–0.6
Interest received	13.7	13.4
Cash flow from investment activities	**36.3**	**31.1**
Free cash flow	**–48.2**	**44.1**
Dividend payments	–6.0	–4.4
Proceeds from the acceptance of bank loans, promissory note loans and financial liabilities to affiliated companies as well as changes in current liabilities to banks	22.6	–4.5
Payments from grants received	2.0	15.9
Interest paid	–10.2	–8.5
Repayment of leases	–16.8	–16.0
Cash flow from financing activities	**–8.4**	**–17.5**
Payment-related changes in cash and cash equivalents	**–56.6**	**26.6**
Exchange-rate-related and other changes in cash and cash equivalents	–9.9	25.5
Changes in cash and cash equivalents	**–66.5**	**52.1**
(of which, net increase/decrease in restricted cash)	(–0.4)	(0.0)
Cash and cash equivalents at the beginning of the period	**584.8**	**554.5**
(of which, net increase/decrease in restricted cash at the beginning of the period)	(0.5)	(–0.0)
Cash and cash equivalents at the end of the period	**518.3**	**606.6**
(of which, restricted cash at the end of the period)	(0.1)	(0.0)

Group balance sheet

of KUKA Aktiengesellschaft as at June 30, 2021

Assets

in € millions	Dec. 31, 2020	June 30, 2021
Non-current assets		
Intangible assets	533.3	528.6
Property, plant and equipment	353.1	343.4
Financial investments	17.1	17.6
Investments accounted for at equity	26.4	26.5
Right-of-use assets	115.5	119.4
	1,045.4	**1,035.6**
Finance lease receivables	119.6	109.4
Income tax receivables	1.0	0.5
Other long-term receivables and other assets	2.9	2.1
Deferred taxes	127.8	123.7
	1,296.7	**1,271.3**
Current assets		
Inventories	307.9	383.2
Receivables and other assets		
Trade receivables	395.4	468.5
Contract assets	360.9	507.0
Finance lease receivables	28.4	30.3
Income tax receivables	30.2	23.0
Other assets, prepaid expenses and deferred charges	142.4	107.2
	957.3	**1,136.0**
Cash and cash equivalents	**554.6**	**606.6**
Assets held for sale	–	3.5
	1,819.8	**2,129.3**
	3,116.5	**3,400.6**

Equity and liabilities

in € millions	Dec. 31, 2020	June 30, 2021
Equity		
Subscribed capital	103.4	103.4
Capital reserve	306.6	306.6
Revenue reserve	546.1	552.8
Other retained earnings	–32.9	4.9
Minority interests	280.5	305.7
	1,203.7	**1,273.4**
Non-current liabilities		
Financial liabilities	221.6	149.7
Financial liabilities to affiliated companies	148.4	148.6
Lease liabilities	92.9	97.2
Other liabilities	20.0	24.0
Pension provisions and similar obligations	117.6	94.9
Deferred taxes	34.1	49.7
	634.6	**564.1**
Current liabilities		
Financial liabilities	154.6	225.5
Lease liabilities	28.7	29.2
Trade payables	353.3	476.8
Contract liabilities	316.3	395.0
Accounts payable to affiliated companies	0.1	0.1
Income tax liabilities	43.5	29.1
Other liabilities and deferred income	213.1	248.5
Other provisions	168.6	158.9
	1,278.2	**1,563.1**
	1,912.9	**2,127.2**
	3,116.5	**3,400.6**

