KUKA INTERIM REPORT / 2ND QUARTER 2007

# AUTOMATION CHANGES.



KUKA

AUTOMATION TECHNOLOGIES SINCE 1898.

# KUKA GROUP, KEY FIGURES

| € million | 6 Months 2007 | 6 Months 2006 | Change in % |
|---|---|---|---|
| Orders received * | 724.9 | 659.7 | 9.9% |
| Order backlog* | 603.9 | 496.5 ** | 21.6% |
| Sales revenues* | 615.1 | 501.8 | 22.6% |
| Total output* | 642.6 | 525.8 | 22.2% |
| EBIT * | 28.3 | 0.5 | - |
| in % of sales revenues | 4.6% | 0.1% | - |
| Result from continuing operations * | 17.0 | -9.8 | - |
| Result from discontinued operations | 63.8 | -52.4 | - |
| Net after-tax result | 80.8 | -62.2 | - |
| Earnings per share in € | 3.04 | -2.32 | - |
| Earnings per share (cont. operations) in € | 0.64 | -0.37 | - |
| Capital expenditure* | 12.6 | 8.4 | 50.0% |
| Equity ratio | 24.7 | 11.8 | - |
| Employees* | 5,637 | 5,580 ** | 1.0% |

*) Continuing operations (previous year comparable)

**) Record date 12/31/06

# KUKA GROUP

# GROUP`S INTERIM REPORT TO JUNE 30, 2007

Augsburg, August 7, 2007

## MID-YEAR FINANCIAL RESULTS SIGNIFICANTLY IMPROVED

- Positive development in business operations continues (second quarter 2007 EBIT margin: 5.7 percent)
- Substantially higher after-tax earnings (second-quarter 2007: €79.6 million; second quarter 2006: -€55.8 million)
- Positive net cash position (€47.0 million) after successful sale of Packaging division
- Solid equity ratio (24.7 percent)

KUKA Group reported significantly improved financial results in the second quarter of 2007. Net income in the second quarter of 2007 was €79.6 million, following a loss in the prior year's second quarter of -€55.8 million. The successful sale of the Packaging division generated significant earnings of €66.5 million in the second quarter of 2007 in discontinued operations, after the substantial loss of -€48.6 million in the second quarter of 2006. Overall, net income (earnings after taxes) for the first half year was €80.8 million, which compares to a loss of -€62.2 million in the first half of 2006. The Group's equity ratio is thus now 24.7 percent, compared with 11.8 percent a year ago. In parallel, thanks in particular to the sale of the Packaging division, net debt was turned around from -€201.7 million as of June 30, 2006 to a positive net cash position of €47.0 million

The growth on the operational side of the business was also extended into the second quarter of the business year. An EBIT of €18.5 million was reported in the second quarter of 2007, compared to an operating loss of -€1.4 million in 2006. In the first two quarters of 2007 the Group generated an EBIT of €28.3 million, whereas a year earlier the earnings contribution was only €0.5 million. In the second quarter of 2007, the EBIT margin reached 5.7 percent. In the first quarter of 2007 it was 3.4 percent, and in the second quarter of 2006 it was -0.5 percent.

The EBIT improvement was primarily the result of the higher sales revenues and improved total output in both divisions. Both the Robotics and Systems division grew very satisfactorily and were able to beat last year's margins. Thanks to better fixed cost structures, volume increases contributed significantly to the positive margins and earnings improvement. In the Systems division, KTPO's pay-on-production contract in the United States contributed to EBIT.

The present interim financial report was voluntarily subjected to a review of an auditor for the first time.

# KUKA EQUITY

In view of the surprisingly positive economic environment in Germany, domestic stock market advances in the second quarter of 2007 were above average. Markets recovered from a correction at the beginning of June within a few weeks. On June 15, the DAX soared above the 8000 mark for the first time in over seven years, and approached the all-time high it recorded in 2000. In total, the index of the 30 largest companies advanced 21.4 percent between January 1 and June 30, 2007. The MDAX also rose 17.2 percent during the same period.

