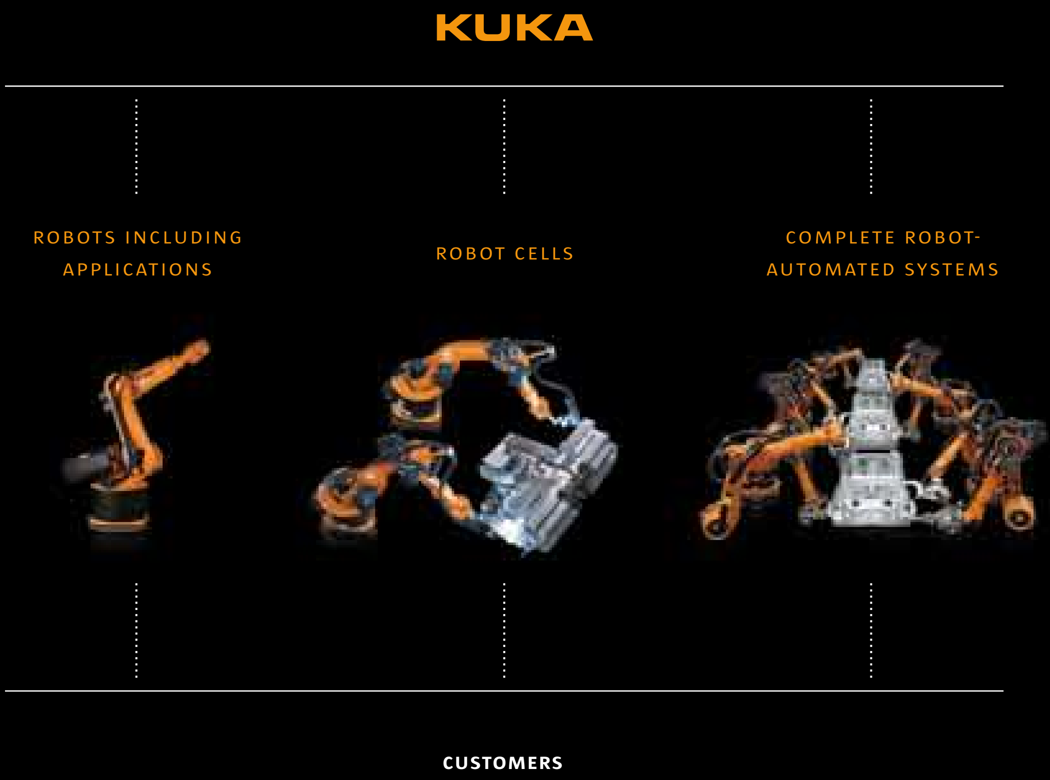
KUKA

ANNUAL REPORT 2008

AUTOMATION MOBILIZES

Integrated Business Model



Automation mobilizes

KUKA automates manufacturing processes. Using KUKA robots as a core component, we develop and market stand-alone machines, robot cells and entire robotic systems that help our customers achieve superior product quality and improve plant productivity.

Our customer focus and innovation strength have made us the technology leader in our markets. Our aim is to continue to grow profitably and enhance the value of the company, particularly in existing and emerging general industry markets such as solar and aircraft, as well as the medical systems, logistics, metals and plastics sectors.

Key figures 5-year overview*

KUKA GROUP		2004	2005	2006	2007	2008
Orders received	in € millions	1,149.4	1,090.2	1,186.4	1,343.8	1,279.9
Sales revenues	in € millions	1,111.1	1,051.1	1,164.6	1,286.4	1,266.1
EBIT	in € millions	77.7	– 53.4	16.7	70.4	52.0
% of sales	%	7.0	– 5.1	1.4	5.5	4.1
% of capital employed (ROCE)	%	25.2	– 21.9	8.1	41.6	21.5
Capital employed	in € millions	308.2	243.7	205.2	169.4	242.3
Employees (Dec. 31)		5,443	5,463	5,580	5,732	6,171

ROBOTICS DIVISION		2004	2005	2006	2007	2008
Orders received	in € millions	385.3	338.4	382.3	434.9	464.4
Sales revenues	in € millions	420.5	323.6	373.3	412.9	474.4
EBIT	in € millions	43.9	– 22.8	22.4	33.6	42.0
% of sales	%	10.4	– 7.0	6.0	8.1	8.9
% of capital employed (ROCE)	%	38.6	– 22.1	24.3	34.6	37.2
Capital employed	in € millions	113.6	103.3	92.2	97.1	112.9
Employees (Dec. 31)		2,044	1,936	1,838	2,023	2,261

SYSTEMS DIVISION		2004	2005	2006	2007	2008
Orders received	in € millions	780.4	778.2	847.8	937.7	854.9
Sales revenues	in € millions	715.9	791.2	832.8	900.0	837.5
EBIT	in € millions	35.1	– 14.4	10.0	37.2	26.8
% of sales	%	4.9	– 1.8	1.2	4.1	3.2
% of capital employed (ROCE)	%	21.0	– 9.7	9.9	51.0	20.2
Capital employed	in € millions	167.1	148.7	101.0	73.0	132.7
Employees (Dec. 31)		3,275	3,422	3,620	3,582	3,781

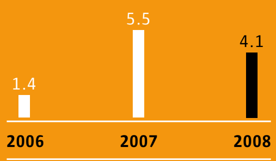
* Prior years were adjusted for comparison purposes.

THE KEY FIGURES FOR THE 10-YEAR OVERVIEW ARE ON THE BACK OF THE ENVELOPE.

Financial highlights

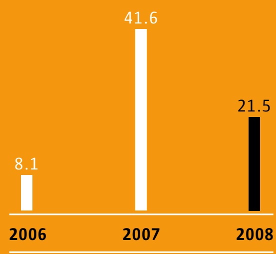
EBIT MARGIN

(in %)



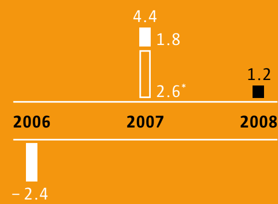
ROCE

(in %)



EARNINGS PER SHARE

(in €)



* Result from discontinued operations

KUKA around the world

EUROPE

Belgium
Germany
France
Great Britain
Italy
Norway
Austria
Portugal
Russia
Sweden
Switzerland
Slovakia
Spain
Czech Republic
Hungary

NORTH / SOUTH AMERICA

Argentina
Brazil
Chile
Canada
Mexico
USA

ASIA / OCEANIA

Australia
China
India
Japan
Malaysia
New Zealand
South Korea
Taiwan
Thailand

AFRICA

South Africa

04

30

76

DIVISIONS

100

GROUP FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

ENVELOPE:

DR. HORST J. KAYSER
CEO, LABOR DIRECTOR

Dear Shareholders,

Fiscal 2008 was a year of extraordinary market changes for KUKA Aktiengesellschaft, as it was for all companies. The worldwide financial crisis caused people to lose much faith in the viability of the markets, and impacted our orders received already in the second half year. In spite of this, my predecessor, former CEO Gerhard Wiedemann, was able to turn over a company to me on October 1, 2008, which, on account of its successful focus on robot-based automation, is well positioned to bridge an economic downturn.

As an industrial engineer with many years of international experience in leading positions at Siemens, I am very familiar with KUKA. The KUKA brand stands for innovation and top performance in the fields of robotics and plant engineering. I was thus very pleased to heed the call of the company. In the past few months, I have been able to personally confirm that this company with its two core business areas, Robotics and Systems, has an outstanding competitive market position. The strategic focus on general industry growth, founded on a strong position in the automotive industry, is an excellent basis for further development of the company. I am pleased to have this opportunity to apply my management experience and commit all of my energy, together with my Executive Board colleague Dr. Matthias J. Rapp, who is in charge of finances and controlling, to secure the long-term competitiveness of the Group and to steadily improve KUKA Aktiengesellschaft's shareholder value.

The dark clouds that have appeared on the world economy's horizon should not distract anyone: KUKA is strategically on the right track. Although the worldwide economic crisis has resulted in a slump in orders received in the North American and European automotive sector, the like of which have not been seen for almost 20 years, governments have reacted swiftly and decisively to counter this extraordinary situation. Government rescue packages to stabilize the financial markets and the shift in demand will continue to strengthen the trend toward cheaper vehicles that use less fuel. The automotive industry can best respond to this changed demand by investing in new, robot-based manufacturing lines so that it can introduce appropriate vehicles to the market.

At the same time, we see a huge potential for sales of our products and systems in general industry. Thanks to our product policy of combining top user benefits and efficiency, KUKA solutions are increasingly being used in sectors such as medical technology, food and plastics, as well as the aircraft and solar industries. Here too, the business case for replacing present expensive manual and partly automated manufacturing processes with robot-based automation is becoming increasingly clear.

Once again in 2008, our Robotics division grew faster than the market. Orders received from general industry climbed 24 percent. Despite the economic crisis, the Systems division was also able to land important reference-worthy international solar and aircraft industry orders. Overall, the KUKA Group's orders received and sales revenues were on the level respectively slightly higher than at the same time a year earlier when the non-operative effects of the prior year are excluded. But we had to contend with a significantly lower operating profit (EBIT) because of a one-time charge resulting from the cancellation of a major systems order for a North American automotive supplier. Without this one-time charge, return on sales would have been 5.7 percent, higher than the target margin of 5.5 percent. At the same time, the KUKA Group's solid balance sheet – with an equity ratio of about 25 percent and low debt – provides a stable business base for coping with the economic bottom that lies ahead of us.

The Group's capacity utilization is secured thanks to the high order backlog; currently through to mid-2009. Nevertheless, no one can predict how the world economic crisis will evolve – whether the economy will continue to deteriorate or whether we have already passed the peak of the crisis. Since we have to assume that the automotive industry will continue to hold back on capital spending for some time because of its current sales problems, we will accelerate our efforts to expand our general industry business. In addition, we are targeting further growth in the United States and Asia, based on our strong market position in Europe. Our technology leadership position in the field of robot-based automation opens doors for us in many regions and industries. What is important now is to secure the Group's profitability during this economic downturn. This will be supported by numerous contributing factors, not least of which is our integrated business model. We will intensify the collaboration between the two business divisions in areas such as research and development, as well as purchasing and sales, in order to tap into synergies and strengthen our operating business units' ability to compete.

The year 2009 will be a challenging one for the KUKA Group and its employees. We will face and deal with these challenges head-on. After all, KUKA has many highly qualified and motivated employees, who commit their expertise and ideas toward achieving our goals. I am therefore confident that we will soon be able to once again report more positive news to our shareholders, investors, employees and business partners. We will use the economic headwind to further expand our market potential. Team spirit will decide: One KUKA – We are KUKA.

Sincerely,

Dr. Horst J. Kayser
CEO

DR. HORST J. KAYSER
CEO

On October 1, 2008, Dr. Horst J. Kayser (48) took over as CEO of KUKA Aktiengesellschaft. After completing his industrial engineering degree (electrical) at the Technical University of Darmstadt and receiving a Master of Public Administration (MPA) from Harvard University, he earned a doctorate (Dr. rer. pol.) at the University of Mannheim. From 1989 to 1995, Dr. Kayser worked as a management consultant at McKinsey & Company in Frankfurt / Main and Canada. He then worked for 13 years at the Siemens Group, where he held various management positions. He started as a management consultant and head of the Industrial Automation Systems division, and later became President / CEO of Siemens South Korea and Chief Strategy Officer of Siemens AG in Munich. Dr. Horst J. Kayser is married and has three children.

DR. MATTHIAS J. RAPP
CFO

Dr. Matthias J. Rapp (42) has been a member of the Executive Board of KUKA Aktiengesellschaft since July 1, 2008 and is in charge of finance and controlling. He was formerly the CFO of KUKA Systems GmbH. Dr. Rapp studied economics at the Otto Beisheim School of Management (WHU) in Koblenz, the Manchester Business School and ESC Lyon. He earned his doctorate at WHU in 1995. He then worked as a management consultant for the Boston Consulting Group GmbH & Partners in Düsseldorf. From 1997 to 2002, Dr. Rapp was the Director of Corporate Development at LURGI AG and CFO of LURGI Life Sciences GmbH, as well as Chief Financial Officer of Merz KGaA and Merz Pharma KGaA from 2003 to 2006. Dr. Matthias J. Rapp is married and has three children.

DR. ROLF BARTKE
CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Rolf Bartke, born in 1947, is Chairman of the Supervisory Board of KUKA Aktiengesellschaft. After studying economics and graduating as an industrial engineer, he earned a doctorate (Dr. rer. pol.) and held a number of leading positions in the Daimler Group. From 1995 to 2006, he headed up the Mercedes-Benz vans business unit. Dr. Rolf Bartke is married and has a son.

SUPERVISORY BOARD REPORT

In spite of the worldwide economic slump, the financial year just ended was an important one for the KUKA Group, and looking back, was largely successful. The Group went into the 2008 financial year with confidence and ambitious goals. Observers appreciated KUKA's successful restructuring and its new focus on the Robotics and Systems business, with both divisions strengthening their general industry activities. In 2008, KUKA received several awards for its innovation strength.

Over the course of the year, the financial market crisis worsened. This caused the economic setback to turn into a recession, which has especially impacted the automotive industry. Carmakers will thus continue to prioritize introducing new, more fuel-efficient and environmentally friendly vehicle models to the market. However, in the short term, there is a risk of declining demand as a result of postponements and isolated cutbacks in orders. Despite the fact that KUKA's revenues from the aircraft and solar industries, medical technologies and logistics, as well as metals and plastics industries have continuously risen in the past number of years, and although these businesses are being steadily expanded, the Group still receives a large number of its orders from automotive customers.

During the financial year, the Supervisory Board was strongly involved in the corporation's business activities and consulted with the Executive Board, which it supervised in the interests of shareholders and employees. It met regularly with the Executive Board to examine in detail the company's business situation and financial position. Among other things, it received periodic reports on the Group's key figures (e. g., orders received, sales, order backlog, EBIT, return on capital employed). The Executive Board's reports to the Supervisory Board were related to essential issues concerning corporate planning, such as financing, capital spending and personnel budgets. The Supervisory Board asked for detailed explanations of any disagreement between the business results and the plans and targets, as well as the budgets. The Supervisory Board then reviewed the submitted documents and analyzed the discrepancies. In addition, the Executive Board reported to the Supervisory Board periodically with regard to the operational situation and the strategic direction and associated outlook. Risk and compliance management were included as part of the regular reporting. The Supervisory Board was continuously involved in decisions of material importance and, for particularly important or urgent issues, also met outside the normal schedule. When necessary, it handed down decisions through written correspondence. Executive Board members had no conflicts of interests during the reporting period.

The Executive Board complied with the Supervisory Board's standard rules of procedure, which stipulate that certain transactions require its prior approval. The Supervisory Board's tasks included evaluating the propriety, legality and efficiency of the Executive Board's corporate management activities.

The Chairman of the Supervisory Board remained in close contact with the Executive Board, particularly the CEO, so that he could stay informed about important corporate developments and pending decisions and be in a position to support the Executive Board in its deliberations. The heads of the Supervisory and Executive Boards also consulted regularly with one another outside the scheduled meetings of the Supervisory Board.

ELECTION OF THE SUPERVISORY BOARD

The term of office of all Supervisory Board members ended at the close of the Annual General Meeting of KUKA Aktiengesellschaft on May 15, 2008. The shareholders present at the Annual General Meeting were asked to elect new shareholder representatives to sit on the board. They chose Mr. Helmut Gierse from Nuremberg as their new representative on the panel. Mr. Helmut Gierse succeeded Prof. Gerd Hirzinger, Dr.-Ing., whose term on the advisory board ended with the adjournment of the Annual General Meeting. Dr. Rolf Bartke, Dr. Reiner Beutel, Mr. Pepyn René Dinandt, Dr. Helmut Leube and Dr. Herbert Meyer were reelected to the Supervisory Board.

At the May 15, 2008 constituent meeting of the Supervisory Board, which had been newly elected for a five-year term, Dr. Rolf Bartke was reelected as Chairman of the advisory panel. Dr. Bartke has held this position since 2005. Dr. Herbert Meyer was chosen as the Chairman of the Audit Committee and Dr. Bartke was elected Chairman of both the Personnel and Nomination Committees. As per article 27 (3) of the German Act on Company Co-Determination, Dr. Bartke also assumes the chairmanship of the Arbitration Panel.

In October 2007, a voting procedure was introduced for electing employee representatives to the Supervisory Board. Their term of office also started immediately after the Annual General Meeting on May 15, 2008. Jürgen Kerner, Wilfried Eberhardt, Siegfried Greulich, Thomas Knabel, Walter Prues and Fritz Seifert were elected to the Supervisory Board as employee representatives. Mr. Jürgen Kerner was elected as deputy chairman of the Supervisory Board.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES DURING THE REPORTING PERIOD

The following committees were established by the Supervisory Board: a Personnel Committee, an Audit Committee and an Arbitration Panel in accordance with article 27 (3) of the Mitbestimmungsgesetz (German Act on Company Co-Determination). A Nomination Committee as per Section 5.3.2, clause 2 of the Corporate Governance Code (CGC), June 14, 2007 version, was also formed.

During the 2008 financial year, the Supervisory Board held five regular meetings and one extraordinary meeting.

The March 18, 2008 sitting dealt with KUKA Aktiengesellschaft's and the KUKA Group's financial results for 2007 and the resolutions for the May 15, 2008 Annual General Meeting. Along with the resolution on the agenda for the Annual General Meeting, a decision was also made on the Nomination Committee's recommendations regarding Supervisory Board candidates for shareholder representation. At the same meeting, the Supervisory Board dealt with a progress report on the Robotics and Systems divisions' strategies.

At the May 15, 2008 meeting, immediately prior to the Annual General Meeting, the agenda items included the preparation for the Annual General Meeting and a report on the Group's business development. The Supervisory Board adopted a resolution on the appropriation of the net retained earnings.

The Supervisory Board meeting immediately after the Annual General Meeting on May 15, 2008 was held to discuss the results of the shareholder meeting, election of the Chairman of the Supervisory Board, election of the deputy chairman of the Supervisory Board, election of the members of the committees and scheduling of the meetings of the Supervisory Board, whose new members were meeting for the first time at this sitting. The meeting also dealt with Executive Board issues.

The Supervisory Board met on June 9, 2008 for an extraordinary meeting. It resolved to appoint Dr. Horst J. Kayser as CEO and member of the Executive Board effective October 1, 2008, and Dr. Matthias J. Rapp as member of the Executive Board responsible for finance and controlling effective July 1, 2008.

At the next Supervisory Board meeting on September 26, 2008, the strategy of the divisions and management projects regarding development of the Group were discussed. The Supervisory Board also conducted a review of the Supervisory Board's effectiveness in accordance with Section 5.6 of the CGC, with positive results; see also the Corporate Governance Report. In addition, the Supervisory Board resolved to commission the University of Witten / Herdecke to assist with the effectiveness review of the Board; (see also the Corporate Governance Report). The Supervisory Board listened to a presentation on the concept of employee participation and management succession planning at the meeting. The Executive Board informed the members about KUKA AG's organizational concept, which aims to centralize top-level, administrative and business support functions.

The Supervisory Board held its last regular meeting of 2008 on December 9, 2008. It discussed the budget for 2009 as well as the mid-term plan to 2011. In addition, the Supervisory Board was informed about the status of the implementation of the KUKA Group's management organization, as well as the employee share purchase concept.

All members of the Supervisory Board participated in over half of the Supervisory Board meetings in 2008 (Section 5.4.8 of the CGC). Further details regarding corporate governance are included in the Corporate Governance Report, which forms part of the Annual Report.

The Personnel Committee, consisting of a chair, a deputy and one employee and employer representative each met six times in 2008 and dealt with preparing the Executive Board and its contractual issues in accordance with regulations. The Personnel Committee discussed the key issues relating to changes at the Executive Board level during the reporting period. The chair informed the members of the Supervisory Board about the agenda items and decisions.

The Audit Committee, consisting of a chair, a deputy and one employee and employer representative each met once to discuss annual financial statements related topics plus six additional times. The topics of discussion included preparation for the respective quarterly reports and the risk and compliance management reports for the Group's companies. The Audit Committee intensively supported the Supervisory and Executive Boards' tasks and provided the panel with important information to prepare it for making its decisions.

The committee described in article 27, clause 3 of the German Co-determination Act did not meet.

The Nomination Committee as per Section 5.3.3 of the CGC held a meeting to prepare for the Supervisory Board's resolution regarding the recommended candidates for the Supervisory Board shareholder representatives.

EXECUTIVE BOARD MEMBERS NOMINATED

In view of the pending generational transition at the executive management level of the Group, KUKA AG's Supervisory Board met on June 9, 2008 and appointed Dr. Horst J. Kayser CEO and Labor Director of KUKA AG effective October 1, 2008.

After successfully serving KUKA for more than 30 years, Mr. Gerhard Wiedemann, CEO and Labor Director of the company decided not to extend his contract beyond March 31, 2009 related to age. He resigned as CEO and member of the Executive Board effective the close of September 30, 2008. He will continue to work with the Executive Board in a consulting capacity until March 31, 2009.

The Supervisory Board has also appointed Dr. Matthias J. Rapp to the Executive Board and named him Chief Financial Officer effective July 1, 2008.

Dr. Jürgen Koch, member of the Executive Board responsible for finance and controlling had already declared in December 2007 that he will not be available for another period any longer for personal reasons. He resigned in June 30, 2008 and left the company on that date.

NEW MANAGEMENT ORGANIZATION FOR THE KUKA GROUP

The KUKA Group conducts business in an economic environment that is becoming increasingly difficult. In order to further expand its flexible robot-based automation solutions business, the Executive Board, with approval from the Supervisory Board, decided to restructure the KUKA Group's management organization effective January 1, 2009. The Executive Board will from now on consist of the CEO and the CFO. The chairmen of the management boards of the management companies KUKA Roboter GmbH and KUKA Systems GmbH, Mr. Bernd Liepert and Dr. Stefan Söhn respectively were named chairmen of the divisions and will be part of the management team together with the Executive Board. In conjunction with the restructuring of the management organization, Mr. Bernd Liepert resigned from his position as Executive Board member of KUKA AG. Mr. Liepert left the company on February 4, 2009.

INDEPENDENCE AND DECLARATION OF COMPLIANCE

The Supervisory Board members complied with and continue to comply with the arms-length provisions outlined in Section 5.4.2 of the Corporate Governance Code. No conflicts of interest as defined in Section 5.5 of the Corporate Governance Code arose during the reporting period. The Supervisory Board and the Executive Board submitted identical declarations of compliance in accordance with article 161 of the German Stock Corporation Act. The annual declarations were made on February 23, 2009 by the Executive Board and on February 24, 2009 by the Supervisory Board.

WORK WITH THE AUDITORS

The annual financial statements and management report of KUKA Aktiengesellschaft as of December 31, 2008, as well as the consolidated annual financial statements and Group management report as of December 31, 2008, including the bookkeeping, were audited by auditors PricewaterhouseCoopers AG (PWC), Wirtschaftsprüfungsgesellschaft, Frankfurt / Main, who issued an unqualified audit opinion on them. The KUKA Group's risk management system was also audited, as required by law. The KUKA Group's midyear report dated June 30, 2008 was also audited. KUKA Aktiengesellschaft's consolidated statements were prepared in accordance with article 315a of the German Commercial Code (HGB) based on the International Accounting Standards IFRS as adopted by the European Union.

The Audit Committee appointed the external auditors as per the resolution at the Annual General Meeting of May 15, 2008. Prior to appointing the auditors of the financial statements of the company and the Group, the Chairman of the Audit Committee and the Chairman of the Supervisory Board conducted an in-depth review with the auditors regarding audit issues, scope and fees. Furthermore, the Audit Committee obtained the arm's-length declaration of the auditor in accordance with Section 7.2.1 of the CGC and monitored the independence of the auditor. The committee also dealt with contracts with the auditor for services that did not relate to the audit itself. Each year the audit prioritizes a different set of key topics. The key issues agreed with the auditor for the fiscal 2008 review included capitalization of development costs. The auditor had no major objections on these items. In December 2008, the auditor gave the Audit Committee Chairman a detailed explanation of the preliminary audit results. The auditor also immediately reported any findings that arose during the course of the audit that were material to the Supervisory Board's work.

Because they had been contracted to review the June 30, 2008 midyear financial report, the auditors attended the August 4, 2008 Audit Committee meeting.

In a joint meeting with the auditor on March 9, 2009, the Audit Committee reviewed the two Annual Reports, taking into consideration the auditor's reports. The highlights of the Annual Report were presented to the panel by the Executive Board and the auditor. The questions posed by the Audit Committee members were answered, the documentation relating to the financial statements were reviewed, discussed and checked in detail with the auditor and the audit reports were discussed in depth with the auditor. The Audit Committee reported to the Supervisory Board on the results of its meeting and its review during the board's meeting on March 10, 2009 and recommended that the board approve KUKA Aktiengesellschaft's annual financial statements and the KUKA Group's consolidated annual financial statements.

The Supervisory Board also reviewed the draft annual financial statements submitted by the Executive Board. The audit reports provided by PricewaterhouseCoopers were made available to all members of the Supervisory Board. The auditor took part in the Supervisory Board meeting on March 10, 2009 regarding the annual financial statements in order to report on material findings in the audit and to provide additional information.

ANNUAL FINANCIAL STATEMENTS FOR 2008 ADOPTED

After completing its own review, and with full knowledge and consideration of the Audit Committee report, the auditor's reports and the explanations provided in the meeting of March 10, 2009, the Supervisory Board raises no objections to the results and concurs with the auditor's findings. In the opinion of the Supervisory Board, the auditor's reports comply with the legal requirements stipulated in articles 317 and 321 of the German Commercial Code (HGB).

The Supervisory Board is satisfied with the completeness of the management report of the KUKA AG and the KUKA Group. The assessments made by the Executive Board in the management report and the Group management report are in agreement with its reports to the Supervisory Board, and the statements made in the two reports are also in agreement with the Supervisory Board's own evaluations. At the conclusion of its review, the Supervisory Board found no cause to raise objections to the management report and the Group management report.

At its financial statements meeting on March 10, 2009, the Supervisory Board approved the management report and annual financial statements prepared by the Executive Board for the 2008 financial year, including the executive compensation report and the explanatory report by the Executive Board of KUKA Aktiengesellschaft regarding the information as per articles 289, para. 4 and 315, para. 4 of the German Commercial Code (HGB), which form part of the management report and the Group management report. Thus the annual financial statements are adopted.

The Supervisory Board likewise approves the consolidated annual financial statements and the Group management report of KUKA Aktiengesellschaft for the year 2008 prepared by the Executive Board.

Furthermore, at its meeting on March 10, 2009, the Supervisory Board reviewed the recommendations of the Executive Board regarding allocation of the net profit. In doing so, the board paid particular attention to the company's liquidity situation, financing and capital spending plans and the perspective of the capital markets. In consideration of the latter aspects, the Supervisory Board concurs with the Executive Board regarding allocation of the net profit for the year.

THANKS TO THE STAFF

The challenges of the year 2008 were only overcome as a result of the strong commitment in all areas of the company. The Supervisory Board would like to thank all employees, members of the Executive Board, the management teams and the elected employee representatives for their efforts. Their achievements serve the interests of the company, its customers and shareholders.

Augsburg, March 10, 2009
The Supervisory Board

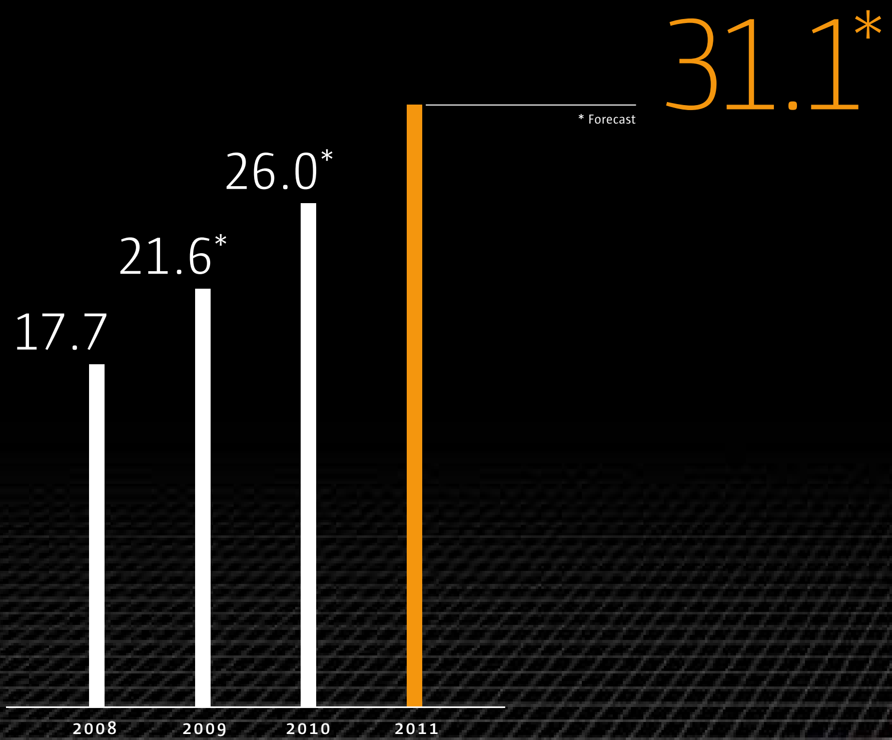
Dr. Rolf Bartke
Chairman

KUI XU, CFO, KUKA FLEXIBLE MANUFACTURING SYSTEM (SHANGHAI / CHINA)

"In Asia, more and more customers are placing their trust in the high quality of our automation products and systems. Our local presence combined with a network of global know-how give us true competitive advantages."

"Our solutions are always aimed at meeting the local needs and requirements of our customers. Our standard: top quality for the best manufacturing solution."

CARS REGISTERED IN CHINA PER 1,000 POPULATION



Source: Snapshots International Ltd. Economist Intelligence Unit

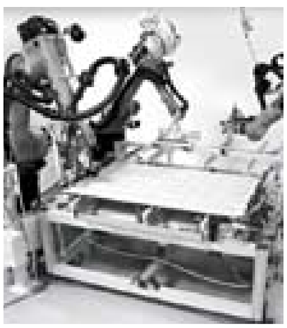
STRATEGIC FOCUS ON GENERAL INDUSTRY

The KUKA brand stands for innovative technology in robot-supported automation of industrial manufacturing processes. In the automotive sector, KUKA has been the technology leader in its target markets for many years. Some time ago, we started transferring this knowledge very successfully to related markets outside the car industry (general industry). In view of the increasing economic difficulties, we will now accelerate this process. Robot-based automation is increasingly replacing manual or less flexible automated manufacturing processes in general industry. KUKA's integrated business model combines the core component of industrial robotics with application engineering and offers it from a single source. The concept is unique and has potential synergies. The aim of the new management team is to systematically improve shareholder value.

GROWTH OPPORTUNITIES IN THE AMERICAS AND ASIA

In Europe, KUKA is not only the technology leader when it comes to robotics and plant engineering, but also has the largest market share. As a result, the industrial regions of the Americas and Asia present good growth opportunities, particularly in general industry. The launch pad for this regional expansion is the strong market position of KUKA Systems in North America and Brazil, as well as in China and India. All of these regions represent the largest local markets. At the same time, the reputation of the KUKA brand in the automobile industry serves as a "door opener" for general industry. This applies equally to Robotics and Systems.

The Robotics division's primary target markets in the Americas and Asia are the plastics and food sectors, metals machining and processing and logistics. The Robotics division was particularly successful in 2008 in expanding its general industry business, reporting double-digit growth for orders received. They were 24.4 percent higher year-over-year.



Solar module cross connect station.

REFERENCE INSTALLATIONS FOR THE AIRCRAFT AND SOLAR INDUSTRIES

Systems is in the process of establishing itself as a strategic aircraft industry supplier. Among its customers are Airbus, Boeing and Embraer in Brazil, the world's third-largest aircraft manufacturing market. The division is especially focusing on the coming introduction of the new carbon fiber composite materials (CFRP). It has already won an order that will serve as a reference installation by supplying a cooperating robot system to assemble CFRP parts for Boeing's new "Dreamliner 787". Systems also delivered several robot-based systems for manufacturing photovoltaic modules to the North American solar industry (Evergreen Solar) in 2008. These solar sector activities will be further expanded in the coming years, and wafer and cell assembly lines will be added to the systems portfolio. The Systems division is also the market leader for car body assembly lines and operates a body-in-white production line for the Jeep Wrangler in Toledo, Ohio. The pay-on-production contract is unique in North America and serves as a showroom for visiting specialists, including those from general industry.

TAKING ADVANTAGE OF THE GLOBAL SHIFT IN THE AUTOMOTIVE INDUSTRY

The global automobile industry is facing a structural shift. As a result of the 2008 economic recession, sales of high horsepower and full-size vehicles have declined sharply in the developed industrial regions of North America and Europe for the first time. At the same time, governments are providing the necessary financial support to accelerate the market launch of fuel-efficient and environmentally friendly engines and vehicles, particularly the US administration. The current reluctance of major carmakers to invest in new vehicle models and manufacturing systems may therefore be alleviated in the not-too-distant future. Each new car model requires a revamp of the vehicle's chassis. This is supported by the normal product lifecycle, whereby the ability to sell older models continuously declines.

In parallel, a migration of carmaking manufacturing facilities from the developed industrial nations of Europe and North America to emerging countries, particularly the BRIC countries (Brazil, Russia, India and China) is taking place. In these regions, mobility through motorized vehicles is in its infancy. As a result, growth in demand for vehicles and the investments of international carmakers in manufacturing facilities in these countries could be far stronger than that of the world market. Because of low wage costs, local manufacturers also benefit from this trend, which is further supported by increasing exports of low-cost vehicles to the developed industrial regions. However, Europe's and North America's high quality and safety standards make exporting vehicles from the BRIC countries to these regions unlikely to succeed without the use of robot-based manufacturing equipment.

GLOBAL PRESENCE CAN MITIGATE MARKET SWINGS

KUKA has had successful business relationships with all European and North American carmakers for many years. Furthermore, KUKA has been a solid business partner with a strong market position in the BRIC nations (excluding India) for almost 20 years. Over the past two years, KUKA was able to close this gap in India by landing large orders from TATA and a number of other national manufacturers, as well as VW in Pune. Due to this broad-based global presence, KUKA could compensate capital spending fluctuations and structural shifts in the automotive industries of the developed industrial regions of Europe and North America into the emerging countries.

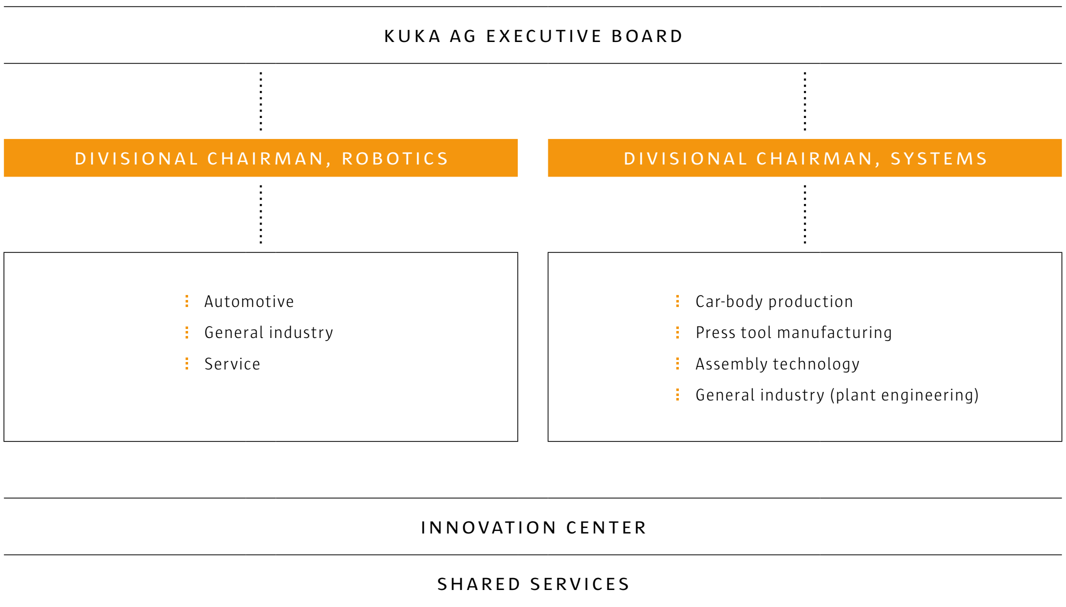
INTEGRATED BUSINESS MODEL CREATES SYNERGIES

To secure the core automotive industry business and accelerate the expansion into general industry, particularly in the American and Asian growth markets, the Robotics and Systems divisions will intensify their collaboration under the umbrella of the integrated KUKA business model.

Since January 1, 2009, the company has been led by KUKA AG's two-person Executive Board and two divisional heads, who are responsible for the business operations of KUKA Roboter GmbH and KUKA Systems GmbH. KUKA AG's Executive Board establishes the strategies for the domestic and foreign markets and is responsible for the overall operational management of the company, as well as Group issues. KUKA Roboter GmbH and KUKA Systems GmbH are the management companies of the Robotics and Systems divisions. Regional subsidiaries in 25 countries support the divisions worldwide. These branch offices are responsible for selling their products and services and doing the local assembly and field service work.

KUKA's integrated business model has three goals. From a market perspective, closer cooperation between the Robotics and Systems divisions' key account managers should generate more synergies in selling to the automotive industry. In the research and development area, the number of projects that are jointly brought to market readiness at the Innovation Center is steadily increasing. Furthermore, the divisions will be relieved of common tasks such as accounting, payroll, information technology, marketing and legal issues. These will be bundled centrally at KUKA AG's Shared Service Centers in Augsburg. The goal of all these steps is to increase the synergies within the KUKA Group through more intense cooperation, develop standardized processes, strengthen the divisions in view of the deteriorating economic climate and concentrate the core competencies to the benefit of both divisions.

KUKA'S INTEGRATED BUSINESS MODEL



SUSTAINABLE BUSINESS

KUKA automates manufacturing processes and helps its customers improve productivity and product quality. We support our customers by being responsible partners. We aim to secure the long-term future of our company, its employees and their families and acknowledge our responsibility toward the community and the environment. One of our objectives is therefore to use sustainable processes to provide our products and services and to minimize our utilization of the earth's natural resources. A concrete example: year after year, we have been using less and less electricity to manufacture new robots. We use lifecycle costing when we design our plant assembly systems; for example, the energy consumed by a car body assembly system is part of the design optimization calculation. In 2008, we continued to act in accordance with these policies and expanded them further. At KUKA, sustainability applies to three areas: the environment, our employees and the community.

INTEGRATED QUALITY AND ECOLOGICAL MANAGEMENT

At KUKA, we systematically plan and continuously improve our products and processes. In addition to maintaining product-specific certification, the Group is certified according to the following management processes, which are audited annually by independent experts and must be renewed every three years:

- ISO 9001 Quality
- ISO 14 001 Environment
- EN 9100 Aircraft
- VDA 6.4 Automotive
- ISO 3834 Specialized welding operation
- OHRIS Work safety

Our environmental management objective is to continuously improve the environmental soundness of our operations, over and above compliance with regulating authority specifications. This includes:

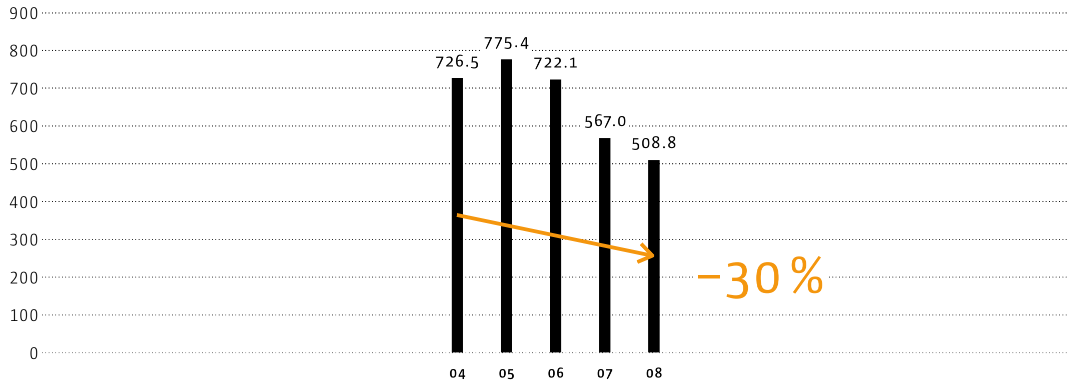
- designing all products and systems in an environmentally sound manner
- optimizing our utilization of power and water resources
- reducing waste and increasing the use of recycled materials
- optimizing the work and environmental conditions in the factories

ELECTRICITY CONSUMPTION CUT BY 30 PERCENT IN FIVE YEARS

The number of robots produced centrally by KUKA Robotics in Augsburg between 2004 in 2008 increased by about 50 percent, while electricity consumption, the main energy source used in manufacturing, stayed nearly constant over the same period. Among other things, this is a result of the continually shorter factory assembly times, which were reduced by more than 15 days. At the same time, checking and testing takes only one hour per robot, versus the former 36 hours. Some structural changes to the production halls and new assembly processes, which also contributed to the energy savings program, started to bear fruit in August 2008. Average electricity consumption per manufactured robot has declined accordingly in the past five years, going from 726.5 KWh in 2004 to 508.8 KWh in 2008. This corresponds to electricity savings of 30 percent in five years, or an average 8 percent per year.

ELECTRICITY CONSUMPTION PER MANUFACTURED ROBOT

(in KWh)



LIFECYCLE COSTS SUPPORT ENVIRONMENTALLY SOUND PLANT ASSEMBLY SYSTEMS

Environmentally sound manufacturing lines offer users considerable benefits over many years of operation. This is why KUKA Systems takes into account not only the purchasing costs, but also the operating and maintenance costs over the service life of a manufacturing line, right from the design stage. We look at a design life of ten years and more. In the automotive sector, operating costs are beginning to take center stage. Plant and engineering companies offering technologies to meet these needs will enjoy lasting success in this industry. Lifecycle costs contribute to improved efficiencies and provide customers with an excellent basis for considering reduced energy costs and lower materials consumption when they make their purchase decision.

KUKA ROBOTS AGAIN AWARDED THE "RED DOT DESIGN" PRIZE

A fundamental design criterion for KUKA robots is to conserve resources. All KUKA robots not only have a stylish visual appeal, but also a long service life, which enables them to contribute to reducing material consumption. The Nordrhein-Westfalen design center has nominated outstanding product designs for the "red dot design award" since 1995 and has thereby created an internationally recognized quality seal for innovation, ergonomics and environmental soundness. KUKA had already received design awards for its KR 150 K, KR 180 K and KR 210 K robots in 2002.

In April 2008, the jury once again chose our KR 16 and KR 1000 Titan robots from among 3,000 competing products. The KR 16 received the "red dot design award" for its low particle emissions, as well as its versatility and flexibility. The KR 1000 Titan has a payload of 1,000 kg, and is the most powerful robot in operation worldwide, yet excelled primarily because of its slim but powerful shape. The KR 1000 Titan's introduction in 2007 earned it a place in the Guinness World Records book.

HIGH WORK SAFETY STANDARDS

Workers in manufacturing and similar operations are exposed to increased health and safety risks. KUKA therefore takes care to minimize all types of risks at its manufacturing locations. These efforts have been successful. The "1,000-man ratio"; that is, the number of work-related accidents subject to reporting per 1,000 employees at KUKA AG (Germany) companies in 2008 was 14.5 incidents. That is significantly less than half the statistical accident rate recorded by the government safety agency (40). The safety record at KUKA remained at the same low level as in 2007 (14 work-related accidents per 1,000 employees).

KR 16 receives red dot design award 2008.

FOCUS ON WORK-LIFE BALANCE

Every modern, innovative company makes high demands on the capabilities of its employees. As a result, harmonizing a career, a family and physical fitness has become an important factor in ensuring the lasting success of the company, and has become increasingly important in the past number of years. KUKA has adopted a Work-Life Balance policy and offers its employees flexible working hours, as well as part-time work and home-office positions on an as required basis. In 2008, 23 KUKA Roboter GmbH employees had a job they could carry out from their home office. KUKA AG had one. The company plans to offer contracts matched to the needs of individual employees on an expanded basis in the coming years. In addition, KUKA Academy offers seminars covering health topics and work-life balance concepts.

KUKA ACADEMY MERGED

In 2008, the continuing education programs offered by KUKA AG, KUKA Roboter GmbH and KUKA Systems GmbH were combined under one roof in Augsburg under the heading KUKA Academy. Qualified internal and external trainers offer a total of 100 seminars spanning 175 seminar days and covering everything from office management to computer courses, as well as communications and management techniques. In 2008, 1,480 participants attended a total of 2,627 seminar days (prior year: 2,320). This means that on average, every employee at the company's headquarters attended a seminar lasting one day.

KUKA Academy also offers lessons in sports, which the employees participate in during their free time. During the summer, sports such as soccer, tennis, beach volleyball and mountain biking are very popular. Badminton, sport climbing and chess are offered year-round. In 2008, KUKA employees participated in a relay marathon, organized an internal soccer tournament and, together with other major companies, held alternating chess tournaments. Free time for skiing in neighboring Austria was also on the agenda.

A number of KUKA Group managers also lecture at the universities in the region; lectures on business management topics are given at the University of Augsburg, for example, and there are lectures on robotics at the University of Stuttgart and Karlsruhe College.

SCHOOL, CULTURE AND SPORTS

As part of its social responsibility, KUKA concentrates on promoting educational, cultural and sporting activities in greater Augsburg. After all, more than 40 percent of the workforce lives and works in this area. There are numerous such reciprocal relationships between the region and our company. We pay particular attention to the area's schools and universities. In addition to participating in university recruitment shows, KUKA sponsors Peutinger high school and holds a job fair at the Werner-von-Siemens secondary school. Financial support is also provided for events at the city theater and a series of concerts presented by the theater community. Finally, various pro and semi-pro sports also receive support. KUKA is one of the sponsors of the venerable Augsburg soccer club, which plays in the second Bundesliga (federal soccer league), and the Augsburg Panthers, who are in the first ice hockey league. In 2008, the company also sponsored the annual World Cup canoe slalom at Augsburg's Olympic whitewater course as well as a youth golf tournament.

KUKA AND THE CAPITAL MARKET

INTERNATIONAL FINANCIAL MARKET CRISIS CAUSES ECONOMY TO SLIDE FURTHER

Starting in the United States, the subprime crisis evolved into a worldwide financial crisis on stock markets over the course of 2008, which subsequently led to a major restructuring of the banking sector. Several large American and international banks and insurance companies were absorbed by competitors, had to be nationalized or declared bankruptcy. At the same time, the key North American, European and Asian industrial nations injected liquidity to safeguard their economies and support the banks' equity ratios. The financial aid package in the United States totaled USD 700 billion, in Germany € 480 billion and in Japan € 80 billion.

FURTHER INFORMATION
www.kuka-ag.de/en/investor_relations/shares

The international financial market crisis worsened the ongoing economic downturn. During the first half year, the dramatic increase in oil prices and looming inflation also weighed on the general development of the economy. The negative effects of the financial market crisis on the real economy were first seen in the fall, particularly in the tightening of credit markets. All the major industrial nations subsequently announced wide-ranging economic stimulus packages valued from € 23 billion (Great Britain) to USD 790 billion (United States) in order to mitigate the impact of declining demand in their countries.

The financial market crisis and the economic slump were also reflected in share prices on the stock markets. Price drops in the mid-double-digit percentage range were reported in all major industrial countries. The two leading German indices suffered a similar setback, with the DAX and MDAX declining 40.4 percent and 43.2 percent respectively over the course of the year.

