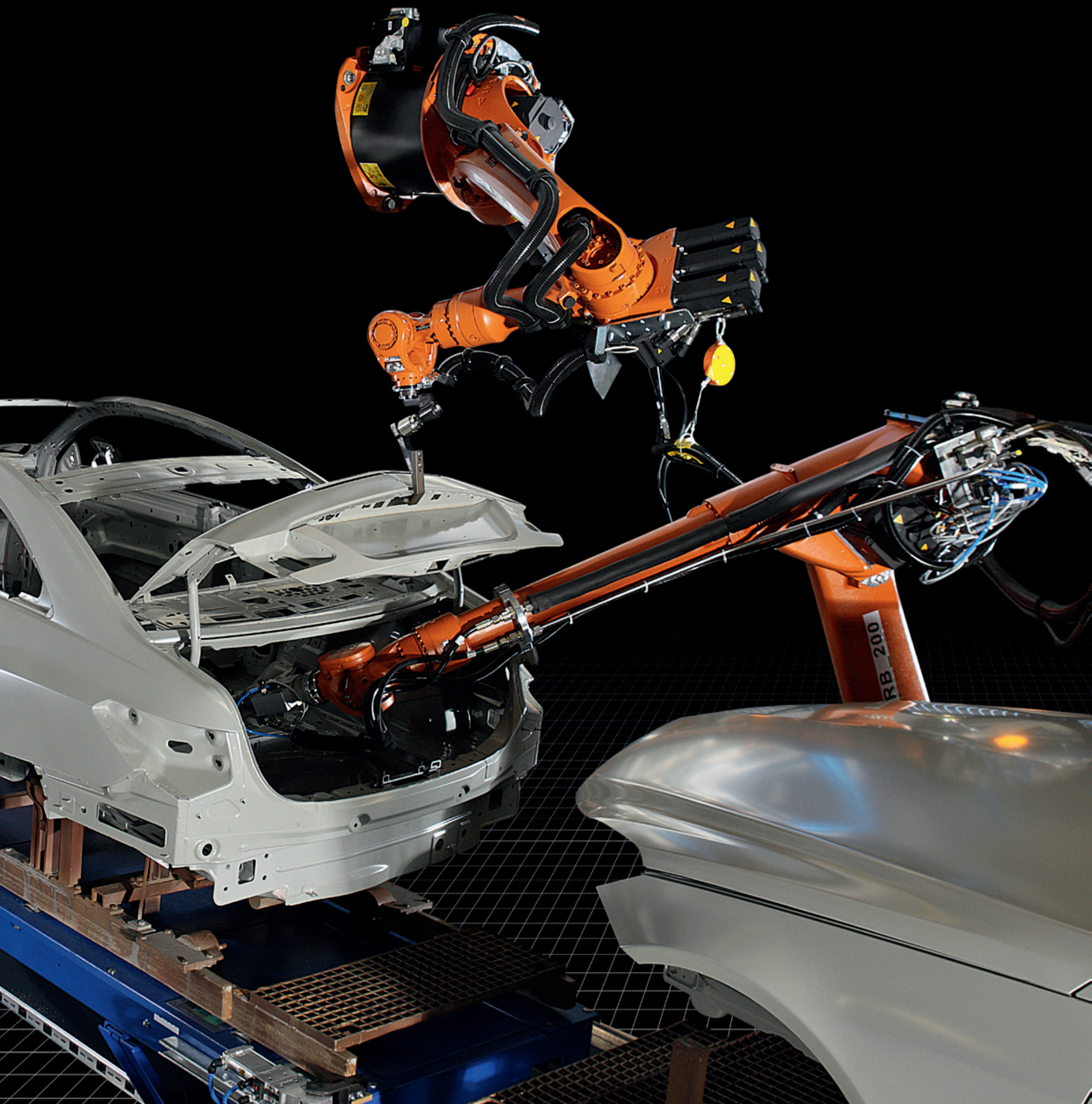
# KUKA

INTERIM REPORT TO MID-YEAR 2011

AUTOMATION BECOMES EASY



# CONTENTS



**COVER PHOTO:**

Automation becomes easy!

KUKA Systems' unveiled the innovative application of adhesives and sealants recently to the public.
Both technologies were developed in-house by KUKA and feature an impressive degree of environmental and workplace friendliness.

# OVERVIEW

## ALL-TIME HIGH OF ORDERS RECEIVED IN SECOND QUARTER OF 2011

- **Group: orders received up 52.9 percent to EUR 837.4 million in H1/11**
    - **Robotics posts another all-time high of EUR 183.2 million in Q2/11**
    - **Systems with high level of EUR 262.8 million in Q2/11**
- **Sales revenues up sharply in H1/11: +38.2 percent to EUR 663.4 million**
- **EBIT margin climbs to 4.7 percent in H1/11**
    - **EBIT margin for Q2/11 of 4.9 percent almost double that of the year prior**
- **Guidance for 2011 firmed up:**
    - **Sales revenues of at least 1.2 billion and EBIT margin of at least 5 percent: sales revenues now expected to reach about EUR 1.3 billion**

# KUKA GROUP, KEY FIGURES

| € million | 6 Months 2010 | **6 Months 2011** | Change |
|---|---|---|---|
| Orders received | 547.7 | 837.4 | 52.9% |
| Order backlog (06/30) | 630.9 | 787.3 | 24.8% |
| Sales revenues | 480.1 | 663.4 | 38.2% |
| Gross profit | 90.8 | 137.4 | 51.3% |
| in % of sales revenues | 18.9% | 20.7% | - |
| Earnings before interest and taxes (EBIT)* | 5.0 | 31.1 | >100% |
| in % of sales revenues | 1.0% | 4.7% | - |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 16.4 | 43.7 | >100% |
| in % of sales revenues | 3.4% | 6.6% | - |
| Net result | -10.3 | 11.3 | - |
| Earnings per share in € | -0.37 | 0.34 | - |
| Capital expenditure | 5.3 | 9.7 | 83.0% |
| Equity ratio in % (06/30) | 25.9% | 21.8% | - |
| Net debts (06/30) | 32.7 | 76.7 | >100% |
| Employees (06/30) | 5,774 | 6,306 | 9.2% |

*adjusted for financing costs included in the operating result (IAS 23 R)

| € million | 2nd Quarter 2010 | **2nd Quarter 2011** | Change |
|---|---|---|---|
| Orders received | 283.9 | 440.3 | 55.1% |
| Order backlog (06/30) | 630.9 | 787.3 | 24.8% |
| Sales revenues | 271.0 | 336.9 | 24.3% |
| Gross profit | 52.2 | 70.6 | 35.2% |
| in % of sales revenues | 19.3% | 21.0% | - |
| Earnings before interest and taxes (EBIT)* | 6.7 | 16.4 | >100% |
| in % of sales revenues | 2.5% | 4.9% | - |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 12.5 | 22.9 | 83.2% |
| in % of sales revenues | 4.6% | 6.8% | - |
| Net result | 0.7 | 5.9 | >100% |
| Earnings per share in € | 0.02 | 0.17 | >100% |
| Capital expenditure | 3.4 | 5.6 | 64.7% |

*adjusted for financing costs included in the operating result (IAS 23 R)

# FOREWORD

## PROFITABLE GROWTH CONTINUES

Dear shareholders,

The second quarter's profitable growth seamlessly extended the excellent first quarter of this fiscal year. KUKA continues to post robust business results. Our customers' strong capital spending drove our operations' orders received to a high that was more than 50 percent above that of the year prior at the Group level. Robotics posted another all-time high and Systems' bookings were again also very strong. The orders received drove sales revenues sharply higher, which led to excellent capacity utilization, also for the first half year overall. Supported by the leaner cost structures, KUKA's EBIT came in at EUR 31.1 million, which compares to EUR 5.0 million during the prior year's first half. EBIT margin has already reached 4.7 percent after six months; for the quarter under review, it was 4.9 percent.

At the same time, KUKA's equity significantly outperformed the benchmark indices. KUKA took advantage of these favorable market conditions to sell 1.3 million treasury shares. This enabled us to expand our share free float and contribute to further financing our growth.

Robotics' strong first half year, with orders received of EUR 366 million, an all-time high, is especially noteworthy. In order to further support this very satisfactory growth, we transferred our robotics sales, service and manufacturing in China, the world's fastest growing robot market, into an independent robotics unit. This step will enable us to better take advantage of the growth opportunities in China.

We have our eye on the future in other areas too. The Advanced Robotics section recently received the euRobotics Technology Award for its KUKA lightweight robot. It is the most coveted prize handed out by the European robotics industry for technology transfers and evaluates the innovation strength and economic impact of successful cooperative research projects between industry and the scientific community.

As the numbers show, our programs aimed at strengthening our ability to generate profitable growth are bearing fruit. KUKA is determined to achieve the guidance: sales revenues of at least EUR 1.2 billion and EBIT margin of at least 5 percent at the Group level. As long as the positive general conditions of the first six months remain in place during the second half of the year, Group sales revenues should come in at about EUR 1.3 billion.