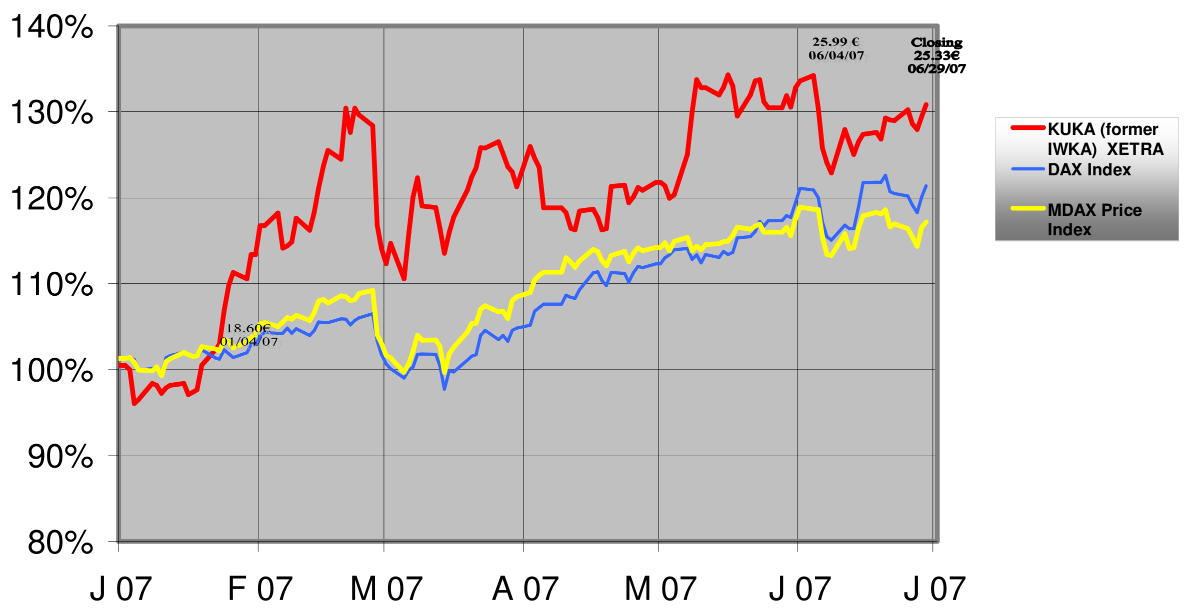
## KUKA EQUITY CONTINUES TO OUTPERFORM

KUKA's stock continued to outperform the indices during the current quarter. The prospect of the completion of the Group's restructuring and the successful sale of the Packaging division led to a rapid share price rise of approximately 15 percent already in February, sending it to €25. This level was again exceeded leading up to and after the Annual General Meeting in May. Overall, KUKA shares gained a remarkable 30.8 percent increase during the first half of the year.

## SHAREHOLDERS AT ANNUAL GENERAL MEETING RESOLVE TO CHANGE COMPANY NAME TO KUKA AKTIENGESELLSCHAFT

At its Annual General Meeting on May 16, 2007, the great majority of IWKA Aktiengesellschaft's shareholders voted in favor of changing the company's name to KUKA Aktiengesellschaft. This decision has now been registered in the commercial registry and the process related to changing the company's listing on the stock exchange has been completed. The company has been called KUKA Aktiengesellschaft since July 9, 2007. The company is headquartered in Augsburg. The entire business will be managed from here now that the Group's head office has been relocated from Karlsruhe to Augsburg. The structural changes resulting from the KUKA Group's recent initiative to focus on its core competencies have thereby been fully implemented. KUKA Aktiengesellschaft now consists of the Robotics and Systems divisions. There are no longer any companies listed as discontinued operations following the sale of the Packaging division.

KUKA'S SHARE PRICE FROM JANUARY TO JUNE 2007 VS. DAX AND MDAX



# MANAGEMENT REPORT

## GENERAL CONDITIONS

At mid-year 2007, the world economy is in good shape. The sustained upswing in Europe and Japan are having a positive impact. Growth in the Chinese economy accelerated again in the second quarter of 2007 despite efforts to apply the brakes. Asia and Eastern Europe will continue to expand. Fallout from the real estate market in the United States is worsening.

The expansion in the German economy, which is now increasingly supported by domestic demand, will likely continue, even though the high price of oil and the strong Euro are currently slightly dampening the enthusiasm. The leading German economic research institutes raised their economic forecasts further at the mid-year mark. The German Engineering Federation (VDMA) significantly raised its manufacturing forecast because of the order boom since January 2007. It now expects an increase of 9 percent for the current year (before +4 percent), and a continuation of the rising trend for 2008, although at a lower rate of growth.

The industrial robotics sector reported strong orders received (+5 percent in the first five months of 2007). Global car manufacturing will continue to expand in 2007, above all as a result of the boom in Asia. According to a forecast from the Automotive Institute of PricewaterhouseCoopers (PwC) close to 66.5 million cars will roll off the assembly lines in 2007 - about 1.9 million more than in 2006.

At the same time, the global overcapacity in the current year rose by almost one million, reaching almost 17.7 million cars. Because of the high fuel prices, the American market in particular is in a state of changement with far-reaching effects.

## BUSINESS TREND

There are no longer any companies listed under the discontinued operations division following the sale of the Packaging division. The result increase shown for discontinued operations comprises the current earnings of the Packaging division to April 19, 2007 and the after-tax profit from the sale of the business. The continuing operations area is comprised of the companies of the Robotics and the Systems divisions, as it was in the prior quarter.

**Orders received** in the second quarter of 2007 came in at €288.0 million, 7.7 percent below the prior year's €312.1 million. This is a short-term effect caused by the unusually high orders received in the second quarter of 2006 in the Systems division. The Robotics division, which is not subject to these typical fluctuations to the same extent, reported orders received of €109.4 million, which is again significantly higher than the comparable prior year's results.

Orders received of €724.9 million during the first half year of 2007 were up 9.9 percent, significantly above the comparable 2006 half-year bookings of €659.7 million. The Robotics division's cumulative results jumped 20.3 percent over last year and orders received in the Systems division were 6.1 percent higher than a year earlier. The Group's orders received at the half-year mark were therefore above forecast.

The Robotics division's orders in the first half came in at €226.2 million, substantially higher than the comparable prior year's result. This growth was driven by both general industry and the automotive sector thanks to the revival of the European business. The steady strong-margin customer service area was also able to grow orders received by 13.8 percent.

The Systems division's orders received of €519.8 million in the first half year of 2007 were also higher than last year's, in particular as a result of its activities in the United States. Both the pay-on-production contract (KTPO) in the United States and the welding systems business in the US contributed substantially to the results. In the second half of 2007, manufacturing parts will be supplied by Chrysler, and the customer invoicing volume will therefore be lower from an accounting perspective. Substantial order placements are expected in the assembly systems segment in the second half of the year.

The high orders received level resulted in a significantly higher **order backlog** compared to the 2006 year-end amount. The final number came in at €603.9 million, significantly above the comparable figure of €496.5 million as at December 31, 2006. The Robotics division in particular was able to boost the high number at the close of the first quarter even further and is now reporting an order backlog of €114.5 million. Overall, the Group's order backlog therefore notionally secures the present level of activity for over 5.7 months.