MECHANICAL ENGINEERING INDUSTRY SHARES UNDER CONSIDERABLE PRESSURE

As a result of the recession, economically sensitive and cyclic mechanical engineering company shares were among the hardest hit by the price drops. After a period of strong growth by German mechanical engineering companies from 2003 onward, the sector reported a drop in orders that started at the beginning of the year and worsened in the second half. Overall, orders received were down 7 percent from a year earlier according to the industry association's statistics. This resulted in profit warnings and adjustment of corporate forecasts for 2009 and subsequent years.

The share prices of KUKA's peer group of plant and engineering companies on the MDAX and SDAX declined accordingly, and dropped between 40 and 60 percent in 2008. KUKA's share price was unable to avoid a similar fate and also fell substantially. Overall, as a result of the emerging recession in many major industrial nations and plummeting sales, particularly in the North American and European automotive industry, the share price was down 51.3 percent. KUKA's share price decline was therefore in the same range as that of its peer group. The stock price reached a high of € 26.01 on the first day of trading, January 2, and a low of € 10.07 at the end of November. By the end of December, it had recovered slightly to € 12.67.

KUKA SHARES – KEY NUMBERS

		2004	2005	2006	2007	2008
Number of shares	millions	26.60	26.60	26.60	26.60	26.60
Earnings (loss) per share	€	1.83	– 5.45	– 2.43	4.43	1.18
Dividend per share	€	0.66	–	–	1.00	–
Dividend yield (Dec. 31)	%	3.30	–	–	3.85	–
High for the year	€	20.60	23.15	24.75	31.50	26.01
Low for the year	€	16.00	15.62	14.02	18.58	10.07
Closing price for the year	€	20.20	18.25	19.36	26.01	12.67
Change compared to prior year	%	26.20	– 9.60	6.10	34.30	– 51.30
P/E ratio	(Dec. 31)	11.00	–	–	5.90	10.70
Market capitalization (Dec. 31)	€ millions	537.30	485.45	515.00	692.00	337.00
Average daily volume	No. of shares	80,000	91,250	165,000	232,000	234,000

SHARE BUYBACK PROGRAM AND DIVIDEND

On March 25, KUKA launched a share buyback program aimed at acquiring up to 10 percent of total share capital or 2.66 million shares. By the end of the program on August 29, 1,327,340 shares or 4.99 percent of total share capital had been repurchased. The repurchased shares remained in the hands of KUKA and were not canceled. The average price of the repurchased shares was € 21.02.

At the Annual General Meeting of KUKA AG on May 15 in Augsburg shareholders approved the reinstatement of dividend payments and distribution of € 1.0 per dividend-bearing share. The last dividend paid, in 2004, was € 0.66. This distribution was based on the strong cash position of the Group at the beginning of 2008 as a result of the sale of the Packaging division and the excellent operating results for the 2007 financial year.

INTENSIFIED INVESTOR RELATIONS

In spite of the deteriorating market environment, the financial market interest in KUKA shares remained unchanged and high. The Executive Board fielded questions from shareholders at 13 road shows (compared to twelve last year) and seven investor conferences (same as last year). The focus of the initiative was on Frankfurt, London / Edinburgh and New York (each three or four days) as well as Paris, Zurich and Munich (two days each). The executives also went to Milan, Vienna and Stockholm / Copenhagen. In addition, 82 separate meetings (compared to 85 last year) were held with investors and analysts at the company's headquarters in Augsburg. The Executive Board also gave presentations about the Group at three events: the DVFA analysts' conference in Frankfurt on March 19 (presentation of the financial statements), on June 12 at this year's Capital Market Day in conjunction with the AUTOMATICA trade fair in Munich (latest robot developments) and on November 4 to release the nine-month business results in Frankfurt / Main (strategy of the new Executive Board).

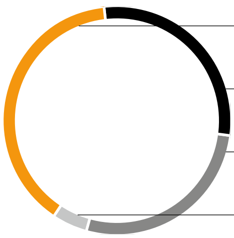
FURTHER INFORMATION

A list of the current analysts' recommendations is available on the Internet at www.kuka-ag.de/en/investor_relations/shares/analyst_recommendations

KUKA AG is currently being covered by 19 analysts. Of these, 17 are representatives of banks located in Germany and two in London. Of these, nine recommended purchasing or holding the stock at the beginning of 2009.

SHAREHOLDER STRUCTURE

(in %)



39	(37)	Private German investors
29	(48)	International institutional investors
27	(15)	German institutional investors
5	(0)	KUKA AG *

* 4.99 percent of total share capital

As of February 15, 2009

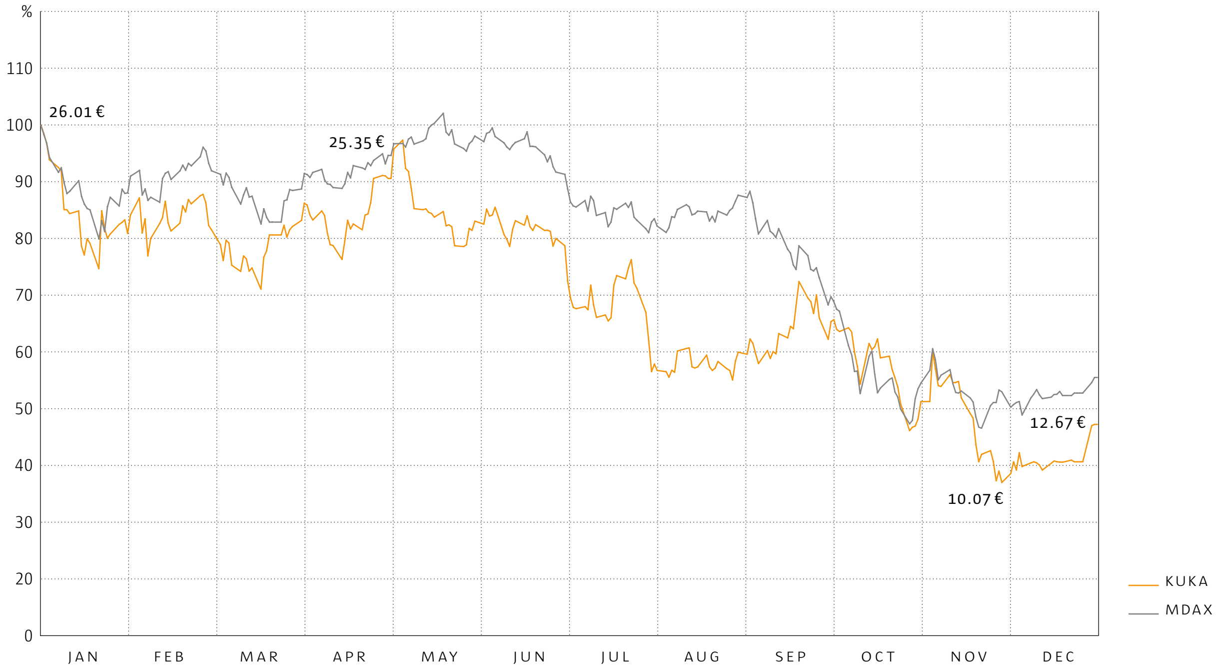
Prior year numbers in brackets

CONVERTIBLE BOND

KUKA AG placed a convertible bond issue with a nominal value of € 69.0 million in the capital markets on May 9, 2006 via its 100-percent owned Dutch subsidiary, KUKA Finance B.V. The convertible bond's term extends to November 2011, pays interest at a rate of 3.75 percent per annum and can be converted to KUKA shares at a conversion price of € 25.4. The convertible bond has been listed on the EuroMTF market of the Luxembourg Stock exchange since November 9, 2006 (ISIN DE000A0GRMC0/WKN A0GRMC). At the end of December 2008, the last price for the convertible bond quoted by the Frankfurt stock exchange was 72.80 percent, which compares to 114.40 percent last year. This represents a decline of 41.6 percent points, almost the same as the decline in the price of the company's shares.

KUKA SHARE PRICE PERFORMANCE FROM JANUARY 1, 2008 TO DECEMBER 31, 2008

Index January 2008 = 100

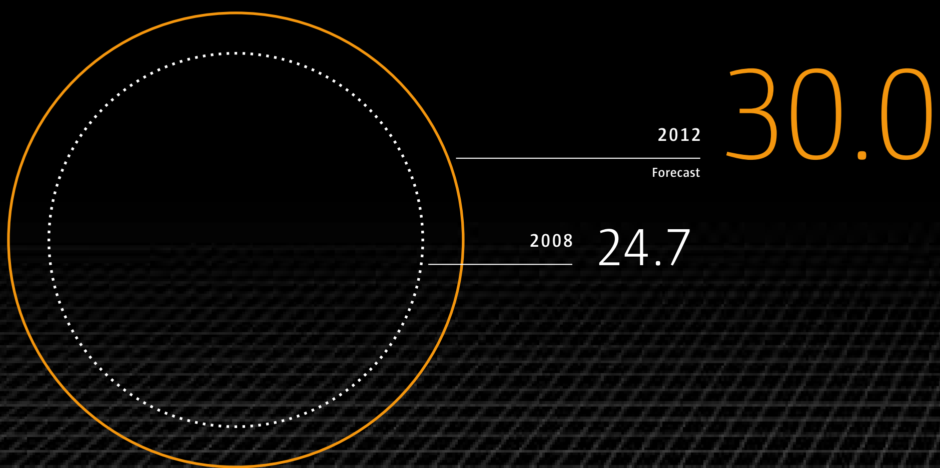


ALOIS BUCHSTAB, HEAD OF INDUSTRIAL BUSINESS DEVELOPMENT, KUKA ROBOTICS

"Safety and technical perfection are a top priority in the booming entertainment industry. Over ten years ago, KUKA's expertise enabled it to obtain a license to transport humans. The company is still the only robot manufacturer in the world with such a certification."

“The KUKA 4-D-Simulator, developed for entertainment parks, introduces a completely new experience: riders can travel into the unknown, or examine manufacturing and assembly halls at close quarters.”

CONSUMER SPENDING ON THEME AND AMUSEMENT PARKS
(in € billions)



Source: PricewaterhouseCoopers, Global Outlook for Media and Entertainment, 2008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KUKA

BUSINESS AND BUSINESS ENVIRONMENT

THE INTEGRATED BUSINESS MODEL

KUKA focuses on robot-supported automation of industrial manufacturing processes and is thus active in the mechanical and plant engineering sector. KUKA AG is listed on the German stock market index for medium-size companies (MDAX) and has a market capitalization of about € 300 million.

New management team.

Since January 1, 2009, the company has been led by KUKA AG's two-person Executive Board and two divisional heads, who are responsible for the business operations of KUKA Roboter GmbH and KUKA Systems GmbH. KUKA AG's Executive Board establishes the strategies for the domestic and foreign markets and is responsible for overall operational management, as well as Group issues. KUKA Roboter GmbH and KUKA Systems GmbH are the management companies of the Robotics and Systems divisions. Regional subsidiaries in 25 countries support the divisions worldwide. These branch offices are responsible for the sale of the divisions' products and services and do the local assembly and field service work.

KUKA AG and its management companies KUKA Roboter GmbH and KUKA Systems GmbH are headquartered in Augsburg. This guarantees close cooperation between all Group entities. Other European subsidiaries are located in Great Britain, Belgium, France, Spain, Italy, Sweden, Slovakia, the Czech Republic, Hungary and Russia and elsewhere. Another important business area is North and South America, with companies in greater Detroit / Michigan, Mexico and Brazil. In Asia, KUKA has representatives in India, Malaysia, South Korea, Taiwan, Japan and China.

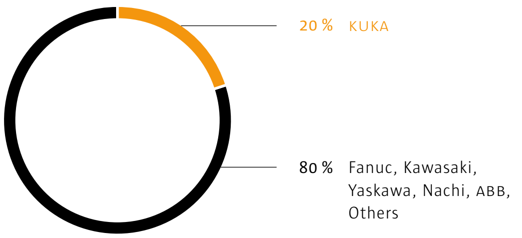
KUKA robots are used in almost all industries.

KUKA's integrated business model has three cornerstones. From a market perspective, closer cooperation between the divisions' key account managers should generate more synergies, particularly in selling to the automotive industry. In the research and development area, the number of projects that are jointly brought to market readiness at the Innovation Center is steadily increasing. Furthermore, the divisions were relieved of common tasks such as accounting and payroll, which are bundled centrally at KUKA AG's Shared Service Centers in Augsburg. The goals of these steps are to increase the synergies within the KUKA Group through closer cooperation, develop standardized processes, strengthen the divisions in view of the deteriorating economic environment and concentrate the core competencies to the benefit of both divisions.

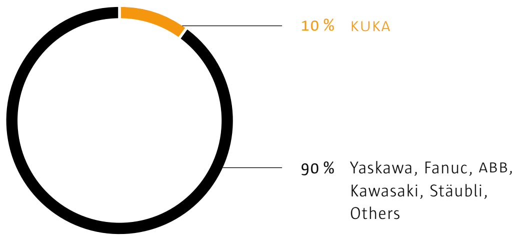
KUKA ROBOTICS

In the integrated business model, the Robotics division delivers the core component, robots, which are used in the automation of manufacturing processes. KUKA Robotics develops, manufactures and sells industrial robots, which are used in almost all industry sectors. The division's product portfolio comprises six basic modular types with many mechanical and electrical infeed options. All new robots and applications are developed, designed and finally assembled at the Augsburg center. Certified suppliers deliver project-related robot components. KUKA Robotics targets the automotive sector, general industry and service. Key account managers service the automotive industry. About 80 systems partners that specialize in the various sectors look after sales and service of KUKA robots in general industry.

KUKA ROBOTICS – COMPETITIVE POSITION AUTOMOTIVE



KUKA ROBOTICS – COMPETITIVE POSITION GENERAL INDUSTRY



Source: KUKA and market information

The Robotics division sees itself as a global innovation and technology leader. KUKA is the market leader in the automotive industry, with a market share of about 20 percent. KUKA did not begin targeting general industry until the year 2000, but has since captured a market share of about 10 percent.

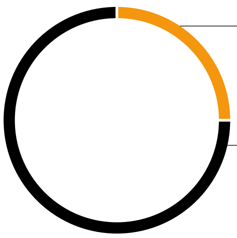
KUKA SYSTEMS

In the integrated business model, the Systems division contributes application engineering expertise for automating manufacturing processes. KUKA Systems acts as a general contractor, designing and building complete systems. In addition to utilizing its application-oriented robotics expertise, the division employs many other metal forming and joining processes in its designs. The Systems division has designated regional centers of expertise to execute systems projects: Augsburg for Germany and Europe, greater Detroit for North America, and Shanghai for the growing Chinese market. Local subsidiaries that are close to the customer support these centers and independently process small orders.

Divisions technology leaders in their target markets.

In the automotive industry, KUKA Systems focuses on flexible manufacturing lines for making vehicle bodies. Several different models or variants of a particular model can be built using these systems. Other business segments include press tool manufacturing and automated assembly lines for engine and transmission components. These entities are located in Schwarzenberg / Erzgebirge, Slovakia and Bremen, as well as greater Detroit, Michigan.

KUKA SYSTEMS – COMPETITIVE POSITION



Source: KUKA and market information

KUKA Systems' share of orders awarded by the automotive industry to third parties is about 25 percent, making it the market and technology leader in this sector. The division is expanding into technically comparable general industry sectors such as the aircraft and solar industries.

STRATEGY

Market conditions have deteriorated significantly since mid-2008. KUKA's strategy to address the situation is as follows:

- safeguard the core automotive industry business
- accelerate expansion into general industry, particularly in the American and Asian regions
- develop new business sectors

Accelerated expansion of general industry business.

As a result of the global economic slump in 2008, the automotive sector has had to contend with declining passenger vehicle sales for the first time in almost 20 years. Capital spending on new models and production lines has thus been postponed and order volumes reduced since the second half of 2008. At the same time, carmakers, some of which have underutilized factories, are competing harder for the reduced number of consumers still purchasing vehicles. Capital spending that will enable the introduction of new types of cars to the market, particularly cheaper and more fuel-efficient models, could therefore pick up again soon in the Western industrial regions. In the BRIC nations (Brazil, Russia, India and China) the demand for vehicles, and therefore also robot-based automation for factories, continues to increase due to expanded export activities. Because of its worldwide presence, KUKA's robot and systems businesses can compensate for shifts in demand from the industrial regions to the emerging countries.

In general industry – that is, all sectors other than the automotive industry – investments to streamline operations and cut costs will continue to play an important role, particularly in times of weak earnings. KUKA Robotics has grown faster than the overall market in this segment over the past three years. The highest growth rates were achieved in the metals machining and processing industry, machines and systems, as well as the plastics, food and logistics sectors. Other target markets are new applications for assembly and service robots, as well as healthcare technology. KUKA Systems concentrates on related sectors that are switching from manual to automated manufacturing. The solar and aircraft industries are two key segments. Thanks to KUKA's robot-supported automation solutions, the company enjoys an excellent position in general industry.

On March 19, 2008, KUKA AG released target growth numbers for orders received in 2008: 10 percent for the Robotics division and 5 percent for the Systems division (adjusted for non-operative effects). As a result of the economic decline, the Group's planned growth numbers were consolidated and reduced "to last year's level, excluding non-operative factors" on November 4, 2008. The actual adjusted consolidated growth for orders received was 0.1 percent. The most recent target number for orders received in 2008 was thus achieved.

Target EBIT margin achieved, excluding one-time charge.

The KUKA Group's target number for EBIT margin in 2008 was 5.5 percent. The actual EBIT margin reached was 4.1 percent, including a one-time charge resulting from the cancellation of a major systems order from a North American automotive supplier. Without this one-time charge, EBIT margin would have been 5.7 percent and would therefore have exceeded the 2008 target number of 5.5 percent.

KUKA robots in an automotive assembly plant.

INTERNAL MANAGEMENT SYSTEM

The internal management system ensures that the Group's key indicators are transparent, which enables them to be systematically strengthened. KUKA AG's financial targets are performance indicators that affect the value of the company.

In order to determine return on sales, the operating result (EBIT), i. e., earnings from operating activities before interest and taxes, is compared to sales revenues. This is the EBIT margin. To determine the return on capital employed, the operating result (EBIT) is compared to capital employed, which gives the return on capital employed, or ROCE. The operating result (EBIT) and ROCE are determined for the Group as well as the Robotics and Systems divisions. Free cash flow; that is, cash flow from operating and investment activities, shows whether the investments can be funded from cash flow, and how much cash is available for payment of dividends and debt servicing. This indicator is used at the Group level. The weighted average cost of capital (WACC) for the divisions and the KUKA Group will be 9 percent after taxes over the 2008–2010 planning period.

Orders received is an important early indicator of business growth and is continuously monitored at the divisional and regional level, while order backlog indicates the degree to which the company's capacity will be absorbed in the coming months of the current financial year.

All key indicators are tracked and reviewed continuously using the internal reporting system. Any deviations from plan are analyzed by management and, if necessary, agreement is subsequently reached on the corrective actions required to achieve the targets.

ECONOMIC CLIMATE

INTERNATIONAL FINANCIAL MARKET CRISIS CAUSES ECONOMY TO SLIDE FURTHER

Over the course of 2008, the economic climate increasingly deteriorated. A dramatic increase in oil prices and the looming inflation in the first half year accelerated the emerging economic decline. In the second half of the year, the international financial market crisis worsened the world's economic slump. All large industrial nations subsequently introduced comprehensive stimulus packages aimed at mitigating the falling demand experienced by their national economies. According to estimates by the International Monetary Fund, the global gross domestic product may have fallen from 3.5 percent in 2007 to about 2 percent in 2008, which would be the lowest growth of the world economy in the past 20 years.

Gross domestic product drops dramatically.

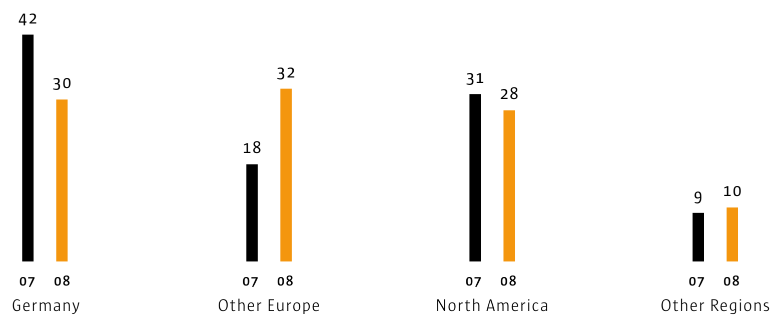
In the United States, the high debt load of private households put a significant damper on economic growth. During the financial year, the United States' gross domestic product fell to 1.3 percent from 2 percent a year earlier as a result (Source: January 30, 2009 issue of Frankfurter Allgemeine Zeitung). The decline may have been even sharper in the euro zone: from 2.6 percent in 2007 to 0.9 percent in 2008 (source: DB Research economic outlook 2009).

Thankfully, growth in China and India stabilized the situation. China's gross domestic product grew 9.6 percent compared to 11.9 percent in 2007, while growth in India came in at 7.7 present versus 9 percent the year prior. Economic performance of the Eastern European nations was also again robust; GDP was up 4.6 percent compared to 5.6 percent a year earlier (Source: WestLB Research GDP – growth forecast).

In Germany, GDP growth was down by 50 percent, declining from 2.5 percent in 2007 to 1.3 percent in 2008. Most of the growth occurred in the strong first quarter. By the fourth quarter, a decline of 2.1 percent was already being reported (Source: German Statistics Office 2 / 2009).

KUKA GROUP ORDERS RECEIVED BY REGION

(share in %)



MECHANICAL AND PLANT ENGINEERING SECTOR REPORTS DECLINING ORDERS RECEIVED

The German mechanical plant and engineering sector – after an outstanding 2007 business year – was able to increase manufacturing by another 5 percent compared to the year prior. However, orders received, which are a leading indicator of future capacity utilization for companies, were already down 7 percent in 2008 compared to a year earlier. According to VDMA, the German Engineering Federation, the 29 percent year-over-year drop during the fourth quarter makes it the weakest quarter since 1958. The decline was the same for both the domestic and export business.

Mechanical and plant engineering sector manufacturing orders still higher.

GLOBAL AUTOMOTIVE MARKETS DECLINE SHARPLY

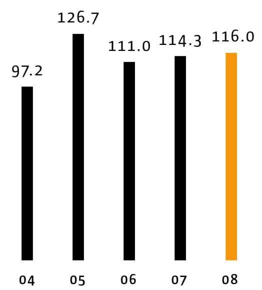
The economic decline and the tightening credit conditions put pressure on the developed industrial regions, particularly the automotive markets. In the United States, car and light truck sales were 2008 down 18 percent compared to the same time last year. Only 13.2 million vehicles were sold (source: January 8, 2009 issue of Handelsblatt), the lowest number in 16 years. In Europe too, new passenger vehicle registrations fell to their lowest level in 15 years. In total, sales declined 8 percent year-over-year, to 14.7 million units. Germany and the new EU nations in Central and Eastern Europe experienced the smallest declines at – 2 and –1 percent respectively. In Japan as well, sales of passenger cars dropped 6.5 percent to 3.2 million vehicles. Including the continuously increasing demand in the BRIC countries Brazil, Russia, India and China, and in the other developing nations, worldwide vehicle sales in 2008 totaled 56 million units, a drop of 8 percent.

DEMAND FOR ROBOTS AGAIN SLIGHTLY HIGHER

Worldwide demand for industrial robots again rose slightly in 2008. The International Federation of Robotics (IFR) estimates that robot sales for the year in total grew between one and 2 percent (in number of units) compared to last year. Growth in the first half year was particularly strong, coming in at 8 percent. The total number of robots sold in 2008 was 116,000 units, which compares to 114,300 the year before. Growth in Europe was above average at 8 percent, while Asian markets reported an average increase of 2 percent. In the United States, sales dropped 15 percent after strong growth the year prior. The demand for articulated robots was up 6 percent compared to other robot types, thus continuing to be above average.

NUMBER OF ROBOTS SOLD WORLDWIDE

(in thousands of units)



Source: International Federation of Robotics (IFR)

BUSINESS PERFORMANCE

SUMMARY

Over the course of 2008, the economic climate turned very cloudy. In the second half of the year, the international financial market crisis worsened the economic downturn that was already in progress. A drop in orders received, especially driven by the automotive sector, was already apparent by the fourth quarter. Overall, the rapid deterioration in the general economic conditions had a negative impact on the KUKA Group's business performance.

ADJUSTED ORDERS RECEIVED LEVEL SAME AS LAST YEAR

Despite the worldwide economic slump, the KUKA Group was able to report in fiscal 2008 orders received totaling € 1,279.9 million, just 4.8 percent less than the € 1,343.8 million in 2007. However, adjusted for non-operative effects, such as the changes in input material purchasing by US subsidiary KTPO – KUKA

Toledo Production Operations – (€ 35.0 million), the revised posting related to redemption of the financing for this company (€ 10.1 million) and the changed € / USD exchange rate (€ 19.6 million), orders received at the Group level were the same as last year.

The Robotics division's orders received climbed 6.8 percent, from € 434.9 million in 2007 to € 464.4 million as of the end of 2008. The division was particularly successful in expanding its general industry and service businesses, reporting double-digit growth of 24.4 percent and 23.6 percent respectively year-over-year. In total, general industry orders received for 2008 came in at € 194.3 million versus € 156.2 million the year prior, and service went from € 81.4 million in 2007 to € 100.6 million in 2008. On the other hand, automotive sector orders received were down, particularly in the fourth quarter of 2008. Overall, they dropped 14.1 percent to € 169.5 million from € 197.3 million in 2007.

KUKA Robotics: general industry business up 24.4 percent.

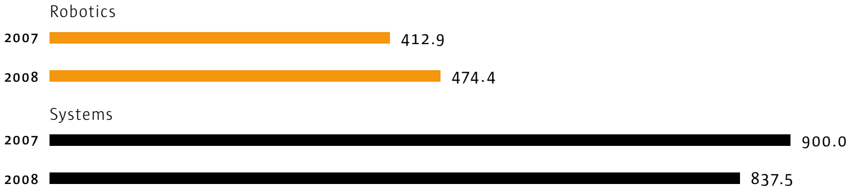
In 2008, the Systems division's orders received came in at € 854.9 million, down 8.8 percent from € 937.7 million in 2007. However, adjusted for the KTPO effects and the changed € / USD exchange rate (€ 17.4 million), comparable orders received were down only 2.3 percent from last year.

Robot application for gluing and sealing the hatchback of a car.

KUKA Systems' project business was impacted by major regional shifts during the reporting year. While orders from German customers in 2007 totaled € 308.7 million, almost one-third of the total orders received of € 937.7 million, in 2008 domestic orders dropped substantially, to € 150.2 million. Instead, German manufacturers placed more orders for their European plants. As a result, the Systems division's orders received from the rest of Europe went from € 134.7 million in 2007 to € 276.7 million in 2008. In North America, 2008 orders received from automotive industry customers fell to € 329.5 million, down from last year's € 395.6 million. The largest order received from the region during the reporting year was an order from Ford for a car body assembly line in Mexico for the B Car, the equivalent of the European Ford Fiesta. In Asia and the remaining regions, orders received of € 98.5 million for 2008 were almost the same as the prior year's € 98.7 million.

KUKA GROUP SALES REVENUES BY DIVISION

(in € millions)



Of the total orders received by the KUKA Group, 63.8 percent were attributable to automotive industry business partners. Automotive suppliers accounted for 9.3 percent and general industry business partners contributed 26.9 percent to orders received.

KUKA Group order backlog again higher.

HIGH ORDER BACKLOG SECURES BUSINESS ACTIVITY

The KUKA Group's order backlog was up 2.6 percent, from € 528.8 million on December 31, 2007 to € 542.3 million on December 31, 2008. The company's current level of activity is thus notionally secured for 5.1 months of the current fiscal year. KUKA Robotics' sales revenues were significantly higher, but as a result, order backlog declined 3.6 percent to € 100.2 million. Activity is thus notionally secured for 2.5 months. In contrast, KUKA Systems' order backlog was up 3.6 percent to € 450.3 million as of December 31, notionally securing business activity for 6.5 months.

Inert gas welding using robots.

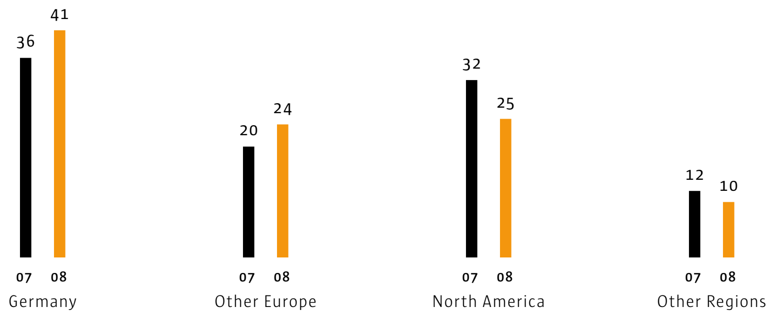
ADJUSTED SALES REVENUES HIGHER THAN LAST YEAR

KUKA Group sales revenues for the financial year just ended came in at € 1,266.1 million, down 1.6 percent from last year's € 1,286.4 million. However, adjusted for non-operative effects at KTPO and the changed € / USD exchange rate impact on sales revenues (€ 18.8 million), Group-level sales revenues were actually 3.6 percent higher than the year prior.

The Robotics division's sales revenues rose even faster in 2008, soaring 14.9 percent to € 474.4 million at the end of 2008 from € 412.9 million in 2007. The Systems division's sales revenues for the 2008 financial year were € 837.5 million, down 6.9 percent from € 900.0 million in 2007. However, adjusted for non-operative effects at KTPO and the changed € / USD exchange rate impact on sales revenues (€ 16.8 million), Group-level sales revenues were close to last year's level.

SALES REVENUES BY REGION

(share in %)



EARNINGS

SUMMARY

The KUKA Group's capacity utilization was excellent during the 2008 financial year. Adjusted for non-operative effects, orders received were at about the same level as last year and sales revenues were up 3.6 percent from a year earlier. But the Group's operating result (EBIT) was down from € 70.4 million in 2007 to € 52.0 million, because of a one-time charge related to the cancellation of a major systems order from a North American automotive supplier. Excluding this one-time charge of € 20.8 million, the operating result (EBIT) would have been € 72.8 million, and therefore higher than last year. The adjusted EBIT margin was 5.7 percent, which compares to last year's 5.5 percent. The 5.5 percent earnings target for the current financial year would therefore have been exceeded. Overall, the KUKA Group's earnings for the 2008 financial year, including the one-time charge, were satisfactory.

Earnings situation including one-time charge satisfactory.

FIVE-YEAR SUMMARY OF EARNINGS

		2004*	2005*	2006*	2007	2008
Operating result (EBIT)	€ millions	77.7	– 53.4	16.7	70.4	52.0
% of sales revenues		7.0	– 5.1	1.4	5.5	4.1

* Prior year's numbers adjusted for comparison purposes.

KUKA GROUP GROSS MARGIN AGAIN HIGHER

Gross margin on sales increased while sales revenues declined slightly, going from € 258.2 million in 2007 to € 260.8 million in 2008. The KUKA Group's gross margin rose accordingly and went from 20.1 percent in 2007 to 20.6 percent in 2008. This is the result of higher sales revenues and a better product mix at KUKA Robotics, as well as improved profitability at KUKA Systems, despite the one-time charge for the cancellation of a large systems order from a North American automotive supplier.

Operating costs went in the opposite direction, i. e., sales and administration costs plus R&D costs plus other operating income and expenses. In 2008, they rose 21.0 million to € 208.8 million, from € 187.8 million in 2007. The increase was primarily due to the expansion of the sales force as per the overall strategy, and missing one-time earnings from the sale of properties, which had contributed € 7 million last year to the general administration costs. KUKA Group's operating result (EBIT) fell accordingly and went from € 70.4 million in 2007 to € 52.0 million in 2008.

EBIT margin up 8.9 percent at KUKA Robotics.

SUBSTANTIAL PROFIT IMPROVEMENT AT KUKA ROBOTICS

From a divisional perspective, KUKA Robotics' operating result (EBIT) rose from € 33.6 million in 2007 to € 42.0 million in 2008. This was due to higher sales, particularly in the general industry and service areas, as well as better capacity utilization. EBIT margin improved during the same period from 8.1 percent in 2007 to 8.9 percent in 2008. In contrast, KUKA Systems' operating result (EBIT) dropped from € 37.2 million in 2007 to € 26.8 million in 2008 because of a one-time charge of € 20.8 million resulting from the cancellation of a major systems order from a North American automotive supplier. EBIT margin followed during the same time frame and fell from 4.1 percent to 3.2 percent.

GROUP INCOME STATEMENT – SUMMARY

(in € millions)

	2007	2008
Sales revenues	1,286.4	1,266.1
Operating result (EBIT)	70.4	52.0
Financial result	– 8.0	– 5.0
Taxes on income	– 13.6	– 16.4
Profit from discontinued operations	69.1	0.0
Net income for the year	117.9	30.6

The KUKA Group's financial result went from € – 8.0 million in 2007 to € – 5.0 million during the financial year just ended. This improvement is due especially to the interest earnings of € 6.2 million resulting from the redemption of the financing for the KTPO pay-on-production contract (finance lease) in the United States, which was recognized for the first time. In contrast, interest expense moved in the opposite direction, and was higher compared to last year because of outside financing. Earnings before taxes were thus € 47.0 million compared to € 62.5 million the year prior. Taxes on income in 2008 were € 16.4 million, up from € 13.6 million in 2007. The tax rate for the financial year just ended was therefore 34.9 percent, compared to 21.8 percent a year earlier. The main reasons for the higher taxes were the missing positive extraordinary items from the prior year and the impact of corporate tax reform in Germany, which became effective January 1, 2008.

Net income for the year 2008 came in at € 30.6 million, while last year € 117.9 million were reported, mainly because of the sale of the Packaging division (earnings from discontinued operations were € 69.1 million). Earnings per share in 2008 were thus € 1.18 per share, compared to € 4.43 a year earlier, of which continuing operations' share was € 1.83.

FINANCIAL POSITION

FINANCIAL MANAGEMENT GOALS AND PRINCIPLES

The financing needs of the Group's companies are largely bundled and managed centrally by KUKA AG's financial management department. This is where Group-wide credit, liquidity, interest and exchange risks are evaluated and to a large extent secured. Risk hedging is done exclusively on a transaction by transaction basis by actively using standard derivatives. KUKA has issued a standard set of guidelines to all Group companies for managing financial risks.

GROUP FINANCING AND WORKING CAPITAL MANAGEMENT

The aim of the Group financing policy is to secure sufficient liquid reserves at all times to satisfy the operating and strategic financial needs of the Group's companies. Activities to secure working capital occur on the basis of a multiyear financial budget and a rolling monthly liquidity plan, each of which includes all consolidated Group companies.

Adequate cash flow precautions.

In general, the impact of the financial crisis on the real economy has made access to money and the capital markets more difficult. There is a risk that refinancing costs could increase if the turbulence in the international financial markets continues. Given these conditions, the KUKA Group has taken appropriate precautions regarding liquidity, increasing the frequency and depth of the liquidity planning activities and regularly analyzing various scenarios and simulations regarding the liquidity and financing situation.

Jigless bodyshop with cooperating robots.

The business operating activities of the Group's companies and the associated revenue streams represent the Group's most important source of liquidity. Cash management systems are used to employ the excess cash generated by individual Group companies to cover the financial needs of others. The centralized revenue sharing within the Group reduces the amount of third-party financing required for individual companies, which has a positive impact on the interest result. Coverage of KUKA Group's financial needs is primarily secured through lines of credit from banks, as well as the issue of the convertible bond.

As of December 31, 2008, the KUKA Group had confirmed cash and guaranteed credit lines and an ABS program from national and international banks and credit insurance companies in the amount of € 380.0 million as sources of working capital. This total is comprised of € 190.0 million in working capital guarantees and € 115.0 million in cash credit lines, which are available via a syndicated loan agreement with a term extending to December 2010. In addition, working capital guarantees of € 50.0 million are available from credit insurance companies and an ABS program launched in December 2006 (regular sale of receivables) totaling up to € 25.0 million (actual amount required as of December 31, 2008 was € 15.7 million). The financing is complemented by the placement of a convertible bond of € 69.0 million secured on May 2006.

GROUP CASH FLOW SUMMARY

(in € millions)

	2007	2008
Cash earnings	81.2	69.4
Cash flow from operating activities	62.3	– 61.2
Cash flow from investing activities	161.3	– 105.7
Free cash flow	223.6	– 166.9

KUKA Systems' assembly line expertise extends to every imaginable type of car body.

Free cash flow declines because of higher expenditures and receivables.

Above all, the KUKA Group's cash flow statement shows the higher outflow of cash. The prior year's comparable numbers were particularly strong because of the cash injection resulting from the sale of the Packaging division and real estate holdings totaling € 193.4 million.

Cash earnings, which consist primarily of net earnings and depreciation of property plant and equipment and intangible assets, came in at € 69.4 million in 2008, compared to € 81.2 million the year prior. This led to a negative cash flow from operating activities of € 61.2 million for 2008 versus € + 62.3 million the year before. This includes the increase in receivables due to orders in the amount of € 80.3 million and the reduction in provisions amounting to € 47.9 million, particularly due to the payment of taxes. In addition, liquid assets were used to redeem the financing for the KTPO pay-on-production contract in the amount of € 77.1 million in the United States. This led to a receivable from finance leasing. At the same time, 2008 capital spending on property plant and equipment and intangible assets totaled € 32.5 million. The negative cash flow from investing activities was therefore € 105.7 million. The KUKA Group's cash flow from investing activities plus operating activities resulted in a negative free cash flow of € 166.9 million, which compares to last year's € + 223.6 million. Cash flow from financing activities was impacted by the share buyback initiative in the amount of € 27.9 million and payment of the dividend totaling € 26.1 million. In contrast, liabilities due to banks increased by € 35.3 million and led to a negative cash flow from financing activities of € 18.7 million, which compares to last year's € – 71.2 million. In total, the KUKA Group's liquidity declined by € 181.9 million, going from € 223.2 million on January 1, 2008 to € 41.3 million as of December 31, 2008.

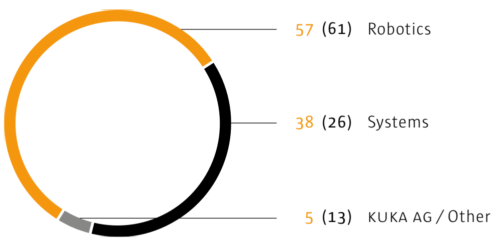
CAPITAL SPENDING BY DIVISION

The KUKA Group had capital expenditures of € 32.5 million over the course of the 2008 financial year. This represents an increase of 23.1 percent over last year's € 26.4 million. Spending on property plant and equipment totaled € 18.9 million during the reporting period, which compares to last year's € 12.1 million. Most of this went toward factory and office equipment (€ 8.6 million), assets under construction and down payments (€ 4.3 million), technical systems and machinery (€ 3.2 million) and property and buildings (€ 2.8 million). Capital spending on intangible assets in 2008 came in at € 13.6 million versus € 14.3 million the year prior and went mainly toward internally developed software and other development costs.

Majority of capital spending by Robotics division.

CAPITAL SPENDING BY DIVISION

(in %)



Prior year numbers in brackets

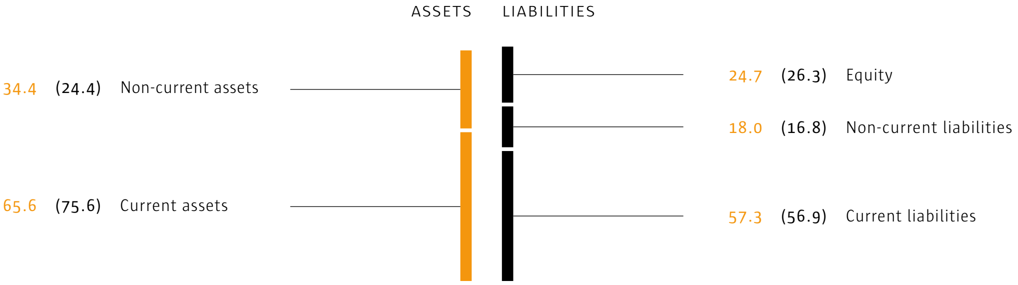
Capital spending for the 2008 financial year by the two divisions was as follows: Robotics, € 18.4 million versus € 16.1 million in 2007 and Systems, € 12.2 million versus € 6.9 million the year prior. The increase in the Systems division was due to the construction of a new manufacturing hall in Slovakia and the purchase of some machining centers. Capital spending by KUKA AG / Other during the financial year totaled € 1.9 million, compared to last year's € 3.4 million.

NET WORTH

Net liquidity / debt, i. e., liquid assets minus current and non-current financial liabilities, went from € 163.6 million at the end of 2007 to € – 53.6 million at the end of 2008. This is reflected in the drop in liquid assets from € 223.2 million to € 41.3 million and the increase in current financial liabilities on the liability side by € 33.1 million to € 33.6 million. The reasons were the redemption of the financing for the KTPO pay-on-production contract in the United States totaling € 77.1 million, the share buyback program amounting to € 27.9 million, the € 26.1 million dividend distribution, and taxes including interest of € 30.3 million. At the same time, working capital increased because of the high level of work in progress at year end. This led to an increase in receivables from long-term manufacturing orders of € 74.1 million. On December 31, 2008 they totaled € 167.1 million, while liabilities due to long-term manufacturing orders declined by € 17.8 million.

GROUP ASSETS AND FINANCIAL STRUCTURE

(in %)



Prior year numbers in brackets

Balance sheet remains solid.

On the liability side, other provisions declined by € 18.8 million, because of reduced project risks and other factors. Equity as of the 2008 period end declined by € 20.0 million compared to last year, to € 213.5 million, mainly because of the share buybacks. The dividend payment and the allocation of the net income for the year nearly balanced each other. Overall, the equity ratio, i. e., equity compared to total assets, declined from 26.3 percent in 2007 to 24.7 percent in 2008. With an equity ratio of 25 percent and low net debt as of the period end on December 31, 2008, the KUKA Group continues to have a solid balance sheet.

SATISFACTORY RETURN ON CAPITAL EMPLOYED

One of the KUKA Group's key indicators is return on capital employed, or ROCE. Average capital employed during the year rose from € 169.4 million in 2007 to € 242.3 million in 2008. This € 72.9 million increase was mainly due to the redemption of the financing for the KTPO pay-on-production contract and the project-related increase of long-term manufacturing orders in the Systems division. The higher level of capital employed and a lower operating result (EBIT) led to an overall decline in ROCE. It went from 41.6 percent in 2007 to 21.5 percent in 2008. The KUKA Group's return on capital employed (before taxes) for 2008 remains therefore at a satisfactory level.

Return on capital employed satisfactory.

The return on capital employed trend was different in the two divisions. The substantial increase in operating result (EBIT) at KUKA Robotics (25.0 percent) was more than enough to offset the 16.3 percent rise in capital employed. This caused the Robotics division's return on capital employed to increase again, from 34.6 percent in 2007 to 37.2 percent in 2008. The Systems division's ROCE returned to a more normal level of 20.2 percent in 2008 from 51.0 percent in 2007 because of the aforementioned factors.

KUKA AG does not have an official rating.

SUPPLEMENTARY REPORT

After the close of the 2008 financial year, a change was made at the management level of KUKA Roboter GmbH. The CEO of KUKA Roboter GmbH, who was also part of KUKA AG's management team, was released from his duties and a provisional replacement was named. We do not expect any impact on the asset, financial or earnings situation as a result of this change.

In addition, US carmakers General Motors and Chrysler applied for further government aid on February 17, 2009 so that they would remain solvent. Should Chrysler and / or General Motors or Ford become bankrupt, it is possible that this could impact the assets, financial position and earnings of the Group to the extent that the value of receivables would need to be adjusted.

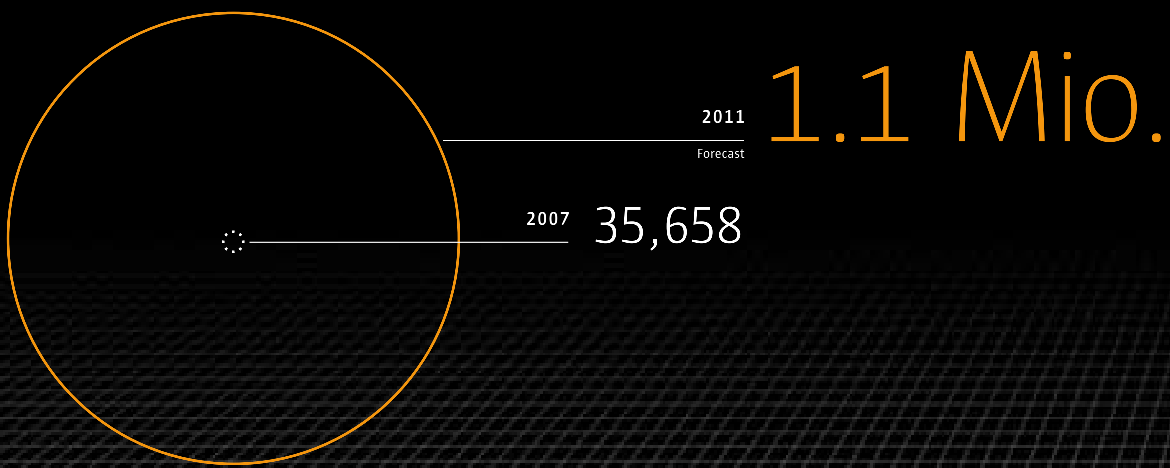

KUKA

DR. JOHANNES KURTH, HEAD OF RESEARCH AND PREDEVELOPMENT, KUKA ROBOTICS

"Our 'omniRob' concept study is exemplary for the development and testing of new technologies for the mobile robots of tomorrow. We are gaining valuable experience regarding possible applications, such as autonomous navigation, safety technologies and vision-guided gripping."

"The next wave of productivity improvement will require the automation of logistics processes. Mobile robots will be one of the key technologies in this area. Service robots will thus also be used in manufacturing."

SERVICE ROBOTS: A GROWTH MARKET
(Number of units used worldwide)



Source: World Robotics 2008


KUKA
CONCEPT omniRob

RESEARCH AND DEVELOPMENT

Research and development at the KUKA Group is strategically important to safeguarding its technology leadership position. The department works according to the following principles:

- develop application-oriented products and solutions for customers, which are distinguished by leading customer benefits and efficiency
- continuously increase the scalability and modularity of the solutions using innovative control methods
- continuously improve functionality while at the same time cutting costs
- minimize the time-to-market between concept and finished product

Research and development performance improves.

KUKA's research and development engineers work in close proximity to the application and support teams and the Augsburg factory. This ensures that customer focus is maximized. The time-to-market, i. e., the time between the idea and a product that is ready to market, has been continually reduced over the past number of years. At the same time, the performance of the research and development unit was better in 2008 than during the same period a year earlier because of the steps taken to improve efficiency.

INTEGRATED RESEARCH AT THE KUKA INNOVATION CENTER

As part of the integrated business model, the Robotics and Systems divisions work jointly at the KUKA Innovation Center. The combined core competencies of robot technology and plant engineering give KUKA an optimum basis for developing innovative automation solutions for manufacturing processes. The teamwork creates numerous synergies that are reflected in time and cost savings. In 2008, important progress was made on fine tuning the interaction between robotic motion control and the control system for the manufacturing process being considered. For example, while gluing assembly pieces previously required an independent gluing control algorithm in order to align the glue output with the robot speed, new KUKA technology now makes it possible to precisely synchronize the two control systems. Newly developed engineering tools make it possible to easily program robot movement and the gluing process using graphics and assembly modules depicted by 3-D CAD-files. These technologies offer our customers significant quality and cost advantages. KUKA has been able to reduce the programming time by a factor of ten.

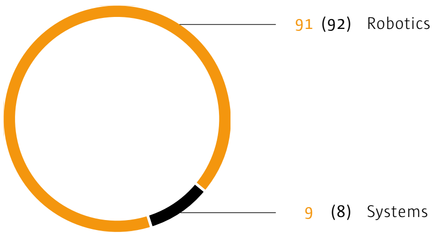
Car body production – handled by robots.