Yours truly,

Dr. Till Reuter
CEO

# GENERAL CONDITIONS

**Broad-based economic expansion in Germany**

The German economy's growth continues to be strong. As a result, the gross domestic product growth forecast for the first quarter of 2011 was retroactively adjusted upward, from 0.8 percent to 1.5 percent. Economic performance projections for the year 2011 overall were also raised. While the leading research institutes were forecasting a growth rate of 2.8 percent in the spring, estimates for the current year now range between 3.1 percent by the Bundesbank and 3.6 percent by the Kiel Institute for World Economics (IfW). Germany's economic recovery is thus leading to a broad-based rebound according to the Bundesbank's latest forecast.

**Upswing driven by capital goods**

Although the booming German economy continues to be driven by strong exports, domestic demand is now also expanding, particularly for capital goods. According to an Ifo survey conducted this spring, industry's capacity utilization of 87 percent is better than the long-term average and businesses are purchasing machinery and systems to expand manufacturing capacities Still, global growth is scattered. The World Bank states that although the four BRIC nations - China, India, Brazil and Russia - continue to drive global growth, with growth rates of more than six percent, the United States and Europe are lagging significantly during the current year with their economies expanding only 2.4 percent and 2.5 percent respectively.

**German carmakers back on growth track**

The German automotive industry continues to benefit from the strong growth of foreign markets. VDA, the German automotive industry association, reported that exports grew 6 percent to 2.3 million vehicles in the first half of 2011. VDA is also forecasting a new record high of 4.5 million vehicles for 2011 overall. The previous high was reached in 2007, when sales reached EUR 4.3 million. In China, now the world's largest car market, demand cooled slightly after government incentive programs expired. Still, German premium brands are gaining market share there, as they are in other foreign markets. Double-digit growth was recorded in the automotive industry's other key markets in the first half of 2011: Russia, driven by an incentive program, was up 60 percent, India 18 percent, the United States 13 percent despite production outages at Japanese manufacturers, and Brazil climbed 7 percent. Europe was the only region in which sales were down a slight 2.1 percent in the first six months of 2011 after government incentive programs expired.

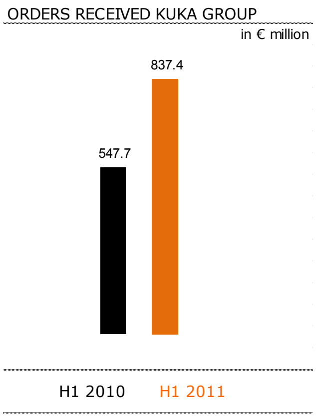
But sales of vehicles in Germany bucked the European trend and were up 10 percent to 1.6 million vehicles in the first half of 2011. Overall, German manufacturers built about 3.0 million cars for the domestic market and achieved a capacity utilization of 92 percent.

**Fast recovery for mechanical and plant engineering sector**

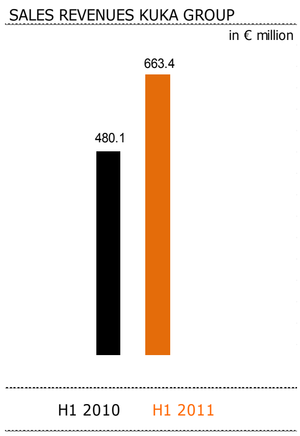
The German plant and mechanical engineering sector also recovered quickly this year and reported strong growth and rising order backlogs. Orders received in real terms were up 23 percent in the first six months of 2011. This growth was driven mainly by foreign demand. Capacity loading for the mechanical and plant engineering sector was thus the same as the average for German industry (Ifo survey: 87 percent). VDMA is forecasting real year-over-year manufacturing growth of 14 percent for the year 2011 overall.

Growth was significantly stronger in the **robotics sector**. In the first half of 2011, the segment's orders received were up 39 percent compared to 23 percent for the German mechanical and plant engineering sector.

# BUSINESS PERFORMANCE FOR THE FIRST HALF YEAR

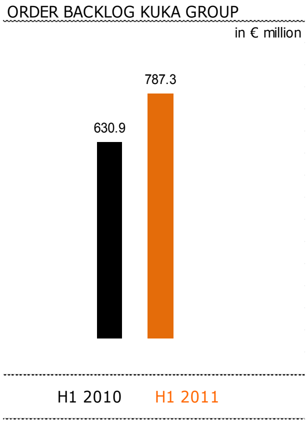



Thanks to the aforementioned economic growth, KUKA Group's **orders received** reached an all-time high. Consolidated orders received came in at EUR 837.4 million, 52.9 percent higher than the EUR 547.7 million received during the first half of 2010. Both divisions contributed equally to the growth. In the first half of 2011, Robotics had orders received of EUR 366.3 million, 48.7 percent more than the EUR 246.4 million posted at the end of the first half in 2010. Systems received orders totaling EUR 478.6 million, up 45.5 percent from the EUR 329.0 million the division generated in H1/10.

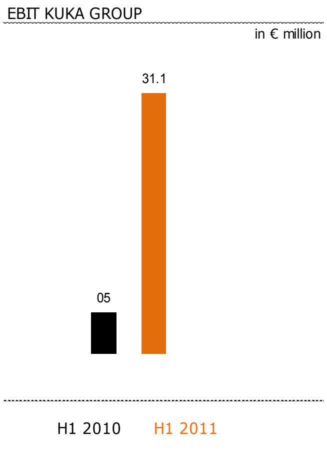



KUKA Group's **consolidated sales revenues** in the first half of 2011 came in at EUR 663.4 million, up 38.2 percent from EUR 480.1 million in the first half of 2010. Sales revenue growth reported by the Systems division slightly lagged orders received growth because of the relatively long project lead times. In the first half of 2011, Systems generated sales revenues of EUR 399.0 million, up 31.3 percent from EUR 303.9 million in H1/10. Robots and service generated an income of EUR 285.6 million for the Robotics division in the first half of 2011. This is up 43.5 percent from the H1/10 number of EUR 199.0 million.

KUKA Group's book to bill ratio rose to 1.26 in the first half of 2011 from 1.14 in the first half of 2010.




The higher book to bill ratio led to an increase in KUKA Group's **order backlog** to EUR 787.3 million as of June 30, 2011. This is up EUR 87.1 million or 12.4 percent from the EUR 700.2 million posted at the end of the prior quarter on March 31, 2011. The year-over-year increase from the EUR 630.9 million posted on the June 30, 2010 record date was 24.8 percent. Robotics and Systems are both currently working at close to their capacity limit. The Robotics division's order backlog as of June 30, 2011 was up 15.1 percent from the prior quarter to EUR 226.9 million and Systems' was up 11.0 percent to EUR 565.2 million.



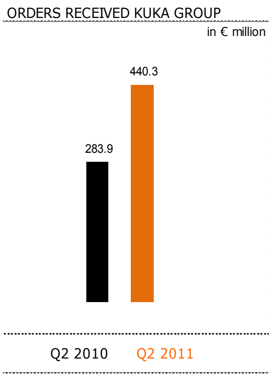

In the first half of 2011, KUKA Group's **earnings before interest and taxes (EBIT)** came in at EUR 31.1 million versus EUR 5.0 million in the first half of 2010. EBIT margin, the ratio of EBIT to sales revenues, improved accordingly, going from 1.0 percent in the first half of 2010 to 4.7 percent in the first half of 2011. In the first half of 2011, Robotics' EBIT was EUR 21.9 million, compared to EUR 6.2 million in H1/10. During this same period, EBIT margin rose from 3.1 percent in the first half of 2010 to 7.7 percent in the first half of 2011. Systems also contributed significantly more to earnings than last year, reporting an EBIT of EUR 15.0 million, up from EUR 7.6 million in H1/10. EBIT margin during the period under review rose from 2.5 percent in the first half of 2010 to 3.8 percent in the first half of 2011.

# EVENTS DURING THE SECOND QUARTER

**Augsburg new headquarters for carbon fiber reinforced composites**

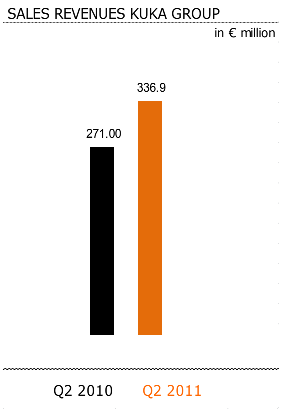
Innovative materials spur the development of new products and thus revolutionize entire industry sectors. Carbon fiber reinforced plastics (CFRP) can generate weight savings of up to twenty percent, without compromising strength and stiffness. That is why the aerospace industry, and increasingly the automotive industry and other sectors, are very interested in using these materials. But industry needs completely new automation solutions to assemble CFRPs, especially to cut manufacturing costs. As an automation specialist, KUKA is a major contributor to these developments. Augsburg will play a major role here in future. The Deutsche Luft- und Raumfahrtzentrum (DLR) has named Augsburg the official site for application-specific research on carbon fiber reinforced materials. At the same time, a broad industrial basis has been provided locally by the amalgamation of Carbon Composites e.V. and its 120 member companies.

