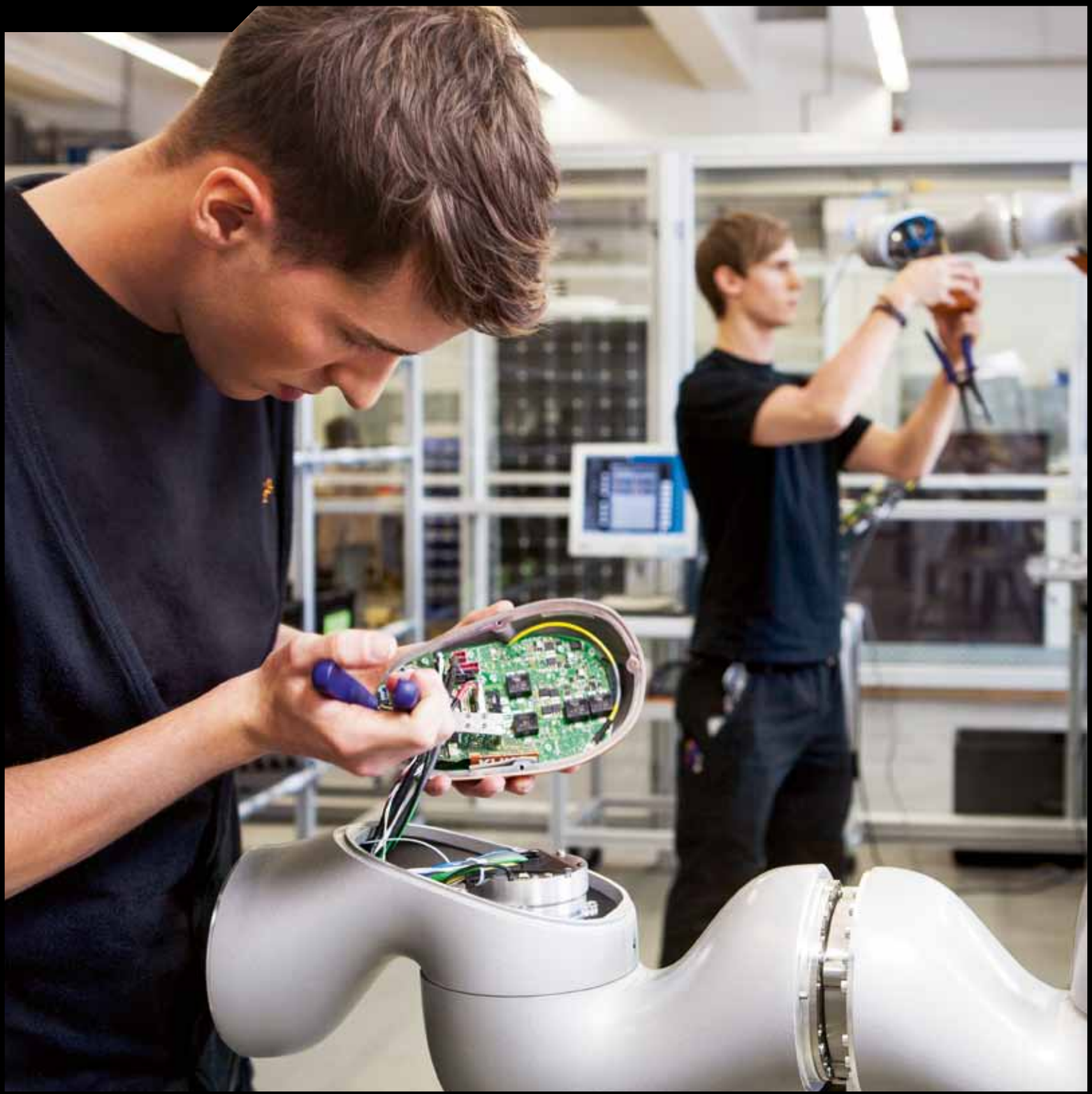
KUKA

SMART TOOLS MEET SMART PEOPLE

ANNUAL REPORT 2012

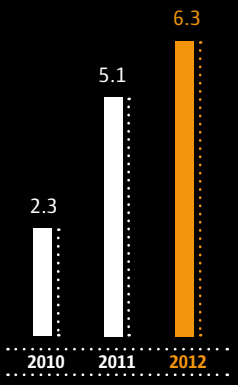


KEY FIGURES

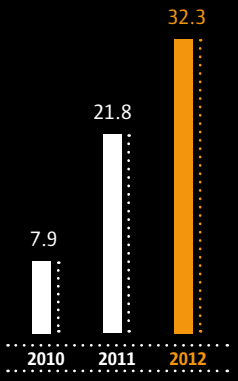
in € millions	2011	2012	Change in %
Orders received			
Robotics	654.4	803.1	22.7
Systems	916.6	1,115.1	21.7
Group	1,553.0	1,889.6	21.7
Sales revenues			
Robotics	616.3	742.6	20.5
Systems	850.7	1,025.3	20.5
Group	1,435.6	1,739.2	21.1
Order backlog (Dec. 31)	**724.0**	**909.4**	**25.6**
EBIT			
Robotics	51.0	80.2	57.3
Systems	33.7	47.7	41.5
Group	72.6	109.8	51.2
EBIT in % of sales			
Robotics	8.3	10.8	30.1
Systems	4.0	4.7	17.5
Group	5.1	6.3	23.5
Earnings after taxes	**29.9**	**55.6**	**86.0**
Financial situation			
Free cash flow	6.5	77.1	>100
Capital employed (annual average)	332.9	339.8	2.1
ROCE (EBIT in % of capital employed)	21.8	32.3	48.4
Capital expenditure	30.3	42.8	41.3
Employees (Dec. 31)	6,589	7,264	10.2
Net worth			
Balance sheet total	1,078.0	1,137.4	5.5
Equity	252.4	297.5	17.9
in % of balance sheet total	23.4	26.2	12.0
Share			
Weighted average number of shares outstanding (in millions of shares)	33.4	33.9	1.5
Earnings per share (in €)	0.89	1.64	84.3
Dividende je Aktie (in €)	–	0.20*	–
Market capitalization (Dec. 31)	472.0	938.4	98.8

* subject to approval by shareholders at the Annual General Meeting on June 5, 2013.

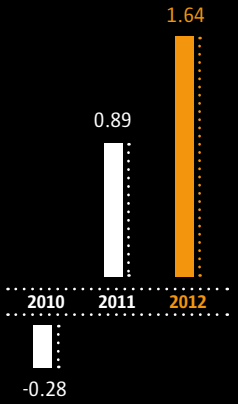
EBIT-MARGIN in %



ROCE in %



EARNINGS PER SHARE in €



AUTOMATION BECOMES EASY

KUKA automates manufacturing processes. Using KUKA robots as a core component, we develop and market robots, robot cells and entire robotic systems that help our customers achieve superior product quality and improve plant productivity. Our customer focus and innovation strength have made us the technology leader in our markets. Our aim is to grow profitably and enhance the value of the company, in both our core activity automotive, and especially in existing and emerging general industry markets such as solar and aircraft, as well as the medical systems, logistics, metals and plastics sectors.

KUKA

KUKA ROBOTICS

KUKA Robotics' core competence is in the development, manufacturing, controlling, sales and service of industrial robots suitable for any application and any industry sector, in addition to linear units, positioners and mobile platforms.

KUKA SYSTEMS

KUKA Systems offers its customers robot-based automation solutions. As general contractor, the division designs and builds customized production lines. The division has core competencies in processes such as welding, gluing, sealing, converting, assembling, testing and handling of metals, glass and other materials.

SMART TOOLS MEET SMART PEOPLE

TECHNOLOGY

KUKA'S INTELLIGENT ROBOTICS AND AUTOMATION SOLUTIONS ARE ALWAYS ONE STEP AHEAD.

MARKETS

KUKA GIVES ITS WORLDWIDE CUSTOMERS A DECISIVE LEAD WHILE CONDUCTING BUSINESS SUSTAINABLY.

KUKA

EMPLOYEES

KUKA'S PEOPLE WORK PASSIONATELY AND CREATIVELY. THEIR STRONG COMMITMENT AND EXPERTISE IS OUR MOST VALUABLE ASSET. KUKA OFFERS CONTINUING EDUCATION OPPORTUNITIES ACROSS THE GLOBE.

PARTNERS

KUKA'S TRUSTWORTHINESS AND RELIABILITY IS EVIDENT IN ALL ITS PARTNERSHIPS. IT'S HOW THE COMPANY ENSURES ENDURING SUCCESS FOR ALL ITS ASSOCIATES.

KUKA WORLDWIDE

EUROPE

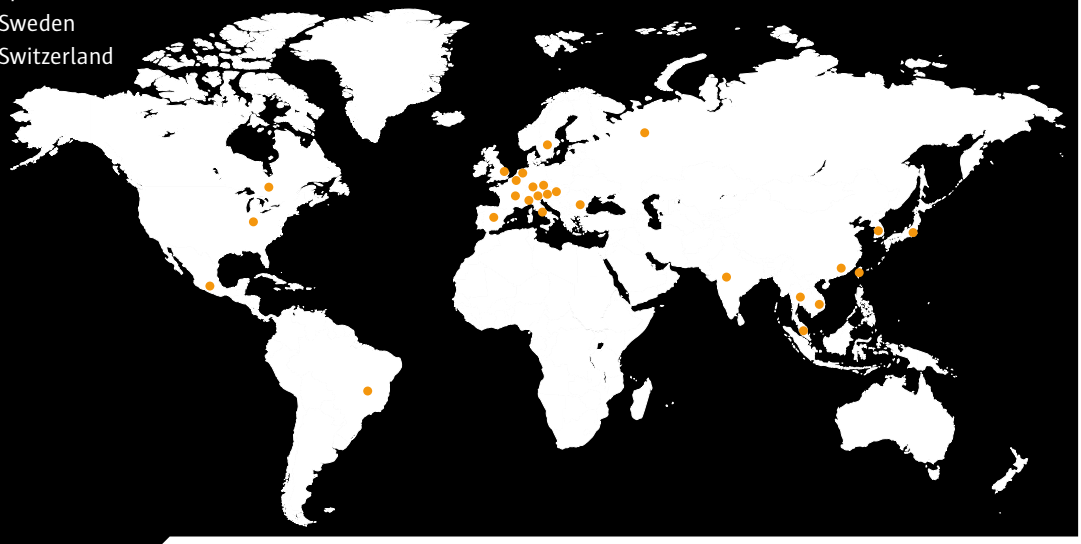
Austria
Belgium
Czech Republic
France
Germany
Great Britain
Hungary
Italy
Netherlands
Romania
Russia
Slovakia
Spain
Sweden
Switzerland

ASIA

China
India
Japan
Malaysia
South Korea
Taiwan
Thailand
Vietnam

NORTH / SOUTH AMERICA

Brazil
Canada
MEXICO
USA



DR. TILL REUTER
Chief Executive Officer

Dear shareholders and partners, Dear employees and friends of KUKA,

KUKA continued to grow profitably in 2012 and was able to beat the excellent 2011 results. This applies as much to orders received and sales revenues as it does to operating earnings before interest and taxes (EBIT). We thus fully met our own guidance for the financial year just ended.

KUKA continues to grow

Orders received last financial year reached a record level of € 1.89 billion, up 22 percent from the year prior. Sales revenues were also higher, rising 21 percent to reach € 1.74 billion. We were even able to grow EBIT at a faster rate than sales: It was up 51.2 percent and came in at € 110 million, above the € 100 million mark for the first time. EBIT margin was also up year-over-year, rising to 6.3 percent from 5.1 percent. The excellent business volume we generated significantly improved free cash flow. It jumped from € 6.5 million to € 77.1 million, enabling us to become completely debt free. Order backlog at the end of the year was € 909 million, which ensures that our capacity utilization in financial 2013 will be high.

Strategy pays off

Both our robotics and systems businesses have contributed to this excellent performance, which shows that we have successfully executed our strategy. Our aim was and is to shift our focus from purely automotive toward supplying automation solutions to general industry. We want to expand beyond Europe, tap the potential of the BRIC nations and the rest of the globe, and include not only just industrial automation, but also the promising field of service robotics in our portfolio.

From automotive to general industry solutions

If you know our history, you know that KUKA established its initial market leadership position in the automotive industry. We have solidly demonstrated our technology and industry leadership in this sector since the beginning of the seventies, when we built Europe's first robot-supported welding transfer line. Our largest customers are carmakers known for innovation and quality: from BMW to Daimler, and from Volkswagen to Ford. But there are others as well, such as Chrysler, India's Tata and China's largest maker of off-road vehicles and pickup trucks, Great Wall Motor Company (GWM). Our aim is to successfully defend our outstanding position as the number one robotics supplier to the international automotive sector and stay on top by continually supplying it with innovations.

The industry has led the way in consistently using the advantages of automation to boost efficiencies. Robot density in automotive is eight to ten times higher than in other manufacturing sectors. And we are able to deliver both the robots and entire assembly lines required to satisfy the sector's large orders. Now other industries are starting to catch up and are relying on KUKA's experience and expertise. This business not only provides us with a huge new opportunity, but in the long term, will also make us less and less dependent on a single sector and its business swings.

Close to the markets: global presence

We go where our customers go – another strategy that has paid off. This applies especially to our focus on developing nations such as China. After all, the demand for automation solutions in these markets is strengthening steadily as wage levels rise and quality specifications become more stringent. Our new robot assembly facility in Shanghai was designed to enable us to grow our market share in Asia in the coming years and to be closer to our customers. Here we serve not only European companies with subsidiaries in the region. More and more often, our customers include local companies. We also want to take advantage of our global presence to improve efficiencies by expanding our procurement from low-wage countries (HUB concept).

From industrial robotics to service robotics

Our broad range of industrial robotics products is unique. It covers applications with payloads from six to 1,300 kg in manufacturing. We expanded this portfolio last year with the launch of the KR AGILUS small robot. The clear advantages of the new product quickly earned our customers' trust. They especially liked the AGILUS' speed and low energy consumption. We had already sold more than 300 units by the end of the year.