The engineers at the Innovation Center have also managed to transfer advanced methods for trajectory planning in a modern robot controller, which are based on enhanced mathematical models, to the laser process and increase the offset speed even more. KUKA RoboScan enables faster offset movements when laser welding without using expensive hardware.

Another joint development of the two divisions at the Innovation Center is called High Output and Quality (HOQ) Hemming. In order to fold car body components, for example, for vehicle doors or hatchbacks, the industry is turning to robots more and more frequently. They run a roller along the metal and bend it in the process. Last year, the control system for the driven folding roller was improved considerably at the Innovation Center. The folding roller is now tightly synchronized with the robot movement when it runs along the metal. This reduces manufacturing time by about 50 percent, while at the same time improving product quality.

R&D EXPENDITURES BY DIVISION

(in %)



Prior year numbers in brackets

R&D SPENDING AGAIN HIGHER

Last year, KUKA spent € 33.7 million for research and development (R&D), which represents 2.7 percent of sales revenue during the reporting period. In 2007, R&D spending totaled € 30.8 million, or 2.4 percent of sales revenues. The capitalization ratio, i. e., the share of R&D costs capitalized as in-house developed software or product development costs rose to 22.0 percent in 2008, from 17.2 percent the year prior. This was because of the increased expenses related to developing new robot control software.

In 2008, 90.6 percent of R&D expenditures were attributable to Robotics. The division spent € 31.0 million, up from € 28.3 million in 2007, equivalent to 6.5 percent and 6.9 percent of sales revenues respectively. The Systems division's spending on research and development is always significantly lower. This is because the division does the majority of its development work to satisfy the needs of customer orders; as a result, Systems invested only € 3.2 million in research and development last year. In 2007 it spent € 2.5 million. About 70 percent of the money budgeted for the general R&D budget goes toward developing new products and applications and 30 percent to fundamental technology research.

Over 90 percent of R&D expenditures attributable to KUKA Robotics.

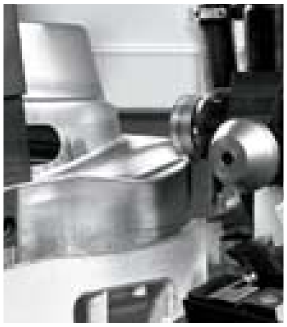
R&D is mainly financed from cash flow. In addition, the division participates in pre-competition government R&D projects, which are supported by public funding, and cooperates with research centers, universities, colleges and other companies on EU, Federal Ministry of Education and Research and Bavarian research foundation projects.

ROBOTICS DIVISION

Last year, KUKA Robotics had 249 employees, or eleven percent of its total workforce, in research and development. The year before, there were 235 employees. Most of the company's R&D employees have a university degree. About 50 percent of the employees are involved in software development and electronics, 30 percent in mechanics and mechatronics and about 20 percent are specialists who are temporary workers for KUKA hired through an employment agency. KUKA has a lean organization. Its R&D is conducted flexibly and cost effectively by working with a network of experts in the various specialty departments. In 2008, about 20 percent of the R&D was done by third parties.

The performance of KUKA Robotics' R&D department has continually improved over the past few years. In 2008, the number of published patents, patent applications and design rights soared by nearly 50 percent. The increasing number of published patents per year reflects the expertise and efficiency of KUKA Robotics' research and development activities.

NEW PROJECTS



HOQ hemming – robot-based flanging with short cycle times.

In addition to developing the 3-D CAD-file-based engineering tools that can be used to consistently program a process and robotic motion on a graphical basis, the R&D team also enhanced the software tools for simplified robot operation. With little effort, KUKA customers can generate these user interfaces themselves, making their robots considerably easier to operate. KUKA's products thus satisfy a key requirement of general industry customers: This sector needs simple graphic operating interfaces when it comes to automating their production processes. They must be intuitive and simple enough for any person to use.

One of KUKA's engineering tools, eXtendedMotion, synchronizes robot motion and supplementary axes in a unique manner. It constitutes the programming basis for such things as High Output and Quality (HOQ) Hemming, as well as the key "Industrial 3-D seaming" process, which is important for the automation of CFRP-based (composite materials) in aircraft assemblies manufacturing. This seaming-robotic process was also completed together with a partner in 2008 and is already being used in industrial applications.

New robot system for diagnostic applications in healthcare.

In the area of robotic application modules, KUKA's research and development engineers worked on groundbreaking new developments for medical technology last year. A robotic system for diagnostic applications is only one of the products that was brought to the stage of market readiness. The system, which has a positioning accuracy in the millimeter range, enables patients to be precisely positioned for x-ray examinations and relieves them of the need to undergo a conventional CAT scan, which many consider to be stressful. The system developed by KUKA uses a robot to conduct an x-ray scan by encircling the patient.

FOURTH DIMENSION FOR THE ENTERTAINMENT INDUSTRY

KUKA's entertainment industry Robocoaster technology was enhanced and has now become a simulator. A visualization module, a computer display hood and the large range of motion of the robot enable riders to experience true-to-life motion and sensations, similar to being in a film. A blower creates headwind and introduces the fourth dimension to the simulator experience: skin sensations. Riders thus have an intense emotional experience. Last year, the entertainment industry showed great interest in the trade show demonstrations. Another development expands the standard Robocoaster to four persons, albeit with a reduced range of motion.

ROBOT INNOVATIONS AT AUTOMATICA

At Europe's leading trade show AUTOMATICA, held from June 10–13, 2008 in Munich, KUKA Robotics presented three new developments aimed primarily at the fast-growing service robotics market:

- a particularly easy-to-program and operate stationary lightweight robot for use in smaller operations as a workman's third hand, which can in future be applied at manual workstations
- a self-navigating, remote-controlled mobile lightweight robot (omniRob), which can be used by itself or together with humans in workshops or industrial plants to transport products (see fold-outs above)
- new research results and solutions to make human-robot interaction safer

Mobile lightweight robot unveiled.

The omniMove platform was again enhanced in 2008. This platform can be used to handle up to 60 tons in a very small space, with a range of motion covering all spatial axes. The product has already contributed significantly to KUKA Robotics' aircraft industry sales. A smaller version of the omniMove platform can be used in combination with a KUKA lighweight robot. This omniRob system, which features graphics-based programming, can be used for gripping applications, as well as get and fetch services and will be field tested in 2009.

KUKA LEADS CENTRALIZED COOPERATIVE R&D

In addition to the new development and enhancement done by the central R&D department and in conjunction with customer orders, KUKA has for years worked jointly on community projects with universities specializing in robotics, as well as with other institutions in Europe and North America. The company works in close alliance with the German Aerospace Center (DLR), the Fraunhofer Institute for Manufacturing Technology and Automation (IPA) in Stuttgart, the Fraunhofer Institute for Factory Operations and Automation (IFF) in Magdeburg, as well as the universities in Augsburg, Munich, Stuttgart and Karlsruhe, the University of Naples and the Georgia Institute of Technology in the United States.

Among others, the company intensified the alliance with RWTH Aachen. Research is now being done in several areas of new medical robotic technology applications under the terms of a cooperation agreement between KUKA Roboter GmbH, RWTH Aachen and the Aachen university clinic. One of these areas is the rehabilitation of patients using "mechatronic physiotherapy robots", which thanks to its extremely flexible load carrying capability can optimally support humans when they do their therapeutic exercises. Another goal is to improve x-ray therapy focusing with the help of robots. These forms of cooperation are an important building block in KUKA's efforts to transfer knowledge between the business and scientific communities.

Cooperation with the German Aerospace Center (DLR) was also expanded in 2008. KUKA Robotics and DLR intend to expand their successful cooperation through an intensive knowledge transfer in various areas, such as sensors and mobility. The intent is to transfer the expertise during biannual workshops, as well as ensure that DLR employees give insight into the research work to KUKA by temporarily exchanging researchers.

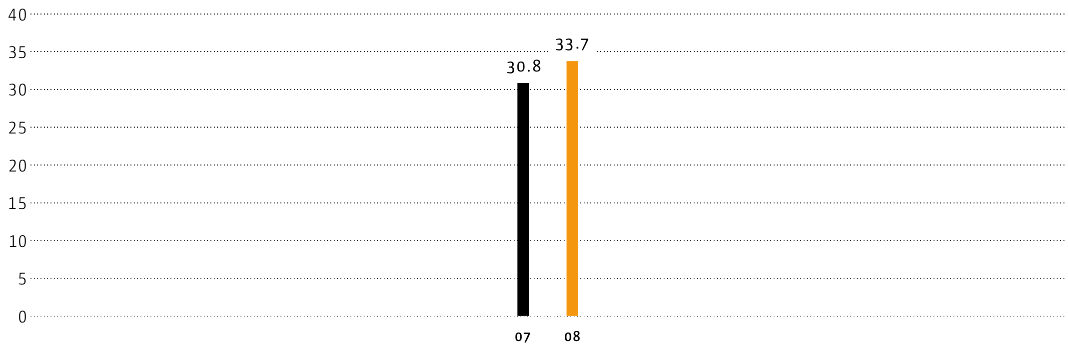
KUKA coordinating key EU research project.

In Europe, KUKA has been coordinating the EU's central research project CARE (Coordination Action for Robotics in Europe) since last year. The aim of the project is to produce a strategic roadmap for the EU's research and development work in the robotics sector. By bundling the expertise of the European robot industry, robot research, and private and institutional investors in CARE, European companies should be able to penetrate new application areas around the world on the basis of Europe's robotics expertise. Under KUKA's guidance, an action plan to define new private and industrial robot service applications related to security services and space activities was developed last year.

In 2008, Europe's industrial robotics, professional and domestic service robotics, as well as security and space robotics companies founded the EU technology platform EUropean RObotics Platform (EUROP). EUROP's task is to define and promote robotics technology as an innovation driver for European industry. KUKA Robotics is in charge of EUROP.

KUKA GROUP R&D EXPENSES

(in € millions)



SYSTEMS DIVISION

The Systems division has focused its R&D employees primarily on enhancing automotive manufacturing technologies. Robospin was developed for resistance spot welding, the most widely used joining technology for car body assembly. The control algorithm moves the robot in the direction of the next weld during the welding process, which makes the process faster, more accurate and cheaper. The electrode caps, which last longer when this method is applied, are fully automatically replaced by another new KUKA product, the KUKA Tipchanger.

KUKA has developed a new framing station, KUKA Framing, for use in body-in-white assembly lines. The system is used to make a complete car body by joining together a vehicle's sides, roof and floor. Due to the different fixtures, which can be stored in two rotating drums each with four storage locations, the system is capable of producing up to six different cars.

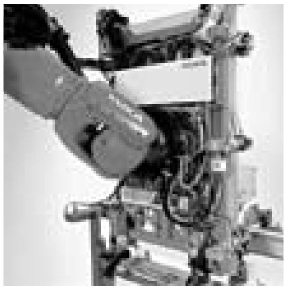
DIGITAL FACTORY ENHANCED

The Digital Factory's virtual systems for product and manufacturing equipment life cycles were enhanced. KUKA Systems' Digital Factory is a series of networked digital processes and models, which the company uses extensively to optimize cost and time factors when developing production lines. While engineering tools such as CAD design and robot simulation have been available for specialized tasks for quite some time, exchanging information between these tools is still for the most part a manual task. KUKA has developed an integration platform called "Info-Bus", which enables users to develop digital systems models in addition to utilizing the individual tools. For example, a higher order system is used to manage weld points, which enables engineers to employ a simulation process to simultaneously query or store the point that is to be welded by a particular robot.

KUKA Systems has three development centers for the aircraft industry; one in Great Britain, one in North America and one in Germany. One of the developments in 2008 was a "Multi Functional End Effector" tool (MFEE). The new tool is moved to the desired position by the robot, where it can be used to independently drill, measure and rivet thanks to separate on-board drives. This tool was specially developed for complex aircraft parts and can handle various materials such as aluminum, titanium and carbon fiber. The product includes a contactless control system to measure hole quality.

New tool for machining carbon fiber and other materials.

Last year, special tools for various stages of the solar module manufacturing process were introduced for the solar industry. KUKA ROBO TRIM is a trimming tool that enables robots to automatically cut laminated modules. Tape heads are used to apply double-sided tape to solar modules. KUKA ROBO TAPE tools can be used for a number of tasks, including electrically insulating thin-film solar modules and applying edge protection on the module casing and diffusion barriers at the edges of the solar modules. Aluminum frames are automatically applied to the solar modules at encapsulating stations. KUKA's patented ROBO FRAME system was developed for this purpose. Three robots at cross connection stations automatically apply cross connectors to form individual stringers. This is one of the first fully automatic solutions for this complex manufacturing step.



Patented KUKA Systems tool ROBO FRAME.

PROCUREMENT AND MANUFACTURING

The purchasing department's main job is to provide the KUKA Group with goods and services. These are sourced internationally by the business unit, and its key objectives are to ensure top quality, on-time delivery and effective costing. These goals are achieved by working in partnership with core suppliers. Performance targets are mutually coordinated and, if necessary, the partners agree on improvement plans.

COMMODITY PRICES EXCEED PREVIOUS HIGHS

In 2008, as in 2007, escalating prices were a challenge for the purchasing department. The strong demand for commodities and heavy utilization of suppliers' factories caused prices to rise further during the first half year. This market situation changed fundamentally in the second half year as a result of the worldwide economic downturn and the international financial market crisis. The seller's market turned into a buyer's market in the fourth quarter. Prices for commodities, particularly oil, have since declined sharply and could contribute to further cost savings in 2009. As part of its international sourcing strategy, KUKA has signed agreements with suppliers in Eastern Europe, India and China, which will be used extensively.

KUKA GROUP PURCHASING CENTRALIZED

KUKA Group's central department in charge of all purchasing activities.

Since January 1, 2009, the Group's central purchasing department has been in charge of all purchasing. Indirect materials will now be procured centrally by KUKA AG. In 2008, the greater volumes created by bundling led to improved terms and conditions and lower costs for licensing and travel management, as well as personnel services. Direct material will continue to be purchased by the Robotics and Systems divisions themselves because of the different procurement practices and detailed product specifications.

IT-SUPPORTED PROCUREMENT PROCESSES

The Robotics division is preparing to roll out a comprehensive Supplier Relationship Management tool. This will include the establishment of a web-based procurement catalog, and inventory guided by suppliers and implementation of electronic requests for quote and auctions. The goal is to reduce processing and procurement costs and improve flexibility and supply accuracy for purchase transactions.

The Systems division is preparing to introduce a web-based data exchange portal that will be used to automatically process the exchange of all design and procurement related data between KUKA and suppliers. The new data exchange portal will go live in June 2009. When started up, this system will generate significant time and personnel cost savings.

KUKA Systems also held a Supplier Event Day on November 13, 2008 in Schwarzenberg / Erzgebirge. 40 national and international suppliers from the plant engineering and construction, press tool and general industry (systems integrators) segments won prizes for their outstanding performance. In addition, eight received a supplier award.

FIVE STEPS TO A FINISHED ROBOT

KUKA Robotics manufactures its products in accordance with the KUKA Production System. Productivity and cycle time, as well as the quality of the products manufactured, can be successfully and verifiably controlled and continuously improved using this very efficient process. The maximum average three-shift capacity of the 9,000 square-meter manufacturing floor in Augsburg is 15,000 industrial robots. 60 to 100 tonnes of raw materials such as steel and aluminum are processed per day in the factories.

ROTATING WORKSTATION SYSTEM

The production workers alternate between two and three-shift operations for up to six days per week. They work on a rotating basis, i.e., the workers regularly switch workstations. This adds diversity to their jobs. The manufacturing staff are at the same time consistently encouraged to provide improvement suggestions, so that the manufacturing process can be continuously improved. This policy also gives the company more flexibility in using its skilled workers.

Robots are manufactured in five steps: mechanical assembly, painting, electrical assembly, testing / acceptance and finishing / shipment. The cycle time from printing the manufacturing order to delivery to the sales warehouse has been reduced by more than 15 days in the past six years. The quality management processes that have enabled the cycle times to be shortened are industry-leading.

Lead times cut by over 15 days.

FULLY AUTOMATED QUALITY CONTROL

Management of the process is fully automated. Every component has a barcode that enables it to be identified and correctly assigned at all times. All processes are monitored and documented on an ongoing basis. There is no need for additional quality assurance personnel. At the end of each process step, everything is checked to ensure that it is in its assigned location. Transfer to the next process stage does not take place until this has been confirmed. This process is called “Inprocess Control”.

Manufacturing Excellence Award 2008.

MULTIPLE AWARDS

On November 17, 2008, KUKA Robotics won the prestigious “Manufacturing Excellence Award 2008”. Over the past number of years, it has become one of the most coveted process industry prizes in Germany. In addition to the top prize, KUKA also won first prize in the product innovation category after a multistage selection process. According to the jury, KUKA set new customer orientation and product innovation benchmarks in comparison to its competitors due to its outstanding performance in dealing with customers, processes and products. KUKA is the first company to receive two prizes in the history of the MX Award.

The Nordrhein-Westfalen design center has nominated outstanding product designs for the “red dot design award” since 1995 and has thereby created an internationally recognized quality seal. KUKA had already received awards for its KR 150 K, KR 180 K and KR 210 K robots in 2002. In April 2008, its KR 16 and KR 1000 Titan were added after being chosen from among more than 3,000 competing products.

KUKA's KR 16 robot received the "red dot design award" for its versatility and flexibility. The KR Titan, which has a payload of 1,000 kg, is the most powerful robot in operation worldwide. In spite of this, it has a notably slim, powerful profile.

KUKA SYSTEMS SIMULTANEOUSLY MANAGING 50 CONSTRUCTION SITES

In 2008, KUKA Systems focused above all on streamlining the logistics processes between the various factories and construction sites. On average, the project teams were working simultaneously on 50 construction sites throughout the world. The logistics associated with these orders are considerable. For example, the increasing demand for refurbishment of old systems demanded more transportation and warehouse movements. The increasing cooperation between the Systems and Robotics divisions should reduce the logistics effort over the course of current fiscal year.

EMPLOYEES

Highly qualified and committed skilled workers and managers are a key success factor for a robot-based automation technology leader. KUKA can only maintain and expand its quality and application orientation advantage over competitors if our employees remain highly motivated and committed to solving problems and developing new ideas for our customers and for KUKA's success. KUKA employees have creative minds and are capable of responding flexibly and skillfully to a wide variety of customer needs throughout the entire world. Moreover, they think entrepreneurially and conscientiously. KUKA jobs around the world demand a high degree of independence and an entrepreneurial spirit.

FURTHER INFORMATION
www.kuka.jobs

HUMAN RESOURCES PROGRAMS OF KEY STRATEGIC IMPORTANCE

Forward-looking personnel planning safeguards the company's future.

For KUKA's Human Resources Department, this means that personnel planning and development is of increasing strategic importance. Timely steps must be taken to contend with the pending shortage of skilled workers in Germany and the increasing average age of the workforce. Forward-looking personnel planning is now one of the most important variables that must be managed to secure the company's future. KUKA's HR Department therefore developed several programs and extended others in 2008 to enable it to find suitable employees early, systematically coach younger employees to master their assignments, develop managers from within the ranks and ensure that the generational shift in the company is handled in the best interests of all parties.

As of December 31, 2008, the KUKA Group had 6,171 employees, 439 or 7.7 percent more than the prior year's 5,732. The Robotics division added 238 employees to support its business growth, primarily in R&D and in sales and manufacturing (Hungary). Some were contract workers. As of December 31, 2008, the division's workforce totaled 2,261 persons, up 11.8 percent from the prior year's key date. The Systems division added 199 persons, primarily in China and in manufacturing. Overall, the division had 3,781 employees at year end, 5.6 percent more than at the same time last year. The Group holding company and other companies had 129 employees versus 127 last year. The majority of these work at the Augsburg headquarters and provide services for KUKA's companies.

Dedicated skilled workers and managers are the key to success.

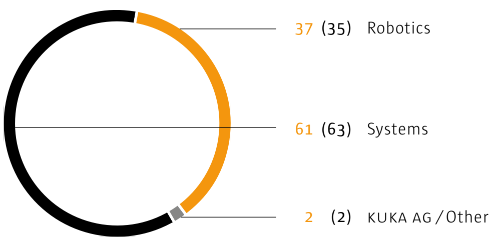
The makeup of the workforce remained relatively constant compared to last year. In 2008, the average age in the Robotics division was 38.5 years and in Systems, 40.8 years. The qualification statistics of the workforce is a key performance indicator for companies. KUKA employees are highly qualified: 20 percent have a university or college degree, 72 percent have a diploma in a accounting or technical field, 7 percent are trainees or apprentices and 1 percent has no skills training. 90 percent of KUKA employees therefore have a degree or diploma, or are in the process of obtaining one. In the past year, 16 apprentices and four university graduates successfully completed their training programs at KUKA.

Over 90 percent of KUKA's employees have a degree or diploma.

In 2008, 23 employees were honored for being with the company for 40 years. 15 employees celebrated their 25th anniversary with the company.

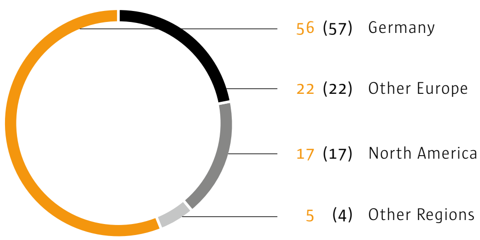
EMPLOYEES BY DIVISION

(in %)



EMPLOYEES BY REGION

(in %)



Prior year numbers in brackets

INTERNATIONAL TRAINEE PROGRAM

KUKA has for years been offering an international trainee program for young professionals in order to systematically prepare tomorrow's managers right now for the tasks that lie ahead, and bind qualified persons from our own ranks to the company.

Joint trainee program.

KUKA's integrated business model led it to introduce its first joint trainee program for the Robotics and Systems divisions in the summer of 2008. Six engineers and one accountant rotate through the various departments in Germany for 15 months and are then placed at one of KUKA's foreign subsidiaries for a further three months. A two-month exchange at each of the respective sister companies is also part of the trainee program. The trainee program is accompanied by numerous workshops covering various behavioral and management topics. The trainees' main contact during each phase of the training is the human resources representative who helped develop the program and also manages it. Supported by a mentor who knows the company and also the later area of responsibility of the candidate, the recruits are trained for their future career path based on an individual development plan. The activities also help these young professionals establish a network.

In 2008, KUKA attended 16 university job fairs to provide information on the personal growth prospects for new employees.

Apprentices in Augsburg taking a first level metals course.

In addition to the trainees, 19 apprentices between the ages of 15 and 19 began their apprenticeships at KUKA last year. Their career choices included industrial accounting, computers, mechatronics, tool and die making and industrial mechanics. KUKA offers "Implacement Days" to facilitate the launch of the young peoples' careers. During a two-day workshop, the apprentices have the opportunity to get to know one another and develop a positive sense of belonging. The apprentices work in teams for the first time, learn to accept responsibility, and learn that KUKA expects its employees to bring their own ideas to the table. Most days during the average three and a half year training period are filled with seminars conducted by the company. In 2008, the instructional program focused on software applications, the employee suggestion program, marketing, logistics, telephone communications, recognizing opportunities, and international topics including language training. The "Fit for Fair" training course gives the young people an opportunity to participate in tradeshow duty when KUKA attends trade fairs.

Apprentices who performed well also had the opportunity in 2008 to visit a KUKA foreign subsidiary for four weeks. Last year, six apprentices spent a few weeks at subsidiaries in China, Belgium and the United States, becoming familiar with the local business and also the culture and mentality of people at those locations. KUKA includes these foreign placements for apprentices in its human resources management program, not only as a motivational incentive but also to prepare the participants for later possible duties at foreign locations.

TARGET AGREEMENTS INCLUDE CONTINUING EDUCATION

The KUKA Academy is a symbol of the high quality of continuing education offered by KUKA. At the Augsburg location, external tutors enable employees to refresh their foreign language skills, acquire business management and tax law knowledge, improve their social skills, as well as their ability to communicate and manage conflicts. If KUKA employees want to participate in furthering their education by taking courses outside the academy, the company welcomes their initiative and financially supports these endeavors. After all, one of the company's stated objectives is to foster the skills and personal development of each employee. Furthermore, from the company's perspective, continuing education opportunities are important incentives, which are motivational and reflect our appreciation of the staff.

Last year, a total of 1,480 employees participated in continuing training courses at the KUKA Academy. In 2007, the number was over 1,000. The number of seminar days rose from 2,320 in 2007 to 2,627 last year. In 2008, the seminars were aimed at social skills and personality development, in addition to technical courses in areas such as 3-D design. Twelve employees also participated in management training programs. An additional twelve employees successfully completed a certified project management course. (Please refer to the section on "Sustainable business" on page 23 for more information about educational opportunities at KUKA).

KUKA Academy sees significant increase in enrollment.

KUKA has a joint program with the University of Augsburg, which enables employees to earn an MBA. The four-semester, 20-month MBA program is called "Company management". An eight-week assignment in a foreign country is mandatory. The MBA awarded at the end of the program is an internationally recognized academic degree. The main topics covered by the MBA program are economics, management and international skills.

KUKA human resources management is based on a work-life balance concept that offers its employees modern working hour options tuned to their particular stage in life. Last year, the Group had 13 part-time positions and 24 employees working out of their home offices. In 2008, 13 women were on maternity leave, and 26 women and 30 men were on parental leave so that they could dedicate themselves to raising their small children.

EMPLOYEE SUGGESTIONS

KUKA Robotics manufactures its products in accordance with the KUKA Production System. This is a well-known system based on Japanese processes. KUKA aims to achieve continuous improvement with this program and focuses on the employees to provide suggestions and drive progress. All KUKA employees are encouraged to submit improvement suggestions. The statistical trend in the number of improvement suggestions from KUKA Roboter GmbH employees is interesting: Although the number of recommendations has declined, the overall benefit achieved continues to rise and in 2008 reached about € 235,000. The savings per idea almost tripled between 2006 and 2008. Last year, employees were paid

Savings per employee suggestion nearly triples.

KUKA offers training around the globe.

€ 16,000 in total for their suggestions. KUKA Systems reported 92 improvement suggestions from 77 employees during the reporting period, of which 85 were acknowledged. These employees received material awards.

One notable recommendation came from the logistics department in Augsburg. Until recently, robots were loaded onto trucks side-by-side on movable tracks called linear units. These linear units can now be stacked on top of one another by using ordinary lumber separators. This revised loading method cuts transportation expenses in half and significantly cuts KUKA Systems' and KUKA Robotics' shipping costs.

THANKS TO ALL EMPLOYEES

KUKA's Executive Board thanks all of its employees for their performance, their strong dedication and their loyalty to the company in 2008. KUKA's employees, with their motivation and desire to succeed, are the reason for the company's technology leadership, and are the basis for its continuing growth. In addition, we thank the representatives of the executive staff, the employee association representatives, the liaison persons for the severely disabled and the apprentice representatives.

RISK REPORT

GENERAL PRINCIPLES

The KUKA Group conducts business around the globe, which exposes the company to numerous potential risks. The goal of entrepreneurial management is to minimize risks and take advantage of opportunities, in order to systematically and continuously improve shareholder value and achieve the target objectives.

Risk management

Top ten risks updated monthly.

KUKA continuously and systematically identifies external and internal risks in all business units and subsidiaries and evaluates them consistently throughout the Group with respect to their potential level of damage and likelihood of the events occurring. The precise risks are categorized into worst, medium and best-case scenarios and appropriate accruals or revaluations are formed on the balance sheet. Prior to the quarterly reports, a steering committee analyzes the identified risks. The responsible persons evaluate the plausibility and define possible management alternatives. A risk summary is subsequently generated, which includes identification of the top ten risks and a summary of the overall risk situation. The Robotics and Systems divisions' top ten risks, and Group risks derived from them, are updated monthly and are a fixed agenda item of the monthly reporting process, as well as the Executive Board, Supervisory Board and Audit Committee meetings.

The managers of the divisions and subsidiaries are directly responsible for the early identification, control and communication of risks. Risk coordinators in the central and decentralized business units ensure that the reporting process is uniform and consistent with the defined reporting channels and that the reporting thresholds are in line with the size of the company. Companies are always obligated to provide internal ad hoc reports for risks that exceed certain reporting thresholds. KUKA Aktiengesellschaft's risk management system is coordinated by a head-office administrator and is an integral part of the overall budgeting, control and reporting process.

The Group's risk management system makes it possible for executive management to identify material risks at an early stage and take appropriate steps to counter them as well as monitor the mitigating measures. Regular audits of the risk management process by the internal audit department ensure efficiency and continuous improvement. In addition, the external auditors check that the early risk identification procedure integrated into the risk management system is suitable for identifying risks at an early stage that threaten the existence of the company.

MARKET AND BUSINESS RISKS

In 2008, KUKA felt the impact of the international financial crisis and the plummeting worldwide automotive industry sales. For example, in November an order valued at about € 23 million awarded to LSW Maschinenfabrik GmbH in Bremen, a 100-percent owned subsidiary of KUKA Aktiengesellschaft, by GETRAG Transmission Manufacturing LLC, Indiana / USA was canceled. On November 17, 2008, GETRAG filed for bankruptcy protection under the terms of Chapter 11 of the US Bankruptcy Code. This event impacted KUKA the operating result in the amount of € 20.8 million in 2008.

In addition, the financial position of most automobile manufacturers deteriorated significantly in 2008, particularly that of the three largest American carmakers, Ford, General Motors and Chrysler. This is reflected in the low credit rating assigned to these companies by various rating agencies. About 70 percent of the KUKA Group's exposure to these three manufacturers is on the American Continent and about 30 percent in Europe. The exposure to these companies is mitigated using a strict process of expediting receivables, as well as regular exposure reporting. In addition, new orders that exceed a certain value are only accepted with prior approval of the Executive Board and after applying certain securitization measures (guarantees, down payments, etc.).

KUKA is also exposed to the changing investment behavior of its regular customers in the various market subsectors. It is further exposed to country risks, such as patent and brand protection in Asia, exchange rate fluctuations, financial and technical risks and the risk of substantial price increases of key raw materials.

PERFORMANCE RISKS

KUKA Robotics

The risks in the robotics markets relate primarily to the spending behavior of the customers and the continuing price pressure in the automotive industry. Furthermore, the even greater cost consciousness of all customers around the world, particularly the automotive sector and its suppliers, is causing them to keep their robots in service longer, which in turn leads to lower spending on replacements.

KUKA Robotics counters such trends by continually developing new products and applications that offer customers quantifiable financial advantages driven by very short paybacks. The efforts focus on opportunities to further enhance innovative applications in the medical technology and other consumer-related areas. In fiscal 2008, the KUKA Group spent € 33.7 million on research and development. The majority of the spending was on robotics.

Expansion of general industry customer base is strategic corporate goal.

A key component of the corporate strategy is to develop new markets outside the automotive industry by expanding the customer base into general industry. In fiscal 2008, orders from such customers accounted for 41.8 percent of the Robotics division's orders received. One example of such a market is healthcare technology. In addition, the company continues to press ahead with efforts to expand its business in America and Asia.

Exchange-rate advantages benefit KUKA competitors' business in some areas. Increased distribution of value added across various local currencies will make the profitability of the company less susceptible to exchange-rate fluctuations.

KUKA Systems

A key risk for the Systems division is in the capital spending decisions of the automotive sector, which in turn are strongly influenced by the global business and investment climate. The effects of the international financial market crisis on orders received, as well as our customers' capital spending and payment activities, became particularly noticeable in the fourth quarter of 2008. For example, projects planned for 2008 were postponed to the following year. In addition, carmakers' cost reduction programs have a positive impact on the business on the one hand because of greater demands for better efficiency and more flexible production lines. On the other hand, they impact negatively because of the reduced capital spending overall. The long duration of the project management phase and the infrequency of the orders received, as well as price and competitive pressures, can expose the company to sales and profit risks. Exposure of our American subsidiaries in particular to the risk associated with the three major US carmakers Ford, General Motors and Chrysler is reduced through a strict project and receivables management program. Due to the project nature of the business, there are also the additional risks of cost estimation errors and contractual penalties. These are continuously monitored and accrued for.

Regional diversification mitigates risk.

We further mitigate risk by diversifying regionally, spreading our business activities across Europe, North America and increasingly Asia. Asia in particular is seen as an area of further potential, since the automotive industry wants to participate in Asia's economic growth and is therefore building and expanding local manufacturing facilities. The increasing model variety in the automotive industry has a positive effect on orders received, since it results in rising demand for flexible production lines. This enables systems integrators and suppliers to participate in new business opportunities. US carmakers in particular will have to spend money to further adjust their manufacturing systems in order to remain competitive by catering to the demand for smaller, more fuel-efficient cars.

Pay-on-production contracts such as the one entered into by KUKA Toledo Productions Operations (KTPO) offer additional opportunities and risks. Chrysler was sold by Daimler AG in August 2007, and in 2008, Chrysler's credit rating continued to deteriorate. In addition, the sale of Chrysler triggered a change of control clause, which led to the redemption in 2008 of the financing for KUKA's Jeep Wrangler car body assembly line. The Jeep Wrangler brand offers above-average business opportunities in comparison to other American cars, in which KUKA participated in 2008. There is risk associated with the stronger dependence on passenger car sales and manufacturing volumes in the American car market.

A thorough analysis of the aircraft and solar industries indicates that they too offer potential opportunities. The first orders have already been received.

CORPORATE STRATEGY RISKS

The goal of KUKA's two divisions is to be among the technology and market leaders in their target markets. Consistently enhancing their technologies through coordinated innovation programs is therefore of primary importance. A key task is to identify the opportunities and risks of technical innovations in a timely manner and evaluate them with respect to feasibility. The company mitigates the impact of incorrect market assessment by conducting regular market and competitor analyses, some of which are decentralized. This is supported by application-oriented developments, partnerships with systems integrators and alliances; for example, the cooperative research being done with the German Aerospace Center (DLR) in Wessling near Munich, with RWTH Aachen and with the university clinic in Aachen.

KUKA robots mill stone, plastic or wood.

Using effective quality assurance systems in combination with regular certification programs helps convince purchasers that we offer customer-oriented products and solutions and strengthens our companies' positions in their target markets. For example, KUKA Roboter GmbH won the Manufacturing Excellence Award 2008. Both the overall prize and the award in the product innovation category went to Augsburg because of the company's outstanding performance in regard to dealing with customers, processes and innovative products.

The corporate strategy is managed by a central KUKA AG department and is regularly reviewed and coordinated with the divisions. Crossover technologies and concepts are developed at the joint Innovation Center. Uniform procedures and processes generate synergies that help the company meet the demands of the market for innovative products and solutions. R&D controllers are assigned by Robotics and Systems for this purpose.

Centralized generic, administrative and support functions such as accounting and payroll strengthen cooperation within the Group, lead to uniform processes that meet compliance requirements, create synergies and therefore optimize costs. Additional functions and divisions will follow in 2009.

PERSONNEL RISKS

KUKA relies on qualified specialists and managers to achieve its goals. In today's very competitive marketplace, it is therefore a constant challenge to attract these human resources to the Group and ensure they identify with the company over the long term. There is an increasing demand for well educated and motivated employees, especially in the world's growth markets. In Germany, there is also evidence of an increasing shortage of qualified personnel, particularly in the technical area. This requires that the company has appropriate in-house training programs and permanently stays in tune with the job market and job seekers. KUKA works closely with local and national universities and research institutes, such as the University of Augsburg, RWTH Aachen and the German Aerospace Center (DLR). The entire topic is made even more acute by the increasingly recognizable demographic

Close cooperation with universities and research institutions.

shift. Already now, the number of candidates and the quality of the applicants in some areas, such as future apprentices, is steadily declining.

KUKA guarantees top product training.

Centralized and decentralized training and continuing education programs for employees at all levels ensure that the Group's people have the indispensable expert skills they require. The in-house and international trainee program offers young recruits the opportunity to get to know various business areas and foreign companies. The 190 apprentices to be trained by the KUKA Group by year-end will be quickly integrated into the company and subsequently offered a permanent position if possible.

A key task is to ensure that the KUKA Group is unaffected by future demographic trends. Entrepreneurial thinking and management styles are also encouraged by tying variable incentives to managers' remuneration packages, which are paid according to business performance. This is supported by an employee share program. The performance criteria for assessing variable incentives were redefined for all managers of the major companies. As of fiscal 2009, these will all be the same following the Excecutive Board's remuneration: one-third for EBIT, one-third for capital employed and one-third for free cash flow.

INFORMATION SYSTEMS RISKS

IT is a strategic tool used to achieve cost-related business goals. A key requirement for cost-effectively and smoothly operating IT systems is to standardize and integrate them to form the basis of efficient, end-to-end business processes. Over the course of 2008, considerable progress was made in harmonizing the accounting IT systems and aligning them with the general strategic direction of the Group. The technical and architectural aspects of the IT systems must also align with the security and availability needs of the business processes.

By regularly reviewing and optimizing the IT systems in use, as well as the relevant guidelines and organizational structures, the company is able to minimize the risks posed by the increasing potential threats from external sources, as well as the growing dependence of the business processes on a functioning IT system. An ongoing IT service continuity management process prevented interference with business processes. IT is also permanently integrated into the KUKA Group's opportunity and risk management process. In addition to the annual IT review, external auditors conduct spot checks of the IT departments regarding their adherence to legal requirements. Regular qualitative and quantitative benchmark comparisons are also conducted with external IT service providers to identify potential improvement opportunities. In addition, risks were analyzed and reduced in a number of companies during the reporting period by conducting internal audits and business continuity management reviews.

FINANCIAL RISKS

Financing secured until end of 2010.

One of KUKA AG's primary tasks is to coordinate and control the Group's financing requirements and ensure that KUKA remains financially independent. With this goal in mind, the KUKA Group optimizes the Group's financing and limits its financial risks. The standardized, group-wide treasury reporting system implemented in 2007 was further enhanced for this purpose. In addition, the Group's overall liquidity risk is reduced by closely monitoring the Group's companies and their control of payment flows.

The Group's financing is by contract secured until the end of 2010 by a syndicated loan of € 305.0 million, a convertible bond with a face value of € 69.0 million issued on May 9, 2006, an ABS program (regular sale of receivables) valued at up to € 25.0 million introduced in December 2006 and other bilateral credit lines with credit insurance companies and banks. Interest rates are analyzed regularly to control these risks and the results are an important part of our risk management system. A change in the interest rate of 1 percent referred to the period end would alter the KUKA Group's interest income by € 0.1 million.

Transaction-related currency exchange risks are hedged using forward foreign exchange contracts (primarily futures and swap transactions). Details of the central currency management process are provided under Financial Instruments on pages 115 to 116 of the Group notes. As a basic principle, all KUKA Group companies must secure their foreign currency positions as soon as they arise. Translation risks, that is, valuation risks associated with balance sheet items whose value has been converted from a foreign currency are not hedged. The risk associated with the volatility of leading currencies and the resulting economic exchange risk (competitive risk) is mitigated by having production facilities in several countries (natural hedging). Internal guidelines are used to control the use of derivatives. Associated risks are continuously monitored internally.

Derivatives used to hedge exchange rate risk.

The impact of the international financial market crisis will send the global real economy into a slump, which could also have a negative impact on the Group's cash flow from operating activities. In general, the economic downturn has made access to credit and the capital markets more difficult and there is a risk that refinancing costs could increase if the turbulence in the international financial markets continues. In addition, reduced liquidity could cause the financial markets to charge higher interest rates on loans.

Given these conditions, KUKA has taken appropriate precautions regarding liquidity, increasing the frequency and depth of the liquidity planning activities and regularly analyzing various scenarios and simulations regarding the liquidity and financing situation.

COMPLIANCE RISKS

The risks associated with compliance can lead to fines, sanctions, legal directives regarding future business conduct, forfeiture of profits, exclusion from certain businesses, loss of union concessions or other restrictions. Furthermore, involvement in potential corruption proceedings could harm the overall reputation of the KUKA Group and could have a negative impact on efforts to compete for business in both the public and private sectors. Such proceedings could also have a negative impact on the relationship the KUKA Group has with business partners upon which it depends, as well as its ability to find new business partners. It could also have a negative impact on the company's ability to pursue strategic projects and transactions that may be important for the business, e. g., joint ventures or other forms of cooperation. Ongoing or future proceedings could lead to the suspension of some existing contracts and third parties, including competitors, could initiate legal proceedings against the KUKA Group for substantial sums of money.

In order to make these risks transparent and controllable, a Corporate Compliance Program was introduced in early 2008. It applies to all German and international KUKA companies and all managers around the globe have been trained. The initiative did not uncover any substantial risks, since the company is actively countering any exposure by mitigating risks at an early stage and striving to eliminate risk sources, e. g., by aligning its business processes.

OTHER RISKS

The KUKA Group continuously monitors other risks and mitigates these as far as possible. There is no evidence of environmental risks from operational activities, since the company does not use hazardous materials. Where possible, legal risks are limited by using standardized general contracts. The Group's legal departments support the business operations and thereby help limit risks. A Group-wide Directors and Officers Liability Insurance policy is in place that covers, among others, the business management bodies (Executive Board and managers) and supervisory bodies (Supervisory, administrative and advisory boards) of the German and foreign Group subsidiaries. Existing insurance policies are reviewed annually in order to weigh the relationship between the insurance protection and deductible amount versus the risk premium. The Executive Board subsequently makes the final decision.

Adequate accruals for tax risks.

The shareholder structure is regularly analyzed to assess a possible takeover of the company. Because it has operations around the world, the KUKA Group is required to observe numerous international and country-specific regulations, mostly related to the laws of the particular country, as well as financial administration rules. There is a risk that countries could implement duties should the company fail to properly observe laws and other regulations. Tax audits in particular could have a negative impact on the Group. Should the auditors find compliance issues, the company could be liable for payment of interest charges, penalties and tax backpayments. Appropriate precautions based on experience are taken for such tax risks.

SUMMARY

Considering the risks from an overall perspective, it is clear that the KUKA Group is primarily exposed to market risks. This includes in particular the effects of the international financial market crisis, which have worsened the economic downturn. There is also the issue of dependency on major customers in the automotive sector, particularly in the case of our American subsidiaries. Among the greatest risks to which the KUKA Group is exposed are its contracts with the American carmakers General Motors, Chrysler and Ford, all in financial difficulties. These customers are being regularly monitored with particular care.

The KUKA Group's risks are manageable and transparent, and as far as we are currently able to foresee, do not threaten the company's survival. Neither do we see any risks that could threaten the company's future business or legal existence.

OUTLOOK

ECONOMIC DOWNTURN NEGATIVELY IMPACTS MECHANICAL AND PLANT ENGINEERING INDUSTRY

The outlook for world economic growth in the next two years is dominated by the current economic decline. The trough of the slump may be reached during the current year. All key industrial countries are currently in a recession. Deutsche Bank economists are expecting a drop in GDP in the United States and in the Eurozone of 2.2 percent and 2.0 percent respectively 2009. Last year GDP growth was 1.3 percent in the United States and 0.9 percent in the Eurozone. Even in the emerging markets, economic growth could fall by nearly 50 percent, sliding from 7.9 percent in 2007 to 4 percent during the current year. Overall, world economic growth in 2009 will be – 0.7 percent, the first time the economy has stopped growing. Last year it grew 2.0 percent. Experts expect that the economy will begin to pick up again in 2010, provided the international financial market crisis does not expand further.

World economy in recession.

In Germany, the economy has been regressing since the second quarter of 2008. But according to the federal government, the downturn in gross domestic product could be even worse and reach – 2.25 percent this year, compared to 1.3 percent growth last year. It would be the most serious downturn since the end of the Second World War. Because it is an exporting nation, the German economy is particularly vulnerable to a weak world economy. This applies especially to the car industry, but also the mechanical and plant engineering sector. According to the German Engineering Federation, VDMA, this industry could see a drop in manufacturing of 7 percent in 2009. The trough of the slump in the mechanical and plant engineering industry is not likely to be reached until 2010 according to a study by WestLB, after the international infrastructure programs now being rolled out start to have a positive impact and again generate demand for German capital goods.

Asian clients very interested in KUKA robots.

AUTOMOTIVE INDUSTRY SALES CONTINUE TO DECLINE

After a drop in sales of 18 percent in 2008, General Motors in the United States is expecting a further decline of 20 percent in 2009. Only 10.5 million vehicles will be sold (source: January 8, 2009 issue of Handelsblatt). After a decline of only 2 percent last year, Germany too is expecting a sharper drop of 6 percent, with 2.9 million vehicles being registered. Overall, worldwide car production could drop further, from 56 million vehicles in 2008 to 53 million vehicles in 2010.

OPPORTUNITIES AND RISKS FOR NEW PRODUCT DEVELOPMENT AND NEW MARKET PENETRATION

KUKA AG will continue to implement its strategy in the coming two fiscal years and will accelerate its initiatives in response to the economic difficulties. The strategy rests on three pillars:

- expand into general industry, particularly in the Americas and Asia
- penetrate and develop new robotics markets
- safeguard the core automotive industry business

In general industry, i. e., all sectors other than the automotive industry, investments to streamline operations and cut costs will continue to play an important role, particularly in times of weak earnings. Here robot-based automation is increasingly being used to replace manual and less flexible automated manufacturing processes. In Europe, KUKA is the technology leader and has the largest market share in both

Robot-based automation increasingly replaces manual and less flexible assembly processes.

the robotics and plant engineering sectors. The industrial regions in America and Asia therefore offer excellent growth opportunities. The launch pad for this regional expansion is the strong market position of KUKA Systems in North America and Brazil, as well as China and India. All of these regions represent the largest local markets. At the same time, the reputation of the KUKA brand in the automotive industry serves as a "door opener" for general industry. This applies equally to Robotics and Systems.

NEW MARKETS FOR ASSEMBLY ROBOTS AND OMNIMOVE

The development of new products is primarily driven by the Robotics division. A relatively high R&D ratio of 6 to 7 percent of sales revenues ensures a continuous flow of new products and applications. Together with other well-known manufacturers, KUKA Robotics has developed such things as new robot-based treatment systems in the medical technology field, e. g., for particle and cancer radiation therapy. KUKA Robotics has also developed an innovative lightweight robot to support manual labor-intensive workstations, which is particularly easy to program and operate. It is intended to be used soon as a "worker's third hand" in small and medium-size operations. This new assembly robot is controlled by sensors and is currently being field tested. In addition, this robot, equipped with a smaller version of the omniMove platform, is designed to navigate independently while transporting light materials in workshops and factories.

The omniMove platform is known for its ability to move precisely in all directions and on the spot. It is able to manipulate heavy, bulky parts weighing up to 60 tons within a very compact envelope. On December 10, 2008, KUKA signed a blanket agreement with Airbus for the supply of 41 omniMove platforms, which will be delivered over the next five years to help assemble the A 350 in all of the aircraft manufacturer's European factories.

CORE BUSINESS: AUTOMOTIVE INDUSTRY

KUKA is an established BRIC nations business partner.

The recession in the major industrial nations has led to considerable sales difficulties in the automotive sector. International manufacturers are responding with shortened workweeks in their factories and postponement or adjustment of order volumes in cases of capital spending on new vehicle models and assembly systems. In contrast, the BRIC countries could continue to benefit from the increasing demand for vehicles in those countries and the opportunities to export to the industrialized regions.

KUKA has had successful business relationships with all European and North American carmakers for many years. At the same time, the company has been an established business partner with a strong market position in the BRIC countries, Russia, China and Brazil, for almost 20 years. Due to this broad-based global presence, KUKA is able to offset capital spending cutbacks and structural shifts in the automotive industries of the developed industrial regions by capital spending increases in the emerging countries.

CAPITAL SPENDING AT LAST YEAR'S LEVEL

Capital spending is a key requirement for surviving in a worsening market environment. In past years, KUKA AG has made about € 30 million per annum available to the operating business units. From now until 2010, the same amount is being budgeted as in past years, but is subject to review if dictated by the economic situation.