Development of Group equity

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2021

				Other reserves						
in € millions	Number of shares outstanding	Subscribed capital	Capital reserve	Translation gains/losses	FVOCI measurement	Actuarial gains and losses	Annual net income and other revenue reserves	Equity to shareholders	Minority interests	Total
Jan. 1, 2021	**39,775,470**	**103.4**	**306.6**	**16.1**	**−1.4**	**−47.6**	**546.1**	**923.2**	**280.5**	**1,203.7**
Earnings after taxes	–	–	–	–	–	–	15.2	15.2	11.7	26.9
Other results	–	–	–	20.6	0.5	16.7	–	37.8	12.9	50.7
Comprehensive income	**–**	**–**	**–**	**20.6**	**0.5**	**16.7**	**15.2**	**53.0**	**24.6**	**77.6**
KUKA AG dividend	–	–	–	–	–	–	−4.4	−4.4	–	−4.4
Change in scope of consolidation/Other changes	–	–	–	–	–	–	−4.1	−4.1	0.6	−3.5
June 30, 2021	**39,775,470**	**103.4**	**306.6**	**36.7**	**−0.9**	**−30.9**	**552.8**	**967.7**	**305.7**	**1,273.4**
Jan. 1, 2020	**39,775,470**	**103.4**	**306.6**	**56.4**	**−0.2**	**−46.5**	**650.1**	**1,069.8**	**278.8**	**1,348.6**
Earnings after taxes	–	–	–	–	–	–	−80.3	−80.3	−0.3	−80.6
Other results	–	–	–	−4.6	0.1	−7.4	–	−11.9	−4.3	−16.2
Comprehensive income	**–**	**–**	**–**	**−4.6**	**0.1**	**−7.4**	**−80.3**	**−92.2**	**−4.6**	**−96.8**
KUKA AG dividend	–	–	–	–	–	–	−6.0	−6.0	–	−6.0
Change in scope of consolidation/Other changes	–	–	–	–	–	–	1.4	1.4	0.3	1.7
June 30, 2020	**39,775,470**	**103.4**	**306.6**	**51.8**	**−0.1**	**−53.9**	**565.2**	**973.0**	**274.5**	**1,247.5**

Notes on the consolidated financial statements (condensed)

Group segment reporting

of KUKA Aktiengesellschaft for the period January 1 to June 30, 2021

Segment reporting

	Systems		Robotics		Swisslog		Swisslog Healthcare		China		Corporate Functions		Reconciliation and consolidation		Group	
in € millions	H1/20	H1/21	H1/20	H1/21	H1/20	H1/20	H1/20	H1/21	H1/20	H1/21	H1/20	H1/21	H1/20	H1/21	H1/20	H1/21
Orders received	239.5	640.7	465.5	568.5	260.2	301.1	83.1	119.1	249.4	357.1	0.1	0.1	−57.0	−98.3	1.240.7	1.888.2
Order backlog (June 30)	546.2	781.2	329.4	358.9	623.1	744.4	186.0	203.9	327.7	378.9	0.0	0.0	−24.6	−59.1	1,987.8	2,408.2
Group external sales revenues	289.1	461.5	372.3	424.7	276.7	293.9	103.5	95.7	127.1	254.0	0.1	0.0	–	–	1,168.8	1,529.7
in % of Group sales revenues	24.7	30.2	31.9	27.8	23.7	19.2	8.9	6.3	10.9	16.6	0.0	0.0	–	–	100.0	100.0
Intra-Group sales revenues	2.8	0.6	35.5	53.1	2.0	4.9	3.0	3.1	5.8	8.3	48.0	52.6	−97.1	−122.7	–	–
Sales revenues by segment	**291.9**	**462.1**	**407.8**	**477.8**	**278.7**	**298.8**	**106.5**	**98.9**	**133.0**	**262.3**	**48.1**	**52.6**	**−97.1**	**−122.7**	**1,168.8**	**1,529.7**
Gross earnings from sales	**−5.6**	**45.4**	**130.4**	**154.8**	**53.4**	**54.2**	**37.0**	**35.9**	**6.3**	**50.3**	**48.1**	**52.9**	**−48.4**	**−56.4**	**221.3**	**337.3**
in % of sales revenues of the segment	−1.9	9.8	32.0	32.4	19.2	18.2	34.7	36.3	4.7	19.2	100.0	100.6	49.7	45.9	18.9	22.0
EBIT	**−34.0**	**16.9**	**−14.2**	**17.2**	**1.2**	**6.2**	**1.8**	**0.9**	**−22.1**	**13.9**	**−11.8**	**−11.2**	**0.9**	**−10.2**	**−78.1**	**33.8**
in % of sales revenues of the segment	−11.6	3.7	−3.5	3.6	0.4	2.1	1.7	0.9	−16.6	5.3	−24.5	−21.3	−0.9	8.3	−6.7	2.2
EBITDA	**−25.1**	**25.2**	**7.0**	**37.6**	**10.1**	**15.0**	**7.3**	**6.0**	**−15.8**	**20.4**	**−2.7**	**−2.8**	**5.2**	**6.1**	**−14.0**	**95.2**
in % of sales revenues of the segment	−8.6	5.5	1.7	7.9	3.6	5.0	6.9	6.1	−11.9	7.8	−5.5	−5.3	−5.3	5.0	−1.2	6.2
Employees (June 30)	2.969	3.005	5.199	5.223	2.227	2.270	1.076	1.069	1.383	1.527	653	653	–	–	13.507	13.747