# SECOND QUARTER BUSINESS PERFORMANCE



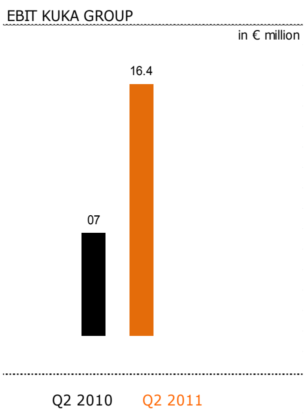

The company achieved a new all-time high in **orders received** in the second quarter of 2011. Overall, KUKA Group's orders received of EUR 440.3 million were up 10.9 percent from Q1 and 55.1 percent higher than the EUR 283.9 posted in Q2/10.

Robotics' orders received came in at EUR 183.2 million, also a record high, and up 39.1 percent from the orders received of EUR 131.7 million generated in Q2/10. The Systems division's orders received also a high level at EUR 262.8 million.




Because of the steady excellent orders received situation, KUKA Group's **sales revenues** in the second quarter of 2011 were higher than the year prior. Overall, the company had sales of EUR 336.9 million, 24.3 percent more than the EUR 271.0 million generated during the same period last year. Robotics' sales revenues of EUR 149.6 million were 32.6 percent higher than the EUR 112.8 million reported in Q2/10 and Systems' sales revenues of EUR 194.3 million were up 15.7 percent from the EUR 167.9 million posted in the second quarter of 2010.

KUKA Group's book to bill ratio for the quarter just ended was 1.31, up from 1.05 during the same quarter last year.




In the second quarter of 2011, KUKA Group's **earnings before interest and taxes (EBIT)** came in at EUR 16.4 million versus EUR 6.7 million in Q2/10. EBIT margin nearly doubled, from 2.5 percent in the second quarter of 2010 to 4.9 percent during the quarter under review. Robotics was able to report higher earnings than in the prior quarter. EBIT came in at EUR 11.9 million during the second quarter of 2011 versus EUR 5.7 million in Q2/10 and was up EUR 1.9 million from the EUR 10.0 million posted in Q1/11. EBIT margin also rose, going from 7.4 percent in the first quarter of 2011 to 8.0 percent in the second quarter of 2011. Systems generated an EBIT of EUR 7.3 million in the second quarter of 2011 versus EUR 5.5 million in Q2/10. EBIT margin went from 3.3 percent in Q2/10 to 3.8 percent in Q2/11.

# PERFORMANCE OF THE DIVISIONS

## ROBOTICS

## FIRST HALF OF 2011

### KEY FIGURES

| € million | 6 Months 2010 | **6 Months 2011** | Change |
|---|---|---|---|
| Orders received | 246.4 | 366.3 | 48.7% |
| Order backlog (06/30) | 146.6 | 226.9 | 54.8% |
| Sales revenues | 199.0 | 285.6 | 43.5% |
| Gross profit | 52.9 | 88.8 | 67.9% |
| in % of sales revenues | 26.6% | 31.1% | - |
| Earnings before interest and taxes (EBIT) | 6.2 | 21.9 | >100% |
| in % of sales revenues | 3.1% | 7.7% | - |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 11.3 | 28.3 | >100% |
| in % of sales revenues | 5.7% | 9.9% | - |
| Employees (06/30) | 2,190 | 2,600 | 18.7% |

### BUSINESS PERFORMANCE

In the first half of 2011, Robotics' **orders received** were EUR 366.3 million, up 48.7 percent from EUR 246.4 million posted in the first half of 2010. All three business units (automotive, general industry and service) contributed to this delightful growth. General industry reported the highest increase at 63.3 percent. But automotive and service also contributed significantly to this growth, with increases of 43.7 and 31.0 percent respectively.

Robotics' **sales revenues** in the first half of 2011 rose to EUR 285.6 million from EUR 199.0 million during the same period last year, an increase of 43.5 percent. The book to bill ratio in the first half year rose to 1.28 from 1.24 in the first half of 2010. The division's **order backlog** thus increased further and was reported at EUR 226.9 million as of June 30, 2011, 15.1 percent higher than the EUR 197.1 million at the Q1 2011 period end on March 31, 2011.

Robotics' **earnings before interest and taxes (EBIT)** in the first half of 2011 came in at EUR 21.9 million versus EUR 6.2 million in H1/10. At the same time, EBIT margin rose from 3.1 percent in the first half of 2010 to 7.7 percent in the first half of 2011. This was driven primarily by a better capacity utilization, although the division's improved cost structure was also a contributing factor.

# SECOND QUARTER 2011

## KEY FIGURES

| € million | 2nd Quarter 2010 | **2nd Quarter 2011** | Change |
|---|---|---|---|
| Orders received | 131.7 | 183.2 | 39.1% |
| Order backlog (06/30) | 146.6 | 226.9 | 54.8% |
| Sales revenues | 112.8 | 149.6 | 32.6% |
| Gross profit | 31.4 | 46.4 | 47.8% |
| in % of sales revenues | 27.8% | 31.0% | - |
| Earnings before interest and taxes (EBIT) | 5.7 | 11.9 | >100% |
| in % of sales revenues | 5.1% | 8.0% | - |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 8.3 | 15.3 | 84.3% |
| in % of sales revenues | 7.4% | 10.2% | - |

# EVENTS DURING THE QUARTER

**KUKA lightweight robot receives euRobotics Award**

In May 2011, KUKA's lightweight robot received the euRobotics Technology Transfer Award, the European robotics industry's most prestigious award. The jury was especially impressed by the innovation level of the robot, and the potential economic impact of this breakthrough product. It combines safety with power and sensitivity, making it suitable for completely new applications. The lightweight robot is the first robot that can be installed directly beside the user without protective barriers. This close human-robot interaction represents a milestone in modern robotics. The euRobotics Technology Transfer Award is presented annually for successful cooperative research projects between the scientific community and industry.

**Robotics in the machine tool sector**

Purchasers enjoy considerable advantages such as improved flexibility and lower costs when they use coordinated robots and machine tools. Robot-supported automation is especially able to significantly shorten the time between machine tool processing steps. Market estimates indicate that only three to five percent of all new machine tools are delivered with automated handling systems. Machine tool and robot manufacturers are thus increasingly working on cost-effective and flexible standard solutions that will enable them to supply customers with complete solutions consisting of machine tools and robots.

**Business performance**

In the second quarter, the division had **orders received** of EUR 183.2 million, which compares to EUR 183.1 million in the first quarter of 2011. This is 39.1 percent higher than the EUR 131.7 million generated in Q2/10.

**Sales revenues** continued to climb in the second quarter of 2011. Overall, the division reported sales revenues of EUR 149.6 million for the quarter under review versus EUR 136.0 million in Q1/11, an increase of 10.0 percent. This represents a new all-time high for sales revenues for the division.

**EBIT** came in at EUR 11.9 million in the second quarter, compared to EUR 5.7 million in the prior year's second quarter. EBIT margin rose accordingly; from 5.1 percent in Q2/10 to 8.0 percent in Q2/11. This brings the division significantly closer to the target margin of 10 percent.

## ORDERS RECEIVED BY BUSINESS UNIT

| € million | 6 Months 2010 | **6 Months 2011** | Change |
|---|---|---|---|
| Automotive | 110.4 | 158.6 | 43.7% |
| General Industry | 91.5 | 149.4 | 63.3% |
| Service | 44.5 | 58.3 | 31.0% |
| **Total Robotics** | **246.4** | **366.3** | **48.7%** |

**By market segment**, general industry's **orders received** were up the most, rising 63.3 percent from the first half of 2010 to the first half of 2011. But automotive and service also made noteworthy contributions with increases of 43.7 and 31.0 percent respectively.

| € million | 2nd Quarter 2010 | **2nd Quarter 2011** | Change |
|---|---|---|---|
| Automotive | 59.5 | 90.6 | 52.3% |
| General Industry | 48.6 | 61.9 | 27.4% |
| Service | 23.6 | 30.7 | 30.1% |
| **Total Robotics** | **131.7** | **183.2** | **39.1%** |

The automotive business unit saw significant releases from existing blanket orders, enabling it to contribute almost fifty percent to orders received in the second quarter. This high share of orders received in Q2/11 will result in a lower sales margin driven by the revenue mix, especially in the upcoming third quarter of 2011.

# SYSTEMS

## FIRST HALF OF 2011

### KEY FIGURES

| € million | 6 Months 2010 | **6 Months 2011** | Change |
|---|---|---|---|
| Orders received | 329.0 | 478.6 | 45.5% |
| Order backlog (06/30) | 499.1 | 565.2 | 13.2% |
| Sales revenues | 303.9 | 399.0 | 31.3% |
| Gross profit | 34.5 | 44.0 | 27.5% |
| in % of sales revenues | 11.4% | 11.0% | - |
| Earnings before interest and taxes (EBIT) | 7.6 | 15.0 | 97.4% |
| in % of sales revenues | 2.5% | 3.8% | - |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 12.5 | 19.7 | 57.6% |
| in % of sales revenues | 4.1% | 4.9% | - |
| Employees (06/30) | 3,390 | 3,513 | 3.6% |

### BUSINESS PERFORMANCE

In the first half of 2011, the Systems division's **orders received** rose to EUR 478.6 million, up 45.5 percent from the EUR 329.0 million reported in the first half of 2010. This growth was driven especially by orders from general industry and orders to build automated assembly lines.