DIVIDEND POLICY

The KUKA Group follows an investor-oriented dividend policy that corresponds to the earnings trend of the company. Free cash flow is decisive for our dividend policy for this reason. In the future, 30 – 40 percent of the free cash flow generated in the fiscal year ended will be designated for the distribution of dividends. The significant cash outflow burdened the free cash flow in the 2008 business year. The Executive Board and Supervisory Board of KUKA AG therefore recommend the Annual General Meeting on April 29, 2009 in Augsburg not to distribute a dividend for the 2008 business year.

OVERALL SUMMARY REGARDING GROUP DEVELOPMENT

The two-year outlook is strongly affected by the high degree of uncertainty regarding the economy. All key industrial countries are currently in a recession. However, experts expect that the world economy will start to grow again in the next year, when the international aid packages start to bear fruit in the major industrial nations. The demand from general industry could revive accordingly in the medium term. Because of the automotive sector's sales-related profit problems, which are expected to continue over the period being considered, spending on new models and assembly systems will be sluggish at best. With the current economic difficulties, projected business development, including the company's financial and profit situation, is expected to be negative overall between now and 2010. KUKA AG's Executive Board has therefore resolved to implement the following steps to safeguard the company's earnings position:

Measures to secure earnings.

- cut material costs
- adjust manufacturing capacities
- reduce temporary staff
- terminate temporary contracts / hiring freeze
- reduce overtime / banked hours
- adjust compensation in line with the earnings position
- review development projects
- reduce administrative and consulting costs

Disclosure according to article 315 paragraph 4 of the German Commercial Code (HGB) (Group Management Report) and explanation thereof according to article 120, paragraph 3, clause 2 of the German Corporation Act (AktG).

The information required by article 315, paragraph 4 of the German Commercial Code (HGB) is disclosed and explained in the following. The Executive Board is of the opinion that according to article 120, paragraph 3, clause 2 of the German Corporation Act (AktG) further information has to be disclosed.

The total share capital of KUKA Aktiengesellschaft is valued at € 69,160,000 consisting of 26,600,000 bearer shares. Each bearer share represents a notional holding of € 2.60 of the share capital. All shares have equal rights and each share guarantees its holder one vote at the Annual General Meeting.

The Executive Board is not aware of any restrictions that would affect voting rights or the transfer of shares. The company did not receive any notification regarding direct or indirect equity shareholdings that exceed ten percent of the voting rights. Shares with special rights that would impart controlling authority do not exist. Neither is there any participation by employees in the sense of article 315, paragraph 4, item 5, of the German Commercial Code (HGB).

The Executive Board consists of at least two persons as per article 6, para. 1 of the company's articles of association. The Supervisory Board decides upon the number of Executive Board members as per article 6, para. 2 of the company's articles of association. The appointment and dismissal of members of the Executive Board follows the rules of articles 84 and 85 of the Stock Corporation Act (AktG) and article 31 of the German Act on Company Co-Determination (MitbestG).

Article 119, para. 1, clause 5 and article 179 para. 1 of the Stock Corporation Act (AktG) stipulates that any changes to the company's articles of association require a resolution by the shareholders at the Annual General Meeting. Article 22, para. 1 of the company's articles of association states that a simple majority of the holders of total share capital attending the Annual General Meeting is sufficient, provided that the articles of association do not make a greater majority mandatory. The latter is required especially for resolutions concerning changes to the company's business purpose, reduction in capital stock and changes to the form of incorporation. Article 11, para. 3 of the company's articles of association states that the Supervisory Board is authorized to make changes to the company's articles of association that only affect the version. Furthermore, according to article 4, para. 5 of the company's articles of association, the Supervisory Board is authorized to change the company's articles of association, provided it makes use of its authority to increase capitalization in accordance with article 4, para. 5 of the company's articles of association (see below) or the authorization is unnecessary.

In accordance with article 4, paragraph 5 of the company's articles of association, the Executive board is authorized to increase the company's share capital, subject to approval by the Supervisory Board, until May 31, 2011 up to a total of € 34,500,000 by issuing on one or several occasions new shares in the name of the bearer against cash contributions or contributions in kind. In the event this authorization is exercised, the shareholders shall unconditionally be granted subscription rights; however, subject to approval by the Supervisory Board, the Executive Board is authorized to exclude the shareholder subscription rights prescribed by law (i) for fractional amounts (ii) to the extent this is required in order to grant the holders subscription rights to new shares, as per the resolution passed at the Annual General Meeting on July 4, 2003, in the quantities to which they would be entitled by exercising their conversion or option rights related to convertible bond and / or warrants issued by KUKA Aktiengesellschaft or its companies (iii) for increases in equity against cash contributions if the offering price of the new share does not fall considerably short of the market price, and to the extent the number of shares issued under exclusion of subscription rights in accordance with article 186, paragraph 3, sentence 4 AktG (German Corporation Act) does not exceed 10 percent of the total share capital, neither at the point in time the authorization becomes effective nor at the time of exercising the authorization. In doing so, the company's own shares, if sold under exclusion of subscription rights, and shares issued or to be issued for the satisfaction of bonds with conversion and option rights issued pursuant to the resolution of the Annual General Meeting on July 4, 2003, in case the bonds were issued during the term of the authorization under exclusion of subscription rights in corresponding application of article 186 paragraph 3 sentence 4 AktG (German Corporation Act), have to be counted under this restriction. This also applies (iv) for capital increases against contributions in kind for the purpose of acquiring companies or parts of companies.

KUKA robots work hand-in-hand to weld a car body.

According to article 4 paragraph 6 of the articles of association, the total share capital is conditionally increased by up to € 19,500,000 by issuing up to 7.5 million new shares. The conditional capital increase is only carried out to the extent that option and / or conversion rights are exercised by the holders of option and / or conversion rights issued by the company or its directly or indirectly majority owned companies in Germany or abroad on or before July 4, 2008.

On May 9, 2006, KUKA Aktiengesellschaft partially exercised the respective authorization to issue options and / or convertible bonds and the previously described conditional capital by privately placing a convertible bond issue guaranteed by KUKA Aktiengesellschaft with a nominal value of € 69,000,000 through its 100-percent-owned Dutch subsidiary KUKA Finance B.V. Under the terms of the placement, the company is obliged to completely but not partially convert every bondholder's bond valued at a nominal € 50,000 in accordance with their conversion rights at any time during the exercise period (July 8, 2006 to October 18, 2011) and at the conversion price of € 25.3833 per share to value shares of KUKA Aktiengesellschaft issued to the bearer with a pro rata amount of the share capital of € 2.60 each (due to the distribution of dividends in May 2008 for the 2007 fiscal year, the conversion price needed to be adjusted to the bond terms and conditions). The company's capital would be increased by € 7.1 million by issuing currently about 2,718,000 new shares with a pro rata amount of the share capital of € 2.60 each, subject to the antidilution provisions of the bond terms, should all bearers of convertible bonds use their conversion right. The bond was subsequently listed on the Euromtf market of the Luxembourg stock exchange.

The conditions of the bonds contain a change of control rule typical of the industry, according to which the bond issuer (KUKA Finance B.V.) and the guarantor (KUKA Aktiengesellschaft) must publish the change of control as soon as it becomes known in a leading newspaper with general readership in Luxembourg, probably Luxemburger Wort, and must publish the record of the change of control in a similar manner. Every bondholder then has the right to demand repayment of one or all of his bonds at face value plus interest thereon, on the said record date of the change of control from the bond issuer. In other respects, the conversion ratio will be aligned as further required by the conditions of the bonds. Control in the aforementioned sense means direct or indirect (in the sense of article 22 WpHG) legal or economic interest in shares, which together guarantee more than 30 percent of the voting rights of KUKA Aktiengesellschaft or in the case of an offer to purchase shares, circumstances in which the shares which are already under the control of the offerer (and or persons working with the offerer) plus the shares for which the offer has already been accepted, together guarantee more than 50 percent of the voting rights of KUKA Aktiengesellschaft at the same time the offer became unconditional.

As per the resolution passed at the Annual General Meeting of KUKA Aktiengesellschaft on May 16, 2007, which was withdrawn effective the close of August 29, 2008 as per the resolution passed at the Annual General Meeting of KUKA Aktiengesellschaft on May 15, 2008, the company was authorized to buy back its own shares up to a total of 10 percent of the total share capital at the time the resolution was passed through the stock market or in form of a public purchase offer by the company to all shareholders. The company took advantage of this authorization by buying back 1,327,340 of its own shares (4.99 percent of total share capital) between March 25, 2008 and August 29, 2008.

Furthermore, as per the resolution passed at the Annual General Meeting of KUKA Aktiengesellschaft on May 16, 2007 and subject to approval by the Supervisory Board, the Executive Board is authorized under exclusion of subscription rights to sell the treasury shares thus acquired (i) within the scope of company mergers or the acquisition of companies, parts of companies, or investments in companies to third parties, (ii) in other ways than through the stock exchange or through an offer to all shareholders if these shares are sold for cash at a price not considerably less than the market price of company shares of same endowment at the moment of the sale, if and as far as the shares sold under exclusion of subscription rights in total do not exceed 10 percent of the stock capital, namely neither at the time of the effective date nor at the time of the execution of the authorization – this limitation includes such shares that were issued under exclusion of subscription rights for the service of bonds with conversion or option rights and / or taking advantage of an authorization to issue new shares from approved capital according to article 186 paragraph 3 sentence 4 AktG (German Corporation Act) – and (iii) for the purposes of listing on foreign stock exchanges on which the company shares had previously not been approved for trading. Moreover, subject to approval by the Supervisory Board, the Executive Board is authorized to withdraw the treasury shares. The purchase and the disposal authorization can be executed once or several times as well as in parts. This authorization as per the Annual General Meeting to use the treasury shares acquired as per the resolution of the Annual General Meeting of May 16, 2007 was not withdrawn as a result of the resolution of the Annual General Meeting of KUKA Aktiengesellschaft dated May 15, 2008, which became effective as of the close of August 29, 2008.

As per the resolution passed at the Annual General Meeting of KUKA Aktiengesellschaft on May 16, 2007, the company is authorized to buy back its own shares up to a total of 10 percent of the total share capital at the time the resolution was passed through the stock market or in form of a public purchase offer by the company to all shareholders, whereby the treasury shares already reacquired (4.99 percent of total share capital) must be taken into consideration. In doing so, the purchase price (without acquisition costs) cannot be more than 10 percent higher or lower than the market price to be established according to the resolution. The authorization for the use of reacquired own shares as per this resolution is essentially the same as the aforementioned authorization for the use of reacquired treasury shares as per the resolution of the Annual General Meeting of KUKA Aktiengesellschaft on May 16, 2007.

Furthermore, subject to approval by the Supervisory Board, the Executive Board is authorized under exclusion of subscription rights to sell the treasury shares thus acquired (i) within the scope of company mergers or the acquisition of companies, parts of companies, or investments in companies to third parties, (ii) in other ways than through the stock exchange or through an offer to all shareholders if these shares are sold for cash at a price not considerably less than the market price of company shares of same endowment at the moment of the sale, if and as far as the shares sold under exclusion of subscription rights in total do not exceed 10 percent of the stock capital, namely neither at the time of the effective date nor at the time of the execution of the authorization – this limitation includes such shares that were issued under exclusion of subscription rights for the service of bonds with conversion or option rights and / or taking advantage of an authorization to issue new shares from approved capital according to article 186 paragraph 3 sentence 4 AktG (German Corporation Act) – and (iii) for the purposes of listing on foreign stock exchanges on which the company shares had previously not been approved for trading. Moreover, subject to approval by the Supervisory Board, the Executive Board is authorized to withdraw the treasury shares. The purchase and the disposal authorization can be executed once or several times as well as in parts.

KUKA Aktiengesellschaft and its material consolidated companies signed a syndicated loan agreement with a bank consortium led by Bayerische Hypo- und Vereinsbank AG, Dresdner Bank AG, and Landesbank Baden-Württemberg under which the lenders make an amount of up to € 305 million available. This covers the material debt requirements of the KUKA Group (including filing of bank guarantees). The contract includes a change of control clause that is typical in the industry under the terms of which the syndicated banks can demand repayment of the loan in the event that a shareholder (or several shareholders working together) acquire(s) control of at least 30 percent of the voting rights of KUKA Aktiengesellschaft. If KUKA Aktiengesellschaft were unable to immediately secure refinancing from the market in such a case, it could cause the company to be unable to pay its creditors and thereby could lead to the insolvency of KUKA Aktiengesellschaft.

No compensation agreements exist on the part of the company for the scenario of a take-over bid with members of the Executive Board or employees.

COMPENSATION REPORT

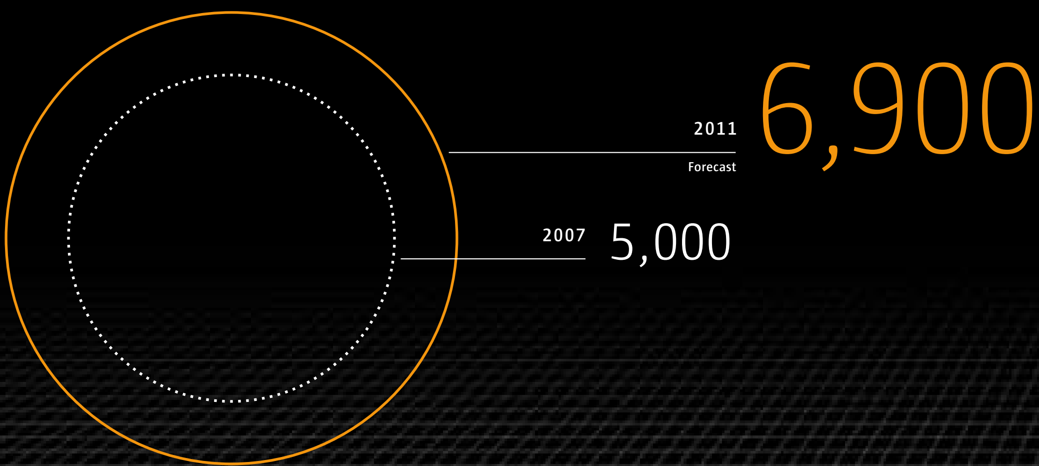
The Compensation Report explains the basis for the establishment of the compensation for the Executive Board and the Supervisory Board as well as its amount and structure. Additionally, it contains disclosures regarding the ownership of shares by the Executive Board and Supervisory Board and transactions with KUKA Aktiengesellschaft. The report follows the recommendations of the German Corporate Governance Code and contains disclosures, which are necessary according to the regulations of the commercial code, including the disclosure of Executive Board compensation pursuant to articles 314, 315 of the German Commercial Code (HGB). The audited Compensation Report is part of the consolidated report. It is included in the Corporate Governance Report.

FRANK ZIMMERMANN, INDUSTRIAL BUSINESS DEVELOPMENT, WOOD INDUSTRY, KUKA ROBOTICS

"Flexible automation solutions that improve efficiency are more important than ever in the wood industry. KUKA robots are a very safe investment that maximizes forecasting reliability and guarantees substantial market growth potential – now and in the future."

“Speed and power are the key features of successful robot applications in the wood industry. Even the strongest KUKA robot – the KR 1000 Titan – has no problem maintaining a fast pace.”

INDUSTRIAL ROBOTS IN THE WOOD INDUSTRY
(number of units)



Source: World Robotics 2008

KUKA ROBOTICS

KUKA Robotics' core competence is in developing, manufacturing and selling high-tech industrial robots together with the associated controls, software and linear units. The robots' payload ranges from five to 1,000 kg. Highly flexible KUKA robots are now being used in over 20 general industry sectors (general industry refers to all markets outside the automotive industry). Within the past number of years, KUKA Robotics has established an international network of systems partners and is continuously penetrating new markets with new applications. As always, KUKA robots continue to be used in a wide variety of automotive industry applications.

FURTHER INFORMATION
http://www.kuka.com/germany/en

The product portfolio is based on a modular system. Six basic types can be combined with a large number of mechanical and electrical feeding and loading options, enabling KUKA Robotics to supply custom tailored systems that meet customer needs. The robots are assembled at the central Augsburg plant and shipped to customers from there.

KUKA Robotics wins prestigious MX Award.

On November 17, 2008, KUKA Robotics won the coveted "Manufacturing Excellence Award 2008" (MX Award). Over the past number of years, it has become one of the most important process industry awards in Germany. In addition to the top prize, KUKA also won first prize in the product innovation category after a multistage selection process. According to the jury, KUKA set new benchmarks for customer orientation and product innovation in comparison to other competitors. It was the first time in the history of the "MX Award" that one company won two prizes.

GROWTH DRIVEN BY CUSTOMER ORIENTATION

KUKA Robotics was again able to grow faster than the market. Orders received rose 6.8 percent from last year's € 434.9 million, reaching € 464.4 million. Sales revenues came in at € 474.4 million versus € 412.9 million in 2007, an increase of 14.9 percent. Order backlog as of the December 31, 2008 cutoff date was € 100.2 million, which compares to € 103.9 million the year prior. The operating result (EBIT) increased as a result of higher capacity utilization and a more profitable product mix, coming in at € 42.0 million in 2008 versus € 33.6 million in 2007. The division's return on sales improved accordingly, rising from 8.1 percent in 2007 to 8.9 percent in 2008.

DEMAND FOR ROBOTS AGAIN SLIGHTLY HIGHER

Worldwide demand for industrial robots again rose slightly. The International Federation of Robotics (IFR) estimates that robot sales for the year in total grew between 1 and 2 percent (in number of units) compared to last year. Growth in the first half year was particularly strong, coming in at 8 percent. The total number of robots sold in 2008 was 116,000 units, which compares to 114,300 the year before. Growth in Europe was above average at 8 percent, while Asian markets reported an average increase of 2 percent. In the United States, sales plummeted 15 percent after strong growth the year prior. The demand for articulated robots was up 6 percent compared to other robot types, thus continuing to be above average.

The concentration of industrial robots used by the manufacturing industry is expressed in terms of robot density. This indicator is an expression of the ratio of the number of robots per 10,000 employees in the manufacturing industry. According to this indicator, Japan has the greatest robot density when all types of robots are taken into consideration. The country reported 310 robots per 10,000 manufacturing employees. Germany is in second place with 234 robots per 10,000 manufacturing employees. Next is Korea with 185 robots, ahead of Italy and the United States, which have 116 robots each. At the present time, the automotive industry is the furthest advanced when it comes to the number of robots used for automated manufacturing.

KUKA Titan easily stacks 750-kg sheets of wood.

INNOVATION LEADERSHIP

KUKA Robotics offers high-tech solutions for industrial robot applications. New generations of robots that are capable of robot-robot cooperation, human-machine cooperation and manufacturing assistance and are based on modular, interactive robot technologies will drive the growth of this division over the course of the next years.

Cooperating robots contribute to higher automation and flexibility – and not only for car manufacturing in the automotive industry. Here, several robots work simultaneously side-by-side to share a task in order to reduce cycle times, or to help each other when manipulating heavy payloads. Safe cooperation between humans and robots also helps maximize the utilization of overlapping workspaces and activities: KUKA Safe Robot technology makes it possible. Prerequisites for the success of this innovation are a close customer relationship, the flexibility to accommodate customer wishes and the ability to develop new technologies from these requirements.

GROWTH DRIVEN BY GENERAL INDUSTRY

One focus of the division's activities was the expansion of its sales and service network, particularly in Eastern Europe, America and Asia. General industry includes all markets outside the automotive industry, especially plastics and food, metals machining and processing, healthcare technology and logistics. In these markets, robot-based automation can generate substantial productivity advantages when compared to manual manufacturing. This now also applies to low-wage countries, as they must meet higher quality specifications as soon as they start to manufacture products for export. Overall, KUKA Robotics was able to considerably improve its orders received from general industry. They went from € 156.2 million in 2007 to € 194.3 million in 2008, an increase of 24.4 percent.

Expanded general industry sales and service network.

Examples of general industry orders in fiscal 2008 included orders for palletizing robots, which were shipped to other European countries as well as China and Brazil. The first Titan heavy load robot was purchased by the plant engineering company Grenzebach Maschinenbau GmbH for use in the glass industry. The building technologies company Grundfos in Denmark ordered robots to assemble water pumps. KUKA shipped machines for automating a water valve grinding and polishing process to systems partner SHL Automatisierungstechnik AG. Systems partner LEWA Attendorn GmbH received orders for robots to be used in an arc welding application. An agreement was reached with machine tool manufacturer Gildemeister AG and Maschinenfabrik Berthold Hermle AG for the supply of robots for automating machine tools. Other noteworthy orders came from the plastics, chemical and metals sectors.

Airbus places large order for omniMove platform.

KUKA Robotics received an order from the aviation industry for the supply of 41 omniMove type mobile platforms, which will be used to assemble the new Airbus A350. A blanket order with a term of five years was placed by the purchaser. These platforms will be used in various European Airbus factories to manufacture the wings and fuselage sections of the plane. omniMove platforms feature an extremely precise and flexible horizontal range of motion in all directions, and they can also rotate on the spot. A specially designed system of rollers makes them extremely maneuverable and gives them a very small working envelope. Bulky parts can thus be handled in a very tight space. omniMove platforms are capable of accepting a large variety of tools. They also give robots mobility.

KUKA ROBOTICS – KEY FIGURES

(in € millions)

	2007	2008	Change in %
Orders received	434.9	464.4	6.8
Sales revenues	412.9	474.4	14.9
EBIT	33.6	42.0	25.0
% of sales	8.1	8.9	0.8 %-points
% of capital employed (ROCE)	34.6	37.2	2.6 %-points
Capital employed	97.1	112.9	16.3
Employees (Dec. 31)	2,023	2,261	11.8

AUTOMOTIVE ORDERS DECLINE

The automotive industry remains the most important individual market. KUKA Robotics has been supplying industrial robots to many international carmakers for over 30 years and has become the market leader in the automotive business. The automotive industry has the strictest engineering and innovation capability requirements. In the automotive business unit, orders received in 2008 declined, mostly in the fourth quarter. They fell 14.1 percent, from € 197.3 million in 2007 to € 169.5 million in 2008.

Important orders in 2008 came from BMW for the 5 and 7 Series successors, as well as from BMW in China. KUKA Robotics received orders from VW in South Africa and India. An order came from Brazil for KUKA robots for the VW Gol, a compact car for the Latin American market. Other major orders were booked for various Mercedes models. In addition, Renault ordered robots for manufacturing the Renault Master van.

EXPANDED SERVICE

KUKA Robotics' service activities have started to expand as a result of the substantial increase in general industry business. The Service business unit provides training, repairs, maintenance and spare parts for general industry and automotive customers. The business is based on an installed base of more than 80,000 KUKA robots around the world. The business unit's orders received climbed 23.6 percent, to € 100.6 million in 2008 from € 81.4 million in 2007.

KUKA robots can palletize and depalletize at temperatures as low as minus 30° C.

NEW APPLICATIONS: ENTERTAINMENT AND HEALTHCARE TECHNOLOGY

In 2002, KUKA Robotics unveiled the Robocoaster for the entertainment industry, the first and only passenger robot in the world. Today it is a fixture at many amusement parks around the globe. KUKA has now launched a 4-D simulator, in which two passengers can climb into a closable capsule attached to a robot arm with six axes, giving it six degrees of freedom in its range of motion. Inside the capsule, the passengers experience various simulations with accompanying images projected onto an integrated screen, for example, a break-neck ski race, while the Robocoaster simulates the motion. To make the experience even more authentic, a blower integrated into the system creates the sensation of an icy headwind on their skin. This Robocoaster feature opens the door to the fourth dimension. The simulator can also be used for innovative product presentations or thrilling roller coaster rides.

4-D-simulator for the entertainment sector.

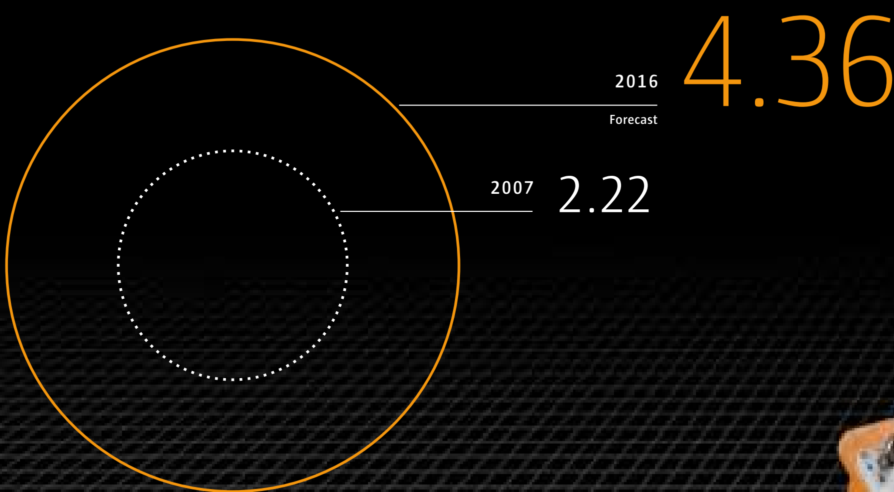
The strength of KUKA robots – high flexibility, top safety and precision, low down time and maintenance – also set new standards in the medical technology field. New treatment systems have been developed in cooperation with other international manufacturers. For example, in the field of particle radiotherapy, KUKA robots optimize the position of the patient for irradiating tumors. A further application for cancer therapy is the “Cyberknife” – a proven x-ray application. Instead of a scalpel, a robotic x-ray head capable of delivering collimated radiation precisely destroys the tumor cells. The results of KUKA's activities in healthcare technology can also be transferred to general industry and automotive industry tasks.

ARTUR MOSER, PROJECT MANAGER S-TEC, KUKA SYSTEMS

"We capitalize on our applications and automation technology engineering leadership by sharing our carmaking experience and expertise with other sectors and industries."

“Our innovative joining processes, such as laser-remote and laser-hybrid welding, enable us to quickly and precisely fuse together materials with utmost reliability, for example, when manufacturing railway vehicles and carriages.”

MARKET SIZE FOR THE HIGH-SPEED RAILWAY VEHICLE INDUSTRY IN WESTERN EUROPE AND ASIA / PACIFIC (in € billions)



Source: Study by UNIFE / Roland Berger on the global railway industry, 2008


KUKA

KUKA SYSTEMS

KUKA Systems offers automotive, aircraft and solar industry customers comprehensive automated solutions for their manufacturing plants. With 3,781 employees as of December 31, the company's European, American and Asian offices plan, design and build robot-based systems for welding, gluing, sealing, metal forming, assembling, testing and handling metals, glass or other materials in accordance with their customers' unique specifications.

FURTHER INFORMATION
www.kuka-systems.com

New customers in markets such as the aircraft and solar industries attest to the division's ability to compete. The aircraft industry uses KUKA systems to manufacture and join outer shell components of aircraft and propulsion systems. KUKA's automation expertise can be applied in the solar industry to rationalize manufacturing at all value added stages of the process. With a market share of 25 percent, KUKA Systems is the market and technology leader in the automotive industry in terms of private sector tenders.

KUKA Systems' contribution to the integrated business model is application engineering. Acting as a general contractor, KUKA Systems plans and builds complete manufacturing systems for our internationally active customers. The division relies mainly on three regional centers: Augsburg for Germany and Europe, greater Detroit for the North American business, and Shanghai for the emerging Chinese market. 25 subsidiaries that are close to the customer support these centers and independently process small orders.

In the automotive industry, KUKA Systems focuses on building flexible assembly systems, which can be used to manufacture several different car body models or types. The division also offers press tools for stamping car parts and automated assembly lines for engines, transmissions and axles. These businesses are based in Schwarzenberg / Erzgebirge and Dubnica / Slovakia, as well as Bremen and greater Detroit / Michigan.

HIGH CAPACITY UTILIZATION

In fiscal 2008, the Systems division's overall capacity was very highly utilized, even though postponed orders in the second half year were already leading to lower sales. Sales revenues came in at € 837.5 million, 6.9 percent lower than last year's € 900.0 million. However, after adjusting the result by € 35.0 million to changes in input material purchasing by US subsidiary KTPO, plus € 10.1 million for the revised posting related to the redemption of the financing for this company, plus € 16.8 million for the changed € / USD exchange rate, the division's sales revenues were about the same as last year.

Adjusted sales revenues at last year's level.

Orders received were also down from last year's € 937.7 million and came in at € 854.9 million. Adjusted for non-operative effects totaling € 62.5 million, orders received were slightly under last year's level. Order backlog was up accordingly, rising from € 434.7 million in 2007 to € 450.3 million as of December 31. The order backlog therefore notionally secures the present level of activity for over six months.

The division's operating result (EBIT) went from € 37.2 million in 2007 to € 26.8 million during the period under review because of the one-time charge associated with the cancellation of a systems order from a North American automotive supplier. Return on sales declined accordingly, going from 4.1 percent in 2007 to 3.2 percent in 2008. The one-time charge of € 20.8 million was booked against the fourth-quarter operating result. Excluding the one-time charge, the division's operating result (EBIT) for 2008 would have come in at € 47.6 million, equivalent to an EBIT margin of 5.7 percent of sales revenues, thanks to the excellent loading and the improved profitability of the orders delivered.

EBIT margin 5.7 percent excluding one-time charge.

At the end of the reporting period, KUKA Systems had 3,781 employees. This represents an increase of 5.6 percent over the 3,582-person workforce at the end of last year. The additional staff was hired primarily to expand the activities in China and in manufacturing.

NEW ORDERS FROM THE AUTOMOTIVE INDUSTRY

In the second half of 2008, various KUKA Systems automotive industry customers shelved their plans to purchase new assembly systems or postponed the purchases until 2009. The need for new capital spending was examined even more closely than before, while customers were even more prepared to refurbish and continue to use existing systems. Plant upgrades and refurbishments increased accordingly.

Despite the difficult economic climate, KUKA Systems was able to pull in numerous major automotive industry orders in 2008. For example, the division received an order from carmaker Ford for the complete B Car body shop. This is a key strategic project for Ford. The B Car is a successful European model, which the carmaker is introducing to the North American market. It is equivalent to the European Ford Fiesta. The new assembly line will be installed at the Cuautitlán assembly facility in Mexico.

Flexible assembly systems for carmakers.

Volkswagen too entrusted KUKA Systems with supplying automation technology that will be used to expand its production capacity in India. The German carmaker ordered car body door and hatch assembly systems for its new factory in Chakan near Pune. The lines will be used for the Skoda Fabia and two Polo models destined for the emerging markets. The equipment for the order will be delivered over a period of two years. The division also won orders from the Indian carmakers TATA, Mahindra & Mahindra and TAL during the fiscal period.

Other major orders came from European carmakers VW, BMW, Opel and Volvo, as well as US manufacturers Ford and Chrysler.

RISING DEMAND FROM THE SOLAR INDUSTRY

Interest in renewable energies remained high last year in view of the sharply higher prices for energy from conventional sources. The increase in new solar system installations in Germany was greater than anywhere else in the world. However, experts forecast that over the long term, only suppliers able to rapidly cut the costs of solar systems and at the same time improve their efficiency will be successful in this market. As a result, the sector's capital spending plans remain high, which leads to increasing demand for automation expertise.

Robot-based manufacturing systems supplied to US solar industry company.

Last year, demand for KUKA Systems' products and services was strongest in the photovoltaics, thermal solar systems, energy storage and conversion systems segments. Several important orders were received. For example, robot-based assembly systems for manufacturing photovoltaic modules were delivered to the US solar company Evergreen. KUKA Systems also successfully entered the Swiss solar market.

SYSTEMS DIVISION – KEY FIGURES

(in € millions)

	2007	2008	Change in %
Orders received	937.7	854.9	– 8.8
Sales revenues	900.0	837.5	– 6.9
EBIT	37.2	26.8	– 28.0
% of sales	4.1	3.2	– 0.9 %-points
% of capital employed (ROCE)	51.0	20.2	– 30.8 %-points
Capital employed	73.0	132.7	81.8
Employees (Dec. 31)	3,582	3,781	5.6

FIRST AIRCRAFT INDUSTRY REFERENCE INSTALLATIONS

The recession has also noticeably impacted the international aviation industry, causing a drop in orders for new aircraft and cancellations of existing orders for planes. In spite of this, the major aircraft makers Airbus and Boeing have a backlog each of more than 3,700 airplanes as a result of the booming demand over the past number of years. With annual shipments estimated at 400 to 500 planes, the backlog will keep these two companies busy for over six years. At the same time, the manufacturers are pressing ahead with converting their mainly manual and partly automated assembly systems. Robot-based automation contributes considerably to this effort. KUKA Systems won reference-worthy orders from both Airbus and Boeing in 2008 for assembly systems for components made of the newly developed carbon fiber reinforced material (CFRP).

ENGINEERING SERVICES FROM A SINGLE SOURCE

KUKA's US subsidiary KTPO operates an assembly line in North America on a pay-on-production basis. The system is located at Chrysler's site in Toledo / Ohio and is used to build Jeep Wrangler car bodies. In the first quarter of 2008, KUKA redeemed the financing for this assembly system. In view of the significant slump in the passenger vehicle market in North America, the number of bodies produced for this off-road vehicle in 2008 remained relatively stable.

The Harbour Report, the leading indicator of North American carmakers, named the Toledo supplier park for the Jeep Wrangler North America's most efficient and productive factory. The throughput time per vehicle is on average 13.6 hours, a full two hours less than the nearest competitor.

Toledo pay-on-production facility "Best North American factory".

KUKA Systems' press tool manufacturing unit builds cutting and metal-bending tools that come in all sizes and complexities. The press tools to manufacture large quantities of sheet metal components are used as single presses, automated press lines and large scale transfer presses. In addition, customers are asking for field service more and more frequently. The press tools are manufactured in Schwarzenberg / Erzgebirge and Dubnica / Slovakia. The press tool business unit supplies products to carmakers in Germany and the European Union, and increasingly also to customers in China and India. Important orders for 2008 were received from VW (Polo successor), Audi (Q5 China), Volvo (V 50 successor), Jaguar (XJ successor) and Magna (Porsche Cheyenne / VW Touareg).

Riveting aircraft wings in the aviation industry.

The assembly technology business unit plans, designs and builds automated assembly lines, primarily for car engines, cylinder heads, transmissions and axles. It also builds test stands for engines and transmissions. The assembly technology business unit is located in Bremen and greater Detroit / Michigan.

Important orders were placed in 2008 by ZF Saarbrücken (first eight-speed automatic transmission), GFT Kosice / Slovakia (double-clutch transmission), Porsche (Panamera), FIAT (two-cylinder engine), Cummins (cylinder head and engine block) and Ford Coyote (cylinder head). Test stands were also delivered to VW, Ford and General Motors in Mexico, as well as to Caterpillar.

KUKA Systems offers general industry customers planning, design and construction of special machines, welding cells and manufacturing lines, including subcontracted welding.

REGIONAL SHIFTS IN ORDERS RECEIVED

KUKA Systems' project business was impacted by major regional shifts during the reporting year. While orders from German customers in 2007 totaled € 308.7 million, almost one-third of the total orders received of € 937.7 million, in 2008 domestic orders dropped substantially, to € 150.2 million. Instead, German manufacturers placed more orders for their European plants. As a result, the Systems division's orders received from Europe (excluding Germany) went from € 134.7 million in 2007 to € 276.7 million in 2008. In North America, orders received from automotive industry customers came in at € 329.5 million, down from last year's € 395.6 million. The largest order received from the region during the reporting year was an order from Ford for a car body assembly line in Mexico for the B Car, the equivalent of the European Ford Fiesta. In Asia and the remaining regions, orders received of € 98.5 million for 2008 were almost the same as the prior year's € 98.7 million.

CORPORATE GOVERNANCE REPORT

The Executive Board reports – simultaneously for the Supervisory Board – on Corporate Governance at KUKA in accordance with section 3.10 of the German Corporate Governance Code ("CGC") as follows:

Responsible and transparent Corporate Governance is a fundamental principle of KUKA. This applies especially to the cooperation between the Executive Board and the Supervisory Board.

DECLARATIONS OF COMPLIANCE

The declarations of compliance of the Executive Board and the Supervisory Board that have been issued for every financial year starting in 2002, have in each case been made available for inspection by any interested party on the company's website at www.kuka.com.

The identical declarations of the Executive Board dated February 23, 2009 and of the Supervisory Board dated February 24, 2009 in accordance with article 161 of the German Corporation Act (AktG) and the German Corporate Governance Code read as follows:

"KUKA Aktiengesellschaft has since issuing the latest (identical) declaration of compliance of the Executive Board (February 11, 2008) and of the Supervisory Board (February 25, 2008) complied with, and continues to comply with, the recommendations of the Government Commission on the German Corporate Governance Code as amended on June 14, 2007 or respectively since its validity as amended on June 6, 2008, which were published in the electronic edition of the Bundesanzeiger (German Federal Gazette) dated August 8, 2008, including the recommendation to form a nomination committee for the Supervisory Board since its introduction in September 2007, subject to the following exceptions:

KUKA Aktiengesellschaft has a Directors and Officers liability insurance (D&O insurance) for the members of the Executive and Supervisory Boards which stipulates a relatively small deductible (Section 3.8, para. 2 CGC). The compensation received by members of the Supervisory Board is entirely fixed (Section 5.4.6, para. 2 CGC).

Moreover, KUKA Aktiengesellschaft adheres to nearly all proposals contained in the Code."

As of February 25, 2009, the identical declarations of the Executive Board and the Supervisory Board have been available on the company's website at www.kuka.com.

NOTE ABOUT DEVIATIONS FROM SECTION 3.8, PARAGRAPH 2 CGC AND SECTION 5.4.6, PARAGRAPH 2 CGC

The company has directors and officers liability insurance (D&O) for the members of the Executive and Supervisory Boards which stipulates a relatively small deductible. The Executive Board and the Supervisory Board are convinced from the company's perspective at this time that the contractual clause regarding the deductible should be viewed as sufficient, even if parts of the judicial literature generally sets the suitability level higher for deductibles in terms of Section 3.8, paragraph 2 CGC.

In accordance with article 17, paragraph 1 of the articles of association of the Company as amended at the Annual General Meeting on June 1, 2006, every member of the Supervisory Board, in addition to reimbursement for expenses, receives a fixed compensation. The compensation amounts to € 30,000 – except for the Chairman of the Supervisory Board and the members of the Supervisory Board committees – and is payable after the end of the financial year; the following report on compensation illustrates particulars about the compensation.

After examination of the different variable compensation models and intensive internal and external consultation, the Supervisory Board still upholds the opinion that under consideration of its independency and all essential aspects, especially the statutory duties of the Supervisory Board, the election terms of its members, and the ongoing legal uncertainty, a fixed compensation presents a reasonable compensation structure while respecting Corporate Governance. The Supervisory Board is convinced that variable compensation elements would have to be applied to the same objective criteria as the ones for the Executive Board, which may not entirely meet legal objections. The Supervisory Board will continue to diligently follow the development of the case law and judicial literature; the trends at corporations listed on the stock exchange, and any relevant changes of the CGC, and will review its opinion in the light of possible developments.

MANAGEMENT AND COMPANY STRUCTURE

The KUKA Group consists of KUKA Aktiengesellschaft – the Group's managing holding company – and the two divisions, Robotics and Systems. All Group companies are – with few exceptions – allocated to the two management companies KUKA Roboter GmbH or KUKA Systems GmbH and are directly or indirectly held by these, for the most part 100 percent.

Similarities between the business divisions regarding market and production areas, clients, and geographic focus are being identified and intensively developed further. Independent thereof, the business divisions are responsible for their business and thus also for their results. Moreover, as before, controlling the implementation of established targets is achieved through project and risk management, strong key data oriented management as well as executive staff development and brand strategies.

On October 27, 2008, the Executive Board resolved to reorganize the executive structure of KUKA Aktiengesellschaft and the management structure in the KUKA Group, with effect at the beginning of 2009. The Supervisory Board approved this resolution on November 3, 2008. Effective January 1, 2009, the Executive Board of KUKA Aktiengesellschaft consists of two persons, namely the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). The KUKA Aktiengesellschaft articles of association expressly state that the Executive Board may consist of two persons (article 6, paragraph 1 of the articles of association of the Company). The newly formed Executive Board of KUKA Aktiengesellschaft is supported by a management team. The management team consists of the Executive Board of KUKA Aktiengesellschaft as well as the chairman of the management board of KUKA Roboter GmbH and the chairman of the management board of KUKA Systems GmbH. The chairmen of the management boards of the two management companies KUKA Roboter GmbH and KUKA Systems GmbH become divisional chairmen for the Robotics and Systems division, respectively. The tasks of the divisional chairmen include, among other things, advising the Executive Board of KUKA Aktiengesellschaft as part of the management team.

The following objectives are associated with the reorganization: (i) Strengthening of the operational areas Systems and Robotics and (ii) Concentration of the strategic alignment of the Group. Furthermore, effective January 1, 2009, additional corporate departments were formed at KUKA Aktiengesellschaft level for higher-level, administrative and business-promoting tasks.

RESPONSIBLE COOPERATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

The common goal of the Executive Board and the Supervisory Board is the sustainable increase of the shareholder value. To this end, the Executive Board and Supervisory Board work closely together in the interest of the company. No former Executive Board members belong to the Supervisory Board. The Executive Board reports to the Supervisory Board regularly, in a timely manner, and comprehensively regarding all planning questions, business development, risk assessment, risk management, and any actions taken in this regard. In the process, the Executive Board also addresses changes in the business development from established plans and goals, and explains the reasons leading to such changes. The reporting of the Executive Board to the Supervisory Board also includes the topic of Corporate Compliance. Articles of association and standard rules of procedure have provisions ensuring that important business transactions are subject to agreement by the Supervisory Board. Details about the cooperation of Executive Board and Supervisory Board can be found in the report of the Supervisory Board on pages 9 to 15.

In the financial year 2008 there were no consulting or other service or work contracts in place between Supervisory Board members and the company. There were no conflicts of interest between Executive Board and Supervisory Board members which would require immediate disclosure.

EXECUTIVE BOARD

The following changes took place at the Executive Board level in fiscal 2008:

Gerhard Wiedemann stepped down from his position as Chairman of the Executive Board and Labor Director of KUKA Aktiengesellschaft on September 30, 2008 due to his retirement. Mr. Wiedemann will offer his support to the Executive Board of KUKA Aktiengesellschaft in the role of an advisor until March 31, 2009.

Effective October 1, 2008, Dr. Horst J. Kayser was appointed Chairman of the Executive Board and Labor Director of KUKA Aktiengesellschaft.

Dr. Jürgen Koch stepped down from his position as member of the Executive Board for Finance and Controlling on June 30, 2008 for personal reasons.

Effective July 1, 2008, Dr. Matthias J. Rapp was appointed Chief Financial Officer.

In fiscal 2008 the Executive Board consisted of three members:

Until leaving the Executive Board, Gerhard Wiedemann, the Chairman of the Executive Board, was in particular responsible for strategic corporate development, public relations, senior group executives, personnel, and legal affairs as well as the Systems division, and also served as Labor Director. Dr. Kayser took over these responsibilities on October 1, 2008 as the successor to Mr. Wiedemann. Until leaving the Executive Board, Dr. Jürgen Koch was responsible in particular for finance and controlling, investor relations and M&A. Dr. Rapp took over these responsibilities on July 1, 2008 as the successor to Dr. Koch. In fiscal 2008 Mr. Bernd Liepert was responsible for the Robotics division, as well as for IT and marketing.

REORGANIZATION OF THE EXECUTIVE BOARD AND ESTABLISHMENT OF A MANAGEMENT TEAM BEGINNING JANUARY 1, 2009

As a result of the aforementioned new executive structure (page 87), beginning January 1, 2009, the Executive Board consists of the Chief Executive Officer, Dr. Horst J. Kayser, as well as the Chief Financial Officer, Dr. Matthias J. Rapp. Mr. Liepert stepped down from his position as member of the Executive Board of KUKA Aktiengesellschaft effective December 31, 2008.

Mr. Liepert, as chairman of the management board of KUKA Roboter GmbH, became a member of the newly formed management team effective January 1, 2009. The management team consists of members of the Executive Board of KUKA Aktiengesellschaft as well as the chairmen of the management boards of KUKA Roboter GmbH and KUKA Systems GmbH. The latter are the divisional chairmen of KUKA Aktiengesellschaft for the Robotics and Systems divisions, respectively. Beginning January 1, 2009, this newly formed management team will be complemented by the chairman of the management board of KUKA Systems GmbH, Dr. Stefan Söhn. After the dismissal of Mr. Liepert as chairman of the management board of KUKA Roboter GmbH effective February 4, 2009, Mr. Manfred Gundel has been appointed interim chairman of the management board of KUKA Roboter GmbH. Beginning February 4, 2009, Mr. Gundel is also a member of the management team and divisional chairman for the Robotics division as a part of his function.

The Executive Board of KUKA Aktiengesellschaft has adapted its previous standard rules of procedure to the new executive structure effective January 1, 2009. At the same time, the members of the management team have established their own standard rules of procedure.

As a rule, the Executive Board members convene at least every 14 days, and they also keep in constant close contact at other times. The Executive Board avoids conflicts of interest. The members of the management team also regularly convene every 14 days, and they keep in constant close contact at other times.

COMPENSATION OF THE EXECUTIVE BOARD

The compensation of the Executive Board is described in the report on compensation below.

SUPERVISORY BOARD

The Supervisory Board is composed in accordance with the German Act on Company Co-Determination and consists of twelve members; six members are elected by the shareholders, and six by the employees.

The term of office for all members of the Supervisory Board ends with the adjournment of the Annual General Meeting on May 15, 2008. Supervisory Board shareholder representatives were elected at the company's Annual General Meeting on May 15, 2008. Mr. Helmut Gierse was elected to the Supervisory Board at the Annual General Meeting. Helmut Gierse took over the position of Prof. Dr.-Ing. Gerd Hirzinger, who stepped down from the Supervisory Board with the adjournment of the Annual General Meeting. Dr. Rolf Bartke, Dr. Reiner Beutel, Pepyn René Dinandt, Dr. Helmut Leube and Dr. Herbert Meyer were re-elected members of the Supervisory Board.

In October 2007, a voting procedure was introduced for electing employee representatives to the Supervisory Board. The election of employee representatives took place on April 15, 2008. The election results were published on April 24, 2008 in the electronic edition of the Bundesanzeiger (German Federal Gazette).

The term of office for all newly elected members of the Supervisory Board began immediately at the close of the Annual General Meeting on May 15, 2008. In the constituent assembly on May 15, 2008, Dr. Rolf Barkte was elected Chairman of the newly elected Supervisory Board. Dr. Bartke has been Chairman of the Supervisory Board since 2005.

To the extent that members of the Supervisory Board were employed in a controlling position with important business partners, transactions with them were subject to the standard terms and conditions for arms-length transactions. The members of the Supervisory Board complied and continue to comply with the criteria for independence under Section 5.4.2 CGC. Procedures continue to ensure that conflicts of interest are avoided (Section 5.5 CGC).

The following committees were established internally by the Supervisory Board: These are (i) the Arbitration Panel in accordance with article 27, paragraph 3 of the German Act on Company Co-Determination (MitbestG), (ii) the Personnel Committee, (iii) the Audit Committee (Section 5.3.2 CGC) as well as (iv) the Nomination Committee (Section 5.3.3 CGC).

According to the regulations of the Corporate Governance Code, the Supervisory Board or the Audit Committee was engaged with compliance issues and the Executive Board reported to these committees accordingly.

It has been agreed with the independent auditor that the independent auditor will immediately report to the Supervisory Board any material findings or events that arise in the course of the audit of the annual financial statements. Finally, it will also be agreed with the independent auditor that the independent auditor will inform the Supervisory Board and / or note in the audit report any finding of facts during the performance of the audit, indicating that the declarations issued by the Executive Board and Supervisory Board with respect to the Code are in any way incorrect (Section 7.2.3 CGC). As ordered, the auditor reviewed the interim report per June 30, 2008.