IFRS/IAS accounting standards

KUKA Aktiengesellschaft, headquartered at Zugspitzstrasse 140, Augsburg, has prepared its consolidated interim financial statements for the period ending June 30, 2021 in line with IAS 34 “Interim Financial Reporting Guidelines” as adopted by the European Union. The method of condensed presentation permitted in IAS 34 was chosen. This means that the condensed consolidated interim financial statements are to be read in conjunction with the consolidated financial statements as at December 31, 2020. Unless stated to the contrary, all values are given in € millions.

The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) 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 315e para. 1 of the German Commercial Code (HGB) – were also applied.

KUKA Aktiengesellschaft is a 95% indirect subsidiary of Midea Group Co. Ltd., Foshan City, Guangdong Province, China. KUKA Aktiengesellschaft is incorporated in the consolidated financial statements of Midea Group Co. Ltd., Foshan City, Guangdong Province, China, which are available from the website www.cninfo.com.cn or directly on the website of Midea Group Co. Ltd. at https://www.midea-group.com/Investors/financial-reports.

The interim report has been neither audited by the auditors of the annual financial statements nor subjected to an auditor’s review.

Scope of consolidation

Compared with the end of fiscal 2020, the scope of consolidation decreased by one company overall due to the liquidation of a Spanish subsidiary, the merger of two German companies and the establishment of a new company in Indonesia. 98 companies are now fully consolidated in KUKA Group as at June 30, 2021 (December 31, 2020: 99 companies).

Accounting and valuation methods

This consolidated interim report essentially contains the same accounting and valuation methods as those used for the consolidated financial statements of fiscal 2020. Further information can be found in the consolidated financial statements as at December 31, 2020, also available on the Internet at www.kuka.com, which form the basis for these interim financial statements.

Tax expenses in the periods covered by the interim reports are determined – as in the previous year – in accordance with IAS 12 and IAS 34 on the basis of the currently expected tax rate for the full year. Future developments for the calculation of deferred tax assets were taken into account.

Changes in accounting and valuation methods and changes in estimates

At the beginning of fiscal 2021, a number of amendments to existing standards came into force which, either on their own or in combination with other standards, had no material effect on the presentation of the interim consolidated financial statements.

Furthermore, standards and interpretations that will only be mandatory in the coming financial years were not taken into account in the consolidated financial statements.

Sales revenues

In the first half of 2021, KUKA Group generated sales revenues amounting to €1,529.7 million (H1/20: €1,168.8 million). Revenues for performance obligations fulfilled over time accounted for €890.7 million (H1/20: €691.0 million). This includes construction contracts and also certain services. Generally, KUKA Group recognizes sales revenues as soon as a contractual obligation is fulfilled by transferring promised goods to or performing a service for a customer. The revenues are generated through the sale of products such as industrial robots, through construction contracts and also through mainly downstream services. With the sale of products and individual services, the performance obligation is usually satisfied at a specific point in time. In the reporting period, KUKA Group achieved revenues of €639.0 million related to obligation fulfillment at a point in time (H1/20: €477.8 million).

Overall, revenues increased significantly compared to the same period of the previous year, mainly due to the recovery of the economic situation after more than a year of the coronavirus crisis.

The presentation of sales revenues at segment level includes intra-Group sales, while only external revenues are shown at regional level. A breakdown of sales revenues recognized over time and at a point in time for the individual regions and business segments is provided in the following tables.