We are now taking the next step and will be unveiling the next generation of KUKA's lightweight robot (LWR) at Hanover Fair in April 2013: LBR iiwa. This new robot type is designed to be an intelligent industrial work assistant that is able to share a workspace with a human. It will open the door to new manufacturing concepts that rely on its safety and sensitivity capabilities – it is the first robot that can feel.

KUKA'S INNOVATIVE TECHNOLOGIES OPEN NEW MARKETS.

LBR iiwa is KUKA's answer to the ever-increasing complexity of the world of automation and its demand for ever smarter solutions. Our long-standing customer and partner Daimler is working with us on developing applications in the area of human-machine collaboration. The potential uses for lightweight robots go beyond industrial applications. We are also breaking new ground in service robotics. This is a market of the future, which is just emerging and in which KUKA aims to set standards. Just imagine the potential for robots that can assist with surgery or help look after elderly people.

KUKA'S DEDICATED, CREATIVE AND MOTIVATED EMPLOYEES ARE KEY TO THE COMPANY'S SUCCESS.

Innovation strength secures technology leadership

The innovation strength that our employees demonstrate; for example, with the LBR iiwa and the KR AGILUS or any new assembly system they design, is one of our key success factors. Each and every day, it ensures that we can continue to live up to our technology leadership claim. It's not by chance that our products and solutions win coveted prizes again and again. For example, we won the golden vector award for KUKA Cobra, an innovative system for press automation. And recently we were pleased to receive the red dot award, the German Design Award and the IF Product Design Award for our robots' good looks. It's the many large and small contributions made by the people behind the technology, together with their creativity and commitment to KUKA, that make the difference. They deserve our thanks and deep appreciation.

We will continue to work hard at making sure that KUKA is an enjoyable place to work, so that we can attract the brightest stars in our industry and provide them with an environment in which they can develop to their full potential. CAPTIVATING THE FUTURE: The campaign that aims to bring us new talent captures the essence of the spirit that reigns at our company. We are very pleased to have already infected so many people. In September 2012, forty-two apprentices launched their careers in Augsburg – more than ever before.

Looking ahead

The trend toward robot-based automation continues unabated. As a result, KUKA Group expects sales revenues to increase further this year and next, and earnings to also improve as a result.

KUKA is on track, and we are doing everything we can to make sure it stays that way. Thank you very much for accompanying us on our journey.

Sincerely,

Dr. Till Reuter
CEO


KUKA

RIGHT:

DR. TILL REUTER
CEO

Dr. Till Reuter (born 1968) has been CEO of KUKA AG since 2009. Prior to that he worked as a lawyer and investment banker in Europe and the United States. In May 2008, he founded the holding company Rinvest AG, of which he is Supervisory Board Chairman.

LEFT:

PETER MOHNEN
CFO

Peter Mohnen (born 1968) has been CFO of KUKA AG since 2012. Previously he was CFO at E.ON in Hungary, after having worked for many years in leading positions in accounting at E.ON in Essen.

KUKA MAGAZINE

RESEARCH AND DEVELOPMENT SITE AUGSBURG

"AN INNOVATION IS A COMMERCIALLY VIABLE IDEA"

Three men, three development teams, one goal: create innovations that set industry benchmarks to reinforce KUKA's technology leadership claim. We interviewed heads of Research & development Dr. Michael Haag (KUKA Roboter), Dr. Johann Härtl (KUKA Systems) and Dr. Ralf Koeppe (KUKA Laboratories).

"As our customers' product life cycles get ever shorter, our own products' life cycles have to follow suit."

In 2010, KUKA unveiled KR QUANTEC, an entirely new series of robots, and a new controller. Now KUKA has launched two additional new robots, the KR AGILUS small robot and the LBR iiwa lightweight robot. Can the company keep up this pace of innovation?

MICHAEL HAAG: Concurrently developing completely new generations of robots and controllers, and then launching shortly afterwards a highly acclaimed series of small robots, was no doubt a huge challenge. But you have to keep in mind that as our customers' product life cycles get ever shorter, our own products' life cycles have to follow suit. And customers are right to expect this from technology leaders such as KUKA.

RALF KOEPPE: The LBR iiwa marks the start of an entirely new era in robotics. It is the first sensitive robot for industrial manufacturing. It will also open the door to entirely new applications outside

TOP AND BOTTOM LEFT: Three developers deep in discussion (bottom from left to right): Dr. Michael Haag, Dr. Ralf Koeppe, Dr. Johann Härtl

industry; for example, in medicine or service robotics. The abbreviation iiwa stands for intelligent, industrial, work and assistant.

There have also been a series of process improvements in the plant engineering area. Are they the result of specific customer demands?

JOHANN HÄRTL: In fact, most of the innovations you see in our projects are driven by specifications from our customers for real-world applications. We adapt technologies we have developed or are developing for carmakers to other industries and improve their quality and efficiency. The lessons we learn from these new applications then flow into the next development stage in the auto industry.

Your development work applies to three very different fields. Service robotics works differently than industrial robotics. And industrial robotics is different than plant engineering. Are there synergies between these different areas?

MICHAEL HAAG: Of course. That is exactly one of KUKA's strengths. KUKA Roboter and KUKA Laboratories develop intelligent robotics systems that can then be used by KUKA Systems for innovative manufacturing concepts. The experience gained from plant engineering activities then of course flows directly back into our robotics systems. Service robotics customers benefit from the quality and reliably of the robotics systems, which of course must operate around the clock when applied in automotive industry and general industry manufacturing applications. Conversely, our industrial customers benefit from new service robotics concepts, such as human / robot cooperation. Effective communication channels between the three development areas at the research site enable us to work closely with one another and share experience.

JOHANN HÄRTL: When looking for solutions at our joint Tech Center, we work as a team. The facility gives us the opportunity to test robotics applications under near real-world conditions. We conduct feasibility studies and beta test customer applications. We even process contracts for short serial runs to gain experience in the area of mass production.

Who are your R & D partners?

RALF KOEPPE: Augsburg is the hub of KUKA's global, cross-divisional engineering knowledge network. In our complex world, research and development relies on exchanging ideas, communicating and networking. Unless you do this, you cannot innovate.

As a technology leader, KUKA has a major impact on the future direction of robot-based automation. About 370 Augsburg-based engineers develop new products and processes for markets and customers around the world. Their ideas shape the way industry works. Last year, the company spent 42.6 million euro on research and development – mostly in the Robotics division. Here it was 5.4 percent of revenues. KUKA was awarded 129 patents last year alone.

TOP: KUKA's management team from left to right: Manfred Gundel (CEO of KUKA Roboter GmbH), Dr. Till Reuter (CEO of KUKA AG), Frank Klingemann (CEO of KUKA Systems GmbH), Peter Mohnen (CFO of KUKA AG), Dr. Bernd Liepert (CTO of KUKA AG), Gilles Djordjevic (CEO of KUKA Laboratories GmbH)

We are networked with all reputable robotics research institutes around the world. We conduct basic research mainly with the German Aerospace Center (DLR), RWTH Aachen, the universities of Freiburg and Stuttgart, the Munich University of Applied Science and the Institute of Technology of Karlsruhe. We also work with respected laboratories outside Germany; for example, the catholic university KU Leuven in Belgium and Georgia Tech and Stanford University in the United States. KUKA is also strongly committed to its role as coordinator of the European Robotics Technology Platform, or EUROP for short. Both the president and chair of the Executive Board of this European industry-driven research and development initiative are KUKA employees. We are thus able to influence which futuristic technologies are strategically prioritized and funded.

JOHANN HÄRTL: In the field of plant engineering, we work mainly with research institutes belonging to Germany's VDW Research Institute, where about 1,300 scientists swap ideas. In Europe, we are a member of European Factories of the Future Research Association, where we work on research initiatives focused on the manufacturing and production processes of the future.

Can you walk us through the process of an idea becoming a real-world solution? And how you decide which ideas are worth pursuing to the stage of a market-ready product?

RALF KOEPPE: Ultimately, there are two ways to innovate. Technical ideas don't simply hatch in a development department. They are driven by a market need. In other words, we carefully observe in which direction the market is heading and brainstorm to come up with potential future scenarios. The trick is to use the right filters and find early indicators of the trends. The other way is when customers point us toward a real-world application by telling us what they need.

MICHAEL HAAG: Robot-based automation is an extremely diverse discipline. There's almost nothing that a robot can't potentially do – from classic welding in the car industry to carving a side of pork in a slaughterhouse, from entertaining people with Robocoaster rides to patient positioning in hospitals. You have to weigh very carefully in which trends to invest. The right technical development work must be initiated early enough if the new technologies are to be ready to launch when the market needs them. Our CTO (chief technology officer) Bernd Liepert coordinates this process by holding technology workshops with sales, service and marketing, and comparing technology and market viewpoints.

ROBOT-BASED AUTOMATION IS AN EXTREMELY DIVERSE DISCIPLINE. THERE'S ALMOST NOTHING A ROBOT CAN'T POTENTIALLY DO.

RALF KOEPPE: If a suggestion fundamentally changes conventional processes, it is often a major challenge to convey the idea in a way that is easy to understand and to find supporters. Doing this successfully is usually a good indication that we are looking at true innovation. For KUKA, an innovative product usually goes hand-in-hand with excellent design, which starts already at the development stage. We include our industrial designer in the process very early. Our success proves it is the right thing to do. Again and again, our products win design awards.

JOHANN HÄRTL: But we don't talk about an innovation until a technical idea has evolved into a product or process and has turned into a business success. For example: We were able to speed up the robots that link the presses on an automated sheet metal car parts transfer press line so much that the output of the line increased by one part per minute. This is a significant improvement in efficiency and value added. It represents savings in the multi-millions for our customers over the service life of the automated line. When a system like that works perfectly, our engineers' eyes light up.

Let's talk about the future. What innovations will make KUKA successful in twenty-five years?

JOHANN HÄRTL: We know how to build systems that efficiently assemble industrial products – that's become routine. And even though the importance of the virtual world is increasing, real products will continue to be needed and manufactured. We can also envision that it will become more important to disassemble industrial products automatically at the end of their life in order to extract the raw materials they contain. This is a major challenge for robot-based automation and KUKA will play an important role in developing the complex sequences required to perform such tasks.

MICHAEL HAAG: Hands-down, robots are and will continue to be the main flexible, smart automation component and will become even more important in future manufacturing concepts. In addition to fully automated assembly lines, partly automated manufacturing systems in which humans and robots cooperate ever more closely – hand-in-hand and without protective barriers – will play a role in the future.

RALF KOEPPE: For this we will need smart, sensitive robots. And we are sure to find many applications for such robots outside the industrial sector. When developing future robotic systems, we will use humans as a model. After all, nature has had millions of years to "develop" humans to the point where they can easily grip, sense, learn and move with a minimum expenditure of energy.

When I look at our development teams, I don't worry about KUKA's future. They are staffed by curious, creative people with many years of industry experience, and who have grown up in the world's research laboratories. Every one of them has their own idea about the future of robotics and the aspiration to make a lasting contribution to the company.

TOP: Mechatronics engineer Dennis Weiher focuses on the task at hand.

HUMAN-ROBOT COLLABORATION

HIGH-TECH FROM BUILDING 0

Precise and efficient: Building a lightweight robot is a delicate job. And not only in the robot's wiring but in all aspects of the LWR's assembly. All of this technology is truly sophisticated.

"Our manufacturing process at this site is lean; in other words, a minimum amount of material in circulation and minimum administration."

Before you are allowed to enter Building 0 in Augsburg Lechhausen you have to put on overshoes – this is where KUKA manufactures its lightweight robot (LWR). The overshoes are specifically meant to prevent the accumulation of static electricity. Building 0 is the cradle of the new LBR iiwa lightweight robot. The inside of the LBR iiwa is sophisticated and expensive. A static discharge could destroy the highly sensitive circuit boards and sensors. "Several thousand euro go down the drain if it happens," explains Dieter Teutrine, Chief Operating Officer of KUKA Laboratories. So best not touch a thing.

The place where the LBR iiwa is built is bright. The front of the building is a wall of glass through which you get a very good view from outside. You can watch the finished robots in action as they are tested. They traveled a long way to reach the stage where they can be married to their controller. Dieter Teutrine takes us way to the back of the plant. "The manufacturing process starts here at the production warehouse. Our production process at this site is lean; in other words, a minimum amount of material in circulation and minimum administration," he explains. In practice it means that all of the material flowing in the plant is managed using containers that shuttle back and forth between linked workstations. The pulse comes from final assembly. It kicks off the lightweight robot manufacturing process by sending empty containers to the upstream assembly locations to request preassembled subassemblies. In turn, the upstream workstations send empty containers to the warehouse to collect individual components. The warehouse replenishes the container with the necessary parts for the respective stage of the process. When this is done, the next step is initiated. Ultimately, the finished LWR arrives at the "display window" – the large glass wall, where the robot can be tested.

"All stages of the LWR assembly process border on the limits of what is technically feasible: extreme lightweight construction, very sophisticated electronics and a highly complex overall mechatronics system."

Good housekeeping, cleanliness and transparency

The workers at the workstation have exactly the tools and materials they need for the task at hand – all in accordance with the motto: good housekeeping, cleanliness and transparency. Each workstation also has a monitor that displays the step in the assembly process that has to be completed.