In the past year, the Supervisory Board again reviewed the efficiency of its activities (Section 5.6 CGC) pursuant to the regulations of the Corporate Governance Code at its meeting in September of 2008. The review was conducted on the basis of a questionnaire and provided a positive result. Moreover, the Supervisory Board resolved to involve the University of Witten / Herdecke to academically monitor the review of the Board's efficiency. The academic monitoring covers a period from 2008 to 2010 within the scope of the research project "High-Performance Boards – Quality and Efficiency in the Supervisory Board Committee" led by the Institute for Corporate Governance at the University of Witten / Herdecke.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board is described in the report on compensation below.

SHAREHOLDING

No member of the Executive Board and the Supervisory Board holds more than 1 percent of the shares issued by KUKA Aktiengesellschaft. The total shares of all Executive Board and Supervisory Board members do not exceed 1 percent.

CORPORATE COMPLIANCE

KUKA has always applied a high standard of ethical principles. Essential components are strict obedience to the law and value-oriented behavior. These form the basis of the Corporate Compliance Program passed by the Executive Board in November 2007 and approved by the Supervisory Board in December 2007, which took effect throughout the corporation on February 1, 2008. The Corporate Compliance Program is currently embodied in a manual and a total of 15 guidelines, which deal with the fields of law and business activities relevant to the Group. According to the resolution of the Executive Board, the Chairman of the Board is the highest competence for this program. It is led, implemented, governed, and further developed by a Compliance Committee, formed on the level of KUKA Aktiengesellschaft by five persons. Each company has appointed a Compliance Officer. The position of an external ombudsman has also been established. By the end of September 2008, the management of domestic and foreign Group companies across the globe had received instruction.

ANNUAL GENERAL MEETING

The ordinary Annual General Meeting 2009 will take place in Augsburg on April 29, 2009.

Each share has one vote. Unit shares are issued and global certificates are created. The shares are bearer shares. The Executive Board makes it easier for shareholders to exercise their voting rights in the Annual General Meeting by offering them the right to issue powers of attorney to proxies who are appointed by the company and are bound by directives of the shareholder. Shareholders present at the Annual General Meeting will also be able to reach the proxies appointed by the company at that meeting. It is also possible to issue powers of attorney to financial institutions, shareholder associations and other third parties.

ACCOUNTING AND AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Since 2004, the annual financial statements for the KUKA Group have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as adopted by the European Union. The audit of the annual financial statements and of the Group consolidated financial statements is performed by an independent auditor, elected by the Annual General Meeting. Per proposal of the Supervisory Board, the Annual General Meeting 2008 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt / Main, as auditor for the annual accounts and group auditor for the fiscal year 2008 as well as for a potential review of the midyear report of the fiscal year 2008. The midyear report of the fiscal year 2008 was reviewed by an auditor for the first time based on the aforementioned resolution.

The review of the independence of the auditor, the issuing of the audit assignment to him / her, the determination of audit focuses and the agreement on the fee are undertaken by the Audit Committee of the Supervisory Board in accordance with the provisions of the Corporate Governance Code.

OPPORTUNITIES AND RISK MANAGEMENT AND CONTROLLING

A detailed description of the opportunities including controlling and risk management at the KUKA Group is included in the chapter on risk management of the Annual Report on pages 60 – 66. In accordance with legal requirements, the aim of risk management is the early recognition of risks that could jeopardize the continued existence of the KUKA Group and its operating companies, in order to make it possible to take measures to minimize, transfer or avoid risk. The risk strategy and policy is particularly guided by the business risks, financial markets risk, including currency risk, and the specific risks in the divisions – in each case from a short, intermediate and longer-term perspective. In particular, controlling is an essential tool of efficient risk management at the KUKA Group.

KUKA further optimized opportunity and risk management throughout the year 2008. The adaptation of opportunity and risk management to changes in the business environment is an ongoing task of the Executive Board.

FINANCIAL REPORTING

The company informs its shareholders, the participants in the capital markets and the media about the condition as well as material business events at the company in particular through quarterly reports, midyear statements, the Annual Report, the financial press conference reporting on the annual financial statements, and the ordinary Annual General Meeting of Shareholders. In addition, it issues the Annual Document in accordance with article 10 WpPG (Securities Prospectus Act), ad-hoc releases according to article 15 WpHG (German Securities Trading Act), notices according to article 15 a WpHG (Directors' Dealings) and article 26 WpHG (Disclosure of Shareholders and Owners of Certain Financial Instruments), holds conferences with analysts, talks with analysts and investors in Germany and abroad, and issues other press releases.

All such information is also communicated in the English language and is simultaneously published on the Internet. All regular financial reporting dates are published in the company's financial calendar, which can be found on the back cover page of this annual report and on the website at www.kuka.com.

COMPENSATION REPORT

The Report on Compensation forms part of the Corporate Governance Report and summarizes the basic principles used to establish the compensation of the Executive and Supervisory Boards of KUKA Aktiengesellschaft and explains the structure and level of remuneration of the members of the Executive and Supervisory Boards. The executive compensation report is an integral part of the management report.

COMPENSATION OF THE EXECUTIVE BOARD

The Executive Board members' compensation consists of fixed and variable components.

The fixed components comprise a base salary and payments in kind. The variable components include annually recurring components tied to business performance, as well as components that offer long-range incentives and that are tied to risk taking. The base salary is paid in twelve equal monthly installments. The payments in kind of the Executive Board members consist mainly of the use of company vehicles.

The variable component is granted in relation to KUKA Group business performance indicators such as EBIT, capital employed and free cash flow. The associated details are established annually by mutual agreement. The variable components include a cap.

Effective January 1, 2007, the members of the Executive Board signed a further contract agreeing that the company at its sole discretion may award an additional variable incentive payment for extraordinary performance.

In addition, a phantom share program that provides a long-term incentive was established for the Executive Board for the first time in 2006. Phantom shares are virtual shares that grant the holder the right to cash compensation at the level of the company's current share price. In contrast to stock options, the revenue from phantom shares is based not only on the increase in share value, but the full value of the share. In addition, a dividend equivalent that mirrors the actual dividend distributed on real KUKA shares is paid annually during the life of the plan for each virtual share held. There are no voting rights associated with phantom shares.

The term of each phase of the program is three calendar years. It was rolled out for the first time for the period from 2006 to 2008. The present program covers the period 2008 to 2010. At the beginning of the three-year period, the Supervisory Board's Personnel Committee establishes the amount to be allocated. This amount is divided by KUKA's current share price, which establishes the preliminary number of phantom shares. Also at the beginning of the three-year performance period, the Personnel Committee establishes an EVA (economic value added) for continuing operations (before taxes) based on the operative plan for the three reference years [EBIT minus minimum interest rate on capital employed (CE) x 0.11 (0.09) = EVA], which is based on the budget for the first business year of the three-year period and the plan for the two subsequent business years. The program for 2006 – 2008 and the program for 2007 – 2009 have an interest rate of 11 percent. The program for 2008 – 2010 has an interest rate of 9 percent. The cumulative EVA of the three-year performance period is divided by the EVA of continuing operations as per the operating budget for the three years covered by the agreement. The success factor can vary between 0 and 2.0. The final number of phantom shares depends on the degree of achievement of the success factor, by which the preliminary number of phantom shares is multiplied. At the upper limit, the number of phantom shares is doubled. Payment is based on the final number of phantom shares at the closing share price (average price of KUKA shares between January 1 of the year following the three reference years (following year) and the day preceding the first meeting of the Personnel Committee in the following year).

Each Executive Board member participating is obligated to apply 25 percent of the gross amount paid out in April of the following year to the purchase of KUKA shares at the then current share price. This share purchase serves to build up a level of holdings established at 50 percent of annual base compensation in the form of KUKA shares starting in March of the following year. The obligation ends with the participant's departure from the KUKA Group. In the event of employment termination, initiated by either party, all allocated phantom shares expire.

The starting value for the phantom share program is defined as the average price of KUKA's stock between January 1 and the day preceding the first meeting of the company's Supervisory Board Personnel Committee in the following year. The value was € 21.25 for the first phantom share program, € 21.91 for the second phantom share program, and is € 21.65 for the current phantom share program.

The Supervisory Board's Personnel Committee will decide anew each year whether or not to grant the Executive Board share-price-oriented compensation. The repeated granting of such compensation in the past does not constitute a right to being granted such or comparable compensation in the future.

The objective of the program is to ensure that every member of the Executive Board is also a KUKA shareholder. It promotes share ownership among members of KUKA's Executive Board and thereby ties the interests of these corporate members more closely to the interests of the shareholders. Changing success targets or comparative parameters retroactively is prohibited.

The company approved benefits from the company pension scheme for two members of the Executive Board, comprising vested rights to pension payments, as well as widow's and orphan's pensions. No loans were granted to Executive Board members during the reporting period.

COMPENSATION FOR 2008

Payments granted to members of the Executive Board during the 2008 business year totaled € 3,504,000.

The payments for the 2008 business year include the fixed salary, payments in kind, variable target achievement and performance-based compensation and compensation in accordance with the phantom share program. This total includes all amounts that were paid out in 2008, or for which accruals were formed in the financial statements as of December 31, 2008, minus the amounts accrued as of December 31, 2007.

The variable performance-related annual incentive payment had three equally weighted components related to achievement of target EBIT, capital employed and cash flow during the 2008 business year.

In the event the targets are achieved, the variable incentive is paid to each Executive Board member in the form of a predefined sum in euros. In the event of an over or under achievement of the targets, the variable incentive is prorated on the basis of the over or under achievement, which can result in a payment of twice the nominal amount at a maximum, or a reduction to € 0.00 in the opposite case.

The relationship between base salary and performance-based components on an individual basis is shown in the following table:

in € thousands	Fixed salary including payments in kind *	Incentive payment for fiscal 2008	Phantom Share Programs granted volume (fair value at the time of granting)	Total
Gerhard Wiedemann (until September 30, 2008)	448 **	241	83	772
Dr. Horst J. Kayser (from October 1, 2008)	102	100	166	368
Dr. Jürgen Koch (until June 30, 2008)	744 ***	435	0	1,179
Dr. Matthias J. Rapp (from July 1, 2008)	155	91	200	446
Bernd Liepert	408 ****	181	150	739
				3,504 *****

* Payments in kind comprise the use of company cars, payment of hotel costs at the company's headquarters, travel costs and premiums for accident insurance. The premium for D&O insurance, unlike that for accident insurance, is not included in the payments in kind because it cannot be allocated on an individual basis since the company pays a flat premium for the protected group of persons, which extends beyond the members of the Executive Board.

** Incl. dividend of € 23,000.

*** Incl. dividend, severance, pro-rata variable incentive for 2009 and payment from the phantom share programs € 557,000.

**** Incl. dividend of € 18,000.

***** Due to the period-related definition of the different phantom share programs, € 2,578,000 in the 2008 business year was recognized in the income statement as executive compensation other than that shown here.

PHANTOM SHARE PROGRAM 2006 – 2008

	Volume granted in € thousands (fair value at the time of granting)	Initial share price of KUKA shares in €	Preliminary number of phantom shares
Gerhard Wiedemann	100	21.25	4,706
Dr. Jürgen Koch	150	21.25	5,883 *
Bernd Liepert	100	21.25	4,706

* Calculated and paid pro rata to June 30, 2008.

PHANTOM SHARE PROGRAM 2007 – 2009

	Volume granted in € thousands (fair value at the time of granting)	Initial share price of KUKA shares in €	Preliminary number of phantom shares
Gerhard Wiedemann	150	21.913	6,845 *
Dr. Jürgen Koch	150	21.913	3,423 **
Bernd Liepert	150	21.913	6,846
Dr. Matthias J. Rapp	75	21.913	3,423 ***
Dr. Horst J. Kayser	50	21.913	2,282 ****

* Pro rata to September 30, 2008.
** Calculated and paid pro rata to June 30, 2008.
*** Pro rata from July 1, 2008.
**** Pro rata from October 1, 2008.

PHANTOM SHARE PROGRAM 2008 – 2010

	Volume granted in € thousands (fair value at the time of granting)	Initial share price of KUKA shares in €	Preliminary number of phantom shares
Gerhard Wiedemann	83	21.65	3,849 *
Dr. Horst J. Kayser	116	21.65	5,389 *
Dr. Jürgen Koch	–	–	–
Dr. Matthias J. Rapp	125	21.65	5,773 *
Bernd Liepert	150	21.65	6,928

* Pro rata

Accruals are made for the expected payments resulting from this according to the ratio from the balance sheet date. The preliminary number of phantom shares, which has been assessed with the success factor achieved at that time, is multiplied by the KUKA share price as of the key date. The corresponding accruals amount to:

PHANTOM SHARE PROGRAM 2006 – 2008

in € thousands	Accrual as at December 31, 2008
Gerhard Wiedemann	37
Dr. Horst J. Kayser	0
Dr. Jürgen Koch	0
Dr. Matthias J. Rapp	0
Bernd Liepert	37

PHANTOM SHARE PROGRAM 2007 – 2009

in € thousands	Accrual as at December 31, 2008
Gerhard Wiedemann	82
Dr. Horst J. Kayser	5
Dr. Jürgen Koch	0
Dr. Matthias J. Rapp	13
Bernd Liepert	51

PHANTOM SHARE PROGRAM 2008 – 2010

in € thousands	Accrual as at December 31, 2008
Gerhard Wiedemann	65
Dr. Horst J. Kayser	3
Dr. Jürgen Koch	0
Dr. Matthias J. Rapp	5
Bernd Liepert	11

The extent to which members of the Executive Board are entitled to benefits from the company pension plan is as follows:

Messrs. Wiedemann and Liepert were entitled to company pension plan benefits from the Group's companies of which they were or are the chairman. These obligations were transferred to KUKA Aktiengesellschaft on April 1, 2006. The Group's companies will be charged for the time prior to the transfer. The employer's pension commitment for Mr. Wiedemann includes a maximum old-age pension of € 36,000 per annum and for Mr. Liepert a maximum of € 6,000 per annum. It also includes provisions regarding a vocational and employment disability pension, widow's pension (60 percent of the old-age pension) and orphan's pension (12 percent of the old-age pension for half-orphans and 24 percent for full-orphans). If pension payments are started early, the payout is reduced by 1 percent of the final pension amount for each quarter year prior to the pensioner's 65th birthday that the pension payments begin.

In 2008, the following amounts were added to pension accruals:

in € thousands	Addition
Gerhard Wiedemann	44
Dr. Jürgen Koch	–
Bernd Liepert	2

The variable component payment for Messrs. Wiedemann and Liepert will be reduced by an amount equal to the annual contribution to the pension accrual from 2006 onward.

The former Executive Board member, Dieter Schäfer, who already stepped down from his position as member of the Executive Board in the 2007 business year, was permitted to use his company vehicle until December 30, 2008, the originally agreed end of the employment contract. Other payments to former members of the Executive Board were not granted in the 2008 business year.

With a few exceptions, former Executive Board members have been granted benefits from the company pension scheme, which include old-age, vocational and employment disability, widow's and orphan's pensions. The amount of accruals included for this group of persons in 2008 for current pensions and vested pension benefits totals € 9,080,000, compared to € 8,853,000 in 2007.

KUKA Aktiengesellschaft has no compensation agreements with the members of the Executive Board or the employees that would come into effect in the event of a take-over bid.

COMPENSATION OF THE SUPERVISORY BOARD

Compensation structure

A resolution was passed at the Annual General Meeting of the Company on January 1, 2006, which changed the articles of association to require fixed compensation for members of the Supervisory Board.

In addition to reimbursement of expenses, each member of the Supervisory Board will be paid a fixed amount of € 30,000, payable following the end of the business year.

The Chairman of the Supervisory Board will be paid four times that amount, and the deputy chairman's compensation will be double. For chairing the Annual General Meeting, provided it was not chaired by the Chairman of the Supervisory Board, and for membership in one or more committees that were not of an interim nature, Supervisory Board members are paid an additional sum of € 30,000. A committee chairman will be paid at most 1 1/2 times the annual remuneration, even if he chairs several committees or is a member of another committee; this does not apply to the committee as per article 27, paragraph 3 of the MitbestG (German Act on Company Co-Determination).

In addition, for each Supervisory Board meeting, each Supervisory Board member will have a choice of either being reimbursed for expenses or receiving a lump sum payment of € 450 per sitting plus applicable value added tax. This option may only be declared once per year.

Compensation for 2007 and 2008

The principles outlined for compensation of the members of the Supervisory Board were already applicable to the compensation for the 2007 financial year due in 2008. The following table compares the compensation of the members of the Supervisory Board for the 2007 and 2008 business years.

in € thousands	Payment for 2008 (compensation for 2007)	Accrual in 2008 (compensation for 2008)
Dr. Rolf Bartke Chairman of the Supervisory Board and Chairman of the Personnel Committee	165	165
Mirko Geiger Deputy Chairman of the Supervisory Board (until May 15, 2008)	90	33
Jürgen Kerner Deputy Chairman of the Supervisory Board (from May 15, 2008)	0	57
Jürgen Kerner (until May 15, 2008)	30	11
Walter Prues	60	60
Dr. Reiner Beutel	60	60
Dr. Herbert Meyer Chairman of the Audit Committee	75	75
Pepyn René Dinandt	30	30
Dr.-Ing. Helmut Leube	30	30
Herbert R. Meyer (until May 15, 2008)	30	11
Fritz Seifert	30	30
Wilhelm Steinhart (until May 15, 2008)	30	11
Prof. Dr.-Ing. Gerd Hirzinger (until May 15, 2008)	30	11
Helmut Gierse (from May 15, 2008)	0	19
Wilfried Eberhardt (from May 15, 2008)	0	19
Siegfried Greulich (from May 15, 2008)	0	19
Thomas Knabel (from May 15, 02008)	0	19

GROUP FINANCIAL STATEMENTS

AND ANNUAL FINANCIAL STATEMENTS

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GROUP INCOME STATEMENT

of KUKA Aktiengesellschaft for the period January 1 – December 31, 2008

in € thousands	NOTES	2007	2008
SALES REVENUE	1	**1,286,367**	**1,266,115**
Costs of sales	2	– 1,028,137	– 1,005,329
GROSS INCOME		**258,230**	**260,786**
Selling expenses	2	– 83,378	– 91,678
Research and development expenses	2	– 30,776	– 33,711
General and administrative expenses	2	– 69,349	– 81,867
Other operating income and expenses	3	– 4,278	– 1,513
EARNINGS FROM OPERATING ACTIVITIES		**70,449**	**52,017**
Write-off of financial assets	4	– 91	0
Interest income	5	5,476	9,679
Interest expense	5	– 13,379	– 14,696
FINANCIAL RESULTS		**– 7,994**	**– 5,017**
EARNINGS BEFORE TAX		**62,455**	**47,000**
Taxes on income	6	– 13,638	– 16,448
EARNINGS FROM CONTINUING OPERATIONS		**48,817**	**30,552**
Earnings from operating activities of discontinued operations		– 2,687	0
Result from the disposal of discontinued operations		71,798	0
RESULT FROM DISCONTINUED OPERATIONS	7	**69,111**	**0**
ANNUAL NET PROFIT		**117,928**	**30,552**
Annual net profit attributable to minority interests		49	61
Annual net profit attributable to KUKA		117,879	30,491
Earnings per share (basic)	8	4.43	1.18
(of that discontinued operations)	8	(2.60)	(0.00)

GROUP BALANCE SHEET

of KUKA Aktiengesellschaft as at December 31, 2008

ASSETS

in € thousands	NOTES	Dec. 31, 2007	Dec. 31, 2008
NON-CURRENT ASSETS			
Fixed assets	9		
Intangible assets	10	69,497	74,200
Property, plant and equipment	11	91,928	93,062
Participations in associated companies	12	36	0
Financial investments	12	1,631	366
		163,092	**167,628**
Long-term finance lease receivables	13	**0**	**81,996**
Long-term tax receivables		**12,821**	**11,603**
Other long-term receivables and other assets		**9,849**	**10,226**
Deferred taxes	6	**31,104**	**26,554**
		216,866	**298,007**
CURRENT ASSETS			
Inventories	14	**150,020**	**151,454**
Receivables and other assets			
Trade receivables	15	178,912	164,414
Receivables from construction contracts	15	92,995	167,101
Receivables from affiliated companies	15	3,585	367
Current Finance lease receivables	13	0	3,267
Current tax receivables		10,736	22,809
Other assets, prepaid expenses and deferred charges	16	11,887	16,710
		298,115	**374,668**
Cash and cash equivalents	17	**223,171**	**41,349**
		671,306	**567,471**
		888,172	**865,478**

EQUITY AND LIABILITIES

in € thousands	NOTES	Dec. 31, 2007	Dec. 31, 2008
EQUITY	19		
Subscribed capital	20	69,160	69,160
Capital reserve	21	26,581	26,581
Revenue reserves	22	136,437	116,299
Minority interests	23	1,356	1,494
		233,534	**213,534**
NON-CURRENT LIABILITIES, PROVISIONS AND ACCRUALS	28		
Non-current financial liabilities	29	59,059	61,332
Other non-current liabilities	30	11,519	13,174
Pensions and similar obligations	25	73,859	68,458
Deferred taxes	6	4,719	13,082
		149,156	**156,046**
CURRENT LIABILITIES	28		
Current financial liabilities	29	516	33,629
Trade payables		148,880	149,062
Advances received		35,374	36,744
Liabilities from construction contracts	15	72,403	54,603
Accounts payable to affiliated companies		144	203
Other current liabilities and deferred income	30	85,319	102,891
Provision for taxes	26	36,561	11,293
Other provisions	27	126,285	107,473
		505,482	**495,898**
		888,172	**865,478**

CASH FLOW STATEMENT

in € millions	2007*	2008*
NET INCOME FOR THE YEAR	**117.9**	**30.6**
Result from the disposal of discontinued operations	– 71.8	0.0
Amortization of intangible assets	9.1	8.9
Depreciation of tangible assets	20.0	17.1
Write-off of financial assets	0.1	0.0
Other non-payment related expenses / income	5.9	12.8
CASH EARNINGS	**81.2**	**69.4**
Result on the disposal of assets	– 17.0	– 2.0
Changes in provisions	23.6	– 47.9
Changes in current assets and liabilities:		
Changes in inventories	– 8.8	0.2
Changes in receivables and deferred charges	11.5	– 80.3
Changes in liabilities and deferred income (excl. financial debt)	– 28.2	– 0.6
CASH FLOW FROM OPERATING ACTIVITIES	**62.3**	**– 61.2**
(of that discontinued operations)	(– 9.9)	(0.0)
Payments from disposals of fixed assets	39.1	3.9
Payments for capital expenditures on intangible assets	– 14.8	– 13.6
Payments for capital expenditures on tangible assets	– 15.9	– 18.9
Payments for investments in financial assets	– 1.0	0.0
Outgoing payments in connection with the sale of consolidated companies and other business units	154.3	0.0
Payments for the acquisition of consolidated companies and other business units	– 0.4	–
Payments for the acquisition of finance lease receivables	0.0	– 77.1
CASH FLOW FROM INVESTING ACTIVITIES	**161.3**	**– 105.7**
(of that discontinued operations)	(– 3.9)	(0.0)
FREE CASH FLOW	**223.6**	**– 166.9**
Payments for the acquisition of treasury shares	0.0	– 27.9
Payments of dividends	0.0	– 26.1
Payments for repaying liabilities due to banks and liabilities similar to bonds	– 71.2	35.3
CASH FLOW FROM FINANCING ACTIVITIES	**– 71.2**	**– 18.7**
(of that discontinued operations)	(3.9)	(0.0)
PAYMENT-RELATED CHANGES IN CASH AND CASH EQUIVALENTS	**152.4**	**– 185.6**
(of that discontinued operations)	(– 9.9)	(0.0)
Exchange rate-related and other changes in cash and cash equivalents	– 4.1	3.7
(of that discontinued operations)	(– 3.5)	(0.0)
CHANGES IN CASH AND CASH EQUIVALENTS	**148.3**	**– 181.9**
Cash and cash equivalents at the beginning of the period	74.9	223.2
(of that discontinued operations)	(13.4)	(0.0)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**	**223.2**	**41.3**
(of that discontinued operations)	(0.0)	(0.0)
(of that continuing operations)	(223.2)	(41.3)

* Please see discussion of the cash flow statement in the Notes to the financial statements, p. 157.
** Funds on hand correspond to the item "Cash and cash equivalents" on the balance sheet.

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

in € millions	2007	2008
Currency translation differences	– 8.3	– 0.3
Actuarial gains and losses on defined benefit pension plans and similar commitments	9.9	3.4
Deferred taxes on items offset directly against equity	– 3.2	– 1.0
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	**– 1.6**	**2.1**
Group annual net loss / profit	117.9	30.6
TOTAL INCOME AND EXPENSE RECOGNIZED IN EQUITY	**116.3**	**32.7**
(of which: attributable to minority interests)	(0.0)	(0.1)
(of which: attributable to KUKA)	(116.3)	(32.6)
(of which: changes in accounting policies)	(6.7)	(0.0)

GROUP NOTES FOR THE FINANCIAL YEAR 2008

DEVELOPMENT OF GROUP EQUITY

The development of Group equity was as follows:

NOTES		20	21	
	Number of shares outstanding	Subscribed capital in € millions	Capital reserve in € millions	Treasury stock in € millions
December 31, 2006	**26,600,000**	**69.2**	**29.9**	**0.0**
Other changes and changes in ownership	–	–	– 3.4	–
Income and expense recognized directly in equity	–	–	–	–
Group net profit for the year	–	–	–	–
KUKA AG dividend	–	–	–	–
December 31, 2007	**26,600,000**	**69.2**	**26.5**	**0.0**
Other changes and changes in ownership	–	–	–	–
Income and expense recognized directly in equity	–	–	–	–
Share buy-back	– 1,327,340	–	–	– 27.9
Group net profit for the year	–	–	–	–
KUKA AG dividend	–	–	–	–
December 31, 2008	**25,272,660**	**69.2**	**26.5**	**– 27.9**

			22		23	
			Revenue reserves			
	Other revenue reserves in € millions	Translation gains / losses in € millions	Net retained earnings in € millions	Equity to shareholders in € millions	Minority interests in € millions	Total in € millions
	22.6	**– 2.7**	**0.0**	**119.0**	**1.5**	**120.5**
	0.2	–	–	– 3.2	– 0.1	– 3.3
	6.7	– 8.3	–	– 1.6	–	– 1.6
	–	2.8	115.1	117.9	–	117.9
	–	–	–	–	–	0.0
	29.5	**– 8.2**	**115.1**	**232.1**	**1.4**	**233.5**
	1.3	–	–	1.3	–	1.3
	2.4	– 0.3	–	2.1	–	2.1
	–	–	–	– 27.9	–	– 27.9
	–	–	30.5	30.5	0.1	30.6
	–	–	– 26.1	– 26.1	–	– 26.1
	33.2	**– 8.5**	**119.5**	**212.0**	**1.5**	**213.5**

GROUP SEGMENT REPORTING

SEGMENT REPORTING BY DIVISION

	Robotics		Systems	
in € millions	2007	2008	2007	2008
Group external sales revenue	380.0	430.6	897.2	834.6
as a % of Group sales revenue	29.5	34.0	69.7	65.9
Intra-Group sales	32.9	43.8	2.8	2.9
SALES REVENUE BY DIVISION	**412.9**	**474.4**	**900.0**	**837.5**
EBIT	**33.6**	**42.0**	**37.2**	**26.8**
as a % of sales revenues of the division	8.1	8.9	4.1	3.2
as a % of Group external sales revenue	8.8	9.8	4.1	3.2
as a % of capital employed (ROCE)	34.6	37.2	51.0	20.2
Capital Employed (annual average)	97.1	112.9	73.0	132.7
Assets	239.7	255.4	367.1	532.6
Liabilities	142.5	138.8	331.6	319.3
Capital expenditure	16.1	18.4	6.9	12.2
Deprecation / amortization of intangible and tangible assets	12.2	12.9	11.3	10.7
Impairment losses on intangible and tangible assets	0.5	–	0.5	–
Payroll (annual average)	1,958	2,164	3,599	3,688

SEGMENT REPORTING BY REGION

	Germany		Other Europe	
in € millions	2007	2008	2007	2008
Group external sales revenue	465.4	514.3	257.6	306.3
as a % of Group sales revenue	36.2	40.6	20.0	24.2
Capital Employed (annual average)	68.1	115.9	50.6	50.0
Assets	396.1	555.8	138.4	157.0
Capital expenditure	20.1	21.0	3.3	8.0
Payroll (annual average)	3,240	3,375	1,229	1,305

	KUKA Aktiengesellschaft, Other Companies and Reconciliation / Consolidation items		Continuing Operations	
	2007	2008	2007	2008
	9.2	0.9	1,286.4	1,266.1
	0.8	0.1	100.0	100.0
	– 35.7	– 46.7	–	–
	– 26.5	**– 45.8**	**1,286.4**	**1,266.1**
	– 0.4	**– 16.8**	**70.4**	**52.0**
	–	–	5.5	4.1
	–	–	5.5	4.1
	–	–	41.6	21.5
	– 0.7	– 3.3	169.4	242.3
	13.5	– 2.5	620.3	785.5
	72.3	74.4	546.4	532.5
	3.4	1.9	26.4	32.5
	2.4	2.4	25.9	26.0
	–	–	1.0	–
	111	133	5,668	5,985

	North America		Other Regions / Reconciliation		Continuing Operations	
	2007	2008	2007	2008	2007	2008
	414.3	321.0	149.1	124.5	1,286.4	1,266.1
	32.2	25.4	11.6	9.8	100.0	100.0
	58.4	86.9	– 7.7	– 10.5	169.4	242.3
	116.9	233.2	– 31.1	– 160.5	620.3	785.5
	2.3	1.9	0.7	1.6	26.4	32.5
	986	1,005	213	300	5,668	5,985

GENERAL COMMENTS

ACCOUNTING PRINCIPLES

KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, has prepared its Group consolidated financial statements for the period ending December 31, 2008 according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretation Committee (SIC) as well as the International Financial Reporting Interpretation Committee (IFRIC). The applied accounting principles were applicable and approved by the European Union as of the balance sheet date and were supplemented by the guidelines stipulated in article 315a, paragraph 1 of the German Commercial Code (HGB). The statements comply with all standards (IFRS / IAS) and interpretations (IFRICs) for which application is mandatory for the 2008 financial year. As a general rule, the accounting and valuation policies used conform to the methods applied in the prior year except for the standards and interpretations for which application is mandatory for the first time in the 2008 financial year. The newly applied standards and interpretations are listed under changes to accounting and measurement policies.

The Group consolidated financial statements are in compliance with German law. The numbers for the prior year were prepared according to these same standards. With the exception of specific financial instruments reported in fair values, the Group consolidated financial statements are prepared based on historical acquisition or production costs.

The Group consolidated financial statements have been prepared in EUROs. Unless otherwise noted, all amounts are stated in millions of euros (€ million). The report on emoluments represents an exception, providing information in thousands of euros (€ thousand).

The Executive Board authorized the consolidated financial statements for publication on February 23, 2009.

CONSOLIDATION PRINCIPLES

Subsidiaries directly or indirectly controlled by KUKA AG according to IAS 27 or SIC 12 (“Control Concept”) are consolidated in the Group financial statements according to the rules of full consolidation.

The Group consolidated financial statements are based on the financial statements of KUKA Aktiengesellschaft and those of the consolidated subsidiaries and were prepared according to the uniform accounting and valuation policies for the Group. The consolidation of investments in subsidiaries capital was performed by elimination of the carrying amount of the participation against the proportionate equity in the subsidiary restated as at the date of acquisition. In line with IFRS 3, any positive differences are capitalized as goodwill under intangible assets. Any negative differences must be recognized in the income statement.

Intra-Group sales, expenses, earnings, as well as receivables and payables are netted, and inter-company profits and losses are eliminated. The deferred tax entries required in connection with the consolidation processes have been recorded.

Guarantees and warranties that KUKA Aktiengesellschaft issues on behalf of consolidated subsidiaries are eliminated provided they do not have an external effect.

SCOPE OF CONSOLIDATION

In addition to KUKA Aktiengesellschaft, the Group consolidated financial statements include seven companies registered in Germany (prior year: ten) as well as 38 companies domiciled outside of Germany (prior year: 33) on whose behalf KUKA Aktiengesellschaft exercises directly or indirectly uniform control.

The following changes to the scope of consolidation occurred in 2008:

First-time consolidations

The following companies, which had previously not been consolidated because of their relative insignificance were included in the scope of consolidation for the first time this year:

Systems division

- KUKA Sistemy OOO, Togliatti / Russia

Robotics division

- KUKA Robot Automation Taiwan Co. Ltd., Chung-Li City / Taiwan
- KUKA Robotics Japan K.K., Tokio / Japan
- KUKA Robotics OOO, Moscow / Russia

The incorporation of the first-time consolidations had no material effect on the net assets, financial position and results of operations of the Group.

KUKA Robotics Canada Ltd., Saint John / Canada, was re-established on November 20, 2008.

Other changes to the scope of consolidations

In the 2008 financial year, the following mergers took place effective January 1, 2008 between companies within the scope of consolidation:

- KUKA ProTec GmbH, Augsburg into KUKA Roboter GmbH, Augsburg
- KUKA Dienstleistungs-GmbH, Augsburg, into IWKA Anlagen-Verwaltungsgesellschaft mbH, Augsburg. In a second step, IWKA Anlagen-Verwaltungsgesellschaft mbH, Augsburg, was renamed KUKA Dienstleistungs-GmbH, Augsburg.
- IWKA Produktionstechnik GmbH, Augsburg, into Bopp & Reuther Anlagen-Verwaltungsgesellschaft mbH, Mannheim.

Discontinued operations

IFRS 5 requires a separate disclosure of assets (companies) that are no longer intended to remain as part of continuing operations but are intended for disposal.

The following criteria, which are intended to ascertain that the sale of these companies is highly probable, were adhered to, and companies to which they applied were classified as Discontinued Operations:

- The management level authorized to make the necessary decisions must be committed to the planned sale. Additionally, active efforts to identify a buyer must have been initiated. The companies intended for sale must be actively marketed for sale at a price that approximately corresponds to their current fair value.
- These companies must be available for immediate sale in their present condition.
- The likelihood must be strong that the execution and closing of this sale can be expected within twelve months from the date of reclassification.

As of the date of the classification as assets intended for disposal, the long term assets of these companies are no longer subject to scheduled depreciation. The assets and liabilities are recognized at the lower of their carrying amount or fair value less costs to sell.

The information on discontinued operations only applies for the prior year numbers and has been separately disclosed in the income statement with no valuation adjustment. No prior-period adjustment has been made on the balance sheet. For the income statement, the numbers for all companies categorized as discontinued operations as of December 31, 2007 were reported in accordance with IFRS 5 and shown as earnings from discontinued operations.

The earnings from discontinued operations for the prior year therefore include the earnings from the following Packaging division companies, which were sold to a fund of the Berlin-based holding company Odewald & Compagnie Gesellschaft für Beteiligungen mbH on April 19, 2007:

- A + F Automation + Fördertechnik GmbH, Kirchlengern
- Benz & Hilgers GmbH, Neuss
- BW International Inc., Davenport / USA
- BW International (Holdings) Ltd., Altrincham / Great Britain
- BWI plc, Altrincham / Great Britain
- ERCA Formseal Iberica S.A., Barcelona / Spain
- ERCA Formseal S.A., Les Ulis / France
- Fabrima Máquinas Automáticas Ltda., São Paulo / Brazil
- GASTI Verpackungsmaschinen GmbH, Schwäbisch Hall
- HASSIA Verpackungsmaschinen GmbH, Ranstadt
- Hassia Redatron Packaging Machinery Pvt. Ltd., Pune / India
- IWKA Packaging USA Inc, Morganville / USA
- Hüttlin GmbH, Steinen
- IWK Packaging Machinery Ltd., Bangkok / Thailand
- IWK Verpackungstechnik GmbH, Stutensee
- IWKA Packaging Systems GmbH, Kirchlengern
- IWKA Packaging Verwaltungs GmbH, Stutensee
- IWKA Packaging OOO, Moscow / Russia
- IWKA PACSYSTEMS Inc., Fairfield / USA
- R.A. Jones Inc., Covington / USA
- Packaging Technologies Inc., Davenport / USA
- Tecmar SA, Mar del Plata / Argentina

as well as four non-consolidated participations and two associated companies. Profits from the sale and the results from the disposal of discontinued operations were reported at the time of the sale on April 19, 2007.

CURRENCY TRANSLATION

Receivables and payables denominated in foreign currency are translated as at the balance sheet date using an average rate. Any associated translation gains or losses are recorded as gains or losses under other operating income or expenses.

The annual financial statements of the consolidated foreign subsidiaries are translated from their functional currency (IAS 21) into euros. For almost all foreign companies, this is the respective local currency, since they operate predominantly within their currency area. The sole exception is KUKA Robotics Hungária Ipari Kft., Taksony / Hungary, which converted to the euro as its functional currency in 2007, since it conducts business predominantly in euros.

Accordingly, all assets and liabilities are translated at the rate effective on the balance sheet date. Goodwill and equity are translated using historical rates. Income and expenses are translated using average rates for the year. The translation of annual profits or losses on the income statement is also done at average rates for the year. Differences arising from the translation of assets and liabilities denominated in foreign currencies compared to their translation in the prior year, as well as translation differences between the income statement and the balance sheet are recognized in the revenue reserves.

ACCOUNTING AND VALUATION

Goodwill

Within the framework of the rules under IFRS 3, goodwill is recognized using the "impairment only" approach and is tested for impairment at least annually.

The impairment test is performed for the defined cash generating units as per IAS 36 rules, using the discounted cash flow method. The data from the detail planning phase from the business plan for the next three years was used as the underlying data for this purpose, assuming in subsequent years that the annual cash flows will generally equal those in year three. For the sake of simplication, the perpetuity calculation further assumes that investments equal depreciation / amortization expense and the working capital remains unchanged.

With respect to the segment-specific discount rates as well as the further parameters and their derivation, and also for the identification of the principal items of goodwill, please refer to the discussions under item 10.

Self-developed software and other development costs

Development costs for newly developed products or internally generated intangible assets (for instance, software) are capitalized provided that the technical feasibility and commercialization of the newly developed products are assured, that this will result in an inflow of economic benefits to the Group, and that the further requirements of IAS 38.57 have been met. In this context, the costs of production encompass the costs directly and indirectly attributable to the cost of development. According to IAS 38, expenditures on research are recognized as expenses when they are incurred.

Scheduled depreciation commences when the asset is put into use and is recognized over the expected useful life of, as a rule, one to three years, using either the straight-line or unit-based method. Moreover, the value recognized for capitalized costs of development projects not yet completed is subject to impairment tests.

Other intangible assets

Purchased intangible assets, predominantly software, are recognized at their acquisition cost and are amortized as scheduled over their expected useful life of three to five years using the straight-line method.

The KUKA Group does not carry any assets with an undefined useful life with the exception of goodwill.

Property, plant and equipment

Property, plant and equipment for continuing operations are recognized at acquisition or production costs less scheduled depreciation, which is generally applied using the straight-line method. If the depreciation according to the declining balance method better reflects the wear and tear of movable tangible assets, this method is applied. The selected depreciation method is continuously reviewed.

In addition to directly attributable costs, the costs of production for internally generated assets also include a proportionate share of overhead costs. Interest on borrowed capital is recognized as an expense when it is incurred.

Scheduled depreciation is based predominantly on the following periods of useful life:

	in years
Buildings	25 – 50
Property facilities	2 – 15
Technical plant and equipment	2 – 15
Other equipment	2 – 15
Factory and office equipment	2 – 15

Impairment charges of intangible and tangible assets are recorded in accordance with IAS 36 if the recoverable amount of the asset is less than its carrying amount. In this context, the recoverable amount is the higher of the net realisable value and the value in use of the asset in question. If the reasons for an impairment recorded in prior years no longer apply, the impairment is reversed.

Government grants

In accordance with IAS 20, government grants are recognized only if there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received.

Government grants related to assets (for instance investment subsidies and allowances) are deducted from the acquisition or production costs of the relevant asset. Grants related to income are recognized in the income statement.

Finance and operating lease

In connection with finance leases, ownership is attributed to the lessee in cases in which the latter assumes substantially all the risks and rewards incidental to ownership (IAS 17). Provided that the ownership is attributable to the KUKA Group, such leases are capitalized as at the date of the lease agreement at their fair value or at the lower present value of the minimum lease payments. Depreciation is recognized by the straight-line method over the useful life or over the lease term if it is shorter. The discounted value of payment commitments in connection with the lease payments is recognized as a liability and disclosed under other liabilities.

Finance lease agreements, for which the KUKA Group is the lessor and all substantial risks and rewards associated with the ownership are transferred to the lessee, are recognized as a sales and financing transaction for the lessor. A receivable is valued at the amount of the net investment value from the leasing relationship and the interest income is recognized in the income statement.

To the extent that the KUKA Group has entered into operating leasing according to IAS 17, lease or rent payments are directly recognized as an expense in the income statement and distributed using the straight-line method over the term of the leasing agreement, unless a different systematic basis more closely corresponds with the utilization period. Relevant total future costs are reported in item 11.

Financial instruments

Financial instruments are contracts that simultaneously give rise to a financial asset of one entity and a financial liability of another entity. These include both originated financial assets (for instance, trade receivables or trade payables) as well as derivative financial instruments (transactions to hedge the risk of a change in value).

Derivative financial instruments are financial contracts whose value is derived from the price of an underlying asset (for instance, stocks, bonds, money market instruments or commodities) or a reference rate (such as currencies, indices or interest rates). They require little or no initial investment and are settled at a future date. Examples of derivative financial instruments include options, forward contracts and interest rate swap transactions. The KUKA Group uses derivatives nearly exclusively to hedge foreign currency risks.

IAS 39 differentiates between the following categories of financial instruments that are relevant for KUKA:

- Loans and Receivables
- Financial Assets / Liabilities Held-for-Trading
- Available-for-sale Financial Assets
- Financial Liabilities Measured at Amortized Cost

Unless otherwise noted, financial instruments are recognized at fair value. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transactions.

As a general rule, financial instruments are initially recognized or derecognized when the asset is delivered to or by KUKA (settlement date accounting).

Participations in associated companies and other financial investments

In the KUKA Group, participations in continuing business units that are not material to the net assets, financial position and results of operations of the Group are reported under financial assets available for sale. They are recognized at costs of purchase. Current market values are not available, since no shares are traded in an active market.

Receivables and other assets

Receivables and other assets are recognized at costs of acquisition with appropriate discounts applied for all identified individual risks. General credit risk, to the extent that it can be documented, is also accounted for by appropriate valuation allowances. For this purpose, these financial assets are grouped in accordance with similar default risk characteristics and are collectively tested for impairment, and written down if necessary. When calculating any such impairment losses, the empirical default history is taken into account in addition to contractually stipulated payment flows.

The carrying amount of the assets is lowered using separate accounts for allowances for impairment losses. Actual defaults result in a write-off of the receivables in question. The maximum theoretically possible default risk corresponds with the carrying amounts. The carrying amounts largely correspond with the market values.

Derivatives with a positive fair value are recognized under other assets.

Cash and cash equivalents

Cash and cash equivalents include all cash funds recognized on the balance sheet, i. e. cash on hand, checks and cash balances with financial institutions, provided that they are available within three months.

Liabilities

Liabilities are recognized on the balance sheet at their depreciated / amortized cost of purchase. Payables arising from finance leases are recognized at the present value of future lease payments.

Long-term liabilities with a term of more than one year are discounted to the balance sheet date on the basis of appropriate interest rates where the interest effect is material.

If the fair value of derivatives is negative, this results in recognition under other liabilities.

Derivatives

In accordance with IAS 39, the KUKA Group recognizes all derivatives at fair value as of the settlement date. The fair value is determined with the aid of standard financial mathematical techniques, using current market parameters such as exchange rates and counterparty credit ratings (mark-to-market method) or quoted prices. Average prices are used for this calculation.

Accounting for hedging instruments within the restrictive framework of the hedge accounting rules must differentiate between fair value hedges and cash flow hedges.

Fair value hedges are used to hedge the risk of changes in the fair value of contractual obligations under orders received or committed (pending transactions). Changes in the fair value of the underlying transactions and of the associated hedging instruments are recognized directly in the income statement when the transactions expire as well as on each balance sheet date.

Cash flow hedges are used to hedge the risk of changes in the value of future cash flows. Until it is realized, the change in fair value of the hedging instrument is retained in equity as a reserve and is reclassified as gains or losses on the income statement in the same periods in which the underlying transaction affects profit or loss.

IAS 39 imposes strict requirements for the use of hedge accounting. KUKA complies with these as follows: At the initiation of a hedging transaction, both the relationship between the financial instrument used for hedging and the underlying transaction, and the hedging strategy and objectives are documented. This includes the specific matching of hedging instruments with the corresponding assets / liabilities or (committed) future transactions, as well as an estimate of the degree of effectiveness of the hedging instruments used. The effectiveness of existing hedges is monitored continuously; if a hedging relationship becomes ineffective, the ineffective positions are immediately unwound.

Inventories

According to IAS 2, inventories are valued at average cost of acquisition or production. In addition to the direct unit costs, production costs also include appropriate costs for indirect materials and production overheads according to IAS 2. Interest on borrowed capital is not capitalized. Write-downs to lower net realizable value have been taken to the extent required. In addition to valuation allowing disposal at no net loss, these writedowns also cover all other inventory risk. If and when the circumstances that previously caused the inventories to be written down no longer exist, the amount of the write-down is reversed.

Construction contracts

Construction contracts that meet the criteria of IAS 11 are recognized according to the percentage-of-completion method (POC method). As a rule, the percentage of completion to be recognized by contract is determined by the cost of work to date as a percentage of the estimated total costs (cost-to-cost method). The corresponding earnings from the contract are recognized on the basis of the percentage of completion thus determined. These contracts are presented as receivables respectively liabilities from contracts. To the extent that services performed to date exceed advances received, the contracts are recorded on the balance sheet as receivables arising from contracts. If there is a negative balance after deduction of advances, this is recognized as liabilities from construction contracts. If necessary, provisions are recognized for impending losses.

Current and deferred taxes

Tax receivables and liabilities are assessed using the expected amount of the reimbursement from, i. e. payment to the tax authorities.

According to IAS 12, deferred tax assets and liabilities have been recorded for all temporary differences between the carrying value of assets and liabilities on the Group consolidated balance sheet and their recognized value for tax purposes (liability method) as well as for tax loss carry-forwards. Deferred tax assets for accounting and valuation differences as well as for tax loss carry-forwards are only recognized to the extent that there is a sufficiently probable expectation that the corresponding benefit will be realized in the future. Deferred tax assets and liabilities are not discounted. Deferred tax assets are netted against deferred tax liabilities if the tax creditor and periodicity are the same.

Pension provisions and similar obligations

The measurement of pension liabilities and similar obligations is performed according to IAS 19. Pensions and similar obligations comprise obligations of the Group to pay benefits under defined benefit plans. The pension obligations are determined according to the so-called projected-unit-credit method. In addition to known pensions and vested benefits as at the balance sheet date, this method also takes expected future increases in salaries and pensions into account. The calculations are based on actuarial reports that must be prepared annually and must be based on biometric data. Service costs are recognized as personnel expense, the interest portion of the addition to provisions as well as the return on the fund assets are recognized as financing activities. Actuarial gains and losses are recognized directly in equity (the so-called “Option 3”).

Other provisions

Other provisions are recognized in the event that there is a current obligation to third parties arising from a past event. It must be possible to estimate the amount reliably and it must, more likely than not, lead to an outflow of future resources. Provisions are only recognized for legal and constructive obligations to third parties.

No provisions were recognized for future expenses, since the latter do not represent an external obligation.

Liabilities in the personnel area, such as vacation pay, flex-time credits and the statutory German early retirement scheme (Altersteilzeit) are recognized under other liabilities.

Liabilities for outstanding vendor invoices are recognized under trade payables.