	H1/21				H1/20			
in € millions	Group	Europe/ Middle East/ Africa	Americas	Asia/ Australia	Group	Europe/ Middle East/ Africa	Americas	Asia/ Australia
Revenue recognized over a period of time	890.7	325.2	456.4	109.1	691.0	274.0	328.8	88.2
Revenue recognized at a point in time	639.0	340.1	78.3	220.6	477.8	298.2	70.4	109.2
Total	**1,529.7**	**665.3**	**534.7**	**329.7**	**1,168.8**	**572.2**	**399.2**	**197.4**

	H1/21							H1/20						
in € millions	Group	Systems	Robotics	Swisslog	Healthcare	China	Consoli-dation	Group	Systems	Robotics	Swisslog	Healthcare	China	Consoli-dation
Revenue recognized over a period of time	890.7	427.9	92.2	274.7	91.6	74.5	–70.2	691.0	268.8	64.2	258.7	97.3	48.5	–46.5
Revenue recognized at a point in time	639.0	34.2	385.6	24.1	7.3	187.8	0.0	477.8	23.1	343.6	20.0	9.2	84.5	–2.6
Total	**1,529.7**	**462.1**	**477.8**	**298.8**	**98.9**	**262.3**	**–70.2**	**1,168.8**	**291.9**	**407.8**	**278.7**	**106.5**	**133.0**	**–49.1**

Earnings per share

Undiluted earnings per share break down as follows:

in € millions	H1/20	H1/21
Net income for the year attributable to the shareholders of KUKA AG (in € millions)	–80.3	15.2
Weighted average number of shares outstanding (no. of shares)	39,775,470	39,775,470
Undiluted/diluted earnings per share (in €)	–2.02	0.38

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. As in the previous year, the weighted average number of shares in circulation in the first half-year 2021 was 39.8 million.

Equity

As at June 30, 2021, KUKA Aktiengesellschaft has a share capital of €–103,416,222.0 unchanged from the beginning of the fiscal year.

This is subdivided into €39,775,470 (June 30, 2020: €39,775,470) no-par-value bearer shares outstanding. Each share carries one vote.

IAS 19 Employee Benefits

Pension provisions are affected by changes in discount rates. This leads to actuarial gains and losses. The table below shows the development of discount rates applied by KUKA Group for countries with significant pension obligations:

in %	Dec. 31, 2020	H1/21
Germany	0.50	0.90
Switzerland	0.15	0.35
UK	1.40	1.90
Sweden	0.85	1.51
USA	2.20–2.25	2.55–2.74

Compared to the end of fiscal 2020, interest rates have risen significantly. In total, actuarial gains in the first half-year 2021 amounted to €20.3 million (H1/20: expenses of €8.5 million). The actuarial effects were reported under equity as an income-neutral sum of €16.7 million (H1/20: expenses of €7.4 million), taking deferred taxes into account.

€250 million promissory note loan

KUKA AG issued unsecured promissory note loan with a total volume of €250.0 million in two tranches on October 9, 2015. Tranche 1 has a volume of €142.5 million and was contractually repaid in October 2020; tranche 2 has a volume of €107.5 million and a term until October 2022. Interest payments are made at yearly intervals on October 9. Interest of €0.9 million (H1/20: €1.7 million) was deferred as at June 30, 2021.

USD 150 million promissory note loan

In order to finance the construction of a new manufacturing facility under the terms of a pay-on-production contract of KUKA Toledo Production Operations LLC (KTPO), Toledo, Ohio, USA, this company issued promissory note loan with a total volume of USD 150.0 million in 2018 in several maturity tranches, underwritten by KUKA AG: tranche 1 has a volume of USD 10 million, was due in August 2020 and was repaid by KTPO, tranche 2 has a volume of USD 90 million with a term until February 2022, and tranche 3 has a volume of USD 50 million with a term until August 2023. The interest rate of all three tranches is variable and based on the 3-month USD LIBOR rate plus a term-dependent margin. Interest payments are made quarterly.

€150 million subordinated financing facility

In June 2018, KUKA AG had entered into an agreement with Midea Electric Trading (Singapore) Company Pte. Ltd., Singapore, a wholly-owned subsidiary of Midea Group, on a financing facility of €150.0 million. The financing facility has a term that is based on the term of the syndicated loan agreement. Drawings under this financing facility can be made at any time and with terms of between one and twelve months. The terms and conditions correspond to the applicable margin for loan drawdowns under the syndicated loan agreement.