## EARNINGS, FINANCIAL AND ASSETS SITUATION

**Sales revenues** rose again significantly in the quarter just ended. While the Group generated revenues of €324.4 million in the second quarter of 2007, the comparable 2006 result was only €264.6 million, representing an increase of 22.6 percent. Cumulative sales revenues at the mid-year mark were also up significantly. At €615.1 million, the year-over-year increase in sales was €113.3 million, or 22.6 percent. The largest absolute share of the increase was generated by the Systems division with a rise of 33.6 percent. The successful KTPO business had a noticeable impact. The Robotics division's sales were also above last year's.

**Total output** in the second quarter was €334.6 million, 21.3 percent higher than the €275.9 million achieved during the same quarter a year ago. The total output of €642.6 million to mid-year was also substantially higher than at the same time last year, when it was still €525.8 million, an increase of 22.2 percent.

The total **cost of materials ratio** at the mid-year mark was 59 percent of total output, 2 percentage points lower than a year prior. The low number of packages ordered from suppliers had an impact here, particularly in the Systems division. This is directly linked to the processing of major orders in the 2006 business year.

**Personnel expense** rose to €164.6 million compared to the prior year's mid-year number. The personnel build-up at KTPO resulting from the ramped up production had an impact here. Added to that are the effects of first-time consolidations of companies that had not yet been considered in the comparable 2006 quarter. Personnel expense per employee stayed almost the same. The personnel expense ratio as a factor of the significantly higher total output dropped 3 percentage points year-over-year and ended at 26 percent.

In the first two quarters, the KUKA Group was able to report an **EBIT** of €28.3 million from continuing operations. This corresponds to a margin of 4.6 percent of sales revenues. Both divisions reported a significantly higher EBIT. While the Robotics division's EBIT margin of 7.7 percent is 2.3 percentage points above the prior year's figure, the Systems division's 3.4 percent was 4.9 percentage points higher than the prior year's -1.5 percent. The completion of the start-up phase of the pay-on-production contract and the successful restructuring in the assembly systems and press tools areas were among the contributors to the positive trend in the Systems division.

The Group's second-quarter EBIT closed at €18.5 million following a loss of -€1.4 million a year prior. The EBIT margin for the second quarter 2007 is therefore 5.7 percent. Both divisions were able to contribute substantially to the very positive results in the second quarter. A book profit was generated in the other area from a property sale. Net interest expense for the first six months was -€5.7 million, beating the prior year's figure of -€7.2 million. The debt relief resulting from the sale of the Packaging division already had a noticeable impact here. The interest on the convertible bond, the interest percentage allocated to pension reserves and the guarantee fees will however continue to generate a net interest expense for the Group in the second half of 2007.

**Earnings before taxes (EBT)** are €22.6 million. The tax rate is 25 percent. Losses carry forwards were applied, particularly for the subsidiaries in the United States. The tax expense is therefore €5.6 million, resulting in positive **results from continuing operations** of €17.0 million. Based on a comparable Group structure, the Group generated a result of -€9.8 million at the same time a year earlier.

The **results from discontinued operations** include current earnings of -€2.7 million from the Packaging division, which has been sold in the meantime. Applicable interest expenses and taxes for the division are included in this figure. The Packaging division was deconsolidated effective April 19, 2007 after completion of the disposal. The profit from the divestiture totaled €66.5 million.

The Group's consolidated **net after-tax results** amounted to €80.8 million.

Total assets as of June 30, 2007 were €823.2 million. The decrease in comparison to December 31, 2006 is primarily due to the sale of the Packaging division. The share of non-current assets of total assets is 25.2 percent. The equity ratio increased to 24.7 percent, in particular because of the sale of the Packaging division and the associated reduction in total assets, as well as the improvement in equity resulting from the book profit. At €202.9 million, the equity is also on a reasonable level from an absolute perspective.

The Group has a positive net cash position of €47.0 million at the end of the first half of 2007. In comparison, net debt at the end of 2006 was €83.8 million. The Group's debt relief is primarily attributable to the sale of the Packaging division, which generated a net cash inflow of €169 million. In the non-current liabilities area, the elimination of the Packaging division's pension obligations had an impact of €53 million.

The sale of the Packaging division also had a positive impact on free cash flow, so that overall cash inflow was €107.8 million.

## EMPLOYEES

At the end of the first half year of 2007, the KUKA Group had 5,637 employees (converted to full-time staff), 57 more than at the end of the last financial year.

While the Robotics division's workforce expanded, the Systems division had 33 fewer employees.

# KUKA GROUP, KEY FIGURES

| € million | 6 Months 2007 | 6 Months 2006 | Change in % |
|---|---|---|---|
| Orders received * | 724.9 | 659.7 | 9.9% |
| Order backlog* | 603.9 | 496.5 ** | 21.6% |
| Sales revenues* | 615.1 | 501.8 | 22.6% |
| Total output* | 642.6 | 525.8 | 22.2% |
| EBIT * | 28.3 | 0.5 | - |
| in % of sales revenues | 4.6% | 0.1% | - |
| Result from continuing operations * | 17.0 | -9.8 | - |
| Result from discontinued operations | 63.8 | -52.4 | - |
| Net after-tax result | 80.8 | -62.2 | - |
| Earnings per share in € | 3.04 | -2.32 | - |
| Earnings per share (cont. operations) in € | 0.64 | -0.37 | - |
| Capital expenditure* | 12.6 | 8.4 | 50.0% |
| Equity ratio | 24.7 | 11.8 | - |
| Employees* | 5,637 | 5,580 ** | 1.0% |