Long-term provisions with a term of more than one year are discounted to the balance sheet date on the basis of appropriate interest rates where the interest effect is material.

Share-based compensation

The Phantom Share Programs for the Executive Board of the KUKA Group are recognized as share-based compensation with a cash settlement. A provision is made for the payment commitment in the amount of the prorated fair value as of the respective key date; changes to the fair value are recognized in the income statement.

Revenue recognition

Construction contracts (IAS 11) are accounted for by the percentage-of-completion method. Other revenues are recognized in accordance with IAS 18. Sales revenues are booked in the period in which the products or goods were delivered or the services were rendered. Any reductions to the proceeds, contract penalties and cash discounts are deducted from this. At this time, the amount of revenues can be reliably measured and the inflow of economic benefits from the transaction is sufficiently probable.

Cost of sales

The cost of sales comprises the cost of production of the goods sold as well as the acquisition cost of any merchandise sold. In addition to the cost of attributable direct materials and labor, this also includes indirect costs, including the depreciation and amortization of production plants and intangible assets as well as any write-downs of inventories. KUKA accounts for provisions for product warranties as part of the cost of sales at the time of revenue recognition. Pending losses from contracts are recognized in the reporting period in which the current estimate for total costs arising from the respective contract exceeds the expected contract revenue.

Research and development costs

Research and development costs that are not eligible for recognition as an asset are recognized as expenses when they are incurred.

ASSUMPTIONS AND ESTIMATES

The preparation of the Group consolidated financial statements requires management to make assumptions and estimates that affect the recognition and amount of assets and liabilities on the balance sheet, revenues and expenses, as well as the disclosure of contingent liabilities. Actual amounts may differ from these assumptions and estimates on a case-by-case basis. In the application of accounting and measurement methods, the company has made the following important discretionary decisions, which have a significant effect on the amounts in the annual financial statements. These do not include those decisions that represent estimates.

Development costs

Development costs are recognized as assets in accordance with the methods described under accounting and measurement methods. For the purpose of determining the amounts to be recognized as assets, management must make assumptions concerning the expected future cash flows from assets, the applicable discount rates and the timing of the inflow of expected future cash flows that the assets will generate.

Goodwill impairments

The Group tests assets recognized as goodwill at least once a year for impairment. This requires an estimate of the value in use less costs of disposal of the respective cash-generating units to which the goodwill has been allocated. To determine the value in use, management must estimate the future cash flows of the respective cash generating units and further select an appropriate discount rate for calculating the present value of these cash flows. For details about the carrying amounts of the assets recognized as goodwill and the performance of the impairment tests please refer to the discussion under item 10.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available such that the loss carry-forwards can actually be used. The determination of the amount of deferred tax assets requires an estimate on the part of management of the expected timing and amount of anticipated future taxable earnings as well as future tax planning strategies. For details please refer to the discussion under item 6.

Receivables and liabilities from construction contracts

A number of companies, particularly in the Systems segment, conduct a portion of their business in the form of construction contracts, which are recognized using the percentage of completion method. Sales are reported based on the percentage of completion. A precise estimate of the progress toward completion is essential for the accounting process. Depending on the method used to determine the percentage of completion, the most important estimates include the total order costs, the costs yet to be incurred until completion, the total project revenues and risks as well as other assessments. The management team responsible for the respective project continuously monitors all estimates and adapts these as needed.

Pensions and other post-employment benefits

Expenditures under defined-benefit plans and other post-employment medical benefits are determined on the basis of actuarial calculations. The actuarial calculations are prepared on the basis of assumptions with respect to discount rates, expected returns on plan assets, future increases in wages and salaries, mortality rates and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainties.

CHANGES IN ACCOUNTING AND MEASUREMENT POLICIES

KUKA Aktiengesellschaft’s consolidated financial statements were not affected by changes in accounting and measurement policies in fiscal 2008.

The new mandatory interpretations effective in 2008 – IFRIC 12 Service Concession Arrangements and IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction – likewise have little or no effect.

IFRS Standards and interpretations that are not yet mandatory

The following new and amended standards and interpretations had been adopted by the preparation date of the Group consolidated financial statements. However, they will only become effective at a later date and were not applied to the present Group consolidated financial statements under early adoption. Their impact on the Group consolidated financial statements of KUKA Aktiengesellschaft has not yet been completely analyzed. Consequently, the anticipated effects as described in the footnotes to the table only represent a first estimate.

Standard / Interpretation	Effective date for fiscal years starting on or after	Planned application by KUKA AG
IFRS 8 – Operating Segments	January 1, 2009	Fiscal 2009
Amendment to IFRS 2 – Share-based Payment	January 1, 2009	Fiscal 2009
IFRS 3 – Business Combinations (revised)	July 1, 2009	Fiscal 2010 *
IAS 1 – Presentation of Financial Statements (revised)	January 1, 2009	Fiscal 2009
IAS 23 – Borrowing Costs (revised)	January 1, 2009	Fiscal 2009
IAS 27 – Consolidated and Separate Financial Statements according to IFRS (revised)	July 1, 2009	Fiscal 2010 *
Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements	January 1, 2009	Fiscal 2009 *
Amendments to IAS 39 – Eligible Hedged Items	January 1, 2009	Fiscal 2009 *
Amendments to IFRS (Annual Improvements Process 2007) **	January 1, 2009	Fiscal 2009 *
IFRIC 11 – IFRS 2 – Group Cash-settled Share-based Payment Transactions	March 1, 2009	Fiscal 2009 *
IFRIC 13 – Customer Loyalty Programs	July 1, 2009	Fiscal 2009
IFRIC 15 – Agreements for the Construction of Real Estate	January 1, 2009	Fiscal 2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	October 1, 2008	Fiscal 2009 *
IFRIC 17 – Distribution of Non-cash Assets to Owners	July 1, 2009	Fiscal 2010 *

* Pending adoption by the European Union.
** This affects the following standards: IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

The IASB and the IFRIC have published the following standards and interpretations that have already been adopted under EU law under the comitology procedure, but for which application was not yet mandatory in the 2008 financial year.

IFRS 8 Operating Segments

IFRS 8 was published in November of 2006 and must be adopted for the first time for financial years starting on or after January 1, 2009. IFRS 8 requires the disclosure of information about the operating segments of an entity and takes the place of the obligation to define primary (business) and secondary (geographic) segment reporting formats for a company. IFRS 8 takes what is termed the management approach, according to which segment reporting is determined solely by the financial information that is used by the decision makers of the entity for the internal control and management of the enterprise. The main parameters for this are the internal reporting and organization structure as well as the financial information that is used to make decisions about the allocation of resources and to assess performance.

The Group has not elected for an early adoption of IFRS 8 and continues to apply IAS 14 Segment Reporting. The new standard will have an effect on the nature and format of financial information that is disclosed about the operating segments of the Group, but not on the recognition and measurement of assets and liabilities in the consolidated financial statements.

IAS 1 – Presentation of Financial Statements (revised)
The revised Standard IAS 1 was published in September of 2007 and must be adopted for the first time for financial years starting on or after January 1, 2009. The new version of the Standard includes significant changes to the presentation and disclosure of financial information in the annual financial statements. The innovations include, in particular, the introduction of comprehensive statement comprising both the net profit / loss generated during a period as well as unrealized gains and losses that have, to date, been recognized directly in equity, and that replaces the income statement in its present form. In addition it will now be necessary to prepare a balance sheet as of the beginning of the comparison period in addition to the balance sheet as of the balance sheet reporting date and the balance sheet as of the prior reporting date, if and when the entity applies accounting and measurement methods retrospectively, corrects an error or reclassifies a line item in the annual financial statements.

The new standard will have an effect on the nature and format of financial information that is disclosed about the Group, but not on the recognition and measurement of assets and liabilities in the consolidated financial statements.

Amendment to the IFRS (Annual Improvements Process 2007)
The annual improvements process acts as a vehicle for the IASB to make non-urgent but necessary amendments to existing standards. The main objective is to eliminate inconsistencies and clarify ambiguous formulations. The first standard consists of two parts and was issued in May 2008. The first part contains amendments that can affect the presentation, the approach, or the valuation. The second part contains amendments to formulations or editorial changes.

At this time the KUKA Group does not expect that the application of the revised version – provided it is endorsed by the EU in this form – will have any considerable effect on the presentation of the financial statements.

The following standards and interpretations have already been adopted into EU law, but have little or no effect on KUKA AG's consolidated financial statements:

- Changes to IFRS 2 – Share based Payment
- IFRS 3 – Business Combinations (revised)
- IAS 23 – Borrowing Costs (revised)
- IAS 27 – Consolidated and Separate Financial Statements according to IFRS (revised)
- Changes to IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements
- Amendments to IAS 39 – Eligible Hedged Items
- IFRIC 13 – Customer Loyalty Programs
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distribution of Non-cash Assets to Owners

NOTES TO THE GROUP INCOME STATEMENT AND TO THE GROUP BALANCE SHEET

The income statement gives priority to the presentation of continuing operations as they would appear after the disposal of discontinued operations. Accordingly, the results of discontinued operations are presented as a single line in the income statement, with further details discussed under Item 7.

1 SALES REVENUES

Sales revenues include fees and charges billed to customers for goods and services – less any reductions to the proceeds, contract penalties and cash discounts.

The breakdown of sales revenues by business divisions and regions is shown in segment reporting (cf. page 108 f.).

In connection with construction contracts, sales revenues in the amount of € 661.2 million were recognized in the reporting year (compared to € 638.8 million in the prior year) according to the percentage of completion method.

2 SALES, DISTRIBUTION, RESEARCH & DEVELOPMENT AND GENERAL ADMINISTRATION COSTS

The following is a breakdown of the Cost of sales, Selling expenses, Research and development expenses and General and administrative expenses:

	Cost of sales		Selling expenses		Research and development expenses		General and administrative expenses		Total	
in € millions	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Cost of materials	737.0	702.1	4.4	2.0	5.8	0.9	1.7	1.3	748.9	706.3
Personnel expenses	231.6	248.2	43.9	47.2	16.4	23.5	40.1	39.1	332.0	358.0
Amortization	15.5	14.0	0.8	0.7	4.9	5.7	5.7	5.6	26.9	26.0
Other expenses and income	44.0	41.0	34.3	41.8	3.7	3.6	21.8	35.9	103.8	122.3
TOTAL	**1,028.1**	**1,005.3**	**83.4**	**91.7**	**30.8**	**33.7**	**69.3**	**81.9**	**1,211.6**	**1,212.6**

Cost of materials are arranged as follows:

in € millions	2007	2008
Cost of raw materials, supplies and goods purchased	549.4	509.3
Cost of purchased services	199.5	197.0
COST OF MATERIALS	**748.9**	**706.3**

Personnel expenses are directly allocated to the functional areas based on the cost centers, which results in the following figure:

in € millions	2007	2008
Wages and salaries	277.6	301.0
Social security payments and contributions for retirement benefits and provident funds	54.4	57.0
(of that for retirement benefits)	(3.5)	(2.7)
PERSONNEL EXPENSES	**332.0**	**358.0**

Annual average employed by the KUKA Group:

	Total 2007	Total 2008	of that Germany	of that Abroad
Wage earners	2,241	2,373	1,314	1,059
Salaried employees	3,251	3,442	1,905	1,537
Trainees / apprentices	176	170	156	14
TOTAL EMPLOYEES	**5,668**	**5,985**	**3,375**	**2,610**
(including discontinued operations)	(6,307)	(–)	(–)	(–)

3 OTHER OPERATING INCOME AND EXPENSES

These line items capture income and expenses that are not allocated to the functional categories Cost of sales, Selling expenses, Research and development or General and administrative expenses or otherwise reported separately.

in € millions	2007	2008
Income from foreign currency transactions	5.0	21.4
Reimbursements from damages claims	0.1	0.8
Income from the disposal of assets	0.0	0.3
Other income	3.5	5.6
OTHER OPERATING INCOME	**8.6**	**28.1**
Expenses for foreign currency transactions	4.6	23.3
Donations	0.4	0.3
Other taxes	5.1	2.6
Other expenses	2.8	3.4
OTHER OPERATING EXPENSE	**12.9**	**29.6**
OTHER OPERATING INCOME AND EXPENSES	**– 4.3**	**– 1.5**

4 WRITE-DOWNS OF FINANCIAL ASSETS

The write-downs of financial assets in the amount of € 0.1 million related to shares in Tölzer & Wagner Elektrotechnik GmbH, Rohrbach, which were written down to their net realizable value.

5 INTEREST INCOME / EXPENSE

in € millions	2007	2008
Other interest and similar income	5.5	9.7
(of that, related to affiliated companies)	(0.5)	(0.0)
Interest and similar expenses	13.4	14.7
(of that, related to affiliated companies)	(0.4)	(0.2)
NET INTEREST INCOME / EXPENSE	**– 7.9**	**– 5.0**

Other interest and similar income includes an amount of € 0.2 million (prior year: € 0.3 million) for expected returns on pension plan assets. The remaining interest income represents returns on bank deposits as well as the change from operating to finance leasing in connection with the financing of a factory building for the production of bodies for the Jeep Wrangler in Toledo / USA (cf. notes under 13).

Interest and similar expenses include the interest portion of additions to the provision for pensions in the amount of € 4.0 million (prior year: € 3.7 million). In addition this item includes LC and commitment fees, refinancing costs and interest on loans received. The convertible bond also added € 4.9 million. (prior year: € 4.7 million) to net interest expense for the financial year.

6 TAXES ON INCOME / DEFERRED TAXES

Tax expense

Income tax expense breaks down by origin as follows:

in € millions	2007	2008
Current taxes	12.0	5.2
(of that relating to other periods)	(0.0)	(– 4.0)
Deferred taxes		
from temporary differences	– 0.2	12.5
from loss carry-forwards	1.8	– 1.3
TAX EXPENSE	**13.6**	**16.4**

Of the current expenses for tax on earnings, € 1.4 million is attributable to domestic expenditure compared to € 2.6 million in the previous year, whereas € 3.8 million is attributable to foreign expenditure compared to € 9.4 million last year.

Deferred tax expenses of € 2.1 million are attributable to domestic operations (compared to € 0.8 million in the previous year); € 9.1 million to foreign (compared to € 0.8 million the previous year).

The expected tax expense based on earnings before tax of € 47.0 million (prior year: € 62.5 million) and the applicable tax rate for the KUKA companies in Germany of 30.0 percent (prior year: 39.0 percent) leads to the following actual tax expense:

in € millions	2007	2008
EARNINGS BEFORE TAX	**62.5**	**47.0**
EXPECTED TAX EXPENSE	**24.4**	**14.1**
Tax rate-related differences	– 0.8	3.1
Tax reductions due to tax-exempt income	– 0.7	– 1.2
Tax increases due to non-deductible expenses	1.7	2.8
Back taxes paid (+) and tax credits received (–) for prior years	– 3.1	– 4.8
Tax refund claims according to the changes in sec. 37 par. 4 to 6 of the German Corporate Income Tax Act	– 5.3	0.0
Changes to allowance on deferred taxes	– 9.7	2.3
Changes in tax rates due to the German Business Tax Reform in Germany	7.1	0.0
Other differences	0.0	0.1
TAXES ON INCOME (ACTUAL TAX EXPENSE)	**13.6**	**16.4**

The applicable tax rate in Germany comprises corporate income tax (Körperschaftsteuer) of 15.0 percent, earned income tax (Gewerbesteuer) based on a uniform tax rate of 14.2 percent and the reunification tax (Solidaritätszuschlag) of 5.5 percent.

In principle, deferred taxes were recognized on the basis of the applicable tax rate for each company in question. By way of simplification, the calculation of deferred taxes for consolidation measures that have an effect of profit or loss, was based on a uniform underlying tax rate of 30 percent.

As at December 31, 2007, an increase of € 6.6 million, gross, in the corporate income tax credit balance to a gross balance of € 20.9 million was recognized on the basis of an outside tax audit for the years 1998 through 2001. After discounting, an amount of € 11.6 million (prior year: € 12.8 million) is reported as non-current tax receivable effective December 31, 2008, and an amount of € 1.8 million (prior year: € 1.8 million) is reported as current tax receivable.

There are no tax credits for which deferred taxes would need to be balanced.

Tax revenues of € 4.0 million resulted in the current financial year largely due to adjustment declarations for the years 2002 to 2006.

Deferred tax assets and liabilities

The value of deferred tax assets and liabilities due to temporary differences and tax loss carry-forwards in the Group is associated with the following items:

	Deferred tax assets		Deferred tax liabilities	
in € millions	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**
Non-current assets	1.7	16.7	14.6	39.1
Current assets	33.3	28.5	37.7	43.9
Provisions	17.9	14.1	0.1	0.0
Liabilities	15.3	17.1	10.9	3.2
Sub-Total	**68.2**	**76.4**	**63.3**	**86.2**
Balancing item	– 58.6	– 73.1	– 58.6	– 73.1
Valuation allowance	– 2.5	– 2.0	0.0	0.0
Sub-Total	**7.1**	**1.3**	**4.7**	**13.1**
Deferred taxes on temporary differences	7.1	1.3	4.7	13.1
Deferred taxes on tax loss carry-forwards	24.0	25.3	0.0	0.0
TOTAL	**31.1**	**26.6**	**4.7**	**13.1**
(thereof: from items recognized in equity)			(5.5)	(6.5)

Valuation allowance to the carrying value of deferred tax assets are recognized if the realization of the expected benefit of the deferred taxes is not sufficiently probable. The estimates made are subject to changes over time, which may result in the reversal of valuation allowance in subsequent periods.

The impact on tax expense of changes to the write-downs for temporary valuation differences and loss carry-forwards is a tax expense of € 0.9 million (prior year: tax income of € 17.1 million).

The recognized values on the balance sheet are written off in the event that the tax benefits that they represent are no longer expected to be realized.

From the loss carry-forward of € 179.3 million (prior year: € 164 million), amounts totaling € 85.9 million (prior year: € 77.0 million) are not considered in the accounting of deferred taxes.

In accordance with IAS 12, deferred tax items must be recognized for the difference between the pro-rata equity of a subsidiary recognized on the Group balance sheet on the tax balance sheet of the parent company (so-called outside basis differences) if it is likely that this difference amount will be realized. Since both the KUKA Aktiengesellschaft as well as the subsidiaries in question are corporations, these differences are predominantly tax exempt under § 8b KStG upon realization and thus permanent in nature. According to IAS 12.39, no deferred tax liability should be recognized even for temporary differences, if any (e. g., those resulting from the 5 percent flat-rate allocation under § 8b KStG) if it is not likely, given control by the parent company, that these differences will reverse in the foreseeable future. Since no such reversal is expected, no deferred tax items had to be recognized on the balance sheet for this purpose.

From the change to the deferred tax liabilities of € 8.4 million (prior year: € – 5.2 million), € – 0.1 million (€ – 0.8 million in the prior year) is largely attributed to the change in the group of consolidated companies.

Overall the change to deferred tax assets and liabilities of € 12.9 million (prior year: € 9.2 million) came from amounts affecting net income totaling € 11.2 million (prior year: € 1.6 million) as well as amounts not affecting net income totaling € 1.7 million (prior year: € 7.6 million) including currency effects.

Tax losses and tax loss carry-forwards

To the extent that loss carry-forwards have not been written off, it is expected in the next three years that this tax-reducing potential will be utilized via taxable income, which is likely based on the planning of the Group companies.

As at December 31, 2008, the loss carry-forwards not yet utilized amount to € 179.3 million (prior year: € 164 million). German companies account for € 140.0 million of this, and the amounts do not expire. In the USA loss carry-forwards amount to € 12.0 million and will expire in 2020.

In addition, loss carry-forwards in the total amount also include € 17.3 million for France, € 2.3 million for China as well as € 1.5 million for Spain and € 1.1 million for Japan. There are loss carry-forwards totaling € 5.1 million in other countries as well. With the exception of the amounts expiring in Japan in 2013, the remaining loss carry-forwards do not expire.

7 RESULT FROM DISCONTINUED OPERATIONS

The following table shows a breakdown of the current portion of earnings from discontinued operations:

in € millions	2007
SALES REVENUE	**88.0**
Changes in inventories of finished goods and work in process	11.4
Own costs capitalized	0.2
TOTAL OUTPUT	**99.6**
Other operating income	0.1
	99.7
Cost of materials	– 44.0
Personnel expense	– 37.2
Depreciation / amortization on intangible assets and tangible assets	– 2.2
Other operating expenses	– 15.5
	– 98.9
EARNINGS FROM OPERATING ACTIVITIES	**0.8**
EARNINGS FROM FINANCING ACTIVITIES	**– 3.1**
INCOME FROM ORDINARY ACTIVITIES	**– 2.3**
Taxes on income	– 0.4
OPERATING EARNINGS FROM DISCONTINUED OPERATIONS	**– 2.7**
Result recognized on disposal	74.1
Tax impact of result on disposal	– 2.3
RESULT FROM DISPOSAL OF DISCONTINUED OPERATIONS	**71.8**
RESULT FROM DISCONTINUED OPERATIONS	**69.1**

Results from the disposal of discontinued operations in the financial year 2007 include gains on the disposal of companies in the Packaging division in the amount of € 69.4 million.

8 EARNINGS PER SHARE

Undiluted / diluted earnings per share break down as follows:

	2007	2008
Net income for the year after minority interests (in € millions)	117.9	30.6
(of that discontinued operations)	(69.1)	(–)
Weighted average number of shares outstanding	26,600,000	25,819,822
EARNINGS PER SHARE (IN €)	**4.43**	**1.18**
(of that discontinued operations)	(2.60)	(–)

According to IAS 33, undiluted earnings per share were calculated on the basis of Group consolidated earnings after taxes and the weighted average number of shares outstanding for the year. As a result of the share buyback program, the average number of outstanding shares declined from 26.6 million to 25.8 million.

The issuance of the convertible bond on May 9, 2006 could result in a future dilution effect since contingent capital has been increased by a maximum of currently 2,718,322 shares. Since the average share price in 2008 remained below the conversion price so that a conversion would have been unfavorable for the bond holders, there was no diluting effect in 2008.

9 FIXED ASSETS

SCHEDULE OF CHANGES IN FIXED ASSETS 2008

in € thousands	Acquisition / Manufacturing Costs: Status as at Jan. 1, 2008	Reclassification as discontinued operations	Exchange rate differences	Changes to scope of consolidation	Additions	Disposals	Reclassifications	Status as at Dec. 31, 2008
I. INTANGIBLE ASSETS								
1. Rights and similar assets	31,397	0	249	0	4,072	883	70	34,905
2. Self-developed software and other development costs	14,509	0	0	0	9,457	5,844	0	18,122
3. Goodwill	56,633	0	0	0	0	0	0	56,633
4. Advances paid	36	0	2	0	44	0	– 70	12
	102,575	**0**	**251**	**0**	**13,573**	**6,727**	**0**	**109,672**
II. TANGIBLE ASSETS								
1. Land, similar rights and buildings including buildings on land owned by third parties	113,796	0	500	0	2,785	2,302	456	115,235
2. Technical plant and equipment	80,241	0	134	73	3,272	2,075	1,338	82,983
3. Other equipment, factory and office equipment	67,787	0	75	80	8,577	6,224	– 107	70,188
4. Advances paid and construction in progress	976	0	32	0	4,298	405	– 1,687	3,214
	262,800	**0**	**741**	**153**	**18,932**	**11,006**	**0**	**271,620**
III. FINANCIAL INVESTMENTS								
1. Participations in affiliated companies	5,651	0	0	– 953	0	1	0	4,697
2. Participations in associated companies	36	0	0	0	0	36	0	0
3. Other participations	306	0	0	0	0	145	0	161
4. Other loans	889	0	25	0	0	400	0	514
	6,882	**0**	**25**	**– 953**	**0**	**582**	**0**	**5,372**
	372,257	**0**	**1,017**	**– 800**	**32,505**	**18,315**	**0**	**386,664**

The following amount has been capitalized under item land and buildings in consequence of finance leases in which the KUKA Group acts as the lessee:

LAND AND BUILDINGS	**3,450**	**–**	**396**	**–**	**–**	**–**	**–**	**3,846**

Accumulated Depreciation								Net carrying amount
Status as at Jan. 1, 2008	Reclassification as discontinued operations	Exchange rate differences	Changes to scope of con-solidiation	Additions	Disposals	Reclassi-fications	Status as at Dec. 31, 2008	Status as at Dec. 31, 2008
21,422	0	222	0	4,484	880	0	25,248	9,657
4,660	0	–	0	4,412	5,844	0	3,228	14,894
6,996	0	–	0	0	0	0	6,996	49,637
0	0	–	0	0	0	0	0	12
33,078	**0**	**222**	**0**	**8,896**	**6,724**	**0**	**35,472**	**74,200**
59,264	0	70	0	3,346	1,589	2	61,093	54,142
60,038	0	50	13	6,698	2,075	350	65,074	17,909
51,568	0	129	31	7,035	6,022	– 350	52,391	17,797
2	0	0	0	0	0	– 2	0	3,214
170,872	**0**	**249**	**44**	**17,079**	**9,686**	**0**	**178,558**	**93,062**
4,753	0	0	– 234	0	0	0	4,519	178
0	0	0	0	0	0	0	0	0
34	0	0	0	0	0	0	34	127
428	0	25	0	0	0	0	453	61
5,215	**0**	**25**	**– 234**	**0**	**0**	**0**	**5,006**	**366**
209,165	**0**	**496**	**– 190**	**25,975**	**16,410**	**0**	**219,036**	**167,628**
2,046	**–**	**249**	**–**	**372**	**–**	**–**	**2,667**	**1,179**

SCHEDULE OF CHANGES IN FIXED ASSETS 2007

in € thousands	Acquisition / Manufacturing Costs							
	Status as at Jan. 1, 2007	Reclassification as discontinued operations	Exchange rate differences	Changes to scope of consolidation	Additions	Disposals	Reclassifications	Status as at Dec. 31, 2007
I. INTANGIBLE ASSETS								
1. Rights and similar assets	48,083	– 18,930	– 444	0	7,675	5,152	165	31,397
2. Self-developed software and other development costs	18,580	– 10,518	0	0	6,447	0	0	14,509
3. Goodwill	118,158	– 61,525	0	0		0		56,633
4. Advances paid	161	– 161	0	0	201	0	– 165	36
	184,982	**– 91,134**	**– 444**	**0**	**14,323**	**5,152**	**0**	**102,575**
II. TANGIBLE ASSETS								
1. Land, similar rights and buildings including buildings on land owned by third parties	197,833	– 67,334	– 2,276	0	792	15,507	288	113,796
2. Technical plant and equipment	112,270	– 35,981	– 577	150	2,538	1,711	3,552	80,241
3. Other equipment, factory and office equipment	106,257	– 37,208	– 873	27	6,585	7,634	633	67,787
4. Advances paid and construction in progress	1,507	– 1,043	– 2	0	2,182	5	– 1,663	976
	417,867	**– 141,566**	**– 3,728**	**177**	**12,097**	**24,857**	**2,810**	**262,800**
III. FINANCIAL INVESTMENTS								
1. Participations in affiliated companies	5,648	– 372	0	– 293	693	25	0	5,651
2. Participations in associated companies	2,479	– 2,443	0	0	0	0	0	36
3. Other participations	320	0	0	0	272	286	0	306
4. Other loans	1,034	– 44	– 50	0	0	51	0	889
	9,481	**– 2,859**	**– 50**	**– 293**	**965**	**362**	**0**	**6,882**
	612,330	**– 235,559**	**– 4,222**	**– 116**	**27,385**	**30,371**	**2,810**	**372,257**

The following amount has been capitalized under item land and buildings in consequence of finance leases in which the KUKA Group acts as the lessee:

LAND AND BUILDINGS	3,365	–	85	–	–	–	–	3,450

	Accumulated Depreciation								Net carrying amount
	Status as at Jan. 1, 2007	Reclassification as discontinued operations	Exchange rate differences	Changes to scope of con-solidiation	Additions	Disposals	Reclassi-fications	Status as at Dec. 31, 2007	Status as at Dec. 31, 2007
	37,659	– 16,034	– 276	0	4,426	4,353	0	21,422	9,975
	4,437	– 3,461	0	0	3,684	0	0	4,660	9,849
	6,996	0	0	0	0	0	0	6,996	49,637
	0	0	0	0	0	0	0	0	36
	49,092	**– 19,495**	**– 276**	**0**	**8,110**	**4,353**	**0**	**33,078**	**69,497**
	95,539	– 36,046	– 385	0	4,001	3,845	0	59,264	54,532
	85,365	– 30,819	– 389	2	7,249	1,119	– 251	60,038	20,203
	83,446	– 31,761	– 568	2	7,518	7,320	251	51,568	16,219
	0	0	0	0	2	0	0	2	974
	264,350	**– 98,626**	**– 1,342**	**4**	**18,770**	**12,284**	**0**	**170,872**	**91,928**
	4,857	– 109	0	0	10	5	0	4,753	898
	200	– 200	0	0	0	0	0	0	36
	34	0	0	0	82	82	0	34	272
	523	– 44	– 50	0	0	1	0	428	461
	5,614	**– 353**	**– 50**	**0**	**92**	**88**	**0**	**5,215**	**1,667**
	319,056	**– 118,474**	**– 1,668**	**4**	**26,972**	**16,725**	**0**	**209,165**	**163,092**

	1,658	**–**	**44**	**–**	**344**	**–**	**–**	**2,046**	**1,404**

10 INTANGIBLE ASSETS

Changes to the individual items under intangible assets are disclosed in the schedule of movements in fixed assets. In the 2008 and 2007 financial years, no impairment losses were recognized on assets.

Goodwill

Recognized goodwill in the amount of € 49.6 million compares to € 49.6 million a year earlier and breaks down as follows:

Profit center in € millions	Dec. 31, 2007	Dec. 31, 2008
Body-in-White	40.7	40.7
Assembly systems	4.7	4.7
Robotics Automotive	3.8	3.8
Others / less than € 1 million	0.4	0.4
	49.6	**49.6**

Since 2007 the controlling and internal reporting of the Group has taken place through uniformly differentiated profit centers. Therefore, in principle, a single profit center represents the smallest cash-generating unit, making it the basis for the impairment test of goodwill. The customer service business in the Robotics division is proportionately allocated to the profit centers “Automotive” and “General Industry”.

The following table shows the discount rates for WACC before taxes used in the impairment tests performed in the 2008 financial year:

in %	2007	2008
Planning period	2008 – 2010	2009 – 2011
Systems	12.9	9.5
Robotics	13.2	9.8

In this context, the cost of equity capital was determined on the basis of segment-specific peer groups. As in the previous year, a growth discount of 0.5 percent was applied as perpetuity.

The cost of borrowed capital was derived from the refinancing costs of KUKA Aktiengesellschaft.

The ratios for the cost of equity capital and the cost of borrowed capital that were thus determined were weighted on the basis of the average capital structure of the respective peer group. The expected average tax rate of the peer group of 35 percent was chosen as the tax rate.

A 1 percent higher WACC does not influence the impairment of goodwill. A reduction in sales revenues over the entire planning period by 10 percent with a correspondingly lower cash flow would result in goodwill in the amount of € 44.9 million.

Self-developed software and other product development costs

According to IAS 38, self-developed software and other development costs must also be capitalized. For the purpose of such capitalization, KUKA uses a definition of the costs of production that includes according to IAS attributable direct costs as well as an appropriate allocation for overheads and depreciation.

Development costs are only recognized as assets in the KUKA Group by KUKA Roboter GmbH. The company is working on several projects involving performance and guidance software for robots as well as new applications in the area of medical technology. Total expenditures for research and development for the reporting period were € 33.7 million compared to € 30.8 million in 2007.

Development costs with a total carrying value of € 14.9 million from the years 2005 to 2008 compared to € 9.8 million the year prior have been capitalized according to IAS 38. Net additions for 2008 totaled € 5.0 million (prior year: € 2.8 million). Amortization is applied using a unit-based or straight-line method over the respective expected useful life of three years or less.

11 TANGIBLE ASSETS

The breakdown of the assets aggregated in the balance sheet items of the tangible assets, as well as changes over the reporting year and in 2007, are shown in section 9 of the annual report. The major focus of capital expenditures in the financial year is described in the management report.

Subsidies in the amount of € 0.1 million were deducted from the cost of purchase or cost of production for tangible assets in 2007.

The amounts for depreciation, amortization and impairment losses are as follows:

in € millions	2007	2008
scheduled	17.8	17.1
non-scheduled	1.0	0.0
DEPRECIATION OF TANGIBLE ASSETS	**18.8**	**17.1**

Previous years impairment losses of € 1.0 million were related to a machine of the Systems Division (write-down to the net realizable value) as well as a built-upon property in the Robotics Division (closing of the location as well as change of the useful life).

Finance lease agreements for land and buildings where the KUKA Group is the lessee regularly include an option to buy. The agreements are based on interest rates of 2.25 percent p. a.. The following table shows the breakdown of future payments due for finance lease agreements as well as the present values for future leasing payments. The corresponding amounts are recognized under other liabilities.

in € millions	Dec. 31, 2007 Total	Dec. 31, 2008 Total	Up to one year
Minimum lease payments	0.1	0.0	0.0
Present value	0.1	0.0	0.0

COMMITMENTS FROM LEASES AND RENTAL AGREEMENTS

in € millions	Dec. 31, 2007	Dec. 31, 2008
up to one year	15.4	6.3
between one and five years	48.5	20.2
more than five years	53.1	11.5
COMMITMENTS FROM LEASES AND RENTAL AGREEMENTS	**117.0**	**38.0**

Commitments in connection with leases for passenger cars, office and factory buildings include liabilities from leases and rental agreements in connection with operating leases. The decline compared to last year is largely attributable to the change from operating to finance leasing in connection with the financing of a factory building for the production of car bodies for the Jeep Wrangler in Toledo, USA (cf. notes under 13).

Total rental expenses for the fiscal year were € 16.6 million compared to € 27.0 million in the prior year; rental income totaled € 0.4 million compared to € 2.0 million last year.

12 Participations in associated companies and other financial investments

The breakdown of the items under financial non-current assets is shown in section 9.

The summary financial information about the associated companies is shown in the following table.

in € millions	2007	2008
Total assets	3.8	0.0
Total liabilities	3.0	0.0
Total sales revenue	4.5	0.0
Profit / loss for the period	0.0	0.0

The prior year's numbers are largely associated with the sale of I.B.D. S.r.L, Turin / Italy, during the reporting year.

13 Finance lease

KUKA Toledo Production Operations LLC., Troy / Michigan / USA, which was consolidated for the first time in fiscal 2005, manufactures Jeep Wrangler bodies under the terms of a pay-on-production contract with Chrysler. The first unpainted car bodies associated with the project were delivered to Chrysler in July 2006. The project was financed through an operating lease agreement with a local corporation and a consortium of financing banks. KUKA Aktiengesellschaft reached an agreement with Chrysler LLC and the financing banks in the financial year regarding the prepayment of the financing of the manufacturing facility of its American subsidiary, KUKA Toledo Production Operations LLC (KTPO), which makes Chrysler's Jeep Wrangler car bodies. The financing to take over legal ownership of the buildings and production systems totals € 77.1 million, and was prepaid using the KUKA Group's existing net liquid assets. As a result, this segment's capital employed has risen significantly.

Because of the existing agreement to supply car bodies to Chrysler, the acquisition of the production system assets was not included on the balance sheet as an asset acquisition, but instead categorized as a finance lease in accordance with IFRIC 4 / IAS 17 guidelines and booked as a receivable from finance leases. Leasing receivables of € 82 million and a current leasing receivable of € 3.3 million exist as of the balance sheet date. Sales revenues shown on KTPO's balance sheet will thus be reduced by the fictitious leasing rate. The interest component included in the fictitious leasing rate is booked under financial result, while the repayment component of this repayment reduces the receivables as per schedule.

Due to the arrangement of the dealing as a full payout lease agreement future minimum lease payments correspond with the gross investment. The following table shows the transition to the present value of the outstanding minimum lease payments.

in € millions	2008
Future minimum lease payments / Finance lease gross investments	**146.9**
(of that not later than one year)	(10.8)
(of that later than one year and not later than five years)	(43.3)
(of that later than five years)	(92.8)
Unrealized financial income	– 61.6
PRESENT VALUE OF OUTSTANDING MINIMUM LEASE PAYMENTS	**85.3**
(of that not later than one year)	(3.3)
(of that later than one year and not later than five years)	(16.5)
(of that later than five years)	(65.5)

14 INVENTORIES

in € millions	Dec. 31, 2007	Dec. 31, 2008
Raw materials and supplies	48.1	50.4
Work in process	63.3	67.5
Finished goods, Goods purchase	21.9	25.0
Advances paid	16.7	8.6
INVENTORIES	**150.0**	**151.5**

The carrying amount of inventories written off in the amount of € 92.4 million compare with € 87.0 million in 2007 and have been recognized at net realizable value. The write-down, relative to gross value, was € 30.3 million versus € 30.2 million the year prior.

The carrying value of inventories subject to restraint on disposal is not material.

15 RECEIVABLES

	Dec. 31, 2007			Dec. 31, 2008		
in € millions	Total	of that up to one year	of that more than one year	Total	of that up to one year	of that more than one year
Trade receivables	178.9	178.7	0.2	164.8	164.4	0.4
Receivables from contruction contracts	93.0	93.0	0.0	167.1	167.1	0.0
Receivables from affiliated companies	3.6	3.6	0.0	0.4	0.4	0.0
RECEIVABLES	**275.5**	**275.3**	**0.2**	**332.3**	**331.9**	**0.4**

Should Chrysler and / or General Motors or Ford become bankrupt, it is possible that this could impact the assets, financial position and profit or loss of the Group to the extent that the value of receivables would need to be adjusted.

The following table breaks down receivables by age and recoverability.

in € millions / Status as at Dec. 31, 2008	Net carrying amount	neither impaired nor past due as at the balance sheet date	net carrying amount of impaired trade receivables	impaired trade receivables before recording of impairment losses	impairment loss	Total of past due, unimpaired receivables	not impaired as of the balance sheet date but in arrears by: less than 30 days	30 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
Trade receivables	164.8	110.7	2.7	9.5	– 6.8	51.4	22.1	10.8	5.4	5.9	7.2
Receivables from affiliated companies	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**165.2**	**111.1**	**2.7**	**9.5**	**– 6.8**	**51.4**	**22.1**	**10.8**	**5.4**	**5.9**	**7.2**

in € millions / Status as at Dec. 31, 2007	Net carrying amount	neither impaired nor past due as at the balance sheet date	net carrying amount of impaired trade receivables	impaired trade receivables before recording of impairment losses	impairment loss	Total of past due, unimpaired receivables	not impaired as of the balance sheet date but in arrears by: less than 30 days	30 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
Trade receivables	178.9	123.9	1.4	8.8	– 7.4	53.6	23.3	9.4	5.2	9.7	6.0
Receivables from affiliated companies	3.6	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**182.5**	**127.5**	**1.4**	**8.8**	**– 7.4**	**53.6**	**23.3**	**9.4**	**5.2**	**9.7**	**6.0**

With respect to existing receivables that were neither impaired nor in arrears, there were no indications as of the balance sheet date that the obligors would not meet their payment obligations. Receivables from construction contracts have no specific due date and are not impaired.

Trade receivables

Bad debt allowances on trade receivables developed as follows:

in € millions	2007	2008
Impairment losses / Status as at Jan. 1	7.4	7.4
Additions (Expenses related to impairment losses)	3.1	2.8
Use	– 2.3	– 2.1
Reversals	– 0.8	– 1.3
IMPAIRMENT LOSSES / STATUS AS AT DEC. 31	**7.4**	**6.8**

The total amount of additions of € 2.8 million (2007 € 3.1 million) breaks down into additions for specific bad debt allowances of € 2.1 million (2007: € 2.1 million) and lump-sum bad debt allowances in the amount of € 0.7 million (2007: € 1.0 million). Reversals reflect € 1.0 million (2007: € 0.7 million) in specific bad debt allowances that were not required to be used as well as € 0.3 million (2007: € 0.1 million) in lump sum bad debt allowances that were not required to be used.

Gross receivables from construction contracts

For receivables from construction contracts, advances received have been offset against costs incurred in connection with the contract, including contributions to earnings on a per contract basis. As at the balance sheet date, costs incurred and earnings recognized in connection with long-term contracts in the amount of € 726.4 million were offset against advances received in the amount of € 559.3 million. In 2007 these figures were € 492.8 million and € 399.8 million respectively. This resulted in receivables of € 167.1 million compared to € 93.0 million the year prior and liabilities of € 54.6 million versus € 72.4 million a year earlier. Advances received in connection with long-term contracts exceed the costs incurred and the earnings portion.

Receivables from construction contracts totaling € 17.4 million had to be written off in the financial year due to the insolvency of a buyer.

16 OTHER ASSETS, PREPAID EXPENSES AND DEFERRED CHARGES

	Dec. 31, 2007			Dec. 31, 2008		
in € millions	**Total**	**of that up to one year**	**of that more than one year**	**Total**	**of that up to one year**	**of that more than one year**
Other assets, prepaid expenses and deferred charges	21.5	11.9	9.6	26.5	16.7	9.8

The following table shows the financial instruments recognized under other assets as outlined in IFRS 7 according to age and impairment:

							not impaired as of the balance sheet date but in arrears by				
in € millions	**Net carrying amount**	neither impaired nor past due as at the balance sheet date	net carrying amount of impaired trade receivables	impaired trade receivables before recording of impairment losses	impairment loss	Total of past due, unimpaired receivables	**less than 30 days**	**30 to 60 days**	**61 to 90 days**	**91 to 180 days**	**more than 180 days**
Dec. 31, 2007	15.4	15.0	0.4	3.1	– 2.7	0.0	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2008	19.9	19.4	0.5	2.9	– 2.4	0.0	0.0	0.0	0.0	0.0	0.0

With respect to existing other assets that were neither impaired nor in default, there were no indications as of the balance sheet date that the obligors would not meet their payment obligations.

Impairment losses on other assets developed as follows:

in € millions	**2007**	**2008**
Impairment losses / Status as at Jan. 1	4.4	2.7
Additions (Expenses related to impairment losses)	0.1	0.1
Use	– 1.2	0.0
Reversals	– 0.6	– 0.4
IMPAIRMENT LOSSES / STATUS AS AT DEC. 31	**2.7**	**2.4**

17 CASH AND CASH EQUIVALENTS

This item comprises all funds recognized on the balance sheet as cash and cash equivalents, i. e. cash on hand, checks and cash balances with financial institutions, provided that they are available within three months.

The KUKA Group maintains bank balances exclusively at financial institutions of sound credit worthiness. Furthermore, funds to be invested are distributed across several financial institutions in order to diversify risk.

18 DISCONTINUED OPERATIONS

As of December 31, 2008, there were no discontinued operations nor assets held for sale.

19 EQUITY / TREASURY SHARES

Changes to equity, including changes without effect on profit or loss are disclosed in the Schedule of income and expenses recognized directly in Group equity on page 105.

On March 18, 2008, the Executive Board of KUKA Aktiengesellschaft resolved in accordance with article 71, para. 1, item 8 of the German Corporation Act (AktG), to exercise the authority granted at the Annual General Meeting of May 16, 2007 to buy back own shares and to acquire up to 2,660,000 shares of the company on the open stock market. The amount corresponds to up to 10 percent of current total share capital. The buyback took place between March 25, 2008 and August 29, 2008 at the latest, under the direction of a bank, which is obligated to ensure that the buyback of the shares on the stock market is carried out in accordance with the resolution at the Annual General Meeting dated May 16, 2007 and the instructions outlined in article 5, para. 1 and 2 of directive (EG) No. 2273 / 2003. Under the terms of this share buyback program, KUKA Aktiengesellschaft bought back a total of 1,327,340 KUKA shares valued at € 27,898,339.58. Moreover, the Executive Board is authorized again, subject to the approval of the Supervisory Board, to assign the treasury shares thus acquired to a third party as compensation for the acquisition of an equity interest.

The Executive Board was further authorized, subject to the approval of the Supervisory Board, to withdraw the treasury shares acquired on the basis of this authorization, without such withdrawal or the execution thereof requiring a further resolution of the Annual General Meeting. The Executive Board did not exercise this authorization during the financial year.

In 2008, the company purchased own shares for KUKA employees as part of an employee stock ownership program [Article 71, para. 1 no. 2 of the AktG (German Corporation Act)] and resold these to the employees. A total of 114,861 shares of common stock were purchased and resold.

20 SUBSCRIBED CAPITAL

The share capital totals € 69,160,000 (prior year: € 69,160,000) and is divided into 26,600,000 individual no-par value shares issued to bearer. Each share is equal to one vote.

On the basis of a resolution by the Annual General Meeting of KUKA Aktiengesellschaft of July 4, 2003, the capital stock is to be conditionally increased by up to € 19,500,000.00 by issuing up to € 7,500,000 new shares. The conditional capital increase shall only be carried out to the extent that option and / or conversion rights are exercised by the holders of option rights and / or conversion rights to be issued by the company or its directly or indirectly majority owned companies in Germany or abroad on or before July 4, 2008 (article 5, paragraph 6 of the articles of association).

On May 9, 2006, KUKA Aktiengesellschaft partially exercised the respective authorization to issue options and or convertible bonds by privately placing a convertible bond issue guaranteed by KUKA Aktiengesellschaft with a nominal value of € 69,000,000 through its 100-percent-owned Dutch subsidiary KUKA Finance B.V.. Under the terms of the placement, the company is obliged to completely but not partially convert every bondholder's bond valued at a nominal € 50,000 in accordance with their conversion rights at any time during the exercise period (July 8, 2006 to October 18, 2011) and at the conversion price of € 25.3833 per share to no-par value shares of KUKA Aktiengesellschaft issued to the bearer. Capital is thereby conditionally increased – subject to the anti-dilution provisions in the bond terms and conditions – by a maximum of 2,718,322 shares. The bond was subsequently listed on the EuroMTF market of the Luxembourg stock exchange.

A resolution passed at the Annual General Meeting of KUKA Aktiengesellschaft on June 1, 2006 authorized the Executive Board to increase the company's share capital on one or several occasions, subject to approval by the Supervisory Board, until May 31, 2011 up to a total of € 34,500,000 by issuing new shares in the name of the bearer against cash contributions and / or contributions in kind. The shareholders shall be granted subscription rights; however, subject to approval by the Supervisory Board, the Executive Board is authorized to exclude the shareholder subscription rights prescribed by law (i) for fractional amounts (ii) to the extent this is required in order to grant the holders' subscription rights to new shares, as per the resolution passed at the Annual General Meeting on July 4, 2003, in the quantities to which they would be entitled by exercising their conversion or option rights related to convertible debentures and / or warrants issued by KUKA Aktiengesellschaft or its companies (iii) for increases in equity against cash contributions or under the conditions described in more detail in the articles of association (article 4, paragraph 5, second paragraph, third subitem), and to the extent the number of shares issued under exclusion of subscription rights in accordance with article 186, paragraph 3, clause 4 AktG (German Corporation Act) does not exceed 10 percent of total share capital, neither at the point in time the authorization becomes effective nor the time of exercising the authorization (iv) for capital increases against contributions in kind for the purpose of acquiring companies or parts of companies (article 4, paragraph 5 of the articles of association).

21 CAPITAL RESERVE

The capital reserve in the amount of € 26.5 million applies to KUKA AG and has not changed from the previous year.

22 REVENUE RESERVES

The revenue reserves in the amount of € 116.3 million (prior year: € 136.4 million) comprise:

- The accumulated retained earnings of KUKA Aktiengesellschaft and its consolidated subsidiaries.
- Consolidation and currency translation effects.
- Measurement of financial derivatives (interest rate swaps, etc.) and actuarial gains and losses included in provisions for pensions.

23 MINORITY INTERESTS

This item primarily comprises the minority stake held by third parties in KUKA Enco Werkzeugbau spol. s.r.o., Dubnica, Slovakia. The changes to this item are detailed in the development of Group equity.