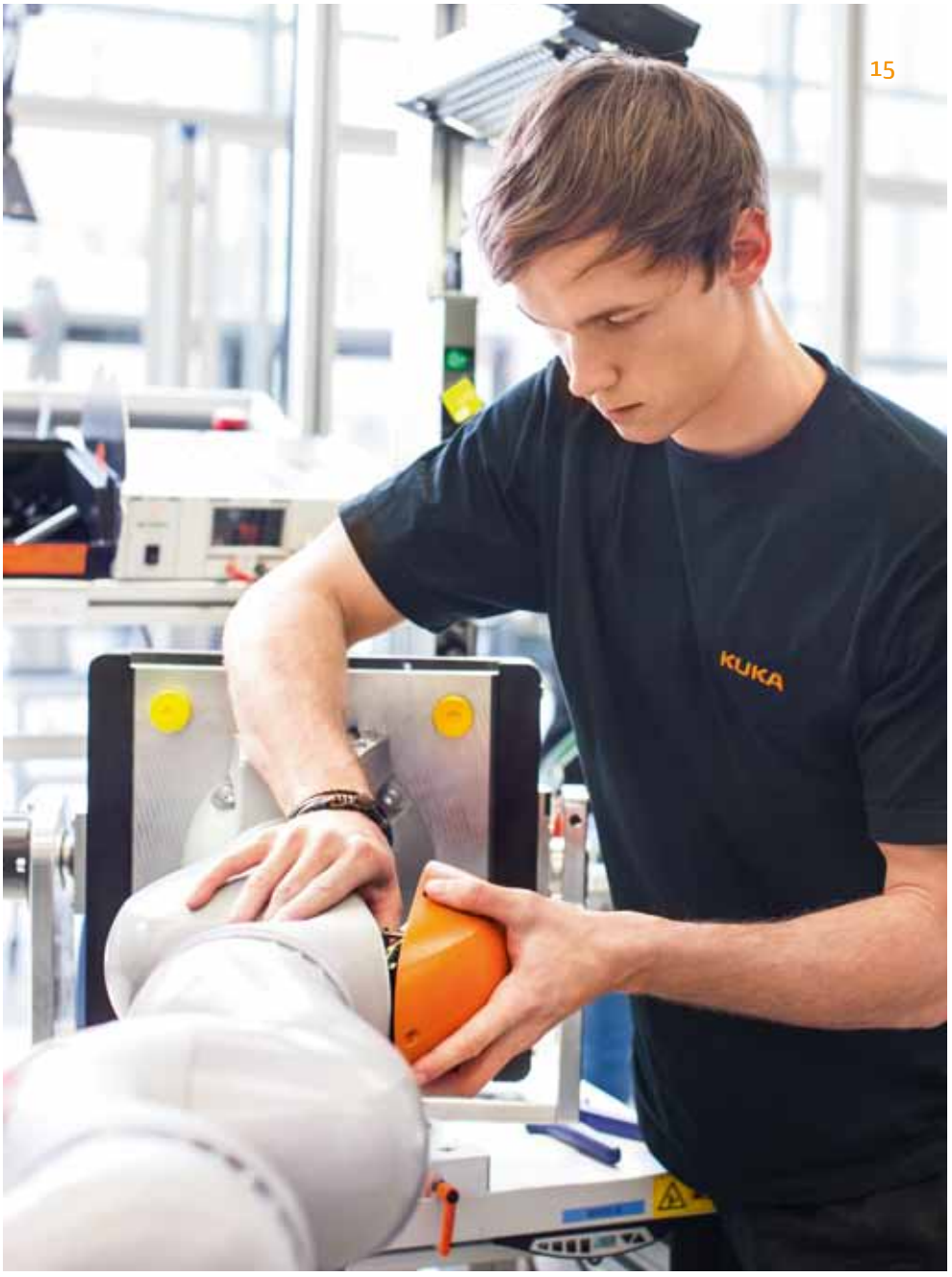
The assembly line is flexible; that is, the number of workers can be adjusted according to the number of robots to be built. The workers are KUKA Roboter employees and were specially trained for lightweight robot manufacturing.

Every person knows every step of the process. "We rotate," explains Dieter Teutrine, "so that every employee knows every step of the process and can later pass the knowledge on to his or her colleagues." A "circle of skills" gives a summary of the expertise each employee already possesses. Almost all the employees have already closed the circle and can be deployed at any station and pass on their knowledge.

One of the workstations for example is the production test cell for motors and drive electronics. All seven motors built into the LWR can be simultaneously tested at the motor test cell. This is done as follows: The motor is metered to determine if its characteristics are correct and whether the motor's design parameters are according to specification. The motor is then endurance tested. Because every motor is slightly different, certain parameters must be measured so that the drive controls can be configured properly.

Precision work

Some of the work is delicate. This becomes exceedingly clear when you see the tiniest screw used to assemble the LWR. It is about the size of a pencil tip. At the "reliable adhesion" station, tiny adjustment magnets are glued to the LWR so that it can find its exact alignment position.



FROM THE LEFT:
the LWR is assembled and wired in the final assembly area.

All of the LWR's components are then joined together and wired in the final assembly area. When you look at the huge number of different cables and wires, it's hard to believe they are all supposed to fit inside the LWR. "Here every millimeter really does make a difference," says Dieter Teutrine. But it's not only the robot's wiring where precision and extremes come into play. "We are dealing with technical limits in all aspects of the LWR's assembly. All of this technology is truly sophisticated. The robot is extremely lightweight, the electronics are elaborate and the overall mechatronics system is very complex," he adds. You can see that he is proud of this ultra-modern factory, which he and his team built concurrently with the product's development. This enabled the LWR to be released for sale a full year earlier. Could it also have ended in disaster? Teutrine laughs: "Yes, theoretically, it could have been a disaster. If there had been dramatic changes while the robot was being developed we would have been forced to change our manufacturing steps. But in fact, we continuously coordinated with our development colleagues." He points to the ceiling. KUKA Laboratories' development department is also located in Building 0. Only two stories higher.

ULTIMATELY, THERE'S ONLY ONE THING MISSING: MARRYING THE LWR AND ITS CONTROLLER.

Ultimately, there's only one thing missing. The LWR has to be married to the controller because without it, nothing happens. After the final test run, the LWR goes into the "box" – the shipping package. KUKA's lightweight robot is ready to go.

ASSEMBLY LINES FOR AEROSPACE

SKY'S THE LIMIT!

KUKA engineering expertise is helping Bell Helicopter find manufacturing efficiencies by using assembly line concepts to build the new Bell 525 "Relentless".

When the Bell 525 is eventually certified for customer flying, it will become the largest commercial copter Bell has ever manufactured, targeting a new market niche: super-medium class. It will feature fly-by-wire flight controls, touchscreen avionics and proprietary tail boom technology for improved hover performance. The Bell 525 will also be the first helicopter built using the same proven assembly concept as the one used in the auto sector, thanks to KUKA Systems' extensive experience with carmakers. Palletized assembly – building up sections of the aircraft structure by securing them in frameset in jigs that move along an assembly line – promotes specialization and repeatability. Results tend to be more precise with less variability than traditional methods. The mating of components and ultimately entire sections of the aircraft is simplified. Everything tends to fit the first time, requiring fewer adjustments of the kind often necessary in aerospace assembly to force out-of-contour or misaligned components into place. The result is a smoother, faster flow, with more efficient use of manpower.

LEFT: Best-in-class cabin and lots of storage space – in a class of its own
RIGHT: High in the sky – a unique flying experience.

Asked for: technical know-how

Developing the assembly line for an all-new aircraft requires a great deal of KUKA System's engineering expertise before the company produces any tooling.In aerospace manufacturing, each aircraft and hence each production line is a unique design-build.For the 525, an aluminum structured aircraft with a carbon fiber skin, KUKA Systems process engineers began planning even as the design of the aircraft kept evolving, something quite common in aerospace. They worked with Bell product designers to identify every single step of production that would be required, then laid out the necessary work flows and brought everything together in the most effective floor plan – a U-shaped line with seven major assembly stations along with sub-assembly points for each station. All must fit into a new 15,000 square meter facility being built in Texas.

TO DEVELOP AN ASSEMBLY LINE FOR A COMPLETELY NEW AIRCRAFT, KUKA HAS TO HAVE EXTENSIVE KNOWLEDGE ABOUT THE PRODUCT.

Tool design in Michigan

Concurrently with the process engineering, KUKA Systems began tool design. Tools include the jigs and frames required to move the helicopter along the line as well as locating devices, clamps and hardware required to hold components in place while the sections of the aircraft are being joined. Other tooling includes materials handling systems, platforms and work stands as well as drills and riveting machines. In all, KUKA Systems is designing about 250 major tools and will manufacture many of them at its plant in Michigan. Production began in 2012 and will continue into 2014.

AVIATION AUTOMATED

This project is another in a series KUKA has supplied to the aviation sector, further cementing its high-tech assembly systems leadership in the industry. KUKA is supplying the automated assembly lines of tomorrow to aviation industry players today, enabling them to significantly cut their cost of manufacturing, while also improving the quality and efficiency of the products. The techniques and systems used are old hat in the auto sector, where they have been successfully applied for decades, but in aviation the methods are new. Aviation industry companies can rely on KUKA's technical expertise. The company has a history of success in the auto sector, where it has been executing turnkey projects involving highly efficient assembly systems based on pallets for many years. KUKA is now demonstrating how these can also be applied to aviation industry products.


百老滙舞廳
熊啤啤酒廊
會總夜周
卡拉OK

CHINA – A GROWTH ENGINE

“EVOLVING JUST LIKE GERMANY. ONLY LATER AND FASTER.”

China has become a growth engine for KUKA. The Middle Kingdom’s car sales are higher than anywhere else. The pressure to automate is rising. In the world’s second-largest economy, the robot market alone is growing at a rate of thirty percent annually. As a result, the strategic importance of the Group’s Chinese subsidiaries is also increasing. We interviewed management representatives about the future prospects for the business and the people.

LEFT: China’s boom drives millions to its cities.

China has experienced enormous economic growth for years. How has that impacted your business?

XU: The robot assembly facility and our distribution center here in Shanghai are both bursting at the seams. We are working in a very cramped space, which is why we can hardly wait to move into our new factory. It is only twenty minutes from our current location. We laid the cornerstone last October. Construction is on schedule and we plan to start operations at the new facility towards the end of 2013. We will then have an additional 20,000 square meters of space, of which 8,000 square meters alone are for manufacturing. The plant is designed to accommodate our projected growth for the next years or longer.

WANG: Because of the huge demand for automation solutions here in China and in other countries, we are now able to handle complete manufacturing lines fairly independently at this location. As recently as two years ago, we still needed a lot of support from Augsburg and from our American colleagues. Systems for Chinese customers were developed, assembled and tested in Augsburg, packed and shipped and then reassembled in China. KUKA sent delegates from Augsburg to teach and train the local staff. Nowadays, the support is mainly in the form of advice. Our team has now reached the stage where we only need to contact headquarters for special technologies or to see if they have experience with specific issues.

A delicate subject: Chinese companies are rumored to copy intellectual property …

WANG: I think this fear is exaggerated. It would not be smart to block technology transfer within a corporation and thus our own ability to develop products and systems. Chinese companies have recognized that pure copying is fatal in the long run – to the innovation capacity of the entire country. Furthermore, we have long since been able to do much more than just copy. Our goal is now to be able to start up complex processes using only Chinese specialists. And we are starting to develop our own solutions. It will not be long before we can then transfer this knowledge to Augsburg.

FROM LEFT TO RIGHT:
Automated auto glass installation
Car body seam sealing
Automated manufacturing sequence

Back to the automation boom: What is driving it?

XU: When living standards increase, people also want more pay. Wages in China are rising between about ten and twenty percent annually. The demand for energy-efficient manufacturing methods is also rising steadily. Robot-based automation is one way to address these challenges.

WANG: Correct. China is no longer a low-wage country. When I started working, Chinese people made less than one-tenth of what German workers earned. Now it is only one-third less. Wage levels are beginning to converge. We are also catching up in the area of automation. Basically, we are evolving the same way Germany did. Only later. And faster.

Given the millions of Chinese citizens, one would think that labor would be cheap. Why is the pressure to automate so high?

XU: It's quite simple: The demand for quality continues to rise. Robot-based automation ensures repeatability and precision in manufacturing – every minute of every day. There is also a call to improve workplace standards. Work safety is increasingly a hot topic. Robots can relieve humans of stressful and hazardous work in harsh environments.

THE DEMAND FOR ENERGY-EFFICIENT MANUFACTURING METHODS IS RISING STEADILY. ROBOT-BASED AUTOMATION IS ONE WAY TO ADDRESS THESE CHALLENGES.

WANG: We too notice how hard it is to find good people. English is a must at KUKA in China. Many of our colleagues also speak German. They went to the best schools in Germany and came back with a German university degree. People with such qualifications don't come cheap.

So there is also a shortage of skilled people in China. How is KUKA responding to this challenge?

XU: We invest a lot in in-house training. The results of our first involvement with the international trainee program have been good. It enables Chinese students to work for a while at KUKA in Augsburg. Anyone who has a good understanding of both cultures and mindsets has excellent prospects – in both countries. Because wage levels are converging, China is also becoming attractive for German recruits.

What do you have to prepare for in the next few years?

XU: Competition in our own country is increasing. The Chinese government is promoting automation and more and more local manufacturers are offering inexpensive automation products and solutions. For us, that means we have to have suitable products for this market.

WANG: The Chinese car market will expand even more in the foreseeable future. There is still considerable growth potential. Up until now, KUKA has focused on the premium sector; that is, mostly manufacturers with headquarters in Germany. We are increasingly also getting orders from original Chinese carmakers. And from companies in other sectors.

KUKA IN CHINA

KUKA has been present in China for twelve years and serves the Asian market from there. KUKA Group has about 315 employees China. About 185 employees work in the systems segment and 130 in robotics. In October 2012, KUKA laid the cornerstone for a new factory. The KR QUANTEC robot series and the universal KR C4 controller will be assembled at the 20,000-square-meter facility when it starts operations at the end of 2013. The company expects an additional assembly capacity of 3,000 robots and controllers at the facility in the first year,rising to 5,000 units by 2015.

KUI XU is CFO of KUKA Roboter in China. She studied civil engineering in China and then industrial engineering in Germany. This is an exceptional combination for a woman – in both countries. She sees it that way though: “While I was going to school, my parents and teachers always made sure that the level of education for women and men was the same,” she says in perfect German. She is proud to have worked for KUKA for five years already. On her desk is the certificate she received at the beginning of the year on the occasion of her fifth anniversary. Before returning to China, she had lived and worked for ten years in Germany.