*) Continuing operations (previous year comparable)

**) Record date 12/31/06

| € million | 2nd Quarter 2007 | 2nd Quarter 2006 | Change in % |
|---|---|---|---|
| Orders received * | 288.0 | 312.1 | -7.7% |
| Order backlog* | 603.9 | 496.5 ** | 21.6% |
| Sales revenues* | 324.4 | 264.6 | 22.6% |
| Total output* | 334.6 | 275.9 | 21.3% |
| EBIT * | 18.5 | -1.4 | - |
| in % of sales revenues | 5.7% | -0.5% | - |
| Result from continuing operations * | 13.1 | -7.2 | - |
| Result from discontinued operations | 66.5 | -48.6 | - |
| Net after-tax result | 79.6 | -55.8 | - |
| Earnings per share in € | 2.99 | -2.09 | - |
| Earnings per share (cont. operations) in € | 0.49 | -0.27 | - |
| Capital expenditure* | 7.7 | 4.5 | 71.1% |
| Employees (record date)* | 5,637 | 5,580 ** | 1.0% |

*) Continuing operations (previous year comparable)

**) Record date 12/31/06

# DEVELOPMENTS IN THE DIVISIONS

## ROBOTICS

### KEY FIGURES

| € million | 2nd Quarter 2007 | 2nd Quarter 2006 | 6 Months 2007 | 6 Months 2006 | Change 6 Months |
|---|---|---|---|---|---|
| Orders received | 109.4 | 85.2 | 226.2 | 188.0 | 20.3% |
| Order backlog | 114.5 | 84.7 * | 114.5 | 84.7 * | 35.2% |
| Sales revenues | 105.2 | 91.8 | 196.8 | 187.8 | 4.8% |
| Total output | 110.3 | 96.9 | 208.3 | 189.4 | 10.0% |
| EBIT | 9.1 | 6.0 | 15.1 | 10.2 | 48.0% |
| in % of sales revenues | 8.7% | 6.5% | 7.7% | 5.4% | - |
| Employees (record date) | 1,939 ** | 1,838 * | 1,939** | 1,838 * | 5.5% |

*) Record date 12/31/06

**) Record date 06/30/07

In the second quarter, the Robotics division reported **orders received** of €109.4 million. The comparable figure at the end of the second quarter of 2006 was €85.2 million. Order bookings in the first half year came in at €226.2 million, representing an increase over last year of 20.3 percent. Substantial growth was reported in both the automotive and general industry segments, whereby general industry's rate of almost 25 percent was the highest. The overachievement of the mid-year targets for orders received increases the margin of safety in regard to reaching the budgeted numbers for the total year, both for orders received and sales.

### ORDERS RECEIVED

| € million | 2nd Quarter 2007 | 2nd Quarter 2006 | 6 Months 2007 | 6 Months 2006 |
|---|---|---|---|---|
| Automotive | 47.8 | 35.5 | 100.9 | 84.2 |
| General Industry | 41.8 | 32.6 | 82.5 | 66.2 |
| Service | 19.8 | 17.1 | 42.8 | 37.6 |
| **Total Robotics** | **109.4** | **85.2** | **226.2** | **188.0** |

Major orders from the automotive sector in the second quarter came from BMW for the 7-Series and from Skoda for the Octavia and Fabia body-in-white assembly. The division received orders from Chinese customers such as BBDC (Beijing Benz DaimlerChrysler) and Chery, the most rapidly growing Chinese carmaker. In Europe, the division was also able to land orders from PSA and Porsche.

Strong growth was also reported from general industry in the second quarter of 2007. The division received orders from Deckel Maho Gildemeister (machine tools) and Ligmatech (wood industry). Outside of Germany, Panasonic ordered light-weight robots (Scara) for an assembly line. A Chinese customer (Zaotong Tobacco Factory) also ordered robots for palletizing tobacco boxes.

The orders received mix for the first half year is similar to that of the first quarter. The largest percentage of the order volume, 45 percent, continues to come from the automotive sector. 36 percent of the orders were booked by general industry customers and 19 percent was generated by customer service.

The division's second quarter **sales revenues** came in at €105.2 million, which compares to €91.8 million in the second quarter of 2006. Total sales revenues for the first half of the year were €196.8 million, 4.8 percent higher than the prior year's €187.8 million. Major sales transactions included a contract from Audi for the new A4 and one from VW for the Golf in Brazil. The high **total output** was a direct result of the sales growth. It came in at €208.3 million, higher than the prior year's €189.4 million.

An **EBIT** of €9.1 million was generated in the second quarter, which compares to €6.0 million in the second quarter of 2006. The EBIT of €15.1 million for the first half year compares to €10.2 million a year prior and is attributable to the higher sales, increased total output and a better product mix in favor of orders from the general industry segment. That represents an advance of 48.0 percent. The above-average increase in EBIT resulting from the aforementioned factors generated an EBIT margin of 7.7 percent, mostly on top of our expectations. Since orders received were slightly higher than sales revenues, **order backlog** increased again. It now stands at almost €115 million. The division's very high level of work in house that started at the beginning of the year thus carried over into the second quarter of the year.

The Robotics division had 1,939 employees as of the close of the first half year (converted to full-time staff). This represents an increase of 101 employees over the prior year's closing figure.