Midea Electric Trading (Singapore) Company Pte. Ltd. declared in a subordination agreement with the syndicate banks of KUKA AG's syndicated loan agreement that its receivables arising under this financing facility are deeply subordinated. The financing facility was undrawn as at the reporting date of June 30, 2021, as it was at June 30, 2020.

€150 million inter-company loan

In December 2019, KUKA AG had signed an inter-company loan agreement for the advance refinancing of the tranches of the existing promissory note loans due in August and October 2020 for a loan volume of €150.0 million with Midea International Corporation Company Limited, Hong Kong, a wholly-owned subsidiary of Midea Group.

At the same time, Midea International Corporation Company Limited declared in a subordination agreement with the banks of KUKA AG's syndicated loan agreement that its receivables arising from this loan agreement are deeply subordinated. The original term of the inter-company loan was 5½ years. The loan is due on June 20, 2025 and bears interest at 0.85% p.a.; interest payments are made every six months.

€520 million syndicated loan for KUKA Aktiengesellschaft

On February 1, 2018, KUKA AG had concluded a syndicated loan agreement with a consortium of banks for a volume of €520.0 million, which was amended on June 21, 2019 by way of an amendment and accession agreement. The agreement includes a surety and guarantee line (guaranteed credit line) in the amount of €260.0 million and a working capital line (cash line), which can also be used for sureties and guarantees, likewise in the amount of €260.0 million.

The initial term of the syndicated loan agreement was five years and contained two contractually agreed one-year extension options (5+1+1). Following the approval of all banks for the first agreed extension option in 2018 and the second one in 2019, the loan agreement now runs until February 1, 2025. The syndicated loan agreement was concluded on an unsecured basis and contains the customary equal treatment clauses and negative pledges, as well as financial covenants with regard to thresholds for leverage (net financial liabilities / EBIDTA) and interest coverage (EBITDA/net interest expense). As at June 30, 2021 the utilization of the guarantee facility and cash credit line from the syndicated loan agreement of KUKA AG amounted to a total of €308.0 million (H1/20: €218.9 million).

Guarantees from banks and surety companies

In addition to the guarantee lines and the cash facilities which can be used for guarantees under the syndicated loan agreement, as at June 30, 2021 there were further guarantee lines agreed bilaterally with banks and guarantee insurers with a total commitment volume of €170.4 million. The guarantee volume granted within these lines amounted to €66.9 million as at June 30, 2021 (H1/20: €37.8 million). In accordance with the terms of the syndicated loan agreement, KUKA can provide guarantees up to a total volume of €150.0 million outside of the group of syndicate banks.

Financial instruments measured at fair value

With regard to the recognition and measurement of financial instruments, please refer to the accounting principles and note 30 in the consolidated financial statements of KUKA AG as at December 31, 2020.

The following table shows the breakdown of the financial assets and liabilities measured at fair value:

June 30, 2021

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	–	5.2	19.3	24.5
Financial liabilities	–	8.7	–	8.7

January 1, 2021

in € millions	Level 1	Level 2	Level 3	Total
Financial assets	–	7.5	20.6	28.1
Financial liabilities	–	3.9	–	3.9

As at June 30, 2021, neither financial assets nor financial liabilities are allocated to level 1. The financial assets reported under level 2 mainly relate to forward exchange transactions carried as assets or liabilities. This level contains the securities of the Group and the coverage of fluctuations in the exchange rates of major currencies such as USD, CNY or CHF. The values were 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 were used for this calculation. Level 2 financial liabilities decreased whereas there was an increase in the corresponding financial assets. In the reporting period, as in the previous year, only financial assets were reported in level 3. This category includes shares of investments not traded on the market, current other assets and current interest receivables.

There has been no shift in the levels of financial assets or liabilities to date in fiscal 2021.

All other financial instruments existing in KUKA Group are reported at amortized cost, their fair values mainly corresponding to the carrying amounts.

Segment reporting

KUKA Group comprises the five business segments Systems, Robotics, Swisslog, Swisslog Healthcare and China as well as the Corporate Functions segment.