DR. TAO WANG has been in charge of KUKA Systems’ Chinese business since the end of 2010. The fifty-one-year-old was on a scholarship when he enrolled at RWTH Aachen in 1985. He received his first degree there and subsequently earned a doctorate in metallurgy and foundry technology. After returning to China in 1994, he started work at Grenzebach. His son and daughter were born in Germany. Both are benefiting from their father’s experience. They speak three languages and are enrolled at private schools in Germany. He explains his situation: “I do the same thing many Chinese citizens do: keep my personal spending to a minimum and invest in my children’s education. Because they are our future and will move our country forward.”

SMALL ROBOT FOR INDUSTRY

AGILUS MISSION

From concept to finished robot in less than one-and-a-half years. The: Never before in KUKA's history has a new product been brought to market as fast as the KR AGILUS. The strategic project's success is thanks to the concerted efforts of everyone in the company.

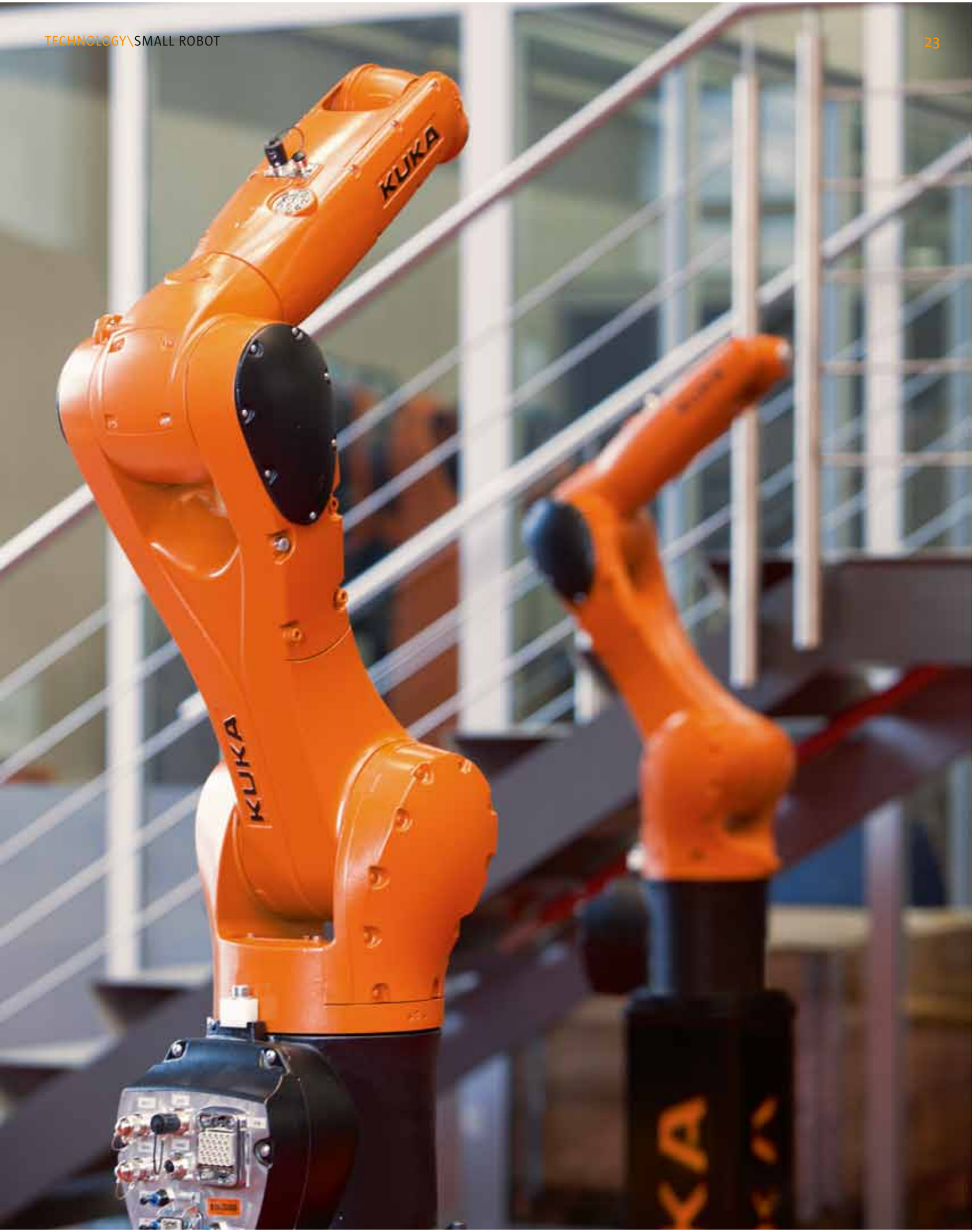
The KR AGILUS will be a success", said Dr. Till Reuter with certainty at a meeting of KUKA employees in spring 2011. He was referring to the company's first small robot. The CEO was certain that such a robot would enable KUKA to penetrate new markets outside the automotive industry and thus drive the company's growth. It was clear that there was a strong demand for small, versatile robots for industry.

The impetus for the project came from product management in July 2009: After the launch of the KR QUANTEC, they felt it was time for KUKA to have its own small robot. A robot that is thoroughly KUKA – from the mechanics through the controls and the design: innovative workmanship made in Augsburg. A small robot that would enable the company to round out its portfolio and allow it to position itself as the only robot maker able to offer the entire range of industrial robots: from very small to very large. The Executive and Supervisory Boards were also intrigued by the idea, and solid projections of the market potential ultimately convinced them the time was ripe: both boards gave it a green light.

LEFT: From left to right: Mario Selic, Sebastian Kaderk, Tanja Birner-Such

RIGHT: The "little one" KR AGILUS

"After the launch of the KR QUANTEC, it was time for KUKA to have its own small robot. One that is thoroughly KUKA: from the mechanics to the controller and design."


KUKA
KUKA

“The quality must be top right from the start”
All through 2010, the focus was on market research and design. An Augsburg team began surveying the sales forces of KUKA’s worldwide subsidiaries. What payloads were being asked for? How fast would the small robot have to respond in handling applications? What speed would differentiate it from its competitors? Competitive analyses and meetings with customers generated the input for the specifications, which outlined the product to the last detail. “We knew that expectations for the KUKA product would be very high. The quality had to be tops right from the start. We could not afford to make a mistake, especially since our small robot was not the first to be introduced to the market,” says product manager Tanja Birner-Such.

“Motivated by the exceptional team spirit that drove the project forward”
This is precisely why she did not waste any time establishing a core team whose members came from all departments that would sooner or later be impacted by the project, across the entire company: from development through procurement, marketing, sales and customer service. Up to fifty employees worked hand-in-hand on this team at one point. No department mentality. The teamwork was driven by clear specifications, a shallow hierarchy and fast decisions – no departmental thinking. “We were all committed to a common goal and motivated by the special spirit that drove this project,” is how project manager development Sebastian Kaderk describes the sentiment. He worked with product manager Christoph Schaible to develop the mechanics, hardware and software.

LEFT AND RIGHT: Tanja Birner-Such and Mario Selic – enthusiastic about the product

CENTER: Sebastian Kaderk with the KR AGILUS at KUKA College

THE SHAPE OF THE AGILE WORKHORSE REFLECTS ITS PERFORMANCE CAPABILITIES TO THE OUTSIDE WORLD.

Award-winning industrial design

Project design engineers involved industrial designer Mario Selic at a very early stage. He was the one responsible for the orange KUKA robots' graceful look and the modern color concept. The features differentiate the product from its competitors, and repeatedly won the Augsburg team international design prizes. Although the machine's performance features are what's most important – speed, precision, quality and energy efficiency which means an increase in efficiency by using robots for the customer. The shape of the agile workhorse reflects its performance capabilities to the outside world. Still, not everything that looks good and has a nice shape is easily manufactured. And even if it can be manufactured, it cannot necessarily be built cost-effectively. One of the major hurdles engineers and designers had to overcome was the very small space available for internal wiring. The energy supplies for the compact six-axis articulated KR AGILUS robot's many features are completely integrated into its arm – including a 100 MBit Ethernet cable, three 5/2 way valves for compressed air, a compressed air supply, six digital inputs and two outputs. Any potential interference from external structural components was thus avoided – a plus for safety and reliability.

"One of the greatest challenges was the enormous time pressure"

"Although the project was technically challenging, the problems were not unsolvable," says Sebastian Kaderk in describing the scope of the work. "One of the greatest challenges was the enormous time pressure. We approached the limits of what was feasible." The time between the start of development at the beginning of 2011 and the public unveiling of prototypes was just seventeen months. KUKA had chosen the May 2012 AUTOMATICA trade show as the venue for the first official presentation of its new family member. This leading industry exhibition attracts a large trade audience, media representatives, as well as sector and financial analysts to Munich every two years. It was the right place to focus the spotlight on the new product.

"Although the project was technically challenging, the problems were not unsolvable," says Sebastian Kaderk in describing the scope of the work. "One of the greatest challenges was the enormous time pressure. Here we approached the limits of what is feasible."

Successful premiere at AUTOMATICA
The marketing machinery was started up as the prototypes were being built. In no time at all the robot was christened "KR AGILUS", a name that was quickly accepted internally. KUKA quickly secured the trademark rights. The technical documentation, brochures in eighteen different languages, sales force training, an internal unveiling and pricing were next on the agenda.

Would it be possible to build thirty working prototypes in time for the trade show? The question was top of mind for the team up until a few days before AUTOMATICA. Because the KR AGILUS is so small, the marketing team wanted to make a splash with as many robots as possible – not just one. One final push by the team and the robots were ready in the nick of time. Plan B was shelved. The exhibit made the powerful impression expected and everyone breathed a sigh of relief. The positive feedback from customers and tradeshow visitors demonstrated that KUKA had interpreted the market requirements correctly. The first orders were booked right at the show.

Serial manufacturing underway, mission accomplished
The transition from prototype to serial production was flawless. The technical procurement team had already researched the necessary materials and qualified suitable suppliers quite some time ago. The logistics processes were in place and the customer service team was ready. Spare parts had been defined before the first machine was shipped last September. By year-end, KUKA had already delivered several hundred units of the basic version. The development team is now working on additional versions suited for applications in specific environments such as clean rooms or food processing. These are scheduled to be launched over the course of this year. Mission (almost) accomplished.

BY YEAR-END, KUKA HAD ALREADY DELIVERED SEVERAL HUNDRED UNITS OF THE BASIC VERSION.

A KR AGILUS installed in a compact dosing cell at RAMPF in Baden Württemberg, Germany, occupies very little space as it applies the correct doses for foaming, casting, gluing and sealing operations.

AWARDED!

1 Thomas Zahn of Shanghai Volkswagen hands Dr. Tao Wang of KUKA Systems Shanghai the coveted **silver supplier award** and congratulates him on the outstanding performance.

2 Vector Award
First time participating, and already KUKA Systems has won a prize: the gold vector® award 2012, for the KUKA Cobra, a development for press automation.

3 German Design Award
After winning the "best of the best" red dot award in April 2012, KUKA scored again in October 2012, when its KR 270 ultra was presented with the German Design Award. The committee evaluating appearance awarded KUKA's KR QUANTEC series robots the coveted gold German Design Award. The KR QUANTEC also won the sought-after iF Design Award Gold.

4 ADAM Award
In November 2012, KUKA Roboter, the only automotive sector company represented, took home the gold ADAM award for excellent brand and trade show presentation.

5 KUKA Systems' machine tool unit was awarded the EFB **"Innovative Alliance"** seal of approval at Euro Blech 2012 in Hanover.

6 GM Supplier of the year 2011
The best suppliers were awarded the "Supplier of the year" award in honor of their consistent performance in 2012 in the areas of innovation strength, cost management, project management, quality, reliability and sustainability.

7 reddot design award.
The KUKA Systems Energy Kino received the red dot design award 2012. The jury was impressed with the trade show application, which has already generated much excitement at various national and international exhibitions.

RECRUITING TOMORROW'S TALENT TODAY

CAPTIVATING OUR FUTURE

Right now, KUKA can choose from a wide range of candidates to fill any job vacancies. But the company is thinking ahead, because competition for qualified people will increase. KUKA recently launched a campaign to enhance its employer brand.

Over the course of the next few years, many skilled workers will retire. The range of talent to replace these retirees will shrink concurrently due to lower birth rates following the boomer generation and fewer engineering graduates. KUKA will not be spared from this trend. "Presently, we have on average ten applicants for every engineering job vacancy," says human resources director Klaus-Stefan Remmler. "That's adequate, but it's becoming increasingly difficult to fill job vacancies." The personnel department did a good job and was able to almost completely fill the forty-five apprenticeship vacancies for fall 2013 a year in advance, despite the fact that there were fewer applicants than in previous years. According to Remmler, "applicants are more particular than they used to be. They know exactly what they want from their future employer and look very closely at the company and what is being offered."

In demand – now

The company is primarily looking for skilled tradespersons and engineers with at least five years' work experience. Engineering and industrial engineering students looking for work terms or who want to start their careers on the basis of their theses are also in demand. And last but not least, the company is looking for

LEFT BOTTOM AND TOP: Lots of fun – the photo shoot for the campaign at KUKA College in Gersthofen

TOP RIGHT: Here's what it looks like: The finished ad for the trade show booth.

apprentices in the field of mechatronics, industrial mechanics, tool and die making, machining, and students who wish to enter a dual study program in electronics and mechatronics.

These are exactly the people the personnel department's marketing campaign is targeting. The aim is to introduce them to KUKA and tell them what KUKA offers its employees. Short and sweet. Welcoming and persuasive. No more, no less. It sounds easier than it is, which is why you can find management consultants that specialize in figuring out what defines a company, stating it concisely and developing a brand around it. All of this entails an elaborate process that tells a lot about what employees think about KUKA and what they expect from their employer. The initiative brought to the fore a number of areas where personnel policies could be improved. Remmler and his team were thankful for the suggestions and have already taken action on a number of them. "For that reason alone, it was worthwhile consulting many of our colleagues when we developed the employer brand – many more than usual," says Remmler.