# SYSTEMS

## KEY FIGURES

| € million | 2nd Quarter 2007 | 2nd Quarter 2006 | 6 Months 2007 | 6 Months 2006 | Change 6 Months |
|---|---|---|---|---|---|
| Orders received | 191.0 | 235.7 | 519.8 | 489.9 | 6.1% |
| Order backlog | 497.1 | 419.3 * | 497.1 | 419.3 * | 18.6% |
| Sales revenues | 229.0 | 180.1 | 437.3 | 327.3 | 33.6% |
| Total output | 233.8 | 186.3 | 452.8 | 349.6 | 29.5% |
| EBIT | 8.9 | -4.5 | 14.7 | -4.9 | - |
| in % of sales revenues | 3.9% | -2.5% | 3.4% | -1.5% | - |
| Employees (record date) | 3,644 ** | 3,677 * | 3,644** | 3,677 * | -0.9% |

* ) Record date 12/31/2006
**) Record date 06/30/2007

The **Systems** division's results in the second quarter were also trending higher. Orders received in the second quarter came in at €191.0 million. That is less than the prior year's above-average first-quarter result of €235.7 million. On the other hand, orders received for the first half year of €519.8 million were clearly higher than the €489.9 million generated a year prior. This represents an increase of 6.1 percent over last year.

Growth in the Systems division's business units is uneven. The greatest increase continues to come from plant assembly in the United States. Following a very strong first quarter, KUKA Flexible Productions booked additional orders from Chrysler, including some related to the RT program. A welding line will be supplied for the undercarriage of the minivan. In total, the company reported orders received of nearly €190 million, the highest order volume in years. Added to this are the revenues from the KTPO pay-on-production contract, which contributed significantly to the total growth in orders received.

The unit quantities associated with the KTPO pay-on-production contract are quite satisfactory and are higher than originally planned.

The Chinese subsidiaries are also evolving successfully. Order income at the end of June reached €23 million, considerably higher than forecast.

Orders received in assembly technology did not match the prior year's total. The orders received here are expected in the fourth quarter.

The Systems division's **order backlog** at the end of June was €497.1 million.

The division's **sales revenues** in the second quarter were €229.0 million, significantly higher than the €180.1 million generated in the second quarter of 2006. Cumulative sales revenues to the end of the first half year were €437.3 million, 33.6 percent higher than the prior year's €327.3 million. This increase also was the result of higher revenues from plant assembly in the United States and the KTPO pay-on-production contract. The remaining areas such as press tools, assembly systems and other plant assembly were essentially at the same level as a year prior or in line with budget.

Sales revenues in the second half year were primarily generated from partial invoicing for projects such as Ford's P415, DaimlerChrysler's C-Class successor and Tata X1 (Indica successor).

The division's **total output** of €452.8 million was substantially higher than the €349.6 million generated a year earlier.

In the second quarter, the division recorded an **EBIT** of €8.9 million, compared to a loss of -€4.5 million in the same quarter a year earlier. The Systems division achieved an EBIT of €14.7 million to the end of the first half-year versus a loss of -€4.9 million in the first half of 2006. The division's subsegments all supported the significant increase. The largest share came from plant assembly in the United States and the KTPO pay-on-production contract, thanks to the excellent sales growth. The contribution from the newly consolidated companies was of minor importance. The result turnaround compared to last year at KTPO is considered unusually high, because the startup costs for the first half of 2006 are now being compared to profits from the fully operational production line.

At the end of June, the Systems division had 3,644 employees, 33 less than at the end of 2005. KTPO hired 12 additional employees. The majority of staff cutbacks occurred at KWS and LSW.

## NON-CORE BUSINESSES / DISCONTINUED OPERATIONS

### KEY FIGURES

| € million | 2nd Quarter 2007 | 2nd Quarter 2006 | 6 Months 2007 | 6 Months 2006 | Change 6 Months |
|---|---|---|---|---|---|
| Orders received | 0.0 | 153.7 | 119.0 | 353.9 | - |
| Order backlog | 0.0 | 172.6 * | 0.0 | 172.6 * | - |
| Sales revenues | 0.0 | 170.6 | 89.1 | 313.6 | - |
| Total output | 0.0 | 170.1 | 100.8 | 327.6 | - |
| EBIT | 0.0 | 2.3 | 0.8 | -0.3 | - |
| in % of sales revenues | - | 1.3% | 0.9% | -0.1% | - |
| Employees (record date) | 0 | 2,543 * | 0 | 2,543 * | - |

*) Record date 12/31/2006

As of the second quarter of 2007, there are no longer any companies listed under discontinued operations. The KUKA Group has therefore achieved its goal of refocusing and divesting itself of business activities that are not part of its core competence. The sale of the Packaging division was successfully completed on April 19, 2007.

## RESEARCH AND DEVELOPMENT, CAPITAL EXPENDITURES

As a result of the geographic consolidation at the Augsburg location introduced in 2006, the efficiency of the development processes improved and the time from concept to product was shortened. The new "Titan" KR 1000 was unveiled in the second quarter. It has a lifting capacity of one tonne and is primarily used in the glass, foundry and construction materials industries, as well as, of course, the automotive sector.

The Group invested €12.6 million in property, plant and equipment and intangible assets in the continued operations area in the first half year, as compared to €8.4 million at the same time in 2006. The capital spending was focused on optimizing business processes.

## RISK MANAGEMENT

A detailed description of the risks to which the company is exposed and our risk management system can be found starting at page 45 of the 2006 financial report. The majority of the statements made in the report apply here as well. The KUKA Group's risks are manageable and transparent, and as far as we are able to foresee from today's view, do not threaten the company's existence.

# OUTLOOK

The delightful results of the first quarter extended into the second quarter. The two quarters were both higher than last year and above budget.

The result from discontinued operations of €63.8 million beat the originally announced forecast. The result from discontinued operations should continue at this level for the entire year.