24 MANAGEMENT OF CAPITAL

The primary goal of managing capital for the KUKA Group is to support ongoing business operations by providing adequate financial resources and increasing enterprise value.

This requires sufficient shareholders' equity (Leverage ratio as the key indicator) and a minimum return on capital employed (ROCE as the key indicator) equal to internal corporate targets.

The ROCE figures achieved in the 2008 reporting year are discussed in the management report.

The KUKA Group monitors its capital on the basis of net liquidity. Net liquidity represents cash and cash equivalents less short and long-term liabilities due to financial institutions. The development of net liquidity in the 2008 reporting year is presented in the management report.

25 PENSION PROVISIONS AND SIMILAR OBLIGATIONS

Actuarial gains and losses are recognized directly in equity at the time in which they occur (Option 3 in accordance with IAS 19.93A).

Accordingly, provisions for pensions developed as follows in the financial year 2008:

in € millions	Status as at Jan. 1	Changes to the scope of consolidation, exchange rate differences, reclassification in disc. Operations, Other	Consumption	Reduction	Additions	Actuarial gains and losses (directly in equity)	Status as at Dec. 31
2007	140.3	– 54.7	6.0	0.0	4.1	– 9.8	73.9
2008	73.9	0.0	5.9	0.0	3.9	– 3.4	68.5

Pension provisions include liabilities from vested benefits and from current benefits paid to vested and former employees of the KUKA Group as well as their surviving dependents. Depending on the legal, economic and tax situation in each of the countries concerned, various such retirement benefit systems are in place, that are, as a rule, based on employees' length of service and compensation.

Since they are in the nature of a retirement benefit, liabilities of the US Group company B&K Corporation for post-employment medical benefits are also disclosed under pension provisions according to IAS 19. Of the total provisions and accruals, these obligations similar to pensions, calculated according to the rules of IAS 19, represent € 1.0 million compared to € 1.7 million in 2007. Liabilities for health insurance coverage in the current financial year generated a gain of € 0.4 million compared to expenses of € 0.1 million as a result of plan curtailments the year prior. The possible effects of an increase / reduction of 1 percent of the expected cost development are € 0.1 million.

Company retirement benefit coverage in the Group is provided through both defined contribution and defined benefit plans.

For the defined contribution plans, the company pays contributions to a public or private pension insurance carrier. Upon payment of the contributions, the company has no further obligations. Total payments for pensions under defined contribution plans in the amount of € 21.0 million compared to € 17.7 million in 2007 and are disclosed as expenses in the year in question. Under defined benefit plans, the company incurs an obligation to provide the benefits promised by the plan to current and former employees.

The only remaining funded benefit plans are in effect in the USA.

The amount of pension obligations (defined benefit obligation) was calculated by actuarial methods for which estimates are unavoidable. In addition to assumptions related to life expectancy, this involves assumptions detailed below, which are dependent on the economic environment for each country in question:

ACTURIAL ASSUMPTIONS

	Germany		USA		Others	
Dec. 31	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Demographic assumptions	RT 2005 G	RT 2005 G	RP 2000	RP 2000	IPS55 (I); TV88/90 (F)	IPS55 (I); TV88/90 (F)
Discount factor	5.50 %	6.25 %	6.00 %	6.00 %	4.50 – 5.50 %	5.60 %
Expected rate of return on assets	–	–	8.00 %	8.00 %	–	–
Wage dynamics	0.00 – 2.50 %	0.00 – 2.50 %	–	–	0.00 – 1.50 %	0.00 – 1.50 %
Pension dynamics	2.00 – 2.50 %	2.00 – 2.50 %	–	–	0.00 – 2.00 %	0.00 – 2.00 %
Changes in cost of medical services	–	–	5.00 – 9.00 %	5.00 – 8.00 %	–	–

Wage dynamics encompass future increases in wages and salaries that are estimated annually by reference to factors such as inflation and economic conditions, among others.

The expected returns are derived from consensus forecasts for the respective asset classes as well as bank discussions. The forecasts are based on experienced data, economic data, interest forecasts and stock market expectations.

For funded plans, the pension obligations calculated according to the projected- united-credit method are reduced by an amount equal to the fund assets. If the fund assets exceed the defined benefit obligations, an asset is recognized according to IAS 19 and disclosed under other assets. To the extent that the fund assets do not cover the commitment, the net obligation is recognized as a liability under pension provisions.

Increases or decreases in either the present value of the defined benefit obligations or the fair value of the plan assets may give rise to actuarial gains or losses. This may be caused by factors such as changes in actuarial parameters, changes to estimates for the risk profile of the pension obligations and differences between the actual and expected returns on the fund assets. Actuarial gains and losses are recognized directly in equity and offset against revenue reserves in the year in which they occur.

FUNDING STATUS OF DEFINED BENEFIT PENSION OBLIGATIONS

	Germany		USA		Others		Total	
in € millions	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Present value of pension benefits covered by provisions	70.6	64.8	1.7	0.9	1.1	1.2	73.4	66.9
Present value of funded pension benefits	–	–	3.6	4.0	0.0	0.0	3.6	4.0
Defined benefit obligation	70.6	64.8	5.3	4.9	1.1	1.2	77.0	70.9
Fair value of plan assets	–		3.1	2.4	0.0	0.0	3.1	2.4
NET OBLIGATION	**70.6**	**64.8**	**2.2**	**2.5**	**1.1**	**1.2**	**73.9**	**68.5**
Overfunding, plan assets (–)	–	–	–	–	–	–	–	–
Unrecognized past service costs	–	–	0.0	0.0	–	–	0.0	0.0
BALANCE SHEET AMOUNT AS OF DEC. 31	**70.6**	**64.8**	**2.2**	**2.5**	**1.1**	**1.2**	**73.9**	**68.5**
(of that pension provisions)	(70.6)	(64.8)	(2.2)	(2.5)	(1.1)	(1.2)	(73.9)	(68.5)
(of that asset (–))	(–)	(–)	(0.0)	(0.0)	(–)	(–)	(0.0)	(0.0)

As a result of the increase in market rates observed especially in the euro zone since the reference date for the prior year, higher discount rates were applied generally for the discounting of pension obligations resulting, ceteris paribus, in a lower defined benefit obligation. Details of the changes in defined benefit obligations for the financial year are shown in the following summary:

CHANGES IN DEFINED BENEFIT OBLIGATIONS

	Germany		USA		Others		Total	
in € millions	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Net obligations as of Jan. 1	104.8	70.6	37.7	5.3	70.7	1.1	213.2	77.0
(of which funded in a separate fund)	(–)	(–)	(32.0)	(3.6)	(68.8)	(0.0)	(100.8)	(3.6)
(of which funded by provisions)	(104.8)	(70.6)	(5.7)	(1.7)	(1.9)	(1.1)	(112.4)	(73.4)
Changes to the scope of consolidation	– 22.9	0.0	– 31.8	0.0	– 69.4	0.0	– 124.1	0.0
Current service costs	0.6	0.4	0.1	0.1	0.0	0.1	0.7	0.6
Interest expense	3.4	3.7	0.3	0.3	0.0	0.0	3.7	4.0
Plan changes	–	–	0.1	– 0.5	– 0.1	0.0	0.0	– 0.5
Payments	– 5.7	– 5.6	– 0.2	– 0.2	– 0.1	– 0.1	– 6.0	– 5.9
Acturial gains (–) / and losses (+)	– 9.6	– 4.3	– 0.2	– 0.4	0.0	0.1	– 9.8	– 4.6
Currency translation	–	–	– 0.7	0.3	0.0	0.0	– 0.7	0.3
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET OBLIGATIONS AS OF DEC. 31	**70.6**	**64.8**	**5.3**	**4.9**	**1.1**	**1.2**	**77.0**	**70.9**
(of which funded in a separate fund)	(–)	(–)	(3.6)	(4.0)	(0.0)	(0.0)	(3.6)	(4.0)
(of which funded by provisions)	(70.6)	(64.8)	(1.7)	(0.9)	(1.1)	(1.2)	(73.4)	(66.9)

As was the case in the previous year, the defined benefit obligation also decreased in the reporting year owing to an increase to the discounting factor for domestic and foreign pension plans. The influence of the remaining valuation parameters was minimal. A change to the discounting factor of +/– 0.25 percent would lead to a higher / lower defined benefit obligation of € +/– 1.9 million.

Current service costs and interest expenses totaling € 4.6 million (prior year: € 4.4 million) compared to benefit payments of € 5.9 million during the financial year (prior year: € 6.0 million). The reduction of the defined benefit obligation results mainly in actuarial gains of € 4.6 million accrued during the financial year.

PENSION EXPENSE FOR DEFINED BENEFIT PLANS

	Germany		USA		Others		Total	
in € millions	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Current service costs	0.6	0.4	0.1	0.1	0.0	0.1	0.7	0.6
Interest expense	3.4	3.7	0.3	0.3	0.0	0.0	3.7	4.0
Expected return on plan assets	–	–	– 0.3	– 0.2	–	–	– 0.3	– 0.2
Plan curtailments	–	–	0.0	– 0.5	– 0.1	0.0	– 0.1	– 0.5
Unrecognized past service costs	–	–	0.1	0.0	–	–	0.1	0.0
PENSION EXPENSES FROM DEFINED BENEFIT COMMITMENTS	**4.0**	**4.1**	**0.2**	**– 0.3**	**– 0.1**	**0.1**	**4.1**	**3.9**

Pension expense for defined benefit plans decreased by € 0.2 million to € 3.9 million. This is mainly due to reductions in medical care coverage of B&K Corporation, Saginaw / USA. This is partly offset by the December 31, 2007 increase in the discount rate over that for the previous year, which resulted in higher interest expenses.

The statement of income and expenses recognized in Group equity includes the following amounts:

in € millions	2006	2007	2008
Cumulative gains (+) and losses (–) recognized directly in equity as at Jan. 1	0.0	3.3	13.1
Actuarial gains (+) and losses (–) of the financial year	3.3	9.8	3.4
CUMULATIVE GAINS (+) AND LOSSES (–) RECOGNIZED DIRECTLY IN EQUITY AS AT DEC. 31	**3.3**	**13.1**	**16.5**

DEVELOPMENT OF PLAN ASSETS IN THE FINANCIAL YEAR

	USA		Others		Total	
in € millions	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Fair value as at Jan. 1	29.3	3.1	45.6	0.0	74.9	3.1
Changes to the scope of consolidation	– 26.2	0.0	– 45.6	0.0	– 71.8	0.0
Expected returns on plan assets	0.3	0.2	0.0	0.0	0.3	0.2
Acturial gains / losses	0.0	– 1.2	0.0	0.0	0.0	– 1.2
Currency translation	– 0.4	0.2	0.0	0.0	– 0.4	0.2
Employer contributions	0.2	0.2	0.0	0.0	0.2	0.2
Payments	– 0.1	– 0.1	0.0	0.0	– 0.1	– 0.1
FAIR VALUE AS AT DEC. 31	**3.1**	**2.4**	**0.0**	**0.0**	**3.1**	**2.4**

The actual expenses from external pension funds were € 1.1 million (prior year gains: € 0.3 million).

As of December 31, 2008 the plan assets of € 2.4 million (prior year: € 3.1 million) broke down into shares in stock funds equal to 75 percent (prior year: 70 percent), holdings of bonds and separate assets with a corresponding investment focus equal to another 25 percent (prior year: 25 percent). Shares in a separate real estate fund (5 percent in 2007) were sold in the financial year.

Employer payments into the fund assets of € 0.2 million are expected in the 2009 financial year.

Amounts for the current year and the four previous years of pension obligations, the excluded assets and the assets exceeding benefit commitments are represented as follows:

in € millions	2004	2005	2006	2007	2008
Defined Benefit Obligation	242.8	222.2	213.2	77.0	70.9
Plan Assets	60.3	72.5	74.9	3.1	2.4
FUNDED STATUS	**182.5**	**149.7**	**138.3**	**73.9**	**68.5**

The following shows the experience-based adjustments for the current and previous year:

in %	2007	2008
Experience-based increase (decrease) of pension obligations	– 3.0	0.8
Experience-based increase (decrease) of plan assets	0.0	– 53.1

26 PROVISION FOR TAXES

in € millions	Status as at Jan. 1, 2008	Changes to the scope of consolidation, exchange rate differences	Use	Reversals	Additions	Status as at Dec. 31, 2008
PROVISION FOR TAXES	**36.6**	**0.3**	**29.9**	**0.0**	**4.3**	**11.3**

Of the total provision for taxes, € 9.9 million (prior year: € 34.9 million) are related to income taxes and € 1.4 million (prior year: € 1.7 million) are related to other taxes.

The items included in the provision for taxes have a remaining maturity of up to one year.

27 OTHER PROVISIONS AND ACCRUALS

in € millions	Status as at Jan. 1, 2008	Changes to the scope of consolidation, exchange rate differencess	Use	Reversals	Additions	Status as at Dec. 31, 2008
Warranty commitments and risks from pending transactions	45.1	0.4	16.1	8.1	22.5	43.8
Liabilities arising from restructurings	3.8	– 0.1	1.6	1.5	5.8	6.4
Other provisions	77.4	0.7	46.2	9.9	35.3	57.3
OTHER PROVISIONS AND ACCRUALS	**126.3**	**1.0**	**63.9**	**19.5**	**63.6**	**107.5**

Other provisions and accruals for warranty commitments and risks from pending transactions include provisions for impending losses from pending transactions of € 20.5 million (prior year: € 16.9 million) and warranty risk of € 23.3 million (prior year: € 28.2 million).

The restructuring obligations represent settlements and restructuring expenses at several companies.

Of the other provisions, € 27.6 million (prior year: € 30.6 million) relate among other items to costs still to be incurred for orders already invoiced and litigation risk of € 4.1 million (prior year: € 8.7 million). The reversals are mainly related to the provisions for costs still to be incurred in the amount of € 3.7 million and provisions for litigation risk in the amount of € 4.1 million.

The other provisions have a remaining term of up to one year.

28 LIABILITIES

2008

in € millions	Remaining maturity up to one year	between one and five years	more than five years	Dec. 31, 2008 total
Liabilities due to banks	33.2	–	–	33.2
Convertible bond	0.4	61.3	0.0	61.7
FINANCIAL LIABILITIES	**33.6**	**61.3**	**0.0**	**94.9**
Liabilities from construction contracts	54.6	–	–	54.6
Advances received	36.7	–	–	36.7
Trade payables	149.1	–	–	149.1
Accounts payable to affiliated companies	0.2	–	–	0.2
Other liabilities				
Notes payable	2.1	–	–	2.1
Other liabilities and deferred income	100.8	12.1	1.1	114.0
(of that for taxes)	(18.5)	(0.0)	(0.0)	(18.5)
(of that for social security payments)	(1.8)	(0.0)	(0.0)	(1.8)
(of that liabilities relating to personnel)	(54.2)	(7.0)	(0.7)	(61.9)
(of that for leases)	(0.0)	(0.0)	(0.0)	(0.0)
(of that fair values of foreign exchange and interest rate contracts)	(11.2)	(4.8)	(0.0)	(16.0)
LIABILITIES	**377.1**	**73.4**	**1.1**	**451.6**

2007

in € millions	Remaining maturity up to one year	between one and five years	more than five years	Dec. 31, 2007 total
Liabilities due to banks	0.1	0.0	0.0	0.1
Convertible bond	0.4	59.1	0.0	59.5
FINANCIAL LIABILITIES	**0.5**	**59.1**	**0.0**	**59.6**
Liabilities from construction contracts	72.4	0.0	0.0	72.4
Advances received	35.4	0.0	0.0	35.4
Trade payables	148.9	0.0	0.0	148.9
Accounts payable to affiliated companies	0.1	0.0	0.0	0.1
Other liabilities				
Liabilities to associated companies	0.0	0.0	0.0	0.0
Notes payable	1.1	0.0	0.0	1.1
Other liabilities and deferred income	84.2	8.8	2.7	95.7
(of that for taxes)	(15.3)	(0.0)	(0.0)	(15.3)
(of that for social security payments)	(1.8)	(0.0)	(0.0)	(1.8)
(of that liabilities relating to personnel)	(48.6)	(6.9)	(2.7)	(58.2)
(of that for leases)	(3.7)	(0.1)	(0.0)	(3.8)
(of that fair values of foreign exchange and interest rate contracts)	(1.4)	(1.0)	(0.0)	(2.4)
LIABILITIES	**342.6**	**67.9**	**2.7**	**413.2**

29 FINANCIAL LIABILITIES / FINANCING

The remaining existing financial liabilities mainly represent the convertible bond issued in May of 2006 as well as the utilization of the existing cash lines from the syndicated loan.

FIXED INTEREST RATE AGREEMENTS (2008)

Financial instrument	Net carrying amount in € millions	Fair value in € millions	Original maturity	Notional interest rate
Convertible bond	61.7	50.2	2006 – 2011	3.75 % p. a.

FIXED INTEREST RATE AGREEMENTS (2007)

Financial instrument	Net carrying amount in € millions	Fair value in € millions	Original maturity	Notional interest rate
Convertible bond	59.5	78.9	2006 – 2011	3.75 % p. a.

The market value of the convertible bond was determined using the closing price in floor trading at the Frankfurt Stock Exchange on December 30, 2008.

VARIABLE INTEREST RATE LIABILITIES TO BANKS (2008)

Financial instrument / in millions	Net carrying amount		avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	32.2 EUR	32.2 EUR	4.09 % p. a.	2009
Liabilities due to banks	0.7 GBP	0.7 EUR	2.00 % p. a.	2009
Liabilities due to banks	1.0 BRL	0.3 EUR	30.00 % p. a.	2009

VARIABLE INTEREST RATE LIABILITIES TO BANKS (2007)

Financial instrument / in millions	Net carrying amount		avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	0.4 BRL	0.1 EUR	34.23 % p. a.	2008

All averages are calculated as the arithmetic mean of the values of the individual financial instruments as at the financial statement reporting date, weighted by the respective carrying values in €.

Convertible bond

In May 2006, KUKA placed a convertible bond with a face value of € 69 million, collateralized by KUKA Aktiengesellschaft, via its subsidiary KUKA Finance B.V.; Amsterdam / Netherlands. The bond was issued in denominations of € 50,000 each and grants rights for conversion in consideration of the 2007 dividend into up to 2,718,322 no-par value shares of KUKA Aktiengesellschaft. The conversion price is € 25.3833 per share. The conversion rate is 1,969.8005 shares by unit of denomination. The adjustment related to dividend payments guarantees the anti-dilution provisions with respect to distributions in accordance with the bond terms and conditions. The conversion right can be exercised until the maturity date of the bond. The bond carries an interest coupon of 3.75 percent p. a.. Interest is paid in November of each year.

The bond matures on November 9, 2011 and will be redeemed by payment equal to the face value plus interest accrued up until that time. As of December 9, 2009, KUKA has the right to call the bonds at any time at the nominal amount, also plus accrued interest, subject to the share price exceeding 130 percent of the conversion price within a period defined in the bond terms and conditions.

The convertible bond is listed on the Luxembourg exchange (ISIN DE000A0GRMC0/ WKN A0G RMC). The last price quoted for the bond on the Frankfurt stock exchange in 2008 was 72.80 percent (114.40 percent in 2007).

On the balance sheet, the convertible bond is broken down into an equity and a debt component. The market value of the debt component (€ 55.7 million) was determined on the basis of the market interest rate for a corresponding fixed-interest bond without conversion feature (7.63 percent). Including the issuing costs allocated proportionately to the equity and debt components, the effective interest rate rises to 8.25 percent. The resulting value of the equity component (€ 11.3 million) is recognized as part of the capital reserve and will not be changed until the due date or conversion. In the 2007 financial year, interest expense of € 4.9 million (prior year: € 4.7 million) was booked in connection with the bond account.

Syndicated loan

KUKA Aktiengesellschaft and 31 subsidiaries had closed on December 22, 2006 a syndicated loan for € 475 million with a select group of banks. The lead banks of the syndicate are Landesbank Baden-Württemberg, Dresdner Bank AG and HypoVereinsbank AG. They are joined by Bayerische Landesbank, the Royal Bank of Scotland and Deutsche Bank. The syndicated loan agreement was executed effective January 31, 2007.

Following the successful sale of the Packaging Division in April of 2007, contractual adjustments to this syndicated loan became effective. Aside from the elimination of the twelve companies in this business division as parties to the contract, the term loan was repaid and the line of credit for LCs was reduced by € 20 million. Under this agreement, the KUKA Group now still has access to € 115 million in revolving cash lines (including up to € 40 million for LCs) as well as € 190 million in credit lines for LCs. The latter are particularly important for KUKA in connection with the financing of plant construction deals.

The first opportunity for an extension was utilized in the 2007 financial year with the approval of the consortium. The loan agreement currently runs through December 2010.

The availability of the financing is tied to the adherence to specific covenants. Adhering to the debt-equity and interest coverage ratio as well as maintaining a set level of Group equity was not a problem in the 2008 financial year.

The conditions for accessing the operating lines of credit and credit lines for LCs as well as the loan commitment fees are directly related to the debt-equity ratio (financial leverage) and are adjusted quarterly.

The receivables of the syndicate of banks from the financing agreement are collateralized by KUKA companies. The collateral package includes an uncertified land charge on the industrial site in Augsburg totaling € 70.0 million. The KUKA companies also took part in blank assignments and transfers by way of securities and pledged business shares.

The utilization of the line of credit for LCs of € 190 million totaled € 108.7 million as of the key date; the existing operating line of credit was utilized in the amount of € 30.1 million.

Credit lines from insurance companies

Credit lines for LCs in the amount of € 50 million have been committed by credit insurance companies. Utilization of these lines is equal to € 3.2 million in the case of EulerHermes Kreditversicherungs AG. No utilization has been made of the Zurich Group credit lines.

Asset-backed securities program

In December 2006, an ABS program (Asset-Backed Securities) was issued with the support of Bayern LB. Under this program, trade receivables of KUKA Roboter GmbH in an amount of up to € 25 million can be sold in regular tranches to the participating company, which is not included in the Group. The latter finances the purchase of the receivables by issuing securities on the capital market or through special credit lines provided by Bayern LB. The adequate credit worthiness of the receivables sold is guaranteed by a default guarantee from a credit insurer. In this connection, KUKA Roboter GmbH absorbs the first 1.15 percent of the credit risk from the sale of the receivables.

As of the balance sheet date, utilization of the program was equal to € 15.7 million (December 31, 2007: € 13.9 million). A cash deposit of € 4.4 million (December 31, 2007: € 3.9 million) was furnished as security and is being reported under other assets. The claims of KUKA Roboter GmbH for the management and settlement of the sold receivables are also included in this category at a present value of € 0.3 million (December 31, 2007: € 0.3 million). The continuing involvement of € 0.2 million (prior year: € 0.2 million) was completely written off as of the balance sheet date.

30 OTHER NON CURRENT / CURRENT LIABILITIES AND DEFERRED INCOME

Liabilities arising from finance leases are recognized at the present value of future lease payments and disclosed as other liabilities. Liabilities for vacation pay, flex-time credits and the statutory German early retirement scheme (Altersteilzeit), are recognized under other liabilities. Trade payables include payments due on outstanding supplier invoices.

31 FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATES

a) Principles of risk management

The KUKA Group is exposed in particular to risks from movements in exchange rates and interest rates that affect its assets, liabilities and forecast transactions. Financial risk management aims to limit and control these market risks through ongoing operational and finance activities. Derivative and non-derivative hedging instruments are used for this purpose, depending on the risk assessment; the Group basically only hedges the risks that affect its cash flow. Derivatives are exclusively used as hedging instruments, i. e., not for trading or other speculative purposes. To reduce the credit risk, hedging transactions are generally only concluded with leading financial institutions whose credit rating is excellent.

The fundamentals of the Group’s financial policy are established each year by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the finance policy and for ongoing risk management. Certain transactions require the prior approval of the Financial Director, who is also regularly briefed on the current risk exposure.

Treasury regards effective management of the market risk as one of its main tasks. For this, the department performs simulation calculations using different most-likely and worst-case scenarios.

b) Currency risks

KUKA is exposed to currency risks from its investing, financing, and operating activities. These are hedged at the time of their occurrence to the extent that they influence the Group's cash flows, through the conclusion of derivative financial instruments with banks or by offsetting opposing payment flows. Hedging may also cover future planned transactions where hedging instruments with a short term (< 1 year) are used to cover currency risks. Foreign-currency risks that do not influence the Group's cash flows, e. g. the risks resulting from the translation of assets and liabilities of foreign KUKA operations into the Group's reporting currency, are generally not hedged. These risks could also be hedged after approval by the Finance Director. In the area of investments, there were no major risks from foreign currency transactions on the KUKA reporting date.

Foreign currency risks in the financing area are caused by loans in foreign currency that are extended to Group entities and liquid funds in foreign currency.

Treasury hedges the major risks arising from these. Currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities' functional currencies. At the reporting date, there are no major financial liabilities in foreign currencies. All intragroup loans denominated in foreign currencies were hedged accordingly. On account of these hedging activities, KUKA was not exposed to any significant exchange rate risks in the area of financing at the reporting date.

The individual KUKA companies handle their operating activities mainly in the relevant functional currency. However, some KUKA companies are exposed to corresponding exchange rate risks in connection with planned payments outside their own functional currencies. KUKA uses currency derivatives to hedge these payments. On account of these hedging activities, KUKA was not exposed to any significant exchange rate risks from its operating activities at the reporting date.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which KUKA has financial instruments.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables (e. g. interest rates, exchange rates) on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

The currency sensitivity analysis is based on the following assumptions:

- Major non-derivative monetary financial instruments (liquid assets, receivables, liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effects on profit or loss, or shareholders' equity.
- Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency by using derivatives. For this reason, there can be no effects on the variables considered in this connection.
- In the case of fair value hedges designed for hedging currency risks, the changes in the fair values of the hedged item and the hedging instruments attributable to exchange rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity either.
- Currency derivatives are always assigned to non-derivative hedged items, so these instruments also do not have any currency effects.

The following currency scenarios arise for the main foreign currencies used by the KUKA Group:

If the EUR had gained 10 percent against the USD at December 31, 2008 (2007), Group profits would have been € 0.7 million higher (€ 0.1 million lower). If the EUR had lost 10 percent against the USD at December 31, 2008 (2007), Group profits would have been € 0.8 million lower (€ 0.1 million higher).

If the EUR had gained 10 percent against the Japanese YEN at December 31, 2008 (2007), Group profits would have been € 0.1 million lower (€ 0.6 million higher). If the EUR had lost 10 percent against the Japanese YEN at December 31, 2008 (2007), Group profits would have been € 0.1 million higher (€ 0.6 million lower).

If the EUR had gained 10 percent against the HUF at December 31, 2008 (2007), Group profits would have been € 0.1 million lower (€ 0.0 million). If the EUR had lost 10 percent against the HUF at December 31, 2008 (2007), Group profits would have been € 0.1 million higher (€ 0.0 million).

If the EUR had gained 10 percent against the GBP at December 31, 2008 (2007), Group profits would have been € 0.3 million lower (€ 0.1 million). If the EUR had lost 10 percent against the GBP at December 31, 2008 (2007), Group profits would have been € 0.4 million higher (€ 0.1 million).

c) Interest rate risks

Risks from interest rate changes at KUKA are essentially the result of short-term investments / credits in the €. These are not hedged at the reporting date.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity. The interest rate sensitivity analyses are based on the following assumptions:

- Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost (e. g. convertible bonds) are not subject to interest rate risk as defined in IFRS 7.
- Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks.

If the market interest rates had been 100 basis points higher (lower) at December 31, 2008, profit or loss would have been € 0.1 million € higher (lower) [in 2007, with a positive net liquidity, the profit or loss would have been € 2.2 million lower (higher)]. The hypothetical effect of € 0.1 million results solely from the financial investments (credits) totaling € 41.3 million (€ 33.2 million) at variable interest rates.

d) Credit risks

The KUKA Group is exposed to credit risk from its operating activities and certain financing activities. A default can occur if individual business partners cannot meet their contractual obligations and the KUKA Group thus suffers a financial loss. With regard to financing activities, transactions are only concluded with counterparties that have at least a credit rating of at least A-/A1.

At the level of operations, the outstanding debts are continuously monitored in each area (locally). Business relations with critical major customers (e. g. US OEMs) and the associated credit risks are subject to separate monthly credit rating monitoring at Group Board level. Credit risks must be taken into account through individual impairments.

In the course of ABS transactions, the designated receivables are managed separately. A security margin is provided as a cash reserve for the credit risk. The percentage of the provision for the credit risk has been statistically proven to be stable. A statement of the actual loan losses is prepared periodically and any excess payments to the cash reserve are refunded.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets that are carried in the balance sheet (including derivatives with positive market values). No agreements reducing the maximum exposure to credit risk had been concluded as of the reporting date.

e) Liquidity risks

In order to ensure the payment capability at all times and the financial flexibility of the KUKA Group, a liquidity reserve is kept in the form of credit lines and cash funds. For this, KUKA has, amongst other things, concluded a consortium credit agreement with a consortium of banks. Detailed information is provided in the Appendix under Heading 29 Financial liabilities / Financing in the section headed 'Consortium Loan'.

The following figures show the commitments for undiscounted interest and redemption repayments for the financial instruments subsumed under IFRS 7:

December 31, 2008

in € millions	Cash flows 2009	Cash flows 2010	Cash flows 2011 – 2013	Cash flows 2014 ff.
Non-current financial liabilities	2.6	2.6	71.5	0.0
Current financial liabilities	33.6	0.0	0.0	0.0
Trade payables	149.1	0.0	0.0	0.0
Liabilities from construction contracts	54.6	0.0	0.0	0.0
Accounts payable to affiliated companies	0.2	0.0	0.0	0.0
Other non-current liabilities	0.0	1.7	3.9	0.1
(of that for leases)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship) (hedge accounting)	(0.0)	(1.4)	(3.4)	(0.0)
(of that Derivatives without a hedging relationship) (hedge accounting)	(0.0)	(0.0)	(0.0)	(0.0)
Other current liabilities and provisions	67.9	0.0	0.0	0.0
(of that for leases)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship) (hedge accounting)	(11.2)	(0.0)	(0.0)	(0.0)
(of that Derivatives without a hedging relationship) (hedge accounting)	(0.0)	(0.0)	(0.0)	(0.0)

December 31, 2007

in € millions	Cash flows 2008	Cash flows 2009	Cash flows 2010 – 2012	Cash flows 2013 ff.
Non-current financial liabilities	2.6	2.6	74.2	0.0
Current financial liabilities	0.1	0.0	0.0	0.0
Trade payables	148.9	0.0	0.0	0.0
Liabilities from construction contracts	72.4	0.0	0.0	0.0
Accounts payable to affiliated companies	0.1	0.0	0.0	0.0
Other non-current liabilities	0.0	0.7	0.2	0.0
(of that for leases)	(0.0)	(0.1)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship) (hedge accounting)	(0.0)	(1.0)	(0.0)	(0.0)
(of that Derivatives without a hedging relationship) (hedge accounting)	(0.0)	(0.0)	(0.0)	(0.0)
Other current liabilities and provisions	49.7	0.0	0.0	0.0
(of that for leases)	(3.7)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship) (hedge accounting)	(1.4)	(0.0)	(0.0)	(0.0)
(of that Derivatives without a hedging relationship) (hedge accounting)	(0.0)	(0.0)	(0.0)	(0.0)

All financial instruments are included which were held on the balance sheet dates and for which payments have already been contractually agreed. Foreign currency amounts are expressed at the spot rate on the key date. The variable interest payments from the financial instruments were determined on the basis of the interest rates last fixed prior to December 31, 2008 and 2007 respectively. Financial liabilities repayable at any time are always allocated to the earliest time period. The payment flows from derivatives (forward exchange transactions) are net, i. e. they are represented by balancing the inflow and outflow of funds.

f) Hedges

Hedges are used by the KUKA Group to secure fair values and existing balance sheet items as well as to hedge future payment flows. These are exclusively for the purpose of hedging exchange risks.

Fair value hedges have an effect on the result due to the carrying amount adjustment of the underlying transactions of € 2.7 million (compared to € – 0.8 million in the previous year), which are included under Other operating expenses and income. The reverse developments of the market values for hedges amount to € – 2.7 million compared to € 0.8 million a year earlier and have also been included under Other operating expenses and income to balance out the effects.

Cash flow hedges existed neither as of the the period end, nor as of last year's key date.

Firm commitments are shown on the balance sheet affecting net income according to the rules of hedge accounting. Their positive market values amount to € 6.0 million, i. e. € – 2.7 million.

Hedges are entered into exclusively in the form of forward exchange transactions and treated according to the rules of fair value hedges. The following table shows the market values:

	Notional amounts		Fair value				
in € millions	Dec. 31, 2007	Dec. 31, 2008	Maturity up to 1 year	Maturity > 1 year	Maturity > 5 year	Total Dec. 31, 2007	Total Dec. 31, 2008
Forward foreign exchange contracts	177.4	271.2	– 3.4	– 4.8	0.0	0.6	– 8.2

The nominal volume corresponds with the volume of hedged underlying transactions. The indicated market values correspond with the price at which third parties would assume the rights or obligations from the derivative financial instruments.

The following shows the carrying amounts of the financial instruments according to the valuation categories of IAS 39:

NET CARRYING AMOUNT OF THE FINANCIAL INSTRUMENTS BY IAS 39 MEASUREMENT CATEGORIES

in € millions	Abbr.	Status as at Dec. 31, 2007	Status as at Dec. 31, 2008
Available-for-Sale Financial Assets	AfS	1.2	0.2
Loans and Receivables	LaR	511.7	389.9
Financial Assets Held for Trading	FAHfT	1.2	0.0
Financial Liabilities Measured at Amortized Cost	FLAC	327.9	344.1
Financial Liabilities Held for Trading	FLHfT	0.0	0.0

The carrying amounts and the fair values are derived from the following table:

NET CARRYING AMOUNT AND FAIR VALUES OF IAS BY MEASUREMENT CATEGORIES FOR 2008

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2008	of that: other assets and liabilities not covered by IFRS 7	Net carrying amount of the financial instruments / Status as at Dec. 31, 2008	Fair value / Status as at Dec. 31, 2008
ASSETS					
Financial investments		0.4	0.0	0.4	0.3
(of that loans)	LaR	(0.2)	(0.0)	(0.2)	(0.2)
(of that participations)	AfS	(0.2)	(0.0)	(0.2)	(0.1)
Trade and other receivables	LaR	164.8	0.0	164.8	164.8
Receivables from construction contracts	LaR	167.1	0.0	167.1	167.1
Receivables from affiliated companies	LaR	0.4	0.0	0.4	0.4
Other assets, prepaid expenses and deferred charges		49.3	25.4	23.9	23.9
(of that Derivatives without a hedging relationship (held for sale))	FAHfT	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	n. a.	(7.8)	(0.0)	(7.8)	(7.8)
(of that Other)	LaR	(41.5)	(25.4)	(16.1)	(16.1)
Cash and cash equivalents	LaR	41.3	0.0	41.3	41.3
LIABILITIES					
Non-current financial liabilities	FLAC	61.3	0.0	61.3	50.2
Current financial liabilities	FLAC	33.6	0.0	33.6	33.6
Trade payables	FLAC	149.1	0.0	149.1	149.1
Liabilities from construction contracts	FLAC	54.6	0.0	54.6	54.6
Accounts payable to affiliated companies	FLAC	0.2	0.0	0.2	0.2
Other non-current liabilities		13.2	8.2	5.0	5.0
(of that for leases)	n. a.	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	n. a.	(4.8)	(0.0)	(4.8)	(4.8)
(of that Other)	FLAC	(8.4)	(8.2)	(0.2)	(0.2)
Other current liabilities, prepaid expenses and deferred charges		102.9	46.6	56.3	56.3
(of that for leases)	n. a.	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	n. a.	(11.2)	(0.0)	(11.2)	(11.2)
(of that Other)	FLAC	(91.7)	(46.6)	(45.1)	(45.1)

NET CARRYING AMOUNT AND FAIR VALUES OF IAS BY MEASUREMENT CATEGORIES FOR 2007

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2007	of that: other assets and liabilities not covered by IFRS 7	Net carrying amount of the financial instruments / Status as at Dec. 31, 2007	Fair value / Status as at Dec. 31, 2007
ASSETS					
Financial investments		1.7	0.0	1.7	1.7
(of that loans)	LaR	(0.5)	(0.0)	(0.5)	(0.5)
(of that participations)	AfS	(1.2)	(0.0)	(1.2)	(1.2)
Trade and other receivables	LaR	178.9	0.0	178.9	178.9
Receivables from construction contracts	LaR	93.0	0.0	93.0	93.0
Receivables from affiliated companies	LaR	3.6	0.0	3.6	3.6
Other assets, prepaid expenses and deferred charges		32.5	17.1	15.4	15.4
(of that Derivatives without a hedging relationship (held for sale))	FAHfT	(1.2)	(0.0)	(1.2)	(1.2)
(of that Derivatives with a hedging relationship (hedge accounting))	n. a.	(1.7)	(0.0)	(1.7)	(1.7)
(of that Other)	LaR	(29.6)	(17.1)	(12.5)	(12.5)
Cash and cash equivalents	LaR	223.2	0.0	223.2	223.2
LIABILITIES					
Non-current financial liabilities	FLAC	59.1	0.0	59.1	59.1
Current financial liabilities	FLAC	0.5	0.0	0.5	0.5
Trade payables	FLAC	148.9	0.0	148.9	148.9
Liabilities from construction contracts	FLAC	72.4	0.0	72.4	72.4
Accounts payable to affiliated companies	FLAC	0.1	0.0	0.1	0.1
Other non-current liabilities		11.5	9.6	1.9	1.9
(of that for leases)	n. a.	(0.1)	(0.0)	(0.1)	(0.1)
(of that Derivatives with a hedging relationship (hedge accounting))	n. a.	(1.0)	(0.0)	(1.0)	(1.0)
(of that Other)	FLAC	(10.4)	(9.6)	(0.8)	(0.8)
Other current liabilities, prepaid expenses and deferred charges		85.3	34.2	51.1	51.1
(of that for leases)	n. a.	(3.7)	(0.0)	(3.7)	(3.7)
(of that Derivatives with a hedging relationship (hedge accounting))	n. a.	(1.3)	(0.0)	(1.3)	(1.3)
(of that Other)	FLAC	(80.3)	(34.2)	(46.1)	(46.1)

With the exception of shares in associated companies, financial investments and leasing claims, most assets have short terms to maturity. Their carrying amounts as of the closing date therefore correspond approximately with the fair value.

Liabilities – with the exception of long-term financial liabilities and the remaining long-term liabilities – have regular, short terms to maturity. The values shown on the balance sheet approximately represent the fair values. The fair value of the convertible bond entered in the balance sheet as equity and borrowed capital components is presented in the section Financial liabilities / Investments.

The hedge-related derivatives are exclusively in conjunction with forward exchange transactions and are shown on the balance sheet according to the rules of hedge accounting. As in the previous year, no derivatives are included in the statement item within the scope of the cash flow hedge.

Net results listed according to valuation categories:

NET PROFIT / LOSS OF IAS 39 BY MEASUREMENT CATEGORIES FOR 2008

in € millions	Net gains / losses	Total interest income / expenses	Commission income / expenses
Loans and Receivables (LaR)	2.3	3.3	0.0
Available-for-sale Financial Assets (AfS)	0.0	0.0	0.0
Financial Instruments Held for Trading (FAHfT und FLHfT)	– 1.4	0.0	0.0
Financial Liabilities Measured at Amortised Cost (FLAC)	4.3	– 8.8	0.5
TOTAL	**5.2**	**– 5.5**	**0.5**

NET PROFIT / LOSS OF IAS 39 BY MEASUREMENT CATEGORIES FOR 2007

in € millions	Net gains / losses	Total interest income / expenses	Commission income / expenses
Loans and Receivables (LaR)	– 2.4	5.2	0.0
Available-for-sale Financial Assets (AfS)	– 0.1	0.0	0.0
Financial Instruments Held for Trading (FAHfT und FLHfT)	0.8	0.0	0.0
Financial Liabilities Measured at Amortised Cost (FLAC)	2.9	– 9.4	– 1.7
TOTAL	**1.2**	**– 4.2**	**– 1.7**

Net profits (net losses in the previous year) from the category Loans and Receivables include for the most part profits from depreciations and reversals of provisions for receivables and other assets; the net profits from Financial Liabilities Measured at Amortized Cost come from writing off liabilities. Within the scope of fair value hedges, exchange losses totaling € 0.2 million resulted from hedging transactions (compared to exchange gains of € 1.3 million the year before), which are matched in their amount by exchange losses (exchange gains last year) from underlying transactions.

Interest income for financial instruments from the category Loans and Receivables comes from the investment of cash and cash equivalents. The interest result from financial liabilities from the category Financial Liabilities Measured at Amortized Cost largely reflects interest expenses from the convertible bond as well as from financial liabilities due to banks.

Commission expenses are recorded as the transaction costs not included in the effective interest rate for financial liabilities due to banks and fees for the provision of guarantees.

32 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

The following contingent liabilities and other financial commitments existed as of the balance sheet date:

in € millions	2007	2008
Liabilities from guarantees	5.8	22.2
Liabilities from warranty agreements	19.7	39.8
Other commitments	19.5	25.5
(of that, purchase commitments)	(2.4)	(3.2)
(of that, other financial commitments)	(17.1)	(22.3)

NOTES TO THE CASH FLOW STATEMENT

According to IAS 7, the cash flow statement reports cash flows separately for incoming and outgoing funds from operating, investing and financing activities. The calculation of cash flows is derived from the Group consolidated financial statements of the KUKA Aktiengesellschaft by the indirect method.

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents disclosed on the balance sheet; i. e., cash in hand, checks and cash with banks provided they are available within three months. None of the cash and cash equivalents is subject to restraints on disposal.

Cash flow from operating activities is derived indirectly from the earnings after taxes on income.

Under the indirect method, the relevant changes to the balance sheet items associated with operating activities are adjusted for currency translation effects and changes to the scope of consolidation.

The initial consolidations resulted in amounts to be recognized as additions to non-current assets of € 0.1 million (prior year: € 0.2 million), additions to inventories equal to € 1.1 million (prior year: € 0.0 million), as well as to receivables and other assets equal to € 1.0 million (prior year: € 0.1 million), cash and cash-equivalents of € 1.3 million (prior year: € 0.4 million). On the liability side, the initial consolidations required the recognition of reserves in the amount of € 0.1 million (prior year: € 0.0 million), and other liabilities in the amount of € 3.5 million (prior year: € 0.4 million).

The sales price for the company in the former Packaging Division was € 176.1 million and was settled in cash funds. The proceeds from the sale of companies are net of cash and cash equivalents in the amount of € 15.9 million. The resulting amounts for derecognition were € 107.8 million in non-current assets, € 97.5 million in inventories as well as € 121.4 million in receivables and other assets. The liabilities to be taken into account included provisions of € 77.0 million, liabilities due to financial institutions of € 23.3 million as well as other liabilities including trade payables and liabilities to affiliated or associated companies of € 158.9 million.

Cash inflows / outflows from operating activities also include the following items: Interest paid in the amount of € 7.8 million (prior year: € 12.8 million), interest received in the amount of € 8.8 million (prior year: € 2.3 million) and income taxes paid in the amount of € 30.3 million (€ 0.9 million).

NOTES TO THE SEGMENT REPORTING

The data for the individual annual financial statements have been segmented by business fields and by region. The structure follows internal reporting (management approach). The segmentation is intended to create transparency with regard to the earning power and the prospects, as well as the opportunities and threats for the various business fields within the Group.

Segment reporting is designed to accommodate the new structure of the KUKA Group and comply with the IFRS 5 criteria with regard to accounting for discontinued operations. The KUKA Group was engaged in the reporting years 2007 and 2008 in two major business fields:

KUKA SYSTEMS

The segment plans and implements complete plants and systems. In addition to utilizing its application-oriented robotics expertise, the division employs many other metal forming and joining processes in its designs. In the automotive industry, KUKA Systems focuses on flexible manufacturing lines for making vehicle bodies. Several different models or variants of a particular model can be built using these systems. Other business segements include press tool manufacturing and automated assembly lines for engine and transmission components. The division is expanding into technically comparable general industry sectors such as the aviation and solar industries.

KUKA ROBOTICS

This segment offers customers from the automotive sector and general industry – as well as those supported by comprehensive customer services – industrial robots, from small models to the Titan robot weighing in at 1,000 kg.

The KUKA Aktiengesellschaft and additional participations that are supplementary to the operating activities of the KUKA group have been aggregated in a separate area. In addition, this column also includes the cross-divisional major consolidation and reconciliation items. The attribution of the Group companies to the business segments is shown in the schedule of Shareholdings.

The breakdown of sales revenue by region is based on customer location. Capital employed and assets, investments and employees are calculated by company head office.

The notional calculations for segment reporting rely on the following principles:

- Group external sales revenue shows the divisions' respective percentage of the Group's consolidated sales revenue for continuing operations of the Group as presented in the income statement.
- Intra-group sales revenues are related sales transacted between segments.
- In principle, transfer prices for intra-Group sales are determined at the market level.
- Sales revenues for the divisions include revenues from sales to third parties as well as sales to other segments.
- EBIT reflects operating earnings; that is, the earnings from ordinary activities – including goodwill impairment charges, if any – before result from financing activities.
- ROCE (return on capital employed) is the ratio of operating earnings (EBIT) to capital employed, which is largely non-interest bearing. The calculation of ROCE uses an average figure as of the balance sheet date of the reporting period and previous period for capital employed.

- Capital employed comprises:
  Intangible assets and tangible assets
  Working capital:
  - inventories,
  - receivables related to construction contracts,
  - trade receivables,
  - other receivables and assets,
  - prepaid expenses and deferred changes,
  - balance of payables and receivables versus affiliated companies, if not classified as financial transactions.

  less
  - other provisions, excluding major provisions for restructuring,
  - liabilities from construction contracts,
  - advance payments received,
  - trade payables,
  - other liabilities except for liabilities similar to bonds,
  - deferred income.

- Thus capital employed represents the difference between
  - operating assets and
  - non-interest bearing borrowed capital.

- Segment assets encompass all assets included in Capital Employed plus participations. Segment liabilities encompass all liability items included in Capital Employed plus pensions provisions and similar obligations as well as major liabilities arising from restructurings.

- Capital expenditures are related to additions to property, plant and equipment and intangible assets.

- Amortization / depreciation are related to plant, property and equipment and intangible assets.

OTHER NOTES

RELATED PARTY DISCLOSURES

In accordance with International Accounting Standard IAS 24 persons or companies that may be influenced by or have influence on the reporting company must be disclosed, insofar as they have not already been included as consolidated companies in the financial statements.

Parties related to the KUKA Group include mainly members of the Executive and Supervisory Boards as well as non-consolidated and associated KUKA Group companies.

The following table summarizes the product- and services-related business activities transacted between companies included in the KUKA Group consolidation and related companies:

in € millions	Interest in %	Products and services provided by the KUKA Group to related companies 2007	Products and services provided by the KUKA Group to related companies 2008	Products and services provided by related companies to the KUKA Group 2007	Products and services provided by related companies to the KUKA Group 2008
KUKA InnoTec GmbH, Augsburg / Germany	51	0.0	0.1	0.3	0.5
Others less than € one million		0.0	0.0	0.1	0.0
		0.0	**0.1**	**0.4**	**0.5**
NEWLY CONSOLIDATED COMPANIES 2008					
KUKA Robot Automation Taiwan Co. Ltd., Chung-Li City / Taiwan	100	1.9	0.0	0.0	0.0
KUKA Robotics Japan K.K., Tokio / Japan	100	0.3	0.0	0.1	0.0
		2.2	**0.0**	**0.1**	**0.0**
		2.2	**0.1**	**0.5**	**0.5**
(of that from Discontinued Operations)		(0.0)	(–)	(0.0)	(0.0)

Intra-Group purchases and sales are transacted under the “dealing at arm’s length” principle at transfer prices that correspond to market conditions.