Endless diversity – today

Over 110 KUKA employees, representing the entire Group and selected at random, were asked to participate. There were representatives from every organizational level, division and German business location; from apprentice to executive management; from the youngest rookie to the most seasoned "old hand" on the verge of retirement; from project manager to developer to service technician; colleagues from Augsburg, Bremen and Schwarzenberg; from the holding company to the Robotics, Systems and Laboratories business units. "Of course the works council was also on board," notes Remmler

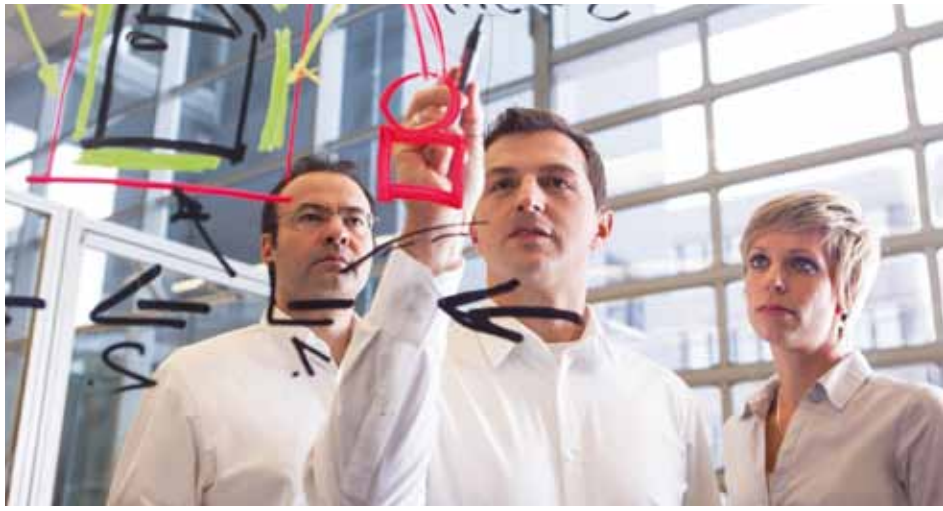
For example, they brainstormed in various constellations about what differentiates their company from its competitors, what they like about their jobs and what they want their work environment to look like. They describe the ideal KUKA employee as a passionate team player with orange blood, a spirit of innovation and strong sense of commitment. Colorful analogies came to mind. For some, KUKA is a multifaceted chameleon, while for others a powerful, fast tiger. If KUKA were a dish or a drink, many thought it would be Swabian cheese spaetzle or an exotic cocktail. Some see the company as being athletic and dynamic like Germany's national soccer coach, Jogi Löw, and firm and feisty, like the Klitschko brothers. Some of the surveyed employees associated Albert Einstein's genius with the company. What ties everything together is the fascination with robots and high tech.

Thinking ahead

In total, the twelve focus groups collected 1,315 employer brand attributes. The results were compiled in a 547-page document. "For me, the most fascinating stage was when we filtered the huge amount of information and zeroed in on the essence," reveals HR rep Oliver Kast, who has been the project manager since May 2012. "I was surprised at how easy it was and how fast we were we able to make a solid recommendation, which even matched the corporate vision of our company. The thorough groundwork was truly worthwhile."

We coined the phrase: "KUKA. Captivating our future". The associated design shows the diverse challenges we face in the dynamic environment of the high-tech sector, and how they are mastered by a passionated team. It makes the prospects for the future talent of a technology pioneer palpable.

Klaus-Stefan Remmler and Oliver Kast are looking forward with eager anticipation to how well KUKA can meet the expectations that were created by the campaign. Surveys will be used to determine outcomes. Since 2012, new recruits have been asked to evaluate their start at the company after their first three months of work and are encouraged to make improvement suggestions. The prospects for captivating our future look good.



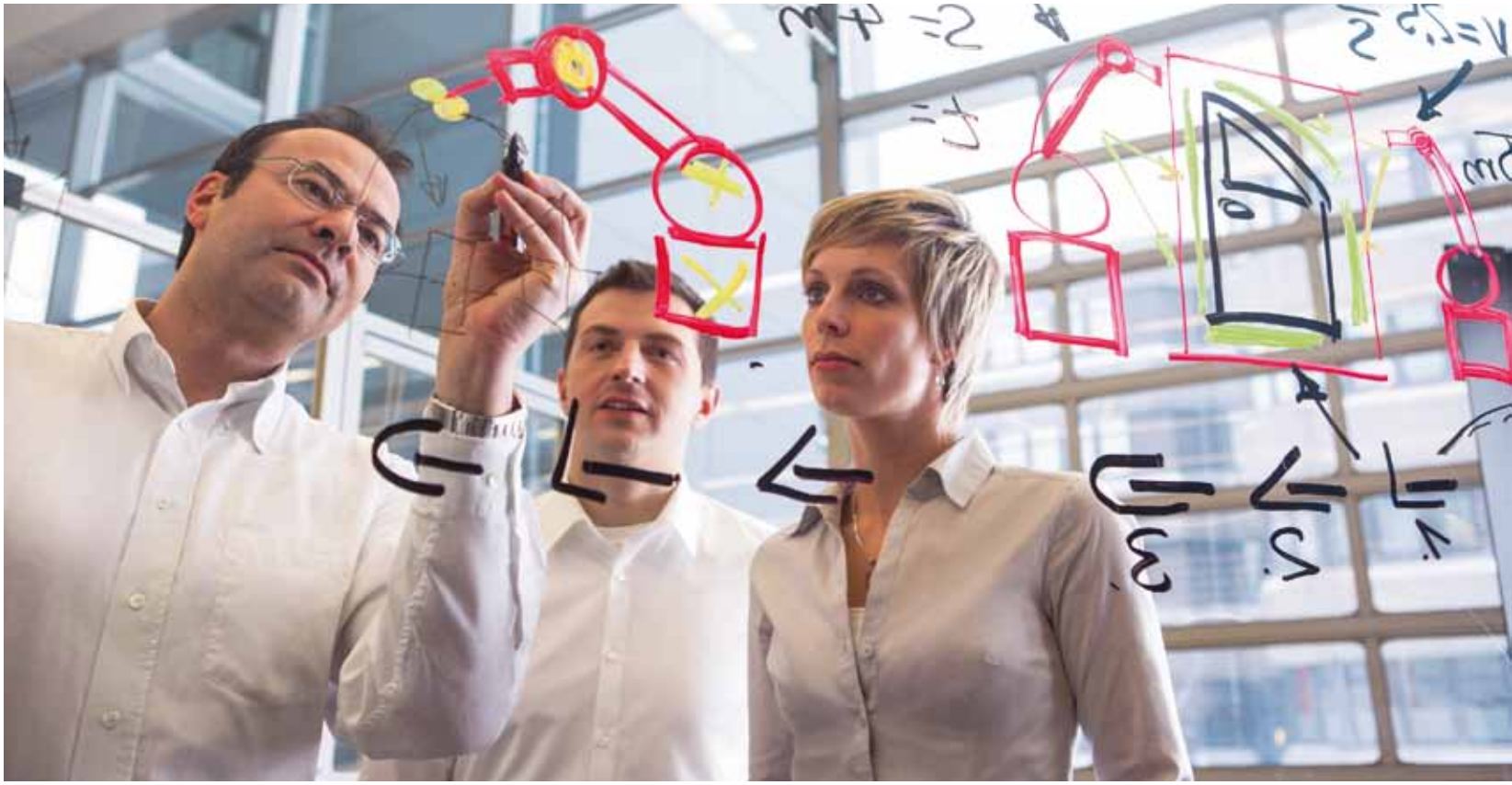
RIGHT: Project managers Ralf Matzka, construction site manager Hubert Golde and Christine Vogel discuss the schedule

BOTTOM: Defining the robot's path speed, precisely dosing the adhesive, folding tool contact pressure – the art of building a system is in perfectly harmonizing all of the line's components.

CAR BODY ASSEMBLY

A THOUSAND AND ONE OPERATIONS

KUKA's automated car body assembly knowledge and experience are unique, from both a theoretical and practical perspective. The plant engineering company does more than just develop machines and build turnkey assembly lines. It also operates them: manufactures various quantities of products on contract and even builds car bodies in its own factory. Its people know which processes make sense and what it takes to assemble, for example, a car door. Or a tailgate. And how to efficiently sequence the various steps required to make a finished part.



The body of a four-door van consists of about 400 separate parts. On top of that, they all look different, depending on whether we are talking about a front or rear door, a sliding door or a tailgate. A tailgate alone now consists of about eighteen parts made of sheet steel or aluminum. The assembly line should be flexible enough to allow tailgates for several vehicle models to be built. A tricky assignment. That's why carmakers and parts suppliers involve KUKA systems' automation specialists at a very early stage when they make plans for an assembly line.

The digital factory

The automation specialists create virtual models of the machines, individual workstations and assembly lines in a digital replica of the factory. This shortens development time and safeguards investments. KUKA specialists can check the interplay between the new elements and the existing equipment in real time and control, test, verify and optimize. The same process is used when integrating new components into existing systems without downtime or lost output.

The art of process chaining

A press line does the groundwork. This is where sheet steel is fully automatically drawn, cut, stamped and shaped. Robots equipped with KUKA tooling to match the parts cyclically lay the sheet steel into one of the presses, remove it and pass it on to the next press. The art of creating such a process chain is in smoothly churning out the maximum number of parts in the shortest possible time. For example, this is how the eighteen different sized and shaped tailgate parts are formed, before being seamlessly transferred to the car part assembly line.

The right shape

This is where the sheet metal parts are joined together and where the tailgate takes on its final shape and proper strength. The processes and technologies used are a function of the individual specifications for the materials, their geometry and how they are to be joined. After all, a strong, safe body is not all that's required when building a car. It must be possible to perfectly execute the subsequent steps in the assembly line sequence.

At the line's first station, the parts are joined step-by-step. High tech joining methods are used for some of the parts. Nowadays, ninety percent of a tailgate assembly consists of laser welded seams, several spot welds and some projection weld points made using a special high-frequency welding gun. The strength of these joints impacts the vehicle's crash resistance.

Laser welding is used wherever good looks are important. The seams, which are about 1.5 meters long for each tailgate, are known for their smooth, clean surface. They only have to be cleaned prior to painting.

"A tailgate alone now consists of about eighteen parts made of sheet steel or aluminum."

The last step in the process of making the tailgate's frame entails fixing the outer shell. Here the outer edges are folded over the frame in several stages. A robot-guided roller seam head gently folds the sheet metal step-by-step to prevent corrosion later on.

Each of these car parts contains about 132 cubic centimeters of structural glue and 20 of sealing adhesive. The glue, which is applied in discrete doses, not only strengthens the part, but also minimizes vehicle vibration and noise.

Speed and precision

The parts are repeatedly inspected after each joining step to ensure they meet strict quality control specifications. In the event of any problems, they are ejected from the line and reworked manually. Step-by-step, the tailgate thus takes shape. The finished part weighs only about 32 kilograms at the body-in-white stage. Handling robots with special grippers to match the parts transfer them from one station to the next. They position the parts in exactly the right direction and then do their work at a constant speed and with absolute precision. Every part is exactly the same – without exception.

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

BERND MINNING
Chairman of the Supervisory Board

The Supervisory Board considers KUKA's performance for the year just ended to be outstanding. During the year, we worked closely with the Executive Board in our controlling and advisory capacity with regard to managing the company. The collaboration was constructive and characterized by mutual trust.

The Supervisory Board held six plenary meetings in financial 2012. Once again, the committees established by the board actively participated in addressing the issues at hand. The expert members of these committees had focused, in-depth discussions and meetings. The Executive Board regularly informed the Supervisory Board in detail about the company's business situation and financial position. As always, the strategic development of the company was a key focus of the Supervisory Board's work. This is a good place to point out that Dr. Till Reuter's contract as CEO has been extended and Mr. Peter Mohnen appointed CFO of the company.

Individual Supervisory Board members, especially the chair, also had regular one-on-one meetings with the Executive Board members to support them in their decision making about important business issues and the strategic direction of the company.

Changes to the Executive Board and Supervisory Board

Dr. Till Reuter's contract as CEO of the company and member of the Executive Board was extended to a full five years, ending on April 25, 2015. Dr. Reuter was also appointed industrial relations director effective August 1, 2012.

Mr. Stephan Schulak's appointment as CFO was terminated by mutual consent effective July 31, 2012.

Mr. Peter Mohnen has been CFO since August 1, 2012. His present contract ends on July 31, 2015.

Mr. Jürgen Kerner stepped down from the Supervisory Board after the adjournment of the Annual General Meeting on June 6, 2012 and Mr. Thomas Kalkbrenner was appointed by the courts as employee representative effective June 13, 2012. At the Supervisory Board meeting on September 27, 2012, Mr. Kalkbrenner was elected to the position of Deputy Chair of the Supervisory Board and member of the Strategy and Development Committee, Personnel Committee, Mediation Committee and Audit Committee.

The Supervisory Board thanks Mr. Schulak und Mr. Kerner for contributing to the success of the company.

Meetings of the Supervisory Board and its subcommittees

The Supervisory Board convened at five ordinary plenary meetings and one extraordinary meeting in 2012. One decision was reached by exchanging written correspondence. The first item on the agenda at the Supervisory Board meetings was normally the presentation of the business situation by the Executive Board, especially orders received, sales, EBIT, cash flow, capital employed and head count.

At the financial review meeting on March 27, 2012, the Supervisory Board dealt with the financial statements of KUKA Aktiengesellschaft and the Group prepared by the Executive Board for financial 2011. The auditors KPMG and the chair of the Audit Committee presented the information. The Supervisory Board endorsed both sets of financial statements. KUKA Aktiengesellschaft's financial statements for 2011 were thus adopted. The Supervisory Board then also dealt with the proposed resolutions for the Annual General Meeting planned for June 6, 2012. It also handled questions related to Executive Board compensation, such as the degree of achievement of the personal targets set for the year 2011 and agreement on targets for 2012, as well as the relevant parameters for the 2012 – 2014 Phantom Share Program.