The ability to achieve sales and profit targets for the current year is increased in particular by the high orders received at the beginning of the year. The Executive Board therefore increased the EBIT-margin target for 2007 from 4.2 percent to 4.6 percent.

The KUKA Group has already reached key financial results targets for the entire year at mid-year.

# INTERIM FINANCIAL STATEMENTS

## GROUP CONSOLIDATED INCOME STATEMENT

| € million | 6 Months 2007 | 6 Months 2006 |
|---|---|---|
| **Sales revenues** | **615.1** | **501.8** |
| Changes in inventories of finished goods and work in process | 24.8 | 21.6 |
| Own costs capitalized | 2.7 | 2.4 |
| **Total output** | **642.6** | **525.8** |
| Other operating income | 19.6 | 14.6 |
| Cost of materials | -376.4 | -318.3 |
| Personnel expense | -164.6 | -152.1 |
| Depreciation/amortization on intangible and tangible assets | -12.2 | -12.4 |
| Other operating expenses | -80.7 | -57.1 |
| **Earnings from operating activities (EBIT)** | **28.3** | **0.5** |
| Income from participations | 0.0 | 0.7 |
| Net interest income/expense | -5.7 | -7.2 |
| **Earnings before tax** | **22.6** | **-6.0** |
| Taxes on income | -5.6 | -3.8 |
| **Result from continuing operations** | **17.0** | **-9.8** |
| | | |
| **Result from discontinued operations** | 63.8 | -52.4 |
| | | |
| **Net after-tax result** | **80.8** | **-62.2** |
| Minority interests in profits | 0.0 | 0.5 |
| | | |
| **Earnings per share (in € after minority interests)** | **3.04** | **-2.32** |
| thereof continuing operations | 0.64 | -0.37 |
| thereof discontinued operations | 2.40 | -1.95 |

## GROUP CONSOLIDATED INCOME STATEMENT

| € million | 2nd Quarter 2007 | 2nd Quarter 2006 |
|---|---|---|
| **Sales revenues** | **324.4** | **264.6** |
| Changes in inventories of finished goods and work in process | 8.8 | 9.8 |
| Own costs capitalized | 1.4 | 1.5 |
| **Total output** | **334.6** | **275.9** |
| Other operating income | 13.6 | 8.5 |
| Cost of materials | -195.8 | -176.2 |
| Personnel expense | -83.7 | -74.6 |
| Depreciation/amortization on intangible and tangible assets | -6.5 | -6.2 |
| Other operating expenses | -43.7 | -28.8 |
| **Earnings from operating activities (EBIT)** | **18.5** | **-1.4** |
| Income from participations | 0.0 | 0.7 |
| Net interest income/expense | -1.3 | -3.6 |
| **Earnings before tax** | **17.2** | **-4.3** |
| Taxes on income | -4.1 | -2.9 |
| **Result from continuing operations** | **13.1** | **-7.2** |
| | | |
| **Result from discontinued operations** | 66.5 | -48.6 |
| | | |
| **Net after-tax result** | **79.6** | **-55.8** |
| Minority interests in profits | 0.0 | 0.1 |
| | | |
| Earnings per share (in € after minority interests) | 2.99 | -2.09 |

# GROUP CONSOLIDATED BALANCE SHEET

## ASSETS

| € million | 06/30/2007 | 12/31/2006 |
|---|---|---|
| **Non-current assets** | | |
| **Fixed Assets** | | |
| Intangible assets | 68.2 | 135.9 |
| Tangible assets | 94.1 | 153.5 |
| Participations in associated companies | 0.0 | 2.3 |
| Financial investments | 1.1 | 1.6 |
| | **163.4** | **293.3** |
| **Long term tax receivables** | **8.9** | **8.8** |
| **Deferred taxes** | **35.3** | **42.2** |
| | **207.6** | **344.3** |
| **Current assets** | | |
| **Inventories** | **158.9** | **231.1** |
| **Receivables and other assets** | | |
| Trade receivables | 151.0 | 252.5 |
| Receivables from long-term contracts | 153.2 | 116.8 |
| Receivables from affiliated companies | 3.6 | 3.6 |
| Other assets, prepaid expenses and deferred charges | 34.0 | 41.4 |
| | **341.8** | **414.3** |
| | | |
| **Cash and cash equivalents** | **108.4** | **74.9** |
| | **609.1** | **720.3** |
| | | |
| **Assets held for sale** | **6.5** | **6.5** |
| | | |
| | **823.2** | **1,071.1** |

## EQUITY AND LIABILITIES

| € million | 06/30/2007 | 12/31/2006 |
|---|---|---|
| **Equity** | **202.9** | **126.7** |
| | | |
| **Non-current liabilities and provisions** | | |
| Long-term financial liabilities | 58.0 | 76.5 |
| Other long-term liabilities | 15.2 | 18.5 |
| Pension provisions and similiar obligations | 79.3 | 132.1 |
| Deferred taxes | 6.5 | 10.6 |
| | **159.0** | **237.7** |
| **Current liabilities and provisions** | | |
| Short-term financial liabilities | 3.4 | 82.2 |
| Trade payables | 136.8 | 209.5 |
| Advances received | 44.8 | 95.0 |
| Liabilities from long-term contracts | 41.7 | 75.2 |
| Accounts payable to affiliated companies | 0.8 | 0.8 |
| Other short-term liabilities and deferred income | 83.9 | 93.7 |
| Provision for taxes | 21.0 | 23.0 |
| Other provisions | 128.9 | 127.3 |
| | **461.3** | **706.7** |
| | | |
| | **823.2** | **1,071.1** |