The Systems division's **sales revenues** during the same period totaled EUR 399.0 million, an increase of 31.3 percent from the EUR 303.9 million reported at the end of the first half of 2010. Because of the longer project lead times, the increase in sales revenues trailed orders received growth. As a result, the Systems division's **order backlog** further expanded and reached EUR 565.2 million as of June 30, 2011, up 11.0 percent from the prior quarter's EUR 509.3 million.

The Systems division's **earnings before interest and taxes (EBIT)** in the first half of 2011 came in at EUR 15.0 million versus EUR 7.6 million in H1/10. EBIT margin during this period went from 2.5 percent the year prior to 3.8 percent during the current year. This increase is primarily due to an improved cost structure and higher capacity utilization. The earnings quality of the orders has also improved overall, although older orders with weaker earnings driven by the crisis will still have a negative impact on overall earnings during the current 2011 financial year.

## SECOND QUARTER 2011

### KEY FIGURES

| € million | 2nd Quarter 2010 | **2nd Quarter 2011** | Change |
|---|---|---|---|
| Orders received | 167.4 | 262.8 | 57.0% |
| Order backlog (06/30) | 499.1 | 565.2 | 13.2% |
| Sales revenues | 167.9 | 194.3 | 15.7% |
| Gross profit | 18.5 | 21.8 | 17.8% |
| in % of sales revenues | 11.0% | 11.2% | - |
| Earnings before interest and taxes (EBIT) | 5.5 | 7.3 | 32.7% |
| in % of sales revenues | 3.3% | 3.8% | - |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | 8.1 | 9.7 | 19.8% |
| in % of sales revenues | 4.8% | 5.0% | - |

## EVENTS DURING THE QUARTER

**Processing glues and sealing agents in the automotive sector**

There are many good reasons to use glues and sealing material for manufacturing car bodies and on the assembly lines. This technology is distinguished above all by constant quality, the ability to join parts with a variety of seam geometries and high-speed processing. This type of joining process is particularly well suited to robot-based automation.Glueing and sealing robot cells can be enhanced to completely automated systems. One area of application is acoustic sound proofing for car bodies. In the second quarter of 2011, KUKA received an order for its innovative SAM – concept (injectable acoustic insulating compound) from Daimler AG.

**Automated module manufacturing for the solar industry**

Systems continues to develop its expertise in the plant engineering sector and offers solutions for forward trends in the solar sector by using robot-based solutions. The division was able to win an order for an automated manufacturing line for innovative thin-film solar cells. This order is comprising not only of the Systems division's assembly-line expertise in the non-automotive sector, but also robots supplied by the Robotics division.

### BUSINESS PERFORMANCE

The Systems division again reported strong **orders received** in the second quarter of 2011. They came in at EUR 262.8 million, 57.0 percent higher than the EUR 167.4 million generated in the prior year's comparable quarter. Several of the orders received by Systems in the second quarter of 2011 were quite large.

The Systems division's **sales revenues** during the quarter under review were reported at EUR 194.3 million, 15.7 percent higher than the EUR 167.9 million posted in Q2/10.

In the second quarter of 2011, the Systems division's **earnings before interest and taxes (EBIT)** came in at EUR 7.3 million versus EUR 5.5 million in Q2/10. EBIT margin during this period was 3.8 percent, up from 3.3 percent in Q2/10.

# EARNINGS POSITION, ASSETS AND FINANCIAL POSITION

## EARNINGS

KUKA Group's **sales revenues** in the first half of 2011 were EUR 663.4 million, 38.2 percent higher than the EUR 480.1 million generated in the first half of 2010. **Gross profit on sales** was up disproportionately, rising 51.3 percent or EUR 46.6 million, and ending at EUR 137.4 million. The Group's **gross margin** rose accordingly, increasing from 18.9 percent to 20.7 percent, again driven mainly by the Robotics division. Thanks to higher sales and the associated economies of scale, Robotics was able to increase gross margin from 26.6 percent to 31.1 percent. The Systems division's gross margin went from 10.8 percent in the first quarter of 2011 to 11.2 percent in the second quarter. Overall, the Systems division's gross margin in the first six months of 11.0 percent is slightly less than the 11.4 percent of the prior year's comparable period. This is mainly due to higher financing costs associated with manufacturing costs. Adjusted for this effect, both gross margins were 11.9 percent.

Overhead costs were reported at EUR 109.8 million, which compares to EUR 87.4 million in the first half of 2010. Because of the budgeted expansion of the Group's technological activities, both for industrial and advanced robotics, research and development costs especially were higher, rising from EUR 14.8 million to now EUR 20.5 million. Sales costs also increased, driven by higher sales, and went by EUR 4.6 million to EUR 43.9 million. This expansion is substantially less than sales growth. The impact of currency exchange rates shows up especially in the change in other operating expenses and income. The expense here was EUR 5.0 million in the first half of 2011 compared with an income of EUR 1.9 million in the comparable prior year's period.

Overall **operating profit** for the first six months of this year was EUR 27.6 million, which compares to EUR 3.4 million in the first six months of 2010. Adjusted for interest charges of EUR 3.5 million included in operating profit, up from EUR 1.6 million the year prior, **earnings before interest and taxes (EBIT)** were positive at EUR 31.1 million. This compares to the prior year's EUR 5.0 million. EBIT margin for the first half of 2011 is 4.7 percent compared to 1.0 percent in the first half of 2010. Both divisions contributed to the increase. While the Systems segment's EBIT margin improved from 2.5 percent to 3.8 percent, the Robotic segment's EBIT margin went from 3.1 percent to 7.7 percent. In the quarter just ended the Robotics division's EBIT margin improved further and went from 7.4 percent in the first quarter of 2011 to 8.0 percent. The Systems division's EBIT margin was 3.8 percent, the same as in the first quarter.

**EBITDA (earnings before taxes, interest and depreciation)** were EUR 43.7 million. This is more than double the EUR 16.4 million reported during the comparable period of 2010. Total depreciation in the first half of 2011 was EUR 12.6 million versus EUR 11.4 million at the same time last year. Of this total, the Robotics division's share was EUR 6.4 million, which compares to EUR 5.1 million a year earlier. The Systems division accounted for EUR 4.7 million versus EUR 4.9 million the year prior, and the remaining area's share was EUR 1.5 million versus EUR 1.4 million the year prior.

**Net interest expense** was EUR -9.9 million, roughly the same as the previous year's EUR -9.1 million. This includes EUR 9.3 million of interest expense for the bond issued in November 2010. The interest on the convertible bond was EUR 2.7 million versus EUR 2.6 million the year prior. More favorable guarantee conditions resulted in a reduction of EUR 0.2 million in guarantee fees from last year, despite having made greater use of the credit lines for LCs as a result of the strong business. Accounting-related reclassification of financing charges into operating profit had a positive impact on the net interest result; in the first half of 2011 it came in at EUR 3.5 million versus EUR 1.6 million in the first half of 2010. *The share of interest for pensions was EUR 1.6 million* compared to EUR 1.8 million last year. Also included is interest income associated with the financing lease for the KTPO pay-on-production contract in the United States.

**Earnings before taxes (EBT)** in the first six months of 2011 totaled EUR 17.7 million, which compares to EUR -5.7 million in H1 2010. Taxes paid during the period under review totaled EUR 6.4 million, versus EUR 4.6 million last year at the same time. The tax rate is 36.2%. Tax loss carry-forwards among the German consolidated companies were reduced as planned based on the positive earnings contributions.

In total, KUKA Group's **earnings after taxes** in the first six months of 2011 jumped to EUR 11.3 million from EUR -10.3 million last year. Earnings per share improved accordingly, going from EUR -0.37 to EUR 0.34.

### GROUP CONSOLIDATED INCOME STATEMENT (CONDENSED)

| € million | 6 Months 2010 | **6 Months 2011** |
|---|---|---|
| Sales revenues | 480.1 | 663.4 |
| EBIT | 5.0 | 31.1 |
| EBITDA | 16.4 | 43.7 |
| Financial results | -9.1 | -9.9 |
| Taxes on income | -4.6 | -6.4 |
| Net result | -10.3 | 11.3 |

## FINANCIAL POSITION

The significant improvement in the earnings situation is reflected in **cash earnings**, which consist of earnings after taxes adjusted for cash-neutral depreciation on fixed assets and intangible assets and other income and expenses impacting cash. These came in at EUR 25.6 million, 21.7 million higher than the comparable prior year's number of EUR 3.9 million.

**Cash flow from operating activities** was EUR -25.5 million, which compares to EUR -12.0 million in the first half of 2010. This reflects the steady increase in working capital as a result of the satisfactory business growth that continued into the second quarter. Trade working capital rose EUR 25.7 million in the first quarter of 2011, and a further increase of EUR 52.4 million was recorded as of June 30, 2011. The total increase for the first six months of 2011 is thus EUR 78.0 million (receivables EUR +61.1 million, inventories EUR +34.6 million, offsetting trade payables EUR +17.7 million). Liabilities from construction contracts were posted at EUR 67.3 million, EUR 27.7 million higher than the number reported on December 31, 2010. The other liabilities, EUR +10.0 million, was attributable mainly to the personnel area (e.g., flexible work time and untaken vacation). These business-related investments in working capital caused cash flow from operating activities to go from EUR -12.0 million in the prior year's comparable period to EUR -25.5 million in 2011.