An extraordinary Supervisory Board meeting was held on May 16, 2012. The purpose of the meeting was to discuss the termination of the contract of the incumbent CFO, Mr. Schulak, effective July 31, 2012, and the appointment of the new CFO, Peter Mohnen, effective August 1, 2012. The discussions centered on details of the conditions of termination for Mr. Schulak and on Mr. Mohnen's remuneration.

On June 6, 2012 the Supervisory Board held meetings before and after the Annual General Meeting. On the agenda at these meetings were the preparation for and wrap-up of the Annual General Meeting and staff reorganization in the Robotics division's Advanced Robotics section and the Systems and Robotics division's general industry business as relates to small and lightweight robots. The final item on the agenda at the meetings was a report from the Executive Board regarding the upper management committee established for the Group.

The next time the Supervisory Board convened was for a strategy meeting on September 27, 2012. The plenum discussed growth plans for Robotics, Systems and Advanced Robotics within the framework of a three-pillar strategic plan prepared by the Strategy and Development Committee. At issue was how to sustain profitable business growth in general industry segments and regionally; for example, in China. KUKA's technology leadership in the various business fields took center stage. The Supervisory Board also discussed the effectiveness of project controlling in the Systems division.

At the last ordinary Supervisory Board meeting of the year, the planning meeting, which was held on December 14, 2012, the Supervisory Board approved the budget for 2013 and the mid-range plan to the end of 2015. It heard the reports by the committees regarding their work, dealt with the ongoing efficiency program and reached a decision on the independence of Supervisory Board members as a result of the latest revision to the Corporate Governance Code.

All members of the Supervisory Board participated in at least half of the Supervisory Board meetings in financial 2012 (Corporate Governance Code item 5.4.7). The Executive Board was always in attendance at the Supervisory Board meetings, except when the Executive Board's remuneration was on the agenda (Corporate Governance Code item 3.6). For further information about corporate governance, please refer to the Corporate Governance section, which forms part of this annual report.

The Supervisory Board established the following committees: Personnel Committee (chaired by Mr. Minning), Audit Committee (chaired by Dr. Ganzer), Strategy and Development Committee (chaired by Mr. Minning), Technology and Production Committee (chaired by Prof. Dr. Loos) and Mediation Committee in accordance with article 27 paragraph 3 of the German Codetermination Act (MitbestG) (chaired by Mr. Minning). A Nomination Committee was also formed in accordance with item 5.3.3 of the Corporate Governance Code (chaired by Mr. Minning).

The Personnel Committee met six times in 2012, especially to discuss the change of CFO. In addition to selecting a candidate for the new CFO, the committee dealt especially with recommendations related to remuneration, which were presented to the Supervisory Board for consideration.

The Audit Committee met five times and dealt mainly with the financial statements, but also handled questions related to the internal control system (German: IKS) and compliance.

The Strategy and Development Committee met four times. The main agenda items were initially the results of a technology workshop and the R&D road map. They also discussed the corporate strategy in depth before tabling it at the plenary meeting of the Supervisory Board. The committee also regularly received updates on the development and production start of the lightweight robot.

The Technology and Production Committee convened five times and also met off-site at the Schwarzenberg manufacturing location. The focus for the Robotics division was on manufacturing-related issues, while for the Systems division discussions centered on project efficiency.

Neither the Arbitration committee nor the Nomination committee found it necessary to hold a meeting.

The Supervisory Board submitted its Declaration of Compliance in writing.

Independence and declaration of compliance

In its meeting on December 14, 2012, the Supervisory Board discussed in detail the independence of its members as relates to the changes to the Corporate Governance Code dated May 15, 2012. Given that the board does not consider employee representatives to be subject to these requirements, the shareholders' representatives concluded that at least two Supervisory Board members who are to be elected by shareholders at the Annual General Meeting are independent in terms of item 5.4.2 of the German Corporate Governance Code and that they shall have no conflicts of interests as relates to item 5.5.2 of the German Corporate Governance Code (item 5.4.1, clause 2 of the Corporate Governance Code). This rule and other targets regarding the composition of the Supervisory Board were added to the Supervisory Board's rules of procedure.

In light of these discussions, Mr. Minning, the chairman of the Supervisory Board, reminded members of a letter he had written to the deputy chairman of the Supervisory Board, in which he made reference to the well-known connection between himself and the company Grenzebach, in which he is the main shareholder and business partner.

Otherwise, the members of the Supervisory Board completely complied with the material arm's-length criteria as outlined in the Corporate Governance Code. Concrete conflicts of interest as defined in section 5.5 of the Corporate Governance Code were not reported during the financial period.

The Supervisory Board and the Executive Board submitted identical declarations of compliance in accordance with article 161 of the German Stock Corporation Act. The declarations were submitted by the Executive Board on February 15, 2012 and the Supervisory Board on February 17, 2012. The declaration of compliance was made permanently available to shareholders at the company's Website.

Work with the auditors

The annual financial statements of KUKA Aktiengesellschaft and consolidated financial statements of KUKA Group as of December 31, 2012, as well as the consolidated management report of KUKA Aktiengesellschaft and KUKA Group, including the bookkeeping, were audited by auditors KPMG Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin, which issued an unqualified audit opinion on each of them on March 4, 2013. KUKA Group's risk management system was also audited, as required by law. KUKA Group's mid-year report dated June 30, 2012 was also reviewed by the auditors. KUKA Aktiengesellschaft's consolidated statements were prepared in accordance with article 315a of the German Commercial Code (HGB) based on the International Accounting Standards (IFRS) as adopted by the European Union.

The Supervisory Board's Audit Committee appointed the external auditors, KPMG, as per the resolution at the Annual General Meeting of June 6, 2012. Prior to appointing the auditors of the financial statements of the company and the Group, the chair of the Audit Committee and the chairman of the Supervisory Board conducted an in-depth review with the auditors regarding key audit issues, scope and fees. The auditors agreed to immediately inform the chairman of the Audit Committee about any disqualification or bias issues encountered during the audit, provided such disqualification or bias issues could not immediately be resolved. The auditor also agreed to report on an ongoing basis during the audit all material findings and developments arising during the audit that were within the scope of the Supervisory Board's responsibilities. Furthermore, the auditors were instructed to inform the Supervisory Board, or make a note in the audit report, if information was encountered during the audit that is contrary to the declarations released by the Executive and Supervisory Boards as per article 161, paragraph 1, clause 1 of the German Stock Corporation Act (AktG).

Finally, the Audit Committee obtained the arm's-length declaration of the auditor in accordance with item 7.2.1 of the CGC and monitored the independence of the auditor. The committee also signed contracts with the auditor for services that did not relate to the audit itself.

As in previous years, each year with different topics, the company asked the auditor to focus especially on a number of items during the annual review of financial 2012, such as the valuation of joint projects involving several companies as relates to the PoC method, capitalization and intrinsic value of internally generated intangible assets, the approach to and valuation of deferred taxes, especially as relates to tax loss carry-forwards, valuation of accounts receivable, especially receivables from companies located in countries in crisis, and revenue recognition for supply contracts. The auditor found no major issues with regard to these items.

In December 2012, the auditor gave the Audit Committee chair a detailed explanation of the preliminary audit results.

Because they had been contracted to review the June 30, 2012 mid-year financial report, the auditors attended the August 6, 2012 Audit Committee meeting.

In a joint meeting with the auditor on March 11, 2013, the Audit Committee reviewed the two sets of financial statements, taking into consideration the auditor's reports. The Executive Board and the auditor presented the highlights of the financial reports to the panel. The Audit Committee members reviewed, discussed and checked in detail the documentation relating to the financial statements and discussed the audit report in depth with the auditor. The auditor answered the questions posed by the Audit Committee members. The Audit Committee reported to the Supervisory Board on the results of its discussions during the board's meeting on March 25, 2013 and recommended that the board approve KUKA Aktiengesellschaft's annual financial statements and KUKA Group's consolidated annual financial statements.

The Supervisory Board reviewed the draft annual financial statements and the Executive Board's recommendation on appropriation of net income on March 25, 2013. The auditor, KPMG, attended the Supervisory Board meeting in order to report on material findings in the audit and to provide additional information. All members of the Supervisory Board were in possession of the audit reports provided by the auditor. KPMG explained in detail the asset, financial and earnings situation of the company and the Group. The auditor also reported that there are no major weaknesses in the internal controlling system and accounting-related risk management system. The board and the auditor jointly reviewed and discussed the financial statements and KPMG answered all questions posed by the Audit Committee.

2012 financial statements adopted

After completing its own review, and with full knowledge and consideration of the Audit Committee report, the auditor's reports and the explanations provided in the meeting of March 25, 2013, the Supervisory Board raised no objections to the results and concurred with the auditor's findings. In the opinion of the Supervisory Board, the auditor's reports comply with the legal requirements stipulated in articles 317 and 321 of the German Commercial Code (HGB).

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

In its financial statements meeting on March 25, 2013, the Supervisory Board approved KUKA Aktiengesellschaft's financial statements for financial 2012 as prepared by the Executive Board. The annual financial statements are thus adopted.

The Supervisory Board also approved KUKA Aktiengesellschaft's consolidated financial statements and the Corporate Governance report for the 2012 financial year as prepared by the Executive Board.

The Executive Board recommended that a dividend of EUR 0.20 per common share entitled to dividends be paid from retained earnings and the balance in retained earnings be carried forward. We endorsed this recommendation.

Thanks to the staff

Fiscal 2012 demanded a great deal from our Executive Board and our employees, but also generously rewarded them with excellent results. This makes us confident and gives us the necessary incentive to continue to execute our strategic plan. The above-average rise in KUKA's share price shows that the capital markets have already acknowledged these developments. The company is again able to pay a dividend, thanks in large part to the efforts of the Executive Board and all KUKA Group employees.

The Supervisory Board now especially thanks all employees of KUKA's companies, members of the Executive Board, the management teams of all Group companies and the employee representatives for their outstanding commitment. We can all be proud of what we have achieved together and look forward to the continuing prosperous business growth of the company in the future.

Augsburg, March 25, 2013

The Supervisory Board

Bernd Minning
Chairman

CORPORATE GOVERNANCE REPORT

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

Responsible and transparent corporate governance is a fundamental KUKA principle. This applies especially to the interaction between the Executive and Supervisory Boards.

DECLARATION OF COMPLIANCE

The declarations of compliance of the Executive Board and the Supervisory Board that have been issued for every financial year starting in 2002, have in each case been made available on the company's website at www.kuka-ag.de.

The identical declarations of the Executive Board dated February 5, 2013 and of the Supervisory Board dated February 15, 2013 in accordance with article 161, clause 1, sentence 1 of the German Stock Corporation Act (AktG) and the German Corporate Governance Code read as follows:

"Since issuing the latest declarations of compliance of the Executive Board (February 15, 2012) and of the Supervisory Board (February 17, 2012), KUKA Aktiengesellschaft has complied with, and continues to comply with, the recommendations of the Government Commission on the German Corporate Governance Code as on May 15, 2012, which were published in the electronic edition of the Bundesanzeiger (German Federal Gazette) dated June 15, 2012, subject to the following exceptions:

- KUKA Aktiengesellschaft does not follow the recommendation for the Supervisory Board outlined in section 3.8, clause 5 of the CGC. The Group's D&O insurance policy does not provide for a deductible for members of the Supervisory Board. In KUKA Aktiengesellschaft's view, the deductible for Supervisory Board members is not required to ensure they properly fulfill their monitoring role.

KUKA Aktiengesellschaft adheres to nearly all other proposals contained in the code."

The identical declarations of the Executive Board and the Supervisory Board have been available on the company's website at www.kuka-ag.com since February 26, 2013.

MANAGEMENT AND CORPORATE STRUCTURE

KUKA Group consists of KUKA Aktiengesellschaft – the Group's managing holding company – and the two divisions, Robotics and Systems. All Group companies are – with few exceptions – allocated to the two management companies KUKA Roboter GmbH and KUKA Systems GmbH and are directly or indirectly held by these, for the most part 100 percent. This legal entity includes KUKA Laboratories GmbH, a one-hundred-percent owned subsidiary of KUKA Roboter GmbH, into which the "Advanced Robotics" business unit is integrated.

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

The Executive Board of KUKA Aktiengesellschaft consists of two persons; namely, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). KUKA Aktiengesellschaft's Articles of Association state that the Executive Board consists of at least two persons (article 6, paragraph 1 of the Company's Articles of Association).

RESPONSIBLE COOPERATION BETWEEN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

The common goal of the Executive Board and the Supervisory Board is to sustainably increase shareholder value. To this end, the Executive Board and Supervisory Board work closely together in the interest of the company. No former Executive Board members belong to the Supervisory Board. The Executive Board reports to the Supervisory Board regularly, in a timely manner, and comprehensively regarding all planning issues, business development, risk assessment, risk management, and any actions taken in this regard. In the process, the Executive Board also addresses changes in the business development from established plans and goals, and explains the reasons leading to such changes. The reporting of the Executive Board to the Supervisory Board also includes the topic of Corporate Compliance. Articles of Association and standard rules of procedure have provisions ensuring that important business transactions are subject to agreement by the Supervisory Board. Details about the cooperation of the Executive Board and Supervisory Board can be found in the report of the Supervisory Board on pages 33 to 36.

In the financial year 2012, there were no consulting or other services or work contracts in place between Supervisory Board members and the company.

There were no reported conflicts of interest between Executive Board and Supervisory Board members.

EXECUTIVE BOARD

In the financial year 2012 the Executive Board had two members responsible for the following departments:

Dr. Till Reuter, CEO, is responsible for (i) investor relations (ii) strategic corporate development (iii) public relations (iv) top executive managers of the Group (v) audit and (vi) legal / compliance. Dr. Reuter has also been in charge of human resources and served as director of industrial relations of KUKA Aktiengesellschaft since Mr. Stephan Schulak left the company as of July 31, 2012.

Mr. Schulak resigned his position as CFO effective July 31, 2012. Prior to leaving the company, he was for (i) finances and controlling, which includes the accounting, controlling, treasury and tax departments, (ii) risk management, (iii) facility management and (v) human resources. In addition, Mr. Schulak was director of industrial relations of KUKA Aktiengesellschaft until such time.