Services provided to related companies primarily comprise commissions and sales to non-consolidated sales and service organizations. Services provided to the Group by non-consolidated related and associated companies consist primarily of preparatory work that is subject to subsequent processing by the KUKA Group’s consolidated companies.

The following table lists the material amounts owing by related parties to fully consolidated KUKA Group companies.

in € millions	Interest in %	Group receivables from related companies Dec. 31, 2008	Group receivables from related companies Dec. 31, 2007
KUKA InnoTec GmbH, Augsburg / Germany	51	0.0	0.3
Others less than € one million		0.3	0.1
		0.3	**0.4**
NEWLY CONSOLIDATED COMPANIES 2008			
KUKA Robot Automation Taiwan Co. Ltd., Chung-Li City / Taiwan	100	3.2	0.0
		3.2	**0.0**
		3.5	**0.4**
(of that from Discontinued Operations)		(0.0)	(0.0)

Current liabilities are € 0.2 million compared to € 0.1 million the year before and are not considered material either on an individual basis or from an overall Group perspective.

No business subject to reporting rules was conducted between any KUKA Group companies and members of the KUKA Aktiengesellschaft's Executive or Supervisory Boards with the exception of the legal transactions outlined in the compensation report.

AUDIT FEES

The fee for the Auditors PricewaterhouseCoopers AG recognized as an expense in 2008 totals € 0.9 million. A total of € 0.7 million was recognized as financial statement audit fees. The auditor did not perform tax advisory services. An amount of € 0.1 million was recognized as expenses for certifications, valuations. Other services provided by the Auditor totaled to € 0.1 million.

DECLARATION REGARDING THE CORPORATE GOVERNANCE CODE

The identically worded declarations in accordance with article 161 German Corporation Act (AktG) that have been issued by the Executive Board (February 23, 2009) and of the Supervisory Board (February 24, 2009) are available for inspection by any interested party on the company's website at www.kuka.de.

ANNOUNCEMENTS IN ACCORDANCE WITH ARTICLE 26 (1) OF THE GERMAN SECURITIES TRADING ACT (WpHG)

The notices received in the 2008 financial year are listed below:

JPMorgan Asset Management (UK) Limited, London / United Kingdom, informed us of the following in a letter dated January 24, 2008:
"In accordance with Article 21 para. 1 WpHG we herewith inform you that on January 21, 2007 the share of the voting rights held by JPMorgan Asset Management (UK) Limited in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, fell below the threshold of 3 percent and is now 2.59 percent (689,793 shares). All voting rights are allocated to JPMorgan Asset Management (UK) Limited according to Article 22 para. 1 sentence 1 item 6 WpHG."

JPMorgan Asset Management Holdings Inc., New York / USA, notified us of the following in its letter dated January 24, 2008:
"In accordance with Article 21 para. 1 WpHG, we herewith inform you that on January 21, 2008, the share of the voting rights held by JPMorgan Asset Management Holdings Inc. in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, fell below the threshold of 3 percent and is now 2.71 percent (719,821 shares). The voting rights are allocated to JPMorgan Asset Management Holdings Inc. according to Article 22 para. 1 sentence 1 item 6 in combination with Article 22 para. 1 sentence 2 WpHG and come from JPMorgan Asset Management (UK) Limited amongst others."

JPMorgan Chase & Co., New York / USA, informed us of the following in a letter dated January 24, 2008:
"In accordance with Article 21 para. 1 WpHG we herewith inform you that on January 21, 2008 the share of the voting rights held by JPMorgan Chase & Co. in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, fell below the threshold of 3 percent and is now 2.72 percent (722,258 shares). The voting rights allocated to JPMorgan Chase & Co. according to Article 22 para. 1 sentence 1 item 6 WpHG in combination with Article 22 para. 1 sentence 2 WpHG are 2.71 percent (719,821 shares) and come from JPMorgan Asset Management Holdings Inc. In addition, JPMorgan Chase & Co. is allocating further voting rights of 0.01 percent (2,437 shares) according to Article 22 para. 1 sentence 1 item 1 WpHG."

Morgan Stanley Investment Management Limited, London / Great Britain, informed the KUKA Aktiengesellschaft (former IWKA Aktiengesellschaft) in accordance with Article 21 para. 1 WpHG of the following in a letter dated April 4, 2008:
"We herewith inform you acc. to Article 21 para. 1 WpHG that our share of the voting rights in IWKA Aktiengesellschaft fell below the threshold of 3 percent on April 25, 2007 and is now 2.99 percent (797,358 voting shares). Of these, 2.99 percent (797,358 voting shares) are allocated to Morgan Stanley Investment Management Limited in accordance with Article 22 para. 1 sentence 1 item 6 WpHG."

In accordance with Article 21 para. 1 WpHG, ODDO ET CIE, Paris / France, sent us the following notice in its letter dated April 17, 2008:
"We herewith notify you, in accordance with Article 21 para. 1 WpHG that on December 3, 2007, our share of the voting rights in KUKA Aktiengesellschaft passed the threshold of 3 percent and now totals 4.48 percent (1,192,660 voting shares). Of these, 4.48 percent (1,192,660 voting shares) are allocated to us in accordance with Article 22 para. 1 sentence 1 item 6 and sentence 2 WpHG. Voting rights allocated to us are held through the following company, which is controlled by ODDO ET CIE and holds a share totaling 3 percent or more of the voting rights in KUKA Aktiengesellschaft: ODDO Asset Management, Paris / France."

In accordance with Article 21 para. 1 WpHG, ODDO Asset Management, Paris / France, sent us the following notice in its letter dated April 17, 2008:
"We herewith notify you, in accordance with Article 21 para. 1 WpHG, that on December 3, 2007, our share of the voting rights in KUKA Aktiengesellschaft passed the threshold of 3 percent and now totals 4.48 percent (1,192,660 voting shares). Of these, 4.48 percent (1,192,660 voting shares) are allocated to us in accordance with Article 22 para. 1 sentence 1 item 6 WpHG."

Mr. Brian Fenwick-Smith, Monaco, informed us in its letter dated May 21, 2008 according to Article 21 para. 1 WpHG, that on May 2, 2008, his share of the voting rights in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, fell below the threshold of 3 percent and is currently 2.97 percent (790,000 shares).

KUKA Aktiengesellschaft informed us on June 10, 2008, according to Article 26 para. 1, sentence 2 WpHG that on June 10, 2008, its share of own shares in KUKA Aktiengesellschaft, Augsburg / Germany, ISIN: DE0006204407, WKN: 620 440, passed the threshold of 3 percent of the voting rights and is now 3.07 percent (817,825 votes).

In accordance with Article 21 para. 1 WpHG, Oppenheim Asset Management Services S.à.r.l., Luxembourg / Luxembourg, notified us of the following in a letter dated September 24, 2008:
"We herewith inform you according to Article 21 para. 1 WpHG that on September 22, 2008, our share of the voting rights in KUKA Aktiengesellschaft, passed the threshold of 3 percent and is now 3.35 percent (891,246 voting rights)."

In accordance with Article 21 para. 1 WpHG, Oppenheim Asset Management Services S.à.r.l., Luxembourg / Luxembourg, notified us of the following in a letter dated September 26, 2008:
"We herewith inform you according to Article 21 para. 1 WpHG that on September 25, 2008, our share of the voting rights in KUKA Aktiengesellschaft, passed the threshold of 5 percent and is now 5.17 percent (1,374,349 voting rights)."

Grenzebach GmbH & Co. KG, Asbach-Bäumenheim / Germany, informed us of the following in a letter dated December 2, 2008:

1. Grenzebach GmbH & Co. KG, Asbach-Bäumenheim / Germany, informed us in its letter dated December 2, 2008 in accordance with Article 21 para. 1 WpHG, that on November 28, 2008 the share of the voting rights in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, passed the thresholds of 3 percent and 5 percent and is now 5.43 percent (1,445,000 shares). The voting rights are allocated to Grenzebach GmbH & Co. KG, Asbach-Bäumenheim / Germany, according to Article 22 para. 1 sentence 1 item 6 WpHG. The voting rights allocated to Grenzebach GmbH & Co. KG are held through the following controlled company: Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim / Germany.

2. Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim / Germany, informed us in its letter dated December 2, 2008 in accordance with Article 21 para. 1 WpHG, that on November 28, 2008 the share of the voting rights in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, passed the thresholds of 3 percent and 5 percent and is now 5.43 percent (1,445,000 shares).

3. Grenzebach Verwaltungs-GmbH, Asbach-Bäumenheim / Germany, informed us in its letter dated December 2, 2008 in accordance with Article 21 para. 1 WpHG, that on November 28, 2008 the share of the voting rights in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, passed the thresholds of 3 percent and 5 percent and is now 5.43 percent (1,445,000 shares). The voting rights are allocated to Grenzebach Verwaltungs-GmbH, Asbach-Bäumenheim / Germany, according to Article 22 para. 1 sentence 1 item 1 WpHG. The voting rights allocated to Grenzebach Verwaltungs-GmbH are held through the following controlled companies: Grenzebach GmbH & Co. KG, Asbach-Bäumenheim / Germany, which in turn controls Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim / Germany.

4. Mr. Rudolf Grenzebach, Germany, informed us in its letter dated December 2, 2008 in accordance with Article 21 para. 1 WpHG, that on November 28, 2008 the share of its voting rights in KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, passed the thresholds of 3 percent and 5 percent and is now 5.43 percent (1,445,000 shares). The voting rights are allocated to Mr. Grenzebach according to Article 22 para. 1 sentence 1 item 1 WpHG. The voting rights allocated to Mr. Grenzebach are held through the following controlled companies: Grenzebach Verwaltungs-GmbH, Asbach-Bäumenheim / Germany, which in turn controls Grenzebach GmbH & Co. KG, Asbach-Bäumenheim / Germany, which in turn controls Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim / Germany.

TOTAL EMOLUMENTS OF EXECUTIVE BOARD AND SUPERVISORY BOARD MEMBERS

The members of the Executive Board are listed on page 171. Unlike other data in the notes, these figures are stated in € thousands.

Compensation of the Executive Board

The Executive Board members' compensation consists of fixed and variable components.

The fixed components comprise a base salary and payments in kind. The variable components include annually recurring components tied to business performance, as well as components that offer long-range incentive and that are tied to risk taking. The base salary is paid in twelve equal monthly installments. The payments in kind of the Executive Board members consist mainly of the use of company vehicles.

The variable component is granted in relation to KUKA Group business performance indicators such as EBIT, capital employed and cash flow. The associated details are established annually by mutual agreement. The variable components include a cap.

Effective January 1, 2007, the members of the Executive Board signed a further contract agreeing that the company at its sole discretion may award an additional variable incentive payment in the event of extraordinary performance.

In addition, a Phantom Share Program ("program") that provides a long-term incentive was established for the Executive Board for the first time in 2006. Phantom shares are virtual shares that grant the holder the right to cash compensation at the level of the company's current share price. In contrast to stock options, the revenue from phantom shares is based not only on the increase in share value, but the entire value of the share. In addition, a dividend equivalent that mirrors the actual dividend distributed on real KUKA shares will be paid annually during the life of the plan for each virtual share held. There are no associated voting rights.

The term of each phase of the program is three calendar years. It was rolled out for the first time for the period from 2006 to 2008. The current program covers the period 2008 to 2010. At the beginning of the three-year period, the Supervisory Board's personnel committee establishes the amount to be allocated. This amount is divided by KUKA's current share price, which establishes the preliminary number of phantom shares. Also at the beginning of the three-year performance period, the personnel committee establishes an EVA (economic value added) for continuing operations (before taxes) based on the operative plan for the three reference years [EBIT minus minimum interest rate on capital employed (CE) x 0.11 (0.09) = EVA], which is based on the budget for the first business year of the three-year period and the plan for the two subsequent business years. The program for 2006 – 2008 and the program for 2007 – 2009 have an interest rate of 11 percent. The program for 2008 – 2010 has an interest rate of 9 percent. The cumulative EVA of the three-year performance period is divided by the EVA of continuing operations as per the operating budget for the three years covered by the agreement. The success factor can vary between 0 and 2.0. The final number of phantom shares depends on the degree of achievement of the success factor, by which the preliminary number of phantom shares is multiplied. At the upper limit, the number of phantom shares is double. Payment is based on the final number of phantom shares at the closing share price [average price of KUKA shares between January 1 of the year following the three reference years (following year) and the day of the first meeting of the personnel committee in the following year].

Each Executive Board member participating is obligated to apply 25 percent of the gross amount paid out in April the following year to the purchase of KUKA shares at the then current share price. This share purchase serves to build up a level of holdings established at 50 percent of annual compensation in the form of KUKA shares starting in March of the following year. The obligation ends with the participant's departure from the KUKA Group. In the event of employment termination, initiated by either party, all allocated phantom shares expire.

The starting value for the Phantom Share Program is defined as the average price of KUKA's stock between January 1 and the day of the first meeting of the company's Supervisory Board personnel committee in the following year. The value was € 21.25 for the first Phantom Share Program, € 21.91 for the second Phantom Share Program and is € 21.65 for the current Phantom Share Program.

The Personnel Committee of the company's Supervisory Board will decide anew each year whether or not to grant the Executive Board share-price-oriented compensation. The repeated granting of such compensation in the past does not constitute a right to being granted such or comparable compensation in the future.

The objective of the program is to ensure that every member of the Executive Board is also an KUKA shareholder. It promotes share ownership among members of KUKA's Executive Board and thereby ties the interests of these corporate members more closely to the interests of the shareholders. Changing success targets or comparative parameters retroactively is prohibited.

The company approved benefits from the company pension scheme for two members of the Executive Board, which comprise vested rights to pension payments, as well as widows and orphans pensions. No loans were granted to Executive Board members during the reporting period.

Compensation for 2008

Payments to members of the Executive Board during the 2008 business year totaled € 3,504,000.

The amounts for the 2008 business year include fixed salary, payments in kind, variable target achievement and performance-based compensation and compensation in accordance with the Phantom Share Program. This total includes all amounts that were paid out in 2008, or for which accruals were formed in the financial statements dated December 31, 2008, minus the amounts accrued for as of December 31, 2007.

The variable performance-related annual incentive payment had three equally weighted components related to achievement of target EBIT, capital employed and cash flow during the 2008 business year.

In the event the targets are achieved, the variable incentive is paid to each Executive Board member in the form of a predefined sum in euros. In the event of an over or under achievement of the targets, the variable incentive is prorated on the basis of the over or under achievement, which can result in a payment of twice the nominal amount or a reduction to € 0.00 in the opposite case.

The relationship between base salary and performance-based components on an individual basis is shown in the following table:

in € thousands	Fixed salary including payments in kind *	Incentive payment for fiscal 2008	Phantom Share Programs granted volume (fair value at the time of granting)	Total
Gerhard Wiedemann (until September 30, 2008)	448 **	241	83	772
Dr. Horst J. Kayser (from October 1, 2008)	102	100	166	368
Dr. Jürgen Koch (until June 30, 2008)	744 ***	435	0	1,179
Dr. Matthias J. Rapp (from July 1, 2008)	155	91	200	446
Bernd Liepert	408 ****	181	150	739
				3,504 *****

* Payments in kind comprise the use of company cars, payment of hotel costs at the company's headquarters, travel costs and premiums for accident insurance. The premium for D&O insurance, unlike that for accident insurance, is not included in the payments in kind because it cannot be allocated on an individual basis since the company pays a flat premium for the protected group of persons, which extends beyond the members of the Executive Board.

** Incl. dividend of € 23 thousand.

*** Incl. dividend, severance, pro-rata variable incentive for 2009 and payment from the Phantom Share Programs € 557 thousand.

**** Incl. dividend of € 18 thousand.

***** In contrast, € 2,578,000 were accounted for in the income statement as Executive Board remuneration in fiscal 2008 as a result of the maturity-date dependent accruals for the various phantom share programs.

PHANTOM SHARE PROGRAM 2006 – 2008

	Volume granted in € thousands (fair value at the time of the grant)	Initial share price of the KUKA shares in €	Preliminary numbers of phantom shares
Gerhard Wiedemann	100	21.25	4,706
Dr. Jürgen Koch	150	21.25	5,883 *
Bernd Liepert	100	21.25	4,706

* Calculated and paid pro rata to June 30, 2008.

PHANTOM SHARE PROGRAM 2007 – 2009

	Volume granted in € thousands (fair value at the time of the grant)	Initial share price of the KUKA shares in €	Preliminary numbers of phantom shares
Gerhard Wiedemann	150	21.913	6,845 *
Dr. Jürgen Koch	150	21.913	3,423 **
Bernd Liepert	150	21.913	6,846
Dr. Matthias J. Rapp	75	21.913	3,423 ***
Dr. Horst J. Kayser	50	21.913	2,282 ****

* Pro rata to September 30, 2008.
** Calculated and paid pro rata to June 30, 2008.
*** Pro rata from July 1, 2008.
**** Pro rata from October 1, 2008.

PHANTOM SHARE PROGRAM 2008 – 2010

	Volume granted in € thousands (fair value at the time of the grant)	Initial share price of the KUKA shares in €	Preliminary numbers of phantom shares
Gerhard Wiedemann	83	21.65	3,849 *
Dr. Horst J. Kayser	116	21.65	5,389 *
Dr. Jürgen Koch	–	–	–
Dr. Matthias J. Rapp	125	21.65	5,773 *
Bernd Liepert	150	21.65	6,928

* Pro rata

Provisions are made for the expected payments resulting from this according to the ratio from the balance sheet date. The preliminary number of phantom shares, which has been assessed with the success factor achieved at that time, is multiplied with the KUKA share price as of the key date. The corresponding provisions amount to:

PHANTOM SHARE PROGRAM 2006 – 2008

in € thousands	Amount of the provision as of December 31, 2008
Gerhard Wiedemann	37
Dr. Horst J. Kayser	0
Dr. Jürgen Koch	0
Dr. Matthias J. Rapp	0
Bernd Liepert	37

PHANTOM SHARE PROGRAM 2007 – 2009

in € thousands	Amount of the provision as of December 31, 2008
Gerhard Wiedemann	82
Dr. Horst J. Kayser	5
Dr. Jürgen Koch	0
Dr. Matthias J. Rapp	13
Bernd Liepert	51

PHANTOM SHARE PROGRAM 2008 – 2010

in € thousands	Amount of the provision as of December 31, 2008
Gerhard Wiedemann	65
Dr. Horst J. Kayser	3
Dr. Jürgen Koch	0
Dr. Matthias J. Rapp	5
Bernd Liepert	11

The extent to which members of the Executive Board are entitled to benefits from the company pension plan are as follows:

Messrs Wiedemann and Liepert were entitled to company pension plan benefits from the Group's companies of which they were or are the CEO. These obligations were transferred to KUKA Aktiengesellschaft on April 1, 2006. The Group's companies will be charged for the time prior to the transfer. The employer's pension commitment for Mr. Wiedemann includes a maximum old-age pension of € 36,000 per annum and for Mr. Liepert a maximum of € 6,000 per annum. It also includes provisions regarding a vocational and employment disability pension, widow's pension (60 percent of the old age pension) and orphan's pension (12 percent of the old-age pension for half-orphans and 24 percent for full orphans). If pension payments are started early, the payout is reduced by 1 percent of the final pension amount for each quarter year prior to the pensioner's 65th birthday that the pension payments begin.

In 2008, the following amounts were added to pension accruals:

In € thousands	Addition
Gerhard Wiedemann	44
Dr. Jürgen Koch	–
Bernd Liepert	2

The variable incentive payment for Messrs. Wiedemann and Liepert will be reduced by an amount equal to the annual contribution to the pension accrual from 2006 onward.

Former board member Mr. Dieter Schäfer, who left in fiscal 2007, was entitled to use his company vehicle until December 30, 2008, the originally agreed end date of the employment contract. No other payments were made to former Executive Board members in fiscal 2008.

With a few exceptions, former Executive Board members have been granted benefits from the company pension scheme, which include old-age, vocational and employment disability, widow's and orphan's pensions. The amount of provisions included for this group of persons in 2008 for current pensions and expected pension benefits totals € thousands 9,080, which compares with € thousands 8,853 in 2007.

KUKA Aktiengesellschaft has no compensation agreements that would come into effect in the event of a takeover bid by the members of the Executive Board or the employees.

COMPENSATION OF THE SUPERVISORY BOARD

Compensation Structure

A resolution was passed at the Annual General Meeting of the company on June 1, 2006, which changed the articles of association to require fixed compensation for members of the Supervisory Board.

In addition to reimbursement of expenses, each member of the Supervisory Board will be paid a fixed amount of € 30,000, payable at the end of the business year.

The chair of the Supervisory Board will be paid four times that amount, and the deputy chair's compensation will be double. For chairing the Annual General Meeting, provided it is not being chaired by the head of the Supervisory Board, and for membership in one or more committees that are not of an interim nature, Supervisory Board members will be paid an additional sum of € 30,000. Committee chairs will be paid at most 1 1/2 times the annual remuneration, even if they chair several committees or are members of another committee; this does not apply to the committee as per article 27, para. 3 of the MitbestG. (German Act on Company Codetermination).

In addition, for each Supervisory Board meeting, each Supervisory Board member will have a choice of either being reimbursed for expenses or receiving a lump sum payment of € 450 per sitting plus applicable value added tax. This option may only be declared once per year.

Compensation for the years 2007 and 2008

The principles outlined for compensation of the members of the Supervisory Board were already applicable to the compensation for the 2008 financial year due in 2007. The following table compares the compensation of the members of the Supervisory Board for the 2007 and 2008 business years.

in € thousands	Payment in 2008 (compensation for 2007)	Accrual in 2008 (compensation for 2008)
Dr. Rolf Bartke Chairman of the Supervisory Board and Chairman of the Personnel Committee	165	165
Mirko Geiger Deputy Chairman of the Supervisory Board (until May 15, 2008)	90	33
Jürgen Kerner Deputy Chairman of the Supervisory Board (from May 15, 2008)	0	57
Jürgen Kerner (until May 15, 2008)	30	11
Walter Prues	60	60
Dr. Reiner Beutel	60	60
Dr. Herbert Meyer Chairman of the Audit Committee	75	75
Pepyn René Dinandt	30	30
Dr.-Ing. Helmut Leube	30	30
Herbert R. Meyer (until May 15, 2008)	30	11
Fritz Seifert	30	30
Wilhelm Steinhart (until May 15, 2008)	30	11
Prof. Dr.-Ing. Gerd Hirzinger (until May 15, 2008)	30	11
Helmut Gierse (from May 15, 2008)	0	19
Wilfried Eberhardt (from May 15, 2008)	0	19
Siegfried Greulich (from May 15, 2008)	0	19
Thomas Knabel (from May 15, 2008)	0	19

PROFIT DISTRIBUTION PROPOSAL

The Executive Board and Supervisory Board of KUKA AG recommend the Annual General Meeting on April 29, 2009 in Augsburg not to distribute a dividend for the 2008 business year.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Augsburg, February 23, 2009

KUKA Aktiengesellschaft

The Executive Board

Dr. Horst J. Kayser Dr. Matthias J. Rapp

CORPORATE ORGANS

SUPERVISORY BOARD

Dr. Rolf Bartke
Berlin, Chairman of the Supervisory Board,
Industrial engineer,
EADS N.V., Amsterdam / Netherlands **
J&R Carter Partnership Foundation, Atlanta / USA **
Keiper Recaro Group, Kaiserslautern **
SAF-Holland S.A., Luxembourg / Luxembourg **
(until January 31, 2009)
SFC Smart Fuel Cell AG, Brunnthal *
SORTIMO North America Inc., Atlanta / USA **

Jürgen Kerner ***
Königsbrunn, Deputy Chairman of the
Supervisory Board (since May 15, 2008)
1st Secretary of IG Metall trade union, Augsburg
EADS Deutschland GmbH, Munich
(since May 29, 2008) *
Eurocopter Deutschland GmbH, Donauwörth *
MAN AG, Munich *
MAN Diesel SE, Augsburg *
manroland AG, Offenbach *

Mirko Geiger * (until May 15, 2008)**
Heidelberg, Deputy Chairman of the
Supervisory Board
1st Secretary of IG Metall trade union, Heidelberg
Heidelberger Druckmaschinen AG *

Dr. Reiner Beutel
Ludwigburg, Chairman of the Executive Board
of SAF-Netherlands S.A., Luxembourg / Luxembourg
(since February 1, 2009)
Fischer-Maschinenbau GmbH & Co. KG,
Gemmrigheim **
Haldex AB, Stockholm / Sweden (Chairman of the
Board of Directors) (since April 15, 2008) **
Mirror Controls International, Montfoort /
Netherlands (Chairman of the Board of Directors) **

Pepyn René Dinandt
Munich, Chairman of the Executive Board
of MONIER Group GmbH, Oberursel
(since July 8, 2008)
Member of the Executive Board of Conergy AG,
Hamburg (until April 30, 2008)

Wilfried Eberhardt * (since May 15,2008)**
Aichach, Managing Director Europe
of KUKA Roboter GmbH, Augsburg
Staff member holding commercial power
of attorney of KUKA Roboter GmbH, Augsburg

Helmut Gierse (since May 15, 2008)
Nürnberg, Graduate engineer, industrial consultant
Proton Power Systems PLC., Newcastle upon
Tyne / Great Britain (Non-Executive Director)
(since January 1, 2009) **

Siegfried Greulich * (since May 15, 2008)**
Augsburg, Chairman of the Works Council
of KUKA Systems GmbH, Augsburg

Prof. Dr.-Ing Gerd Hirzinger (until May 15, 2008)
Seefeld, Director of DLR – Institute for Robotics and
Mechatronics, Wessling

Thomas Knabel * (since May 15, 2008)**
Zwickau, 2nd Secretary of IG Metall trade union,
Zwickau branch

Dr. Helmut Leube
Herrsching, Chairman of the Executive Board
of DEUTZ AG, Cologne (since February 1, 2008)
Member of the Excecutive Board of Webasto AG,
Stockdorf (until January 31, 2008)
DEUTZ Engine Company Ltd., Dalian / China
(Vice Chairman of the Board of Directors)
(since July 1, 2008) *
Webasto Roof Systems Inc., Rochester Hills / USA
(Chairman) (until January 31, 2008) *

* Supervisory Board member of the following companies
** Membership in comparable German and foreign control bodies of business enterprises
*** Employee Representative

Dr. Herbert Meyer
Königstein / Taunus, MBA equivalent
Director of Deutsche Prüfstelle für
Rechnungslegung DPR e.V.
Financial Reporting Enforcement Panel, Berlin
DEMAG Cranes AG, Düsseldorf *
Deutsche Beteiligungs AG, Frankfurt / Main *
Sektkellerei Schloss Wachenheim AG, Wachenheim *
WEBASTO AG, Stockdorf *
Verlag Europa-Lehrmittel GmbH,
Haan (Advisory Board) **
Goss International Corporation, Bolingbrook,
Illinois / USA **

Dipl.-Ing (FH) Herbert R. Meyer * (until May 15, 2008)**
Augsburg, Chairman of the Works Council
of KUKA Systems GmbH, Augsburg

Walter Prues ***
Augsburg, Chairman of the
KUKA Group Works Council

Fritz Seifert ***
Schwarzenberg, Chairman of the Works Council
of KUKA Systems GmbH, Augsburg,
Toolmaking Division, Schwarzenberg
Deputy Chairman of the KUKA Group Works Council

Wilhelm Steinhart * (until May 15, 2008)**
Friedberg, Staff member holding commercial
power of attorney of KUKA Systems GmbH,
Augsburg

Dr. jur. Wolf Hartmut Prellwitz
Karlsruhe, Honorary Chairman

EXECUTIVE BOARD

Dr. Horst J. Kayser (since October 1, 2008)
Erlangen, Chairman of the Executive Board
Chairman of the Board of Directors
of KUKA Systems Corporation North America,
Sterling Heights / USA (since October 1, 2008) **

Dr. Matthias J. Rapp (since July 1, 2008)
Frankfurt / Main, Executive Board Finance
and Controlling
Stock Exchange Council Baden-Württembergische
Wertpapierbörse **

Dipl.-Math. Bernd Liepert (until December 31, 2008)
Meitingen, Executive Board Robotics Division
Chairman of the Executive Board
of KUKA Roboter GmbH, Augsburg **
(until February 4, 2009)

Dipl.-Ing. Gerhard Wiedemann
(until September 30, 2008)
Graben, Chairman of the Executive Board
Member of the Executive Board of VDMA,
Frankfurt / Main **
Chairman of the Board of Directors of
KUKA Systems Corporation North America,
Sterling Heights / USA (until September 30, 2008) **
Member of the Executive Board of
KUKA VAZ Engineering, Togliatti / Russia
(until September 30, 2008) **
Member of the Executive Board of
KUKA Automotive N.V., Houthalen / Belgium
(until September 30, 2008) **

Dr. Jürgen Koch (until June 30, 2008)
Königstein / Taunus,
Executive Board Finance and Controlling
Allianz Deutschland AG (Advisory Board, Bayern) **
Stock Exchange Council Stuttgarter Börse **
Dresdner Bank AG (Advisory Board) **

* Supervisory Board member of the following companies
** Membership in comparable German and foreign control bodies of business enterprises
*** Employee Representative

SCHEDULE OF SHAREHOLDINGS OF KUKA AKTIENGESELLSCHAFT

As of Dezember 31, 2008

Name and registered office of the company	Currency	Share of equity in %	Equity in tds. in local currency	Net profit for the year in tds. in local currency	Method of consolidation	Segment
GERMANY						
KUKA Roboter GmbH, Augsburg *	EUR	100.00	25,520	0 [1]	K	ROB
KUKA Systems GmbH, Augsburg *	EUR	100.00	30,076	0 [1]	K	SYS
HLS Ingenieurbüro GmbH, Augsburg	EUR	100.00	2,659	1,178	K	SYS
KUKA Dienstleistungs-GmbH, Augsburg – formerly IWKA Anlagen-Verwaltungsgesellschaft mbH *	EUR	100.00	2,173	0 [1]	K	SON
LSW Maschinenfabrik GmbH, Bremen	EUR	100.00	– 16,875	– 20,489	K	SYS
Bopp & Reuther Anlagen-Verwaltungsgesellschaft mbH, Mannheim	EUR	100.00	34,823	224 [3]	K	SON
IWKA Packaging GmbH, Karlsruhe *	EUR	100.00	47,492	0 [1 3]	K	SON
Freadix FryTec GmbH, Augsburg	EUR	100.00	50	0 [3 4]	NK	SON
IWK Unterstützungseinrichtung GmbH, Karlsruhe	EUR	100.00	26	0	NK	SON
KUKA InnoTec GmbH, Augsburg	EUR	51.00	85	– 179 [4]	NK	ROB
KUKA Unterstützungskasse GmbH, Augsburg	EUR	100.00	25	0	NK	SYS
Schmidt Maschinentechnik GmbH, Niederstotzingen	EUR	100.00	– 6,455	0 [3 4]	NK	SYS
Institut für angewandte Systemtechnik Bremen GmbH, Bremen	EUR	11.25	430	9 [4]	B	SYS
OTHER EUROPE						
HLS Czech s.r.o., Mlada Boleslav / Czech republic	CZK	100.00	6,901	2,006	K	SYS
KUKA Automatisering + Robots N.V., Houthalen / Belgium	EUR	100.00	2,027	393	K	SYS
KUKA Automatisme + Robotique S.A.S., Villebon sur Yvette / France	EUR	100.00	4,335	245	K	ROB
KUKA Automotive N.V., Houthalen / Belgium	EUR	100.00	298	105	K	SYS
KUKA Enco Werkzeugbau spol. s.r.o., Dubnica nad Váhom / Slowakia	SKK	65.00	84,812	5,885	K	SYS
KUKA Finance B.V., Rotterdam / Netherlands	EUR	100.00	794	47	K	SON
KUKA Nordic AB, Västra Frölunda / Sweden	SEK	100.00	11,987	2,089	K	SYS
KUKA Roboter Austria GmbH, Linz / Austria	EUR	100.00	272	142	K	ROB
KUKA Roboter Italia S.P.A., Rivoli / Italy	EUR	100.00	5,601	– 1,237	K	ROB
KUKA Roboter Schweiz AG, Dietikon / Switzerland	CHF	100.00	2,431	399	K	ROB
KUKA Robotics Hungária Ipari Kft., Taksony / Hungary	EUR	100.00	12,511	3,776	K	ROB
KUKA Robotics OOO, Moscow / Russia	RUB	100.00	13,091	– 6,945	K	ROB
KUKA Robots IBÉRICA, S.A., Vilanova i la Geltrú / Spain	EUR	100.00	2,126	109	K	ROB
KUKA Sistemy OOO, Togliatti / Russia	RUB	100.00	13,902	– 78	K	SYS
KUKA Systems France S.A., Montigny / France	EUR	100.00	709	– 2,088	K	SYS
Thompson Friction Welding Ltd., Halesowen / Great Britain incl.	GBP	100.00	5,143	199 [2]	K	SYS
D.V. Automation Ltd., Halesowen / Great Britain	GBP	100.00	–	– [3 7]	K	SYS
KUKA Welding Systems + Robot Ltd., Halesowen / Great Britain	GBP	100.00	–	– [3 7]	K	SYS
LSW UK Ltd., Harlow / Great Britain	GBP	100.00	–	– [3 7]	K	SYS
KUKA VAZ Engineering, Togliatti / Russia	RUB	70.00	3,818	– 2,201 [4]	NK	SYS

Name and registered office of the company	Currency	Share of equity in %	Equity in tds. in local currency	Net profit for the year in tds. in local currency	Method of consolidation	Segment
Metaalwarenfabriek 's-Hertogenbosch B.V., 's-Hertogenbosch/ Netherlands	EUR	100.00	–	– [3]	NK	SON
Société Anonyme des Usines Farman S.R.L., Cluj/ Romania	ROL	100.00	4	10 [4]	NK	SYS
AG Novosibirsk Fleischkonservenkombinat, Novosibirsk/ Russia	RUB	10.00	–	– [5]	B	SON
NORTH AMERICA						
KUKA Systems Corporation North America, Sterling Heights / USA, incl.	USD	100.00	119,689	26,801 [2]	K	SYS
B&K Corp., Saginaw / USA	USD	100.00	–	–	K	SYS
KUKA Robotics Corp., Sterling Heights / USA	USD	100.00	–	–	K	ROB
KUKA Toledo Production Operations LLC, Troy, Michigan / USA	USD	100.00	–	–	K	SYS
KUKA Systems de Mexico, S. de R.L. de c.v., Mexico City/ Mexico	MXN	100.00	–	–	K	SYS
KUKA Recursos, S. de R.L. de C.V., Mexico City/ Mexico	MXN	100.00	–	–	K	SYS
KUKA Robotics Canada Ltd., Saint John, NB/ Canada	CAD	100.00	–	– [6]	K	ROB
KUKA de Mexico S.de R.L.de C.V., Mexico City/ Mexico	MXN	100.00	32,429	3,524	K	ROB
SOUTH AND CENTRAL AMERICA						
KUKA Roboter do Brasil Ltda., São Paulo/ Brazil	BRL	100.00	724	– 706	K	ROB
KUKA Systems do Brasil Ltda., São Bernardo do Campo SP/ Brazil	BRL	100.00	– 653	– 1,624	K	SYS
ASIA						
HLS Autotechnik (India) Pvt. Ltd., Pune/ India	INR	72.00	11,064	1,938	K	SYS
KUKA Automation Equipment (India) Pvt. Ltd, Pune/ India	INR	100.00	43,469	– 24,629	K	SYS
KUKA Automation Equipment (Shanghai) Co., Ltd., Shanghai / China	CNY	100.00	– 21,418	– 28,524	K	SYS
KUKA Flexible Manufacturing Systems (Shanghai) Co., Ltd., Shanghai / China	CNY	100.00	37,570	32,923	K	SYS
KUKA Robot Automation Malaysia Sdn BhD, Kuala Lumpur/ Malaysia	MYR	99.99	1,499	– 2,261	K	ROB
KUKA Robot Automation Taiwan Co. Ltd., Chung-Li City/ Taiwan	TWD	99.90	– 15,642	– 11,539	K	ROB
KUKA Robotics (India) Pvt. Ltd, Haryana/ India	INR	100.00	29,562	9,003	K	ROB
KUKA Robotics Japan K.K., Tokio/ Japan	JPY	100.00	3,308	– 174,029	K	ROB
KUKA Robotics Korea Co., Ltd., Kyunggi-Do/ South Korea	KRW	100.00	2,015	– 153	K	ROB

* Companies that have made use of the exemption persuant to sec. 264 par. 3 or sec. 264 b of the German Commercial Code

[1] after profit / loss transfer
[2] according to Group Balance Sheet and Group Income Statement
[3] shelf company
[4] fical year ending December 31, 2007
[5] not specified
[6] companies in foundation
[7] elimination as at January 20, 2009

Type of consolidation
K fully consolidated companies as at December 31, 2008
NK non-consolidated companies as at December 31, 2008
B companies, in which participations are held as at December 31, 2008

Division
ROB ROBOTICS
SYS SYSTEMS
SON OTHERS

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group 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.

Augsburg, February 23, 2009

KUKA Aktiengesellschaft

The Executive Board

Dr. Horst J. Kayser   Dr. Matthias J. Rapp

AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report: "We have audited the consolidated financial statements prepared by KUKA Aktiengesellschaft, Augsburg, comprising, the income statement, the balance sheet, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB ("Handelsgesetzbuch": "German Commercial Code") are the responsibility of the parent company's board of managing directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's board of managing directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, February 25, 2009

PricewaterhouseCoopers
Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

Werner Hölzl	Alexander Winter
German Public Auditor	German Public Auditor

BALANCE SHEET

of KUKA Aktiengesellschaft as at December 31, 2008

ASSETS

in € thousands	Dec. 31, 2007	Dec. 31, 2008
NON-CURRENT ASSETS		
Intangible assets	3,026	3,416
Property, plant and equipment	16,435	15,545
Financial investments	220,990	214,006
	240,451	**232,967**
CURRENT ASSETS		
Receivables and other assets		
Receivables from affiliated companies	105,837	147,987
Other receivables and assets	20,535	26,330
	126,372	**174,317**
Financial assets held for trading	**–**	**16,632**
Cash and cash equivalents	**85,729**	**4,082**
	212,101	**195,031**
PREPAID EXPENSES AND DEFERRED CHARGES	**323**	**125**
	452,875	**428,123**

EQUITY AND LIABILITIES

in € thousands	Dec. 31, 2007	Dec. 31, 2008
EQUITY		
Subscribed capital	69,160	69,160
Capital reserve	18,666	18,666
Capital redemption reserve	0	16,632
Net retained earnings	73,698	32,113
	161,524	**136,571**
PROVISIONS AND ACCRUALS		
Pension provisions	11,925	12,259
Provision for taxes	25,425	4,261
Other provisions	34,064	25,757
	71,414	**42,277**
LIABILITIES		
Liabilities due to financial institutions	0	30,214
Trade payables	2,166	692
Accounts payable to affiliated companies	210,454	209,215
Liabilities to provident funds	2,585	2,483
Other liabilities	4,727	6,671
	219,932	**249,275**
PREPAID EXPENSES AND DEFERRED CHARGES	**5**	**0**
	452,875	**428,123**

INCOME STATEMENT

of KUKA Aktiengesellschaft for the period from January 1 – December 31, 2008

in € thousands	2007	2008
Other operating income	24,124	15,781
Personnel expense	– 9,353	– 10,170
Depreciation and amortization of tangible and intangible assets	– 2,219	– 2,201
Other operating expenses	– 27,969	– 16,703
Income from participations	77,892	24,455
Other interest and similar income	11,561	11,054
Impairments and reversal of impairments of financial assets and marketable securities	9,000	– 21,295
Interest and similar expenses	– 18,767	– 12,289
INCOME FROM ORDINARY ACTIVITIES	**64,269**	**– 11,368**
Taxes on income	9,429	12,553
ANNUAL NET PROFIT	**73,698**	**1,185**
Profit carryforward from the previous year	0	47,560
Additions to capital redemption reserve	0	– 16,632
AMOUNT OF BALANCE SHEET PROFIT	**73,698**	**32,113**

The balance sheet and income statement of KUKA Aktiengesellschaft are extracts from the complete annual financial statements of KUKA Aktiengesellschaft (AG Report).

These annual financial statements were audited by PricewaterhouseCoopers AG, Munich, and were certified without reservations in an opinion dated February 25, 2009.

A copy of the complete annual financial statements of KUKA Aktiengesellschaft can be requested from KUKA Aktiengesellschaft, Investor/ Public Relations, p. o. Box 43 12 69 in 86072 Augsburg.

GLOSSARY OF ACCOUNTING TERMS

ABS
Asset-backed securities. Asset-backed securities are bonds or notes that are collateralized with assets (usually receivables). Receivables of KUKA Roboter GmbH are purchased within the framework of an ABS program.

BRIC countries
Term that refers to the combination of Brazil, Russia, India and China.

Capital employed
Capital employed includes working capital as well as intangible assets and tangible fixed assets. Capital employed therefore represents the difference between operating assets and non-interest-bearing outside capital.

CAPM
The Capital Asset Pricing Model (CAPM) is a model for pricing an individual security or portfolio to determine a company's cost of equity capital (see WACC).

Cash earnings
Cash earnings are a measurement for the inflow or outflow of cash from the operating profits (EBIT). They are the resulting balance from operating profits, interest, taxes, depreciation as well as other non-payment-related expenses and income.

CGC
Corporate Governance Code: The German Government Commission's list of requirements for German companies (since 2002).

Commitments
Payment obligation from purchases.

Continuing operations
Business activities still being pursued.

Corporate governance
Common international term for responsible corporate management and control that aims at creating long-term value.

DAX
German stock index of blue chip companies. It includes the 30 largest German companies admitted to the Prime Standard in terms of market capitalization and volume of stocks traded.

Deferred taxes
Temporary differences between calculated taxes on the commercial and tax balance sheets designed to disclose the tax expense in line with the financial accounting income.

Derivatives
Financial instruments whose value is largely derived from a specified price and the price fluctuations / expectations of an underlying base value, e. g., exchange rates.

Discontinued operations
Business operations that will be or have been sold over the course of the fiscal year.

EBIT
Earnings before interest and taxes.

EBIT margin
EBIT in relation to sales revenues.

Equity ratio
Ratio of equity to total assets.

Declaration of compliance
Declaration of the Executive Board and the Supervisory Board in accordance with article 161 of the German Corporation Act (AktG) regarding the implementation of the recommendations of the Government Commission in the German Corporate Governance Code.

Earnings per share
Earnings per share are calculated on the basis of Group consolidated earnings after taxes and the average number of shares outstanding for the year.

Exposure
A key figure used to assess risk. This key figure includes all incoming payments in a 90-day period prior to the record date of the down payments, payments based on percentage of completion or compensation after acceptance of the work carried out. In addition, the key figure also comprises all customer payments made within 90 days and which have not yet been supplied with deliveries / services including the sum of unpaid invoices following delivery or service supplied to the customer, the POC receivables and any purchase commitments.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow shows the extent of the funds generated by the company in the business year.

Free float
Shares of a public company owned by diverse shareholders.

General industry
General industrial markets not including the automotive industry.

HGB
German Commercial Code.

IAS
International Accounting Standards.

IFRIC / SIC
International financial reporting interpretation committee – interpreter of the international financial reporting standards IAS and IFRS, formerly also SIC. IFRIC is the new name for the Standing Intertpretations Committee adopted by the trustees of the IASC foundation in March 2002. SIC was created in 1997 to improve the application and world-wide comparability of financial reports prepared in accordance with International Accounting Standards (IAS). It outlines financial statement pratices that may be subject to controvery.

IFRS
International Financial Reporting Standards: The IFRS ensure international comparability of consolidated financial statements and help guarantee a higher degree of transparency.

MAP
KUKA Aktiengesellschaft's employee share program.

Market capitalization
The market value of a company listed on the stock exchange. This is calculated by taking the share price and multiplying it by the number of shares outstanding.

MDAX
This stock index comprises the 50 largest German companies (after those of the DAX) according to market capitalization and volume of stocks traded.

Net liquidity / Net debt
Net liquidity / net debt is a financial control parameter consisting of cash, cash equivalents and securities minus current and non-current financial liabilities.

Percentage of completion method (POC)
Accounting method of sales and revenue recognition according to the stage of completion of an order. This method is used for customer-specific construction contracts.

R&D expenses
Expenditures related to research and development.

Rating
Assessment of a company's creditworthiness (solvency) determined by a rating agency based on analyses of the company. The individual rating agencies use different assessment levels.

ROCE
Return on capital employed (ROCE) it the ratio of the operating profit / loss (EBIT) to the capital employed (see Capital employed). To calculate ROCE the capital employed is based on an average value.

Volatility
Intensity of fluctuations in share prices and exchange rates or changes in prices for bulk goods compared to market developments.

WACC
Weighted average cost of capital.

$$WACC = (E/V) * Re + (D/V) * Rd * (1–Tc)$$

where:

$$V = E + D$$

Re = cost of equity
Rd = cost of debt
Tc = corporate tax rate
D = market value of debt
E = market value of equity
V = total value of the company

Working capital
Working capital consists of the inventories, trade receivables, other receivables and assets, accrued items and the balance of receivables and payables from affiliated companies, as far as these are not allocated to financial transactions, minus other provisions, trade payables, other payables with the exception of liabilities similar to bonds and deferred income.

WpHG
German Securities Trading Act.

Financial calendar

May 12, 2009	First-quarter interim report
August 4, 2009	Annual report to midyear
November 3, 2009	Interim report for the first nine months
February 2, 2010	Preliminary figures for the 2009 financial year
March 11, 2010	Financial results press conference, Munich
March 11, 2010	DVFA Analysts' Conference, Frankfurt / Main
April 29, 2010	Annual General Meeting, Augsburg
May 11, 2010	First-quarter interim report
August 3, 2010	Annual report to midyear
November 2, 2010	Interim report for the first nine months

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Key figures 10-year overview*

		German Commercial Code (HGB)				
KUKA GROUP		**1999**	**2000**	**2001**	**2002**	**2003**
Orders received	in € millions	1,815	2,189	2,280	2,361	2,304
Order backlog (Dec. 31)	in € millions	1,164	1,109	1,122	1,102	1,065
Sales revenues	in € millions	1,844	2,220	2,290	2,312	2,287
of that export	%	55	67	65	61	61
EBIT	in € millions	69.8	50.8	68.9	73.4	81.1
% of sales	%	3.8	2.3	3.0	3.2	3.5
Net income / loss for the year	in € millions	31.4	31.0	31.2	22.5	23.4
Cash earnings	in € millions	92.7	109.2	104.3	94.1	96.2
Capital expenditures	in € millions	89.4	73.6	53.1	64.0	63.2
Depreciation	in € millions	61.8	70.6	67.6	68.4	73.9
Total assets	in € millions	1,510	1,589	1,577	1,515	1,502
Equity	in € millions	300	354	367	387	388
Equity ratio %	%	20	22	23	26	26
Employees (Dec. 31)		13,312	12,859	12,823	13,089	13,231
of that export	%	38	41	40	41	41

* Prior years were not adjusted.

IFRS

	2004	2005	2006	2007	2008
	2,340	1,641	1,620	1,344	1,280
	1,011	1,016	669	529	542
	2,352	1,613	1,566	1,286	1,266
	64	66	65	64	59
	111.9	– 30.7	33.7	70.4	52.0
	4.8	– 1.9	2.2	5.5	4.1
	48.8	– 147.5	– 69.4	117.9	30.6
	115.6	– 49.4	52.2	81.2	69.4
	67.5	39.4	29.7	26.4	32.5
	58.6	47.6	38.4	26.9	26.0
	1,660	1,553	1,071	888	866
	358	189	127	233	214
	22	12	12	26	25
	13,209	8,974	8,123	5,732	6,171
	42	43	46	43	44

FURTHER INFORMATION : WWW.KUKA.COM

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