The company **invested** EUR 9.7 million in the first half of 2011, compared to EUR 5.3 million in the first half of 2010. About 75 percent of this total went into fixed assets. But investments in intangible assets also rose. They went from EUR 1.1 million in the first half of 2010 to EUR 2.5 million in the first half of 2011; see also "research and development" section. Income from asset retirement during the reporting period was EUR 0.2 million versus EUR 1.0 million the year prior. Cash flow from investments was thus EUR -9.5 million compared to EUR -4.3 million in H1/2010.

The reduced cash flow from operating activities plus cash flow from investment activities resulted in a **free cash flow** of EUR -35.0 million, which compares to last year's EUR -16.3 million.

The sale of treasury shares in May 2011 produced a cash inflow of EUR 23.7 million. As of June 30, 2011, KUKA Group had cash and cash equivalents totaling EUR 186.0 million compared to EUR 43.8 million in Q2/2010. Of the EUR 186 million, EUR 64.6 million were earmarked to potentially repay the convertible bond, which comes due in November 2011. The substantial increase in cash and cash equivalents compared to the prior year's first half is primarily due to the cash injection from the bond placed in November 2010.

The Group's net debt; that is, liquid assets minus current and non-current financial liabilities was EUR 76.7 million on June 30, 2011. This is EUR 16.4 million higher than on December 31, 2010, or EUR 44.0 million greater than on the prior year's comparable record date. However, the Group's financing structure has improved substantially, especially with respect to the maturity dates.

### CONSOLIDATED CASH FLOW (CONDENSED)

| € million | 6 Months 2010 | **6 Months 2011** |
|---|---|---|
| Cash Earnings | 3.9 | 25.6 |
| Cashflow from operating activities | -12.0 | -25.5 |
| Cashflow from investing activities | -4.3 | -9.5 |
| Free Cashflow | -16.3 | -35.0 |

## NET WORTH

On the **asset side** of the balance sheet, non-current assets were down EUR 10.9 million from their December 31, 2010 level. Aside from the EUR 4.6 million decline in fixed assets, this is especially driven by the lower receivables from the finance lease associated with the earlier redemption of the financing for the KTPO pay-on-production contract.

Higher receivables related to manufacturing orders and inventories were reflected in sharply higher current assets as of June 30, 2011. Further details are provided in the financial position section. The increase in business volume and associated increased material procurement is also reflected in the increase in other assets, which is primarily driven by value-added tax. In total, current assets as of June 30, 2011 were EUR 778.1 million, EUR 90.0 million higher than on December 31, 2010.

KUKA Group's total balance sheet rose from EUR 984.7 million on December 31, 2010 to EUR 1,063.8 million as of the period-end date of June 30, 2011. This represents an increase of EUR 79.1 million or 8.0 percent.

**Equity** rose from EUR 198.1 million to EUR 232.4 million in the first half of 2011. Both the earnings after taxes of EUR 11.3 million and actuarial gains in connection with pension obligations of EUR 2.0 million had a positive impact, as did the sale of treasury shares valued at EUR 23.7 million. This was offset by foreign currency effects of EUR 3.4 million. The equity ratio is now 21.8 percent, compared to 20.1 percent on December 31, 2010.

The financial liabilities relate mainly to the convertible bond due in November 2011 and the corporate bond, which matures in November 2017.

Current liabilities rose from EUR 491.7 million on December 31, 2010 to EUR 543.4 million on June 30, 2011, driven mainly by the aforementioned increase in trade payables and payables related to manufacturing orders.

KUKA Group's **working capital** has risen steadily; from EUR 84.8 million at the close of 2010, to EUR 98.3 million as of March 31, 2011 and EUR 135.1 million as of June 30, 2011. Further information hereto is outlined in the financial position section.

### GROUP ASSETS SITUATION

| € million | 12/31 2010 | **6/30 2011** |
|---|---|---|
| Total assets | 984.7 | 1,063.8 |
| Equity | 198.1 | 232.4 |
| in % of total assets | 20.1% | 21.8% |
| Net debts | 60.3 | 76.7 |

## RESEARCH AND DEVELOPMENT

KUKA Group's R&D expenses rose from EUR 14.8 million to EUR 20.5 million in the first half of 2011, 38.5 percent higher than in the first half of 2010. The majority of the additional spending was on trendsetting technological innovations, particularly in the industrial and advanced robotics areas.

As in the prior quarter, about 97 percent of the R&D expenses are attributable to the Robotics division. The Systems division's R&D expenses relate mainly directly to in-house orders from customers.

## EMPLOYEES

As a result of the substantially higher business volume, KUKA Group hired additional staff, particularly in the Robotics division. Overall, the Group's workforce went from 5,774 at the end of June 2010 to 6,306 at the end of June 2011; this represents an increase of 9.2 percent, or 532 persons. Of these, 410 employees were added to the Robotics division's payroll. The business unit expanded its capacity mainly at the control panel facility in Hungary and key central departments in Augsburg. In total, the division had 2,600 employees at the end of June 2011. The number of employees in the System division increased by 123, going from 3,390 as of June 30, 2010 to 3,513 on June 30, 2011. Employees were mainly added in the general industry area.

In the second quarter of 2011, the Group had 114 more employees than in the first quarter 2011. Of these, 111 were added by the Robotics division.

In view of the higher business volume and to maintain operating flexibility, the number of contract workers employed by KUKA Group also rose further and totaled 1,118 as of June 30, 2011, the end of the second quarter. This compares to 667 on June 30, 2010 and 950 on March 31, 2011.

# RISK MANAGEMENT

The events in Japan on March 11, 2011 had no negative impact on KUKA Group's results for the first half of 2011. Neither do we currently foresee any impact on the business operations for the remainder of the current financial year. A special task force regularly monitors the situation in Japan.

Aside from these developments, there has been no material change in KUKA Group's risk situation compared to the first quarter of 2011 or since the end of the 2010 financial year.

Please refer to pages 66 and following of the detailed risk report in the 2010 annual report in this regard.

# OUTLOOK

In fiscal 2010, KUKA set the stage for profitable growth. As the world economy recovers further and stable growth returns, we continue to expect sharply rising sales revenues at the Group level in 2011 and operating profit (EBIT) growth to exceed sales growth due to the successful completion of the cost restructuring program.

Based on these general economic conditions, KUKA Group had forecast sales revenues of at least EUR 1.2 billion in the updated guidance released after presenting the current year's first-quarter report. Assuming conditions remain comparable to the first half of 2011 and based on the numbers presented here for the first half of the year, we should be able to generate sales revenues of EUR 1.3 billion. Higher operational capacity utilization and an improved sales mix with a greater share of general industry business, plus a lower operational breakeven point, should lead to an EBIT margin of at least 5 percent in 2011.

# KUKA AND THE CAPITAL MARKET

## WORLD EVENTS STALL STOCK MARKET RALLY

**Increasing Stocks**

Following the stock market volatility in the first quarter of 2011, price fluctuations declined in the second quarter of 2011. Companies in the automotive sector and exporting industries continue to benefit from the rapid recovery of the world economy and their stocks increased. As a result, the DAX, the index of the thirty largest listed companies in Germany, rose 4.8 percent in the second quarter of 2011, for a total increase of 6.7 percent for the first half of the year. The performance of the SDAX, the index of fifty smaller-sized listed companies, was similar. It rose 5.3 percent during the period under review, with a total gain of 4.7 percent for the first half of 2011.

**KUKA equity outperforms indices**

KUKA's share price rose considerably faster than the indices. The stock was up 11.5 percent in the second quarter of 2011 and closed at EUR 18.58 on June 30. Average trading volume was 115,000 shares per day. KUKA shares were thus well-positioned in comparison to its peer group, whose stock prices fluctuated in a wide range from -26 percent to +36 percent. With its share price rising 11.9 percent in the first half of 2011, KUKA's performance was slightly better than the average of its peers, which ranged from -33 percent to +24 percent in the first half of 2011.