Mr. Peter Mohnen was appointed CFO effective August 1, 2012. As the successor to Mr. Schulak, he has essentially assumed his duties and is responsible for (i) finances and controlling, which includes the accounting, controlling, treasury and tax departments, (ii) risk management, (iii) IT, and (iv) facility management.

As a rule, the Executive Board members convene at least every fourteen days, and they also keep in constant close contact at other times. Conflicts of interest on the Executive Board are avoided. No conflicts of interest between Executive Board members occurred during the year under review.

In accordance with the recommendations of the CGC (section 4.1.5), the Executive Board takes into consideration diversity in choosing company managers and especially strives to include an appropriate number of women.The “Female Inspiration” program is intended to permanently increase the number of women who play a leading management role at KUKA Group.

COMPENSATION OF THE EXECUTIVE BOARD

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

SUPERVISORY BOARD

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

The employee representatives were elected to the Supervisory Board on April 15, 2008. The results of the vote were published in the electronic version of the Bundesanzeiger on April 24, 2008.

The terms of office of the employee representatives on the Supervisory Board will end after the adjournment of the Annual General Meeting in 2013. This also applies to one employee representative who was appointed to the Supervisory Board by order of the local court of Augsburg dated June 11, 2012.

The term of office of the Supervisory Board shareholder representatives also ends upon adjournment of the Annual General Meaning in 2013. This is because the terms of office of the Supervisory Board shareholder representatives elected to the Supervisory Board at the Annual General Meeting of April 29, 2009 and / or April 29, 2010 to replace those that prematurely stepped down from the board ends at the same time as the original terms of office of the departing Supervisory Board members (article 10, section 4, clause 1 of the Articles of Association).

In view of the requirement regarding diversity in section 5.4.1 of the Corporate Governance Code relating to the specification of concrete objectives for composition of the Board, the Supervisory Board already made various diversity-focused determinations in 2010. Based on the amendment to section 5.4.1 of the CGC in May 2012, in December 2012 the Supervisory Board revisited its objectives regarding its future composition. Its deliberations focused on the topic of the independence of Supervisory Board members. As a result, the Supervisory Board has now set the following objectives for its future composition, which should also be considered when recommending candidates to the Annual General Meeting:

(i) At least two Supervisory Board members are to have sector-specific experience.
(ii) At least one Supervisory Board member should have a considerable amount of foreign professional experience.
(iii) At least two Supervisory Board members should not be employees or consultants of, or members of the corporate organs of customers, suppliers, lenders or other business partners of the Company.
(iv) At least two Supervisory Board members to be elected by the Annual General Meeting should be independent within the meaning of section 5.4.2 of the CGC.
(v) Normally, Supervisory Board members should be no younger than 35 and no older than 72 years of age at the time of their election.
(vi) Appropriately qualified women are to be reviewed as candidates. Within two election periods, at least two Supervisory Board members should be female.

To the extent that members of the Supervisory Board were or are employed in a controlling position with important business partners, transactions with them were subject to the standard terms and conditions for arm's-length transactions.

Against the backdrop of the criteria for independence set forth in section 5.4.2 of the CGC, Mr. Minning, Chairman of the Supervisory Board, addressed a letter to the Deputy Chairman of the Supervisory Board referring to his known association with the major shareholder of Grenzebach Maschinenbau GmbH and the latter's business relations with KUKA Group companies. All other members of the Supervisory Board fully comply with independence criteria. Accordingly, in the opinion of the Supervisory Board, it has an adequate number of independent members to ensure that it is able to independently advise and monitor the Executive Board. As an independent member of the Supervisory Board and its audit committee, Dr. Ganzer has expert knowledge in the area of accounting standards and corporate audits.

Six committees consisting of Supervisory Board members were formed by the Supervisory Board.
These are:

(i) the Arbitration Committee as per article 27 section 3 of the MitbestG (German Act on Co-determination);
(ii) the Personnel Committee;
(iii) the Audit Committee (section 5.3.2 of the CGC);
(iv) the Nomination Committee (section 5.3.3 of the CGC);
(v) the Strategy and Development Committee; and
(vi) the Technology and Production Committee

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

It has been agreed with the independent auditor that the independent auditor will immediately report to the Supervisory Board any material findings or events related to the Supervisory Board's work that arise in the course auditing the financial statements. Finally, it has also been agreed with the independent auditor that the independent auditor will inform the Supervisory Board and/or note in the audit report any finding of facts during the performance of the audit, indicating that the declarations issued by the Executive Board and the Supervisory Board with respect to the Code are in any way incorrect (section 7.2.3 CGC). As ordered, the auditor reviewed the interim report per June 30, 2012.

The Supervisory Board regularly reviews the efficiency of its activities (section 5.6 CGC). A multi-year review, which was completed in April 2011, was recently carried out by the Institute for Corporate Governance of the University of Witten/Herdecke as part of a research project entitled "High-Performance Boards – Quality and Efficiency on Supervisory Board Committees". The Supervisory Board intends to have the efficiency of its activities professionally reviewed at reasonable intervals in the future as well.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board is described in the compensation report

SHAREHOLDINGS

Mr. Guy Wyser-Pratte has been allocated – according to the latest notification of voting rights effective November 2010 – a total of 4.74 percent of the shares issued by KUKA Aktiengesellschaft.

The remaining members of the Executive Board and Supervisory Board hold less than 1 percent of the shares in circulation.

CORPORATE COMPLIANCE

KUKA has always applied a high standard of ethical principles. Essential components are strict obedience to the law and value-oriented conduct. These form the basis of the Corporate Compliance Program passed by the Executive Board in November 2007 and approved by the Supervisory Board in December 2007, which took effect throughout the corporation on February 1, 2008. The key contents of the Corporate Compliance Program are contained in the Corporate Compliance Handbook, which outlines several compliance related rules. The Corporate Compliance Handbook was revised and updated in financial 2010. The revised version has come into force on April 1, 2011.

According to a resolution of the Executive Board the CEO has final responsibility for the Corporate Compliance Program. The Corporate Compliance Program is led, implemented, governed and further developed by a Compliance Committee, consisting of persons employed by the Group. In addition, compliance officers grouped by divisions and regions and reporting to the compliance committee were assigned in the Group companies. The compliance officers are the employees' direct and first point of contact for compliance-related issues. The position of an external ombudsman has also been established.

For KUKA, regularly training its employees and continuously enhancing the existing compliance system are key to embedding the company's value based standards into the minds of its employees, to ensure legal compliance and avoid unlawful acts. For example, in 2011 all KUKA employees participated in online compliance training based on an e-learning program designed especially for this purpose. In 2012, the e-learning program was expanded to include the foreign Group companies. An e-learning tool focusing on "information security and data protection" was also introduced in 2012, and special training programs with selected topics of focus were carried out.

ANNUAL GENERAL MEETING

The ordinary Annual General Meeting 2013 will take place in Augsburg on June 5, 2013.

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

ACCOUNTING AND ANNUAL AUDITING

Since 2004, the annual financial statements of the KUKA Group have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) as adopted by the European Union. The audit of the annual financial statements and the consolidated financial statements is performed by an independent auditor elected at the Annual General Meeting. At the recommendation of the Supervisory Board, shareholders at the Annual General Meeting 2012 elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for the annual reports and Group auditor for financial 2012 as well as for a potential review of the mid-year report for financial year 2012. The mid-year report for financial year 2012 was reviewed by the auditor based on the aforementioned resolution.

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

OPPORTUNITY, RISK MANAGEMENT AND CONTROLLING

Opportunities including controlling and risk management at KUKA Group are described in the chapter on risk management of the annual report on pages 81 to 87. In accordance with legal requirements, the aim of risk management is the early recognition of risks that could jeopardize the continued existence of KUKA Group and its operating companies, in order to make it possible to take measures to minimize, transfer or avoid risk. The risk strategy and policy is particularly guided by the business risks, financial markets risk, including currency risk, and the specific risks in the divisions – in each case from a short, intermediate and long-term perspective. In particular, controlling is an essential tool of efficient risk management at KUKA Group.

KUKA further optimized opportunity and risk management throughout the year 2012. The adaptation of opportunity and risk management to changes in the business environment is an ongoing task of the Executive Board.

FINANCIAL PUBLICATIONS

The company informs its shareholders, the participants in the capital markets and the media about the condition as well as material business events at the company in particular through quarterly reports, mid-year statements, the Annual Report, the financial press conference reporting on the annual financial statements and the ordinary Annual General Meeting of shareholders.In addition, it issues ad-hoc announcements in accordance with article 15 of the WpHG (German Securities Trading Act), and notifications in accordance with article 15a of the WpHG (Directors' Dealings) and article 26 of the WpHG (publication of notifications from shareholders and holders of certain financial instruments), holds conferences with analysts, meetings with financial analysts and investors in Germany and abroad, and issues other press releases.

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

COPORATE GOVERNANCE STATEMENT

The corporate governance statement according to section 289 a HBG is available on the website of the company at www.kuka-ag.de.

COMPENSATION REPORT

The Compensation Report summarizes the basic principles used to determine the compensation of the Executive and Supervisory Boards of KUKA Aktiengesellschaft and describes the structure and amount of remuneration of the members of the Executive and Supervisory Boards. The Compensation Report is an integral part of the combined management report.

COMPENSATION OF THE EXECUTIVE BOARD

1. Compensation structure

KUKA Aktiengesellschaft's Executive Board compensation contains fixed and variable components. The latter consist of several variable compensation elements. The Executive Board compensation system thus conforms with section 87 of the German Stock Corporation Act (AktG) and the requirements of the CGC regarding sustainable corporate performance. The variable components take into consideration both positive and negative business developments.

The fixed compensation consists of a base salary and payments in kind. The base salary is paid in twelve equal monthly installments. The payments in kind made to Executive Board members consist mainly of the use of company vehicles.

One-half of the variable compensation is based on achievement of personal targets and the other half is dependent on the performance of KUKA Group's key indicators, EBIT and free cash flow. The associated details are agreed for each specific year. The variable compensation component is capped, and achievement of the financial targets is linked to business performance over several years.

In addition, phantom shares have been offered to members of the Executive Board since 2006 as part of annual phantom share programs (hereinafter also referred to as the "programs") as an additional variable compensation component designed to provide a long-term incentive. Phantom shares are virtual shares that grant the holder the right to cash payment in the amount of the company's applicable share price. In contrast to stock options, the proceeds from phantom shares reflect not only on the increase in share value, but also the full value of the stock. Moreover, a dividend equivalent that mirrors the actual dividend distributed on real KUKA shares is paid annually during the life of the plan for each virtual share held. There are no voting rights associated with phantom shares.

Each program has a term of three calendar years. The first program was rolled out for the period from 2006 to 2008. The program established as a component of compensation for financial 2012 refers to the years 2012 – 2014. At the beginning of the three-year period, the Supervisory Board establishes the amount to be allocated. To calculate the preliminary number of phantom shares for the program 2012 – 2014, such amount is divided by the initial price determined for KUKA shares, which was calculated from the average price of KUKA shares (opening price in XETRA trading on the Frankfurt stock exchange) between January 2, 2012 and March 26, 2012 (the last trading day prior to the Supervisory Board's financial review meeting). The Supervisory Board also establishes an EVA (economic value added) for continuing operations (before taxes) at the beginning of the three-year performance period. The EVA is based on the operational planning for the three years of the program, which is geared toward the budget for the first financial year of the three-year period and the projections for the two subsequent financial years.

The cumulative EVA (actual EVA) for the three-year performance period is divided by the EVA for continuing operations in accordance with the operational planning for the three program years in order to determine a profit factor. The profit factor may fluctuate between 0 and 2.0. The final number of phantom shares depends on the success factor achieved, which is multiplied by the preliminary number of phantom shares. The upper limit is capped at twice the number of phantom shares, i.e. it reflects a success factor of 2.0. Payment is based on the final number of phantom shares at the closing share price (average price of KUKA shares from January 2 of the year subsequent to the three reference years [the "subsequent year"] and the last trading day prior to the financial review meeting of the Supervisory Board in the subsequent year).

Each Executive Board member is obligated to apply 25 percent of the gross amount paid out in April of the subsequent year to the purchase of KUKA shares at the then applicable share price. The share purchase serves to build up the established holding volume of 50 percent of the annual base compensation in the form of KUKA shares starting in March of the subsequent year. Once the established holding volume has been achieved, the Executive Board member in question is no longer obligated to purchase additional shares as part of ensuing programs. The obligation likewise ends with the departure of the Executive Board member from KUKA Group. In the event of termination of an Executive Board member's contract – regardless of which party initiates the termination – all phantom shares allocated to that member expire.

The initial price for the 2012 – 2014 phantom share program was set at € 16.22.

Unless fixed benefits have been contractually granted, the Supervisory Board decides each year on the amount of the Executive Board's share-based payments. The objective of the program is to ensure that every member of KUKA's Executive Board is also a shareholder.

The program promotes share ownership among members of KUKA's Executive Board and thereby ties the interests of these governing body members more closely to the interests of shareholders.

The profit targets and comparative parameters may not be changed retroactively.

No loans were granted to Executive Board members during the reporting year.

2. Compensation for 2012

Remuneration paid to the Executive Board (including members who left the company during the financial year) totaled € 4,030,000 in financial 2012.

Total compensation paid to Executive Board members consists of cash compensation, which was actually paid out in financial 2012, as well as variable and share-based payment components that count as part of the total compensation – at the corresponding fair values or allocation values on the date granted (applicable for the 2012 – 2014 phantom share program) – without have been actually paid out to the Executive Board members.

Executive Board members who leave the company during the financial year may, based on pro-rata calculations, be immediately paid compensation components that would not have been paid out directly if they had retained their seats on the Executive Board.

The following table outlines the compensation paid to the Executive Board members in office as of December 31, 2012 as well as that paid to the entire Executive Board.

in € thousands	Base salary including payments in kind*	Variable compensation**	Phantom share program 2012 – 2014***	Total compensation
Dr. Till Reuter	519	932	386	1,837
Peter Mohnen (from August 1, 2012)	157	252	211	620
Total	**676**	**1,184**	**597**	**2,457**

* Depending on the contractual arrangements made with the individual Executive Board members, payments in kind comprise the use of company vehicles and premiums for accident insurance.