The KUKA Business Organization (KBO) segment structure was further optimized at the beginning of fiscal 2021. Certain Chinese companies were previously reported both in the China segment and in the Swisslog or Swisslog Healthcare segment. As of the current fiscal year, this double reporting no longer applies and the business activities of the Chinese companies are presented exclusively in the China segment. In addition, a Swisslog holding company is no longer reported in the Corporate Functions segment but in the Swisslog segment. This results in changes to some key figures in the individual segments and in the reconciliation to the Group, but has no effect on the Group's key performance indicators. The comparative figures for fiscal 2020 have been adjusted accordingly.

Among other things, the Systems segment provides customers with tailor-made solutions for automating production processes. The Robotics division supplies the core component for the automation of manufacturing processes: industrial robots including robot controllers, cells and software. Swisslog offers integrated automation solutions for forward-looking warehouses and distribution centers. Swisslog Healthcare develops and implements automation solutions for modern hospitals. The China segment comprises all business activities of the Chinese companies in the aforementioned business segments. The Corporate Functions segment mainly comprises KUKA AG and KUKA Real Estate GmbH & Co. KG.

As of January 1, 2020, KUKA Group intensified measures to optimize working capital, to focus on sales potential and to integrate business units acquired in the past, along with other measures. Management of the individual segments is controlled on the basis of key performance indicators adjusted for these measures. This has no impact on the Group figures, as there is an offsetting effect in the reconciliation column.

The main elements of segment reporting are contained in the management report as well as in the tables at the beginning of the notes to the half-yearly report.

Cash flow statement

In accordance with IAS 7, changes in KUKA Group's cash and cash equivalents are presented in the cash flow statement. Cash and cash equivalents include all liquid assets shown in the balance sheet (cash on hand, checks and credit balances) if they are available within three months. As at June 30, 2021, KUKA Group held only a very small amount of restricted cash. This is related to government funding for eligible development projects at a KUKA Group subsidiary.

Contingent liabilities and other financial commitments

Compared to the end of fiscal 2020, other financial commitments increased from €13.2 million to €17.8 million and purchase commitments from €40.9 million to €44.4 million.

Related party disclosures

In the first six months of the 2021 fiscal year, services to the value of €12.3 million were provided by related parties (H1 /20: €11.0 million), and services valued at €9.4 million were received by them (H1 /20: €4.9 million).

As at June 30, 2021, receivables amounted to €9.8 million (June 30, 2020: €17.4 million), while liabilities totaled €180.3 million (June 30, 2020: €153.0 million). While receivables decreased year-on-year, liabilities grew significantly. The liabilities include a loan from Midea Group amounting to €150.0 million. Detailed information on this can be found under the heading “€150 million inter-company loan”.

Events after the balance sheet date

KUKA Group sold its investment in Servotronix Motion Control Ltd., Petah Tikva, Israel. The total volume of the transaction was in the low double-digit million euro range.

Composition of the Supervisory Board

The Supervisory Board consists of the following members:

- Dr. Yanmin (Andy) Gu (Chairman of the Supervisory Board)
- Michael Leppek (Deputy Chairman of the Supervisory Board)
- Wilfried Eberhardt
- Lin (Avant) Bai (since February 26, 2021)
- Manfred Hüttenhofer
- Prof. Dr. Henning Kagermann
- Armin Kolb
- Carola Leitmeir
- Min (Francoise) Liu
- Dr. Myriam Meyer
- Tanja Smolenski
- Helmut Zodl
- Dr. Chengmao Xu (resigned as of January 17, 2021)

Responsibility statement

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

Augsburg, August 5, 2021

The Executive Board

Peter Mohnen Alexander Tan

Financial calendar 2021

Quarterly Statement Q3 /21	October 28, 2021

This interim report was published on August 5, 2021 and is available in German and English on KUKA Aktiengesellschaft's website. The German version is legally binding in cases of doubt. The interim report contains forward-looking statements on expected developments. These statements are based on current assessments and are naturally subject to risks and uncertainties. Actual results may differ from these statements. The key performance indicators contained in the document have been rounded in accordance with standard commercial practice. In individual cases, it is therefore possible that figures in this report do not add up exactly to the total stated and that percentages do not precisely correspond to the values indicated.

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