## KUKA GROUP CONSOLIDATED CASH FLOW STATEMENT

| € million | 6 Months 2007 | 6 Months 2006 |
|---|---|---|
| **Net after-tax result** | **80.8** | **-62.2** |
| Result from the disposal of discontinued operations | -66.5 | 49.3 |
| Depreciation/amortization on fixed assets | 14.4 | 20.0 |
| Other non-payment-related expenses/income | 3.0 | 5.2 |
| **Cash flow** | **31.7** | **12.3** |
| Result on the disposal of assets | -9.7 | -0.3 |
| Changes in | | |
| provisions | 14.6 | -39.1 |
| inventories | -26.2 | -32.8 |
| receivables and deferred charges | -87.9 | -12.6 |
| liabilities and deferred income | 13.8 | -1.8 |
| **Cash flow from operating activities** | **-63.7** | **-74.3** |
| Payments from disposals of fixed assets | 33.6 | 1.4 |
| Payments for capital expenditure on intangible and tangible assets | -16.9 | -14.4 |
| Payments for investments in financial assets | -0.2 | -0.9 |
| Payments from the sale of consolidated companies and other business units | 155.8 | 26.1 |
| Payments for the sale of consolidated companies and other business units | -0.8 | 0.0 |
| **Cash flow from investing activities** | **171.5** | **12.2** |
| **Free Cash flow** | **107.8** | **-62.1** |
| Payment from the placement of a convertible bond | 0.0 | 67.4 |
| Changes in financial liabilities | -74.0 | -95.9 |
| **Cash flow from financing activities** | **-74.0** | **-28.5** |
| **Payment-related change in cash and cash equivalents** | **33.8** | **-90.6** |
| Exchange-rate-related and other changes in cash and cash equivalents | -0.5 | -5.5 |
| **Change in cash and cash equivalents** | **33.3** | **-96.1** |
| Cash and cash equivalents at the beginning of the period (01/01) | 74.9 | 125.8 |
| **Cash and cash equivalents at the end of the period (06/30)** | **108.2** | **29.7** |

# CHANGES TO GROUP EQUITY

| € million | Subscribed capital | Capital reserve | Revenue reserves: Other revenue reserves | Revenue reserves: Translation gains/losses | Revenue reserves: Market valuation/hedges | Net retained earnings | Equity to shareholders | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| **1/01/2006** | **69.2** | **99.5** | **19.5** | **0.5** | **-0.2** | **0.0** | **188.5** | **0.6** | **189.1** |
| Changes of convertible bond | | 11.4 | | | | | 11.4 | | **11.4** |
| changes in ownership | | | -3.9 | | | | -3.9 | -0.2 | **-4.1** |
| Exchange-rate related differences | | | | -1.7 | | | -1.7 | | **-1.7** |
| Other changes | | | | | 1.2 | | 1.2 | | **1.2** |
| Group net after-tax result for the period | | | | | | -61.7 | -61.7 | -0.5 | **-62.2** |
| **6/30/2006** | **69.2** | **110.9** | **15.6** | **-1.2** | **1.0** | **-61.7** | **133.8** | **-0.1** | **133.7** |

| € million | Subscribed capital | Capital reserve | Revenue reserves: Other revenue reserves | Revenue reserves: Translation gains/losses | Revenue reserves: Market valuation/hedges | Net retained earnings | Equity to shareholders | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| **1/01/2007** | **69.2** | **29.9** | **28.8** | **-2.7** | **0.0** | **0.0** | **125.2** | **1.5** | **126.7** |
| Changes in ownership | | | | | | | | -0.1 | **-0.1** |
| Exchange-rate related differences | | | | -4.5 | | | -4.5 | | **-4.5** |
| Other changes | | | | | | | | | **0.0** |
| Group net after-tax result for the period | | | | | | 80.8 | 80.8 | | **80.8** |
| **06/30/2007** | **69.2** | **29.9** | **28.8** | **-7.2** | **0.0** | **80.8** | **201.5** | **1.4** | **202.9** |

# NOTES ON THE QUARTERLY REPORT

## IFRS/IAS ACCOUNTING STANDARDS

KUKA Aktiengesellschaft has prepared its consolidated financial statements 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 interim report is therefore prepared in accordance with IAS34. The prior year's figures have been determined in accordance with these same standards.

## SCOPE OF CONSOLIDATION

The Group's interim report contain KUKA Aktiengesellschaft, 13 companies registered inside Germany and 34 firms domiciled outside Germany, for which KUKA Aktiengesellschaft either directly or indirectly holds majority voting rights.

In comparison to December 31, 2006, KUKA Service Solutions GmbH, based in Augsburg, was merged with KUKA Schweissanlagen GmbH, also based in Augsburg. KUKA Roboter Austria GmbH, Austria and KUKA Robotics (India) pvt. Ltd, both of which were newly founded in 2006, were consolidated for the first time. IWKA Holding Corp, USA, merged with KUKA Flexible Production Systems Corporation, USA on June 30, 2007. GECOM-Societe Groupement Etudes Carroserie Outillage Mecanique S.A, France, merged with the parent company KUKA Systems France S.A.S retroactive to January 1, 2007.

Because of the sale of the Packaging division to funds of the holding company Odewald & Companie, the following companies core disposal of the consolidated Group effective 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., Sao 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

In addition, the sale included 4 non-consolidated affiliated companies and 2 associated companies.

## ACCOUNTING AND VALUATION POLICIES

The same valuation methodology and financial principles as those used in the consolidated financial statements for the 2006 business year were applied in preparing these interim financial statements and establishing the comparison figures to the prior year. A description of the principles is published in the notes of the 2006 Group consolidated financial statements. The latter are also available on the Internet at www.KUKA.com.