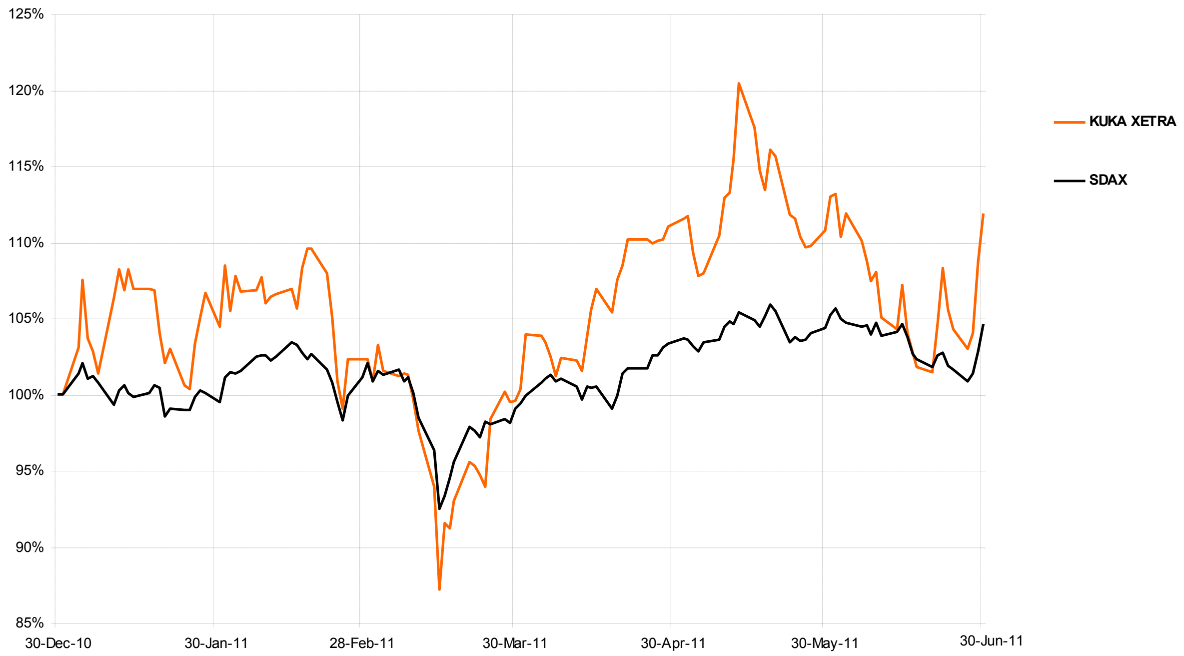
**Increased activity around mid-quarter**

Due to the strong order intake and business growth that was exceeding the plan, KUKA AG raised its sales target for fiscal 2011 and announced same in an ad hoc release published on May 9. After subsequently publishing the interim report for the first quarter of 2011, a number of banks raised their price target for KUKA's shares.
In the second quarter of 2011, KUKA also sold treasury shares it had bought back in 2008 and thereby expanded its free float to 76.3 percent. The company sold 1.33 million shares at EUR 18.60 per share. The gross income of EUR 24.7 million will help finance our growth.

In addition, on May 16, Allianz Global Investors, one of the Germany's largest investment funds, announced it had raised its stake in the company to 3.98 percent

At the Annual General Meeting of KUKA AG on May 26 in Augsburg, a large majority of the company's shareholders ratified the actions of the members of the Supervisory and Executive Boards. A big majority of shareholders also endorsed the other items on the agenda.

# KUKA'S SHARE PRICE PERFORMANCE



# INTERIM REPORT (CONDENSED)

## GROUP CONSOLIDATED INCOME STATEMENT

| € million | 6 Months 2010 | **6 Months 2011** |
|---|---|---|
| **Sales revenues** | **480.1** | **663.4** |
| Cost of sales | -389.3 | -526.0 |
| **Gross profit** | **90.8** | **137.4** |
| Selling expenses | -39.3 | -43.9 |
| Research and development expenses | -14.8 | -20.5 |
| General and administrative expenses | -37.2 | -39.7 |
| Other operating income | 25.5 | 19.9 |
| Other operating expenses | -21.6 | -25.6 |
| **Result from operating activities** | **3.4** | **27.6** |
| **Reconciliation to earnings before interest and taxes (EBIT)** | **0.0** | **0.0** |
| Financing costs included in cost of sales | 1.6 | 3.5 |
| **Earnings before interest and taxes (EBIT)** | **5.0** | **31.1** |
| Net interest income | 4.5 | 4.6 |
| Net interest expense | -13.6 | -14.5 |
| **Financial results** | **-9.1** | **-9.9** |
| **Earnings before tax** | **-5.7** | **17.7** |
| Taxes on income | -4.6 | -6.4 |
| **Net result** | **-10.3** | **11.3** |
| thereof minority interests in profits | 0.0 | 0.1 |
| thereof shareholders of KUKA AG | -10.3 | 11.2 |
| **Earnings per share (diluted/undiluted) in €** | **-0.37** | **0.34** |

## STATEMENT OF COMPREHENSIVE INCOME

| € millions | 6 Months 2010 | **6 Months 2011** |
|---|---|---|
| **Earnings after taxes** | **-10.3** | **11.3** |
| Translation adjustments | 13.8 | -3.4 |
| Changes of actuarial gains and losses | -5.0 | 2.5 |
| Deferred taxes on changes of acturial gains and losses | 0.9 | -0.5 |
| **Other comprehensive income** | **9.7** | **-1.4** |
| **Comprehensive income** | **-0.6** | **9.9** |
| of which: attributable to minority interests | 0.0 | 0.1 |
| of which: attributable to shareholders of KUKA AG | -0.6 | 9.8 |

## GROUP CONSOLIDATED INCOME STATEMENT

| € million | 2nd Quarter 2010 | **2nd Quarter 2011** |
|---|---|---|
| **Sales revenues** | **271.0** | **336.9** |
| Cost of sales | -218.8 | -266.3 |
| **Gross profit** | **52.2** | **70.6** |
| Selling expenses | -21.0 | -23.7 |
| Research and development expenses | -7.9 | -10.8 |
| General and administrative expenses | -21.1 | -19.4 |
| Other operating income | 15.3 | 6.8 |
| Other operating expenses | -12.2 | -8.9 |
| **Result from operating activities** | **5.3** | **14.6** |
| **Reconciliation to earnings before interest and taxes (EBIT)** | | |
| Financing costs included in cost of sales | 1.4 | 1.8 |
| **Earnings before interest and taxes (EBIT)** | **6.7** | **16.4** |
| Net interest income | 2.3 | 2.3 |
| Net interest expense | -6.4 | -7.4 |
| **Financial results** | **-4.1** | **-5.1** |
| **Earnings before tax** | **1.2** | **9.5** |
| Taxes on income | -0.5 | -3.6 |
| **Net result** | **0.7** | **5.9** |
| thereof minority interests in profits | 0.0 | 0.1 |
| thereof shareholders of KUKA AG | 0.7 | 5.8 |
| **Earnings per share (diluted/undiluted) in €** | **0.02** | **0.17** |

## STATEMENT OF COMPREHENSIVE INCOME

| € millions | 2nd Quarter 2010 | **2nd Quarter 2011** |
|---|---|---|
| **Earnings after taxes** | **0.7** | **5.9** |
| Translation adjustments | 8.2 | -0.5 |
| Changes of actuarial gains and losses | -2.4 | 0.1 |
| Deferred taxes on changes of acturial gains and losses | 0.1 | 0.0 |
| **Other comprehensive income** | **5.9** | **-0.4** |
| | | |
| **Comprehensive income** | **6.6** | **5.5** |
| of which: attributable to minority interests | 0.0 | 0.1 |
| of which: attributable to shareholders of KUKA AG | 6.6 | 5.4 |

# CONSOLIDATED CASH FLOW

| € million | 6 Months 2010 | **6 Months 2011** |
|---|---|---|
| **Net result** | **-10.3** | **11.3** |
| Depreciation/amortization on intangible assets | 3.8 | 5.0 |
| Depreciation/amortization on tangible assets | 7.6 | 7.6 |
| Other non-payment-related income | -3.3 | -5.4 |
| Other non-payment-related expenses | 6.1 | 7.1 |
| **Cash Earnings** | **3.9** | **25.6** |
| Result on the disposal of assets | -0.1 | 0.0 |
| Changes in provisions | -13.8 | -10.0 |
| Changes in current assets and liabilities: | | |
| Changes in inventories | -29.1 | -35.2 |
| Changes in receivables and deferred charges | -5.3 | -79.4 |
| Changes in liabilities and deferred charges (without debts) | 32.4 | 73.5 |
| **Cash flow from operating activities** | **-12.0** | **-25.5** |
| Payments from disposals of fixed assets | 1.0 | 0.2 |
| Payments for capital expenditure on intangible assets | -1.1 | -2.5 |
| Payments for investments on tangible assets | -4.2 | -7.2 |
| **Cash flow from investing activities** | **-4.3** | **-9.5** |
| Free cash flow | **-16.3** | **-35.0** |
| Payment for capital increase | 42.8 | 0.0 |
| Cashinflow from sell of treasury stock | 0.0 | 23.7 |
| Payment for repaying liabilities due to banks and liabilities similiar to bonds | -47.3 | -4.4 |
| **Cash flow from financing activities** | **-4.5** | **19.3** |
| **Payment-related change in cash and cash equivalents** | **-20.8** | **-15.7** |
| Exchange-rate-related and other changes in cash and cash equivalents | 3.4 | -1.7 |
| **Change in cash and cash equivalents** | **-17.4** | **-17.4** |
| (of that net increase/decrease in restricted cash) | (0,0) | (-4,4) |
| Cash and cash equivalents at the beginning of the period | 61.2 | 134.4 |
| **Cash and cash equivalents at the end of the period** | **43.8** | **121.4** |
| Restricted cash | 0.0 | 64.6 |
| **Cash and cash equivalents acc. to balance sheet** | **43.8** | **186.0** |