## DISCONTINUED OPERATIONS/ ASSETS HELD FOR SALE

For the income statement, the results for all companies categorized as discontinued operations as of June 30, 2007 - and for the prior year - were summarized in accordance with IFRS 5 and shown as earnings from discontinued operations. Intangible assets and liabilities items have been categorized on the balance sheet as intangible assets from discontinued operations and liabilities from discontinued operations and have not been adjusted to align with the prior year's numbers.

The following companies belonging to the Packaging division were classified as discontinued operations on March 27, 2007 and sold to funds of the holding company Odewald & Companie effective 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., Sao 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

The prior year's numbers for discontinued operations in the income statement still include contributions from the companies already classified as discontinued operations at the end of the 2006 financial year.

The prior year's earnings from discontinued operations therefore include the operating profits from the Boehringer Group, the ARO Group, GSN Maschinen-Anlagen-Service GmbH and HASSIA Redatron GmbH.

The earnings from discontinued operations as at June 30, 2007 also include the results from the disposal of the Packaging division's companies in the amount of +€66.5 million The corresponding prior year's period included the results from the disposal of B&R Sicherheits- und Regelarmaturen GmbH, the JW Froehlich Group and write-downs in accordance with IFRS 5 on assets of the ARO Group, GSN Maschinen-Anlagen-Service GmbH and Hassia Redatron GmbH in the amount of -€49.3 million.

A profit was recognized from the sale of the KUKA AG property in Stutensee, which had been designated an asset to be held for on March 31, 2007. The property of Bopp & Reuther Anlagenverwaltungs GmbH in Mannheim, which is not required by operations, continues to be listed on the balance sheet as an asset to be held for sale, as it already was on December 31, 2006. This property was sold on June 27, 2007 with an effective date of July 1, 2007.

## CASH FLOW STATEMENT

The cash flow statement defines the flow of funds into and out of the KUKA Group in accordance with IAS 7. The amount recognized as cash and cash equivalents comprises bank balances, checks and cash on hand. This also includes cash and cash equivalents from discontinued operations.

## SEGMENT REPORTING

The major components of segment reporting are based upon the primary segment reporting format for business segments and are included in the reports of the Robotics and Systems operating divisions.

## EARNINGS PER SHARE

Undiluted earnings per share were calculated by dividing the Group's after tax consolidated net earnings adjusted for minority interests by the Group's 26.6 million outstanding shares. The earnings per share are therefore €3.04 per share.

## CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The only material changes to other financial obligations and contingent liabilities compared to December 31, 2006 resulted from the sale of the Packaging division. The sale generated additional contingent liabilities for the KUKA Group in the amount of €22.5 million. These are fully secured by guarantees from a first-class bank.

## RELATED PARTY DISCLOSURES

There have been no material changes in regard to related party relationships since December 31, 2006.

## EVENTS OF MAJOR IMPORTANCE AFTER THE END OF THE REPORTING PERIOD

Following approval of the corporate tax reform legislation by the German parliament on July 6, 2008, new tax regulations will become effective in Germany as of January 1, 2008. This will result in revaluation of the KUKA Group's German deferred taxes in the third quarter of 2007. This revaluation will lead to a higher tax expense since there is a backlog of deferred tax assets. Overall however, this will not result in a material change in the Group's tax rate for 2007.

# DECLARATION BY THE AUDITORS

To KUKA Aktiengesellschaft, Augsburg

We have reviewed the interim condensed consolidated financial statements, comprising the condensed balance sheet, the condensed income statement, the condensed cash flow statement, the statement of changes in equity and selected explanatory notes, and the interim group management report of KUKA Aktiengesellschaft, Augsburg, for the period from January 1, 2007 to June 30, 2007, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz"]: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG ["Wertpapierhandelsgesetz"]: German Securities Trading Act] applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue an attestation on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review 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 review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Stuttgart, August 6, 2007

Ernst & Young AG

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

| | |
|---|---|
| Prof. Wollmert | Ketterle |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

## RESPONSIBILITY STATEMENT FROM LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for proper interim financial reporting, the abbreviated interim consolidated financial statements give a true and fair view of the assets, financial position and profit or loss of the Group, and the interim 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 for the remaining months of the financial year.

Augsburg, August 6, 2007

The Executive Board

Wiedemann Dr. Koch Liepert

# FINANCIAL CALENDAR

| | |
|---|---|
| Interim report for the first nine months | NOVEMBER 6, 2007 |
| Preliminary figures for financial 2007 | FEBRUARY 5, 2008 |
| Financial results press conference, Munich<br>Hotel Bayerischer Hof, 10:00 a.m. | MARCH 19, 2008 |
| DVFA analysts conference, Frankfurt | MARCH 19, 2008 |
| First-quarter interim report | MAY 6, 2008 |
| Annual General Meeting, Augsburg | MAY 15, 2008 |
| Annual report to mid-year | AUGUST 5, 2008 |
| Interim report for the first nine months | NOVEMBER 4, 2008 |

**Note**: The quarterly report contains forward-looking statements based on assumptions and estimates made by the management of KUKA Aktiengesellschaft. Although management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results could deviate significantly from these assumptions and estimates due to a variety of different factors. Some of these factors could, for example, include a change in the overall economic climate, exchange rates and interest rates, as well as changed conditions in the markets themselves. KUKA Aktiengesellschaft makes no guarantees that future developments and actual future results will align with the assumptions and estimates contained in this report, nor does it accept any liability for same. Rising oil and other raw material prices dampened the effects of expansionary monetary policies and the comparatively low cost of capital.

## CONTACT

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