# CONSOLIDATED BALANCE SHEET

## ASSETS

| € million | 12/31/2010 | **06/30/2011** |
|---|---|---|
| **Non-Current assets** | | |
| **Fixed assets** | | |
| Intangible assets | 76.5 | 73.9 |
| Tangible assets | 85.8 | 83.8 |
| Financial investments and investments in associates | 1.0 | 1.0 |
| | **163.3** | **158.7** |
| **Long-term finance lease receivables** | **77.8** | **69.9** |
| **Long term tax receivables** | **9.0** | **9.3** |
| **Other long-term receivables and other assets** | **12.0** | **12.4** |
| **Deferred taxes** | **34.5** | **35.4** |
| | **296.6** | **285.7** |
| **Current assets** | | |
| **Inventories** | **158.0** | **192.6** |
| **Receivables and other assets** | | |
| Trade receivables | 125.7 | 121.4 |
| Receivables from construction contracts | 166.1 | 231.5 |
| Current finance lease receivables | 4.1 | 3.9 |
| Current tax receivables | 3.6 | 3.0 |
| Other assets, prepaid expenses and deferred charges | 27.2 | 39.7 |
| | **326.7** | **399.5** |
| **Cash and cash equivalents** | **203.4** | **186.0** |
| | **688.1** | **778.1** |
| | **984.7** | **1,063.8** |

## EQUITY AND LIABILITIES

| € million | 12/31/2010 | 06/30/2011 |
|---|---|---|
| **Equity** | **198.1** | **232.4** |
| | | |
| **Non-current liabilities, provisions and accruals** | | |
| Non-current financial liabilities | 192.8 | 193.4 |
| Other non-current liabilities | 13.6 | 13.3 |
| Pensions and similiar obligations | 70.2 | 66.5 |
| Deferred taxes | 18.3 | 14.8 |
| | **294.9** | **288.0** |
| **Current liabilities** | | |
| Current financial liabilities | 70.9 | 69.3 |
| Trade payables | 148.6 | 166.3 |
| Advances received | 49.0 | 57.1 |
| Liabilities from construction contracts | 39.6 | 67.3 |
| Accounts payable to affiliated companies | 0.1 | 0.0 |
| Other current liabilities and deferred income | 14.3 | 13.2 |
| Provision for taxes | 80.3 | 90.3 |
| Other provisions | 88.9 | 79.9 |
| | **491.7** | **543.4** |
| | | |
| | **984.7** | **1,063.8** |

# CHANGES TO GROUP EQUITY

| | | | | | Revenues reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares outstanding | Subscribed capital in € million | Capital reserve in € million | Treasury stock in € million | Translation gains/ losses in € millions | Actuarial gains and losses in € millions | Annual net income and other revenue reserves in € millions | Equity to shareholders in € millions | Minority interests in € millions | **Total in € millions** |
| **01/01/2011** | **32,588,091** | **88.2** | **75.4** | **-27.9** | **-3.0** | **1.7** | **62.2** | **196.6** | **1.5** | **198.1** |
| Comprehensive income | | | | | -3.4 | 2.0 | 11.2 | 9.8 | 0.1 | 9.9 |
| Capital increase | | | | | | | | 0.0 | | 0.0 |
| Cashinflow from sell of treasury stock | 1,327,340 | | | 27.9 | | | -4.2 | 23.7 | | 23.7 |
| Employees' share programme | | | | | | | 0.8 | 0.8 | | 0.8 |
| Other changes | | | -0.5 | | | | 0.4 | -0.1 | | -0.1 |
| **06/30/2011** | **33,915,431** | **88.2** | **74.9** | **0.0** | **-6.4** | **3.7** | **70.4** | **230.8** | **1.6** | **232.4** |

| | | | | | Revenues reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares outstanding | Subscribed capital in € million | Capital reserve in € million | Treasury stock in € million | Translation gains/ losses in € millions | Actuarial gains and losses in € millions | Annual net income and other revenue reserves in € millions | Equity to shareholders in € millions | Minority interests in € millions | **Total in € millions** |
| **01/01/2010** | **27,932,650** | **76.1** | **47.0** | **-27.9** | **-9.9** | **2.1** | **72.0** | **159.4** | **1.4** | **160.8** |
| Comprehensive income | | | | | 13.8 | -4.1 | -10.3 | -0.6 | | **-0.6** |
| Capital increase | 4,655,441 | 12.1 | 29.9 | | | | | 42.0 | | **42.0** |
| Cashinflow from sell of treasury stock | | | | | | | | 0.0 | | **0.0** |
| Employees' share programme | | | | | | | | 0.0 | | **0.0** |
| Other changes | | | | | | 1.2 | -1.2 | 0.0 | | **0.0** |
| **06/30/2010** | **32,588,091** | **88.2** | **76.9** | **-27.9** | **3.9** | **-0.8** | **60.5** | **200.8** | **1.4** | **202.2** |

# NOTES ON THE QUARTERLY REPORT (CONDENSED)

## GROUP SEGMENT REPORT

| | Robotics | | Systems | | KUKA AG and other companies | | Reconciliation and consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| € million | 6 Months 2010 | **6 Months 2011** | 6 Months 2010 | **6 Months 2011** | 6 Months 2010 | **6 Months 2011** | 6 Months 2010 | **6 Months 2011** | 6 Months 2010 | **6 Months 2011** |
| Group external sales revenues | 176.7 | 264.6 | 303.1 | 398.4 | 0.3 | 0.4 | - | - | 480.1 | 663.4 |
| as a % of Group sales revenues | 36.8% | 39.9% | 63.1% | 60.0% | 0.1% | 0.1% | - | - | 100.0% | 100.0% |
| Intra-Group sales | 22.3 | 21.0 | 0.8 | 0.6 | 4.7 | 5.0 | -27.8 | -26.6 | - | - |
| **Sales revenue by division** | **199.0** | **285.6** | **303.9** | **399.0** | **5.0** | **5.4** | **-27.8** | **-26.6** | **480.1** | **663.4** |
| **Result from operating activities** | **6.2** | **21.9** | **6.0** | **11.5** | **-13.2** | **-6.2** | **4.4** | **0.4** | **3.4** | **27.6** |
| Financing costs included in cost of sales | - | - | 1.6 | 3.5 | - | - | - | - | 1.6 | 3.5 |
| **Earnings before interest and taxes (EBIT)** | **6.2** | **21.9** | **7.6** | **15.0** | **-13.2** | **-6.2** | **4.4** | **0.4** | **5.0** | **31.1** |
| as a % of sales revenues of the division | 3.1% | 7.7% | 2.5% | 3.8% | - | - | - | - | 1.0% | 4.7% |
| as a % of Group external sales revenues | 3.5% | 8.3% | 2.5% | 3.8% | - | - | - | - | 1.0% | 4.7% |
| **EBITDA** | **11.3** | **28.3** | **12.5** | **19.7** | **-11.8** | **-4.7** | **4.4** | **0.4** | **16.4** | **43.7** |
| as a % of sales revenues of the division | 5.7% | 9.9% | 4.1% | 4.9% | - | - | - | - | 3.4% | 6.6% |
| as a % of Group external sales revenues | 6.4% | 10.7% | 4.1% | 4.9% | - | - | - | - | 3.4% | 6.6% |
| Assets (06/30/2011 / 12/31/2010) | 249.2 | 292.9 | 504.8 | 546.5 | 175.8 | 176.3 | -192.1 | -182.7 | 737.7 | 833.0 |
| Payroll (06/30) | 2,190 | 2,600 | 3,390 | 3,513 | 194 | 193 | - | - | 5,774 | 6,306 |

## IFRS/IAS ACCOUNTING STANDARDS

KUKA Aktiengesellschaft, headquartered in Augsburg, prepared its interim financial statements for the period ending June 30, 2011 in line with the IAS 34 Interim Financial Reporting guidelines as adopted by the European Union. The company elected to prepare a condensed version in accordance with this standard. The condensed interim report should be read in conjunction with the Group's consolidated financial statements to December 31, 2010.

The consolidated financial statements for 2010 were prepared according to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) 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), as approved by the European Union, supplemented by the guidelines stipulated in article 315a, paragraph 1 of the German Commercial Code (HGB).

## GROUP OF CONSOLIDATED COMPANIES

A total of forty-seven companies are included in the Group consolidated interim financial statements, two more than on the December 31, 2010 record date. In addition to KUKA Aktiengesellschaft, it includes six companies registered inside Germany and forty firms domiciled outside Germany, for which KUKA Aktiengesellschaft either directly or indirectly holds majority voting rights.

In comparison to December 31, 2010, the following companies were founded and added to the scope of consolidation:

- KUKA Robotics (China) Co. Ltd., Shanghai, China and
- KUKA Systems SRL, Sibiu, Romania

The change in the scope of consolidation does not impair comparability with the previous year.

## ACCOUNTING AND VALUATION METHODS

The same valuation methodology and accounting principles as those used for the consolidated financial statements for the business year ending 2010 were applied in preparing this consolidated interim report, with the exception of the changes described in the following. For further information, please refer to the consolidated financial statements dated December 31, 2010, which form the basis of the interim report presented here. The latter are also available on the Internet at www.KUKA.com.

## CHANGES TO ACCOUNTING AND VALUATION POLICIES

The following new standards and interpretations have come become mandatory since the start of the 2011 financial year:

- Amendments to IFRS 1 – limited exemption from comparative IFRS 7 disclosures for first time adopters
- IAS 24 (rev. 2009) – related party disclosures
- Amendments to IAS 32 – classification of rights Issues
- Improvements to IFRSs (2010), *
- Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – extinguishing financial liabilities with equity instruments

  * affects the following standards: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 34 and IFRIC 13

The new standards and interpretations are not applicable to or have little impact on KUKA's consolidated statements.

## EMPLOYEE SHARE PROGRAM

KUKA employees of the German companies were able to acquire KUKA shares as part of an employee share program. Based on a staggered holding period of 1, 3 and 5 years, employees are credited with a bonus share for every ten KUKA shares purchased. In addition to the subscribed shares, employees were granted an additional 50 percent shares as an incentive. The number of bonus shares available to all employees was capped at 75,000, the same as the year prior. KUKA employees acquired a total of 101,820 shares.

## EARNINGS PER SHARE

Undiluted/diluted earnings per share break down as follows:

| | | 6 Months 2010 | **6 Months 2011** |
|---|---|---|---|
| Net result attributable to shareholders of KUKA AG | in € millions | -10.3 | 11.2 |
| Weighted average number of shares outstanding | shares | 28,061,968 | 32,942,048 |
| **Earnings per share** | **in €** | **-0.37** | **0.34** |

Undiluted earnings per share due to shareholders of KUKA Aktiengesellschaft were calculated as per IAS 33 on the basis of Group consolidated earnings after taxes and the weighted average number of shares outstanding for the year.

In the first six months of 2010, the weighted average number of shares in circulation was 28.1 million. The corporate action in June 2010 and the sale of treasury shares in May 2011 increased the weighted average number of shares outstanding in the first six months of 2011 to 32.9 million.

## CAPITAL INCREASE IN JUNE 2010

In June 2010, a rights issue consisting of 4,655,441 shares was placed. KUKA Aktiengesellschaft's equity is thus now EUR 88,180,120.60. The recapitalization was implemented by issuing rights with a ratio of 6:1. At an issue price of EUR 2.60 per share, the subscription price was EUR 9.75. The difference between the subscription price and issue price is reported in the capital reserve, taking into account commissions and taxes. After subtracting direct transaction costs, the company received a cash injection of EUR 42.8 million.

The share capital is subclassified into 33,915,431 no par value bearer shares. Each share is equal to one vote.

## SALE OF TREASURY SHARES IN MAY 2011

In 2008, the company bought 1,327,340 of its own shares at a cost of EUR 27,898,339.58. On the basis of the authority granted by shareholders at the Annual General Meeting of KUKA Aktiengesellschaft on April 29, 2010, KUKA Aktiengesellschaft's Executive Board, with the approval of the Supervisory Board, decided to sell these treasury shares on May 11, 2011. UniCredit Bank AG and Joh. Berenberg, Gossler & Co. KG each purchased 50 percent of the shares as joint book runners, and then immediately offered them to institutional investors. The shares were sold for EUR 18.60 each. After deducting the usual commissions, the company received EUR 23,698,328.36.

Following the sale of the treasury shares, the total number of shares in circulation as of June 30, 2011 is 33,915,431.

## IAS 19 EMPLOYEE BENEFITS

The balance sheet employee benefits account rate of return of 4.95 percent per annum effective December 31, 2010 was adjusted to 5.30 percent per annum for German companies as of June 30, 2011 in accordance with IAS 19, which resulted in actuarial gains totaling EUR 2.3 million in the first half of 2011. The rate of return applied to North American companies remains unchanged at 5.40 percent per annum. Investment income from external pension funds exceeded expectations, resulting in actuarial gains of EUR 0.2 million. The actuarial result was reported under equity as an income-neutral sum of EUR 2.0 million in consideration of deferred taxes.

## RESTRUCTURING

In 2009, the company decided upon and announced an extensive restructuring plan that would affect the entire Group. Execution of the plan started in 2009. It continued and was largely completed as planned during the 2010 financial year. Financial obligations related to the restructuring program as of December 31, 2010 totaled EUR 4.7 million. As of June 30, 2011, the financial obligations totaled EUR 1.9 million, of which EUR 1.1 million are allocated to the Systems division and EUR 0.6 million to the Robotics division. In the first half of 2011, accruals of EUR 0.3 million for restructuring measures were reversed.

## BOND

In November 2010, KUKA Aktiensgesellschaft placed a bond with a face value of EUR 202.0 million. The bond was purchased at 99.3605 percent and resulted in a cash injection of EUR 200.7 million. The bond was issued in denominations of EUR 50,000 and has a coupon rate of 8.75 percent per annum. Interest is paid on May 15 and November 15. The bond matures no later than November 15, 2017.

## CONVERTIBLE BOND

In May 2006, KUKA placed a convertible bond with a face value of EUR 69 million, collateralized by KUKA Aktiengesellschaft, via its subsidiary KUKA Finance B.V., Amsterdam, Netherlands. The bond has a coupon rate of 3.75 percent. The bond was issued in denominations of EUR 50,000.00 and grants rights for conversion into up to 2,748,632 no par value bearer shares of KUKA Aktiengesellschaft. The conversion price is thus currently EUR 25.1034 per share. The bond matures on November 9, 2011.
A trust account has been set up and sufficient funds deposited to fulfill the convertible bond obligations (restricted cash balance). KUKA Aktiengesellschaft has bought back EUR 4.6 million in shares of the convertible bond as of June 30, 2011. The associated expense of EUR 0.1 million was reported under the financial expense account.

## SYNDICATED LOAN

In March 2010, KUKA Aktiengesellschaft successfully concluded an agreement on amending the original 2006 Syndicated Senior Facilities Agreement totaling EUR 336.0 million (of which EUR 146.0 million is a cash credit line and a EUR 190.0 line of credit for LCs) and thus secured KUKA Group's financing.

In November 2010, KUKA Aktiengesellschaft completed its financial restructuring by signing a new Syndicated Senior Facilities Agreement and placing the corporate bond.
The Syndicated Senior Facilities Agreement comprises a total of EUR 200.0 million (of which EUR 50.0 million is a cash credit line and EUR 150.0 million a line of credit for LCs) and matures at the end of March 2014.

For additional information about the Syndicated Senior Facilities Agreement, please refer to the December 31, 2010 annual report.

## CREDIT LINES FROM SURETY COMPANIES

The lines of credit for LCs provided by surety companies were raised from EUR 10.0 million on December 31, 2010 to EUR 20.0 million. At the end of the second quarter, the company had utilized EUR 13.7 million versus EUR 5.6 million on December 31, 2010.

## ASSET-BACKED SECURITIES (ABS) PROGRAM

In addition to the ABS program in the amount of EUR 25.0 million established with Bayerische Landesbank as discussed in the 2010 annual report, a further ABS program was agreed to in June 2011. Under the terms of this new program, trade receivables of KUKA Roboter GmbH in an amount of up to EUR 25.0 million can be sold to a special purpose vehicle (SPV) of Landesbank Baden-Württemberg. The SPV finances the purchase of the receivables by issuing securities on the capital market or through utilization of a special credit line provided by Landesbank Baden-Württemberg. As of June 30, 2011, the company had utilized EUR 12.0 million under the terms of this new program. The adequate creditworthiness of the receivables sold is guaranteed by a default guarantee from a credit insurer. KUKA Roboter GmbH absorbs the first 1.15 percent of the credit risk from the sale of the receivables. A cash deposit of EUR 1.4 million was established as a further security and is reported under other assets. The continuing involvement of EUR 0.1 million was completely written off as of the balance sheet date.

## SEGMENT REPORTING

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

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

## CASH FLOW STATEMENT

The cash flow statement shows changes to KUKA Group's liquidity position in accordance with IAS 7. These cash holdings consist of funds recognized on the balance sheet as cash and cash equivalents; that is, cash in hand, checks and cash balances with financial institutions, provided that they are available within three months. Of the cash injected, EUR 64.6 million have been deposited to a trust account and can be used to fulfill the convertible bond obligations (restricted cash balance). None of the remaining cash is subject to restrictions related to disposal.

## CONTINGENT OBLIGATIONS AND COMMERCIAL COMMITMENTS

There has been no material change in other financial obligations and contingent liabilities since December 31, 2010.

## RELATED PARTIES

There have been no changes in dealings with related persons or companies since December 31, 2010.

In total, the value of goods and services supplied to related parties in the first six months of the financial year was EUR 9.0 million. The goods and services received by the Group from related parties were worth EUR 11.5 million. As of June 30, 2011, receivables totaled EUR 5.8 million and liabilities EUR 0.6 million. The market oriented transfer prices are in accordance with the "dealing at arm's length" principle.

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

There were no events of material significance after the close of the reporting period.

## 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 condensed 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 3, 2011

The Executive Board

Dr. Till Reuter Stephan Schulak

# DECLARATION BY THE AUDITORS

To KUKA Aktiengesellschaft, Augsburg

We have reviewed the condensed interim consolidated financial statements of the KUKA Aktiengesellschaft - comprising condensed group consolidated income statement, comprehensive income, condensed consolidated cash flow, condensed consolidated balance sheet, changes to group equity and condensed notes - together with the interim group management report of the KUKA Aktiengesellschaft, for the period from January 1 to June 30, 2011 that are part of the semi annual according to § 37 w (or § 37 x Abs. 3) WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, August 3, 2011

KPMG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Kozikowski
(German public auditor)

Rainer Rupprecht
(German public auditor)

## NOTE:

The Group interim 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.

## CONTACT

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