The premium for D&O insurance – unlike that for accident insurance – is not included in the payments in kind because it cannot be allocated on an individual basis, since the company pays a flat premium for a protected group of persons that extends beyond the members of the Executive Board.

** The fair value taken into account for each Executive Board member in the table corresponds to the entire value of provisions as of December 31, 2012. The variable compensation paid to the Executive Board can only be determined on a preliminary basis at present. At its meeting on March 25, 2013, the Supervisory Board will make a final determination of the Executive Board members' variable compensation based on achievement of their personal targets. With regard to the sustainable corporate performance requirements, the Supervisory Board will not decide on final achievement of the corporate targets until 2014. The fair value determined for Dr. Reuter also includes bonuses for reaching the corporate targets in 2011, which will not be paid out until 2013 based on the sustainable corporate performance requirements.

*** The allocation value equals the average price for KUKA shares on the respective date the phantom share program was established by the Supervisory Board. The allocation value thus calculated is multiplied by the preliminary number of phantom shares.

Dr. Till Reuter:
Allocation value = € 15.65 (XETRA closing price on March 27, 2012)

Peter Mohnen:
Allocation value = € 17.12 (XETRA closing price on May 16, 2012)

Mr. Stephan Schulak left the Executive Board as of July 31, 2012. Owing to the suspension of his contract, Mr. Schulak's compensation was calculated separately. Variable compensation com-

ponents (and, due to the sustainable corporate performance requirements, the "2011 corporate targets" bonuses) and previous phantom share programs were settled, meaning that all compensation components were paid out in cash in financial year 2012. The remuneration actually paid to Mr. Stephan Schulak accordingly amounted to € 1,573,000 in financial 2012.

Provisions, which took the total expected expense from the phantom shares programs into account, were recognized as of December 31, 2012 for all phantom share programs in effect on that date (i. e. the 2010 – 2012, 2011 – 2013 und 2012 – 2014 programs).

Apart from a few exceptions, former Executive Board members whose terms of office ended no later than 2008 were not granted company pension benefits that included old-age, professional and employment disability, widows' and orphans' pensions. The amount of the provisions recognized in 2012 for current pensions and expected pension benefits for this group of persons totaled € 10,016,000 (German Commercial Code; previous year: € 9,848,000).

COMPENSATION OF THE SUPERVISORY BOARD

1. Compensation structure

Based on a resolution of the company's Annual General Meeting on January 1, 2006, the Articles of Association were amended to require fixed compensation for members of the Supervisory Board.

In addition to reimbursement of expenses, each member of the Supervisory Board is paid a fixed amount of € 30,000, payable at the end of the financial year.

The chair of the Supervisory Board is paid four times that amount, and the deputy chair receives double the compensation. Supervisory Board members receive additional compensation of € 30,000 for chairing the Annual General Meeting, provided this task is not fulfilled by the chair of the Supervisory Board, and for membership in one or more committees that are not of an interim nature. Committee chairs are paid at most one and one-half times the annual compensation, even if they chair more than one committee or are members of another committee; this does not apply to the committee formed pursuant to section 27 (3) of the German Act on Co-Determination (MitbestG).
In addition, for each Supervisory Board meeting (including meetings of Supervisory Board committees), each Supervisory Board member has the choice of either being reimbursed for expenses or receiving a lump-sum payment of € 450 per meeting, plus the applicable value added tax. The employee representatives on the Supervisory Board who are employed by KUKA Aktiengesellschaft or a KUKA Group company are still entitled to their regular salaries based on their employment contracts.

2. Compensation for 2011 and 2012

The following table compares the compensation paid to members of the Supervisory Board in the 2011 and 2012 financial years.

in € thousands	Payment in 2012 for 2011	Payment in 2013 for 2012
Bernd Minning Chairman of the Supervisory Board and Chairman of the Personnel Committee, Strategy and Development Committee, Mediation Committee, and Nomination Committee	165*	**165**
Jürgen Kerner Deputy Chairman of the Supervisory Board (until June 6, 2012)	90	**39**
Prof. Dr. Dirk Abel	60	**60**
Dr. Uwe F. Ganzer Chairman of the Audit Committee	75	**75**
Thomas Kalkbrenner Deputy Chairman of the Supervisory Board (from June 13, 2012)	0	**31**
Dr. Michael Proeller	60	**60**
Prof. Dr. Uwe Loos Deputy Chairman of the Supervisory Board (from June 13, 2012)	75	**75**
Carola Leitmeir	60	**60**
Fritz Seifert	60	**60**
Wilfried Eberhardt	30	**30**
Siegfried Greulich	60	**60**
Thomas Knabel	60	**60**
Guy Wyser-Pratte	60	60

* Mr. Minning donated one-half of the compensation he was entitled to for his chairmanship of the Supervisory Board in 2011 (€ 45,000) to the non-profit organization "Orange Care e. V.," founded in 2012.

KUKA AND THE CAPITAL MARKET

KUKA shares are listed on the MDAX, Germany's stock market index for mid-cap companies, and reporting occurs in accordance with the rules of Deutsche Börse's Prime Standard segment. In addition, the company regularly stages road shows and investor conferences in Germany and abroad. The average number of KUKA shares traded daily on the stock exchange in financial 2012 was 120,000 on average. Market capitalization was € 938 million at the close of 2012.

The MDAX (index of Germany's top 50 mid-cap companies) performed even better than the DAX. At the end of November, the MDAX broke through the all-time high of 11,500 points it reached in 2007 and closed the year at 11,900 points – up 33.9 percent for the year overall. The index's rally was driven in part because it has a greater share of companies from the industrial goods sector and price increases here were above-average in the year just ended.

GERMAN STOCK INDICES OUTPERFORM INTERNATIONAL EXCHANGES

The German equities markets rallied in 2012, reflecting the outstanding performance of German companies all over the world. Germany's leading index, the DAX, had its best year since 2003, rising nearly 30 percent over the course of the year. It significantly outperformed the benchmark indices in Europe (Euro Stoxx, +17 percent) and the United States (Dow Jones, +9 percent). Following the DAX's extraordinarily good start in the first quarter of financial 2012, at the halfway mark in summer there was renewed concern about prices because of the euro debt crisis. Not until the European Central Bank announced that it would potentially buy additional bonds from member states in crisis did the financial markets breathe a sigh of relief and subsequently rally at year-end.

KUKA ONE OF THE BEST STOCKS

KUKA stock was among the MDAX winners in 2012, nearly doubling in price in financial 2012; from € 14.14 at the end of 2011 to € 27.67 at the end 2012. The share price rose more than 20 percent in the last six weeks of the year alone to reach a new five-year high of € 29.02 on December 19. This increase reflects the company's strong, profitable growth, to the extent that management had to raise its sales and earnings projections for financial 2012. Investors also began focusing more closely on robot-based automation, which benefited from rising wages and quality standards across the globe. Together with another plant engineering and construction company that targets the automotive industry, KUKA led the index of 30 exchange-listed companies in the industrial machinery subsector in 2012.

KUKA SHARES – KEY FIGURES

		2008	2009	2010	2011	2012
Weighted average number of shares outstanding	millions of shares	25.82	25.67	30.33	33.43	33.43
Earnings per share	€	1.18	-2.95	-0.28	0.89	1.64
Dividend per share	€	–	–	–	–	0.20*
High for the year (closing price)	€	26.01	12.67	16.93	20.00	29.02
Low for the year (closing price)	€	10.07	9.02	9.87	12.50	14.68
Closing price for the year (closing price)	€	12.67	11.95	16.60	14.14	27.67
Change compared to prior year	%	-51.3	-5.7	38.9	-14.8	95.69
Market capitalization (Dec. 31)	€ millions	337	350	548	472	938.44
Average daily volume	No. of shares	234,000	98,300	113,000	132,000	120,000

* subject to approval by shareholders at the Annual General Meeting on June 5, 2013.

PETER MOHNEN APPOINTED CFO

Following the departure of former CFO Stephan Schulak upon the expiration of his contract at the end of July, Peter G. Mohnen, Diplom-Kaufmann, assumed the position as of August 1, 2012. Mr. Mohnen had previously been CFO of E.ON Hungaria.

CONTACT WITH INVESTORS FURTHER EXPANDED

KUKA took advantage of increased investor interest in its shares to further intensify communications with the financial markets. The Executive Board and / or the Investor Relations department gave presentations about the company at thirty-six bank-sponsored investor conferences and road shows in financial 2012 (previous year: thirty). In Germany, investor relations activity focused on the financial centers of Frankfurt / Main and Munich, which the company visited regularly. Road shows were also held in Düsseldorf and Hamburg, as was an investor conference in Baden-Baden. Activity in the rest of Europe centered on London and Zurich / Geneva, which were visited a number of times. The company also held road shows in the financial centers of Amsterdam, Paris, Milan, Vienna, and in Scandinavia. Outside Europe, the company gave corporate presentations at investor conferences and road shows in North America (New York, Boston, Chicago) and in Japan (Tokyo). The number of investor meetings held, including meetings at the company's Augsburg headquarters, surpassed the prior year's high level to reach 327 in financial 2012 (previous year: 313). The financial statements of the KUKA Group were presented at the annual analysts' conference in Francfort on March 28, 2012.

CAPITAL MARKET DAY AT AUTOMATICA

Last year's Capital Market Day took place as part of the AUTOMATICA robotics trade fair held on May 22, 2012 in Munich. Numerous analysts and investors accepted the company's invitation to attend the show and learn about the Executive Board's enhanced strategy for expanding its general industry business. The main products presented at the show were the new KR QUANTEC models for the general industry, while KUKA's new small robot, KR AGILUS, was also launched at the show. This new product family covers the low payload range of industrial robots (up to 10 kg), which KUKA was previously not able to cover with its own products. Small robots are being used increasingly for "pick and place" tasks in the food and plastics industries, as well as the machine tool and other general industry sectors.

HIGH FREE FLOAT

A large number of KUKA shares continue to be free-floating. At the end of 2012, the free float, including shares owned by institutional investors, totaled 75.6 percent of the company's share capital. According to the mandatory disclosures submitted to the company, the following investors hold more than 3 percent of the share capital: Grenzebach Group, Asbach-Bäumenheim (24.4 percent), Oppenheim Asset Management Services S.a.r.l. (5.2 percent), Wyser-Pratte (4.7 percent), Franklin Mutual Advisors LLC (3.0 percent) and Axa S.A., Paris (3.21 percent; since February 8, 2013).

MAJORITY OF ANALYSTS RECOMMEND KUKA SHARES AS A "BUY"

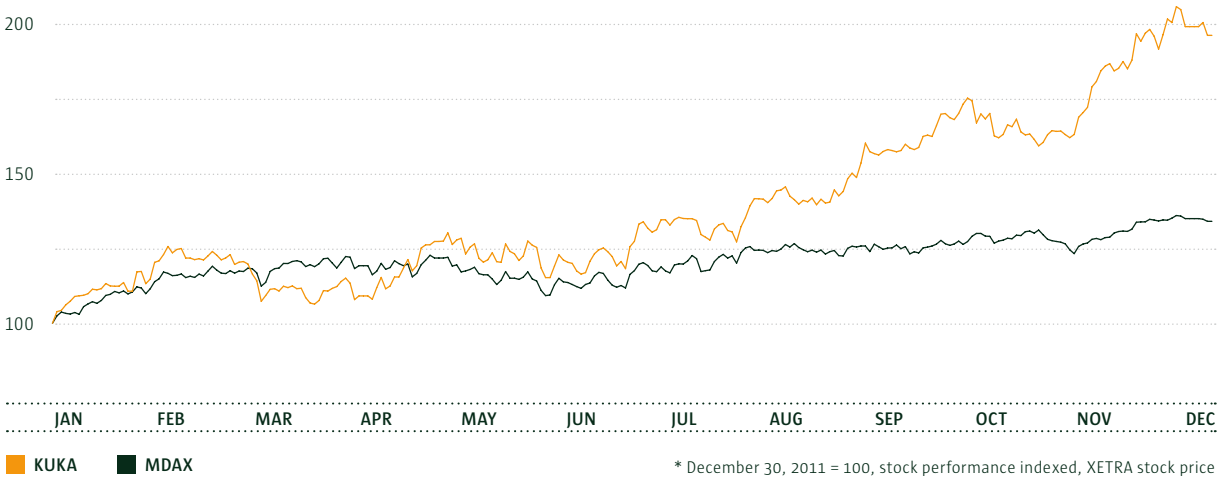
Thanks to the very satisfactory price trend, the number of banks and brokerage firms tracking KUKA's stock rose from seventeen at the start of the year to twenty at year-end. Along with Goldman Sachs and Morgan Stanley, the new additions include two major international banks. As in the previous year, most analysts gave the stock a "buy" recommendation, for a total of nine at the end of 2012 (previous year: eleven). Another six issued a "hold" recommendation (previous year: four), and five a "sell" (previous year: one). The unusual high price rise resulted in a significant spread in target prices, ranging from € 17 at the low end to € 33 at the high end. The average target price for all analysts at the end of the year was € 24. In February 2013 the first major bank increased its price target at € 40. For more information, please see www.kuka-ag.de/en/investor_relations

CORPORATE BOND ON THE RISE

In November 2010, KUKA placed a corporate bond. The bond had an issue volume of € 202 million, a coupon rate of 8.75 percent p. a. and matures no later than 2017. It is traded on the Luxembourg Stock Exchange in the Euro MTF market segment and was trading at 113.50 percent on December 31, 2012. To maintain relations with bond investors, the company gave corporate presentations at conferences in Düsseldorf, London and other locations in financial 2012.

The rating agencies have given KUKA a B+ positive rating (Standard & Poor's, last updated in February 2013) and B1+positive (Moody's, last updated in February 2013).

KUKA SHARE PRICE PERFORMANCE FROM JANUARY 1 – DECEMBER 31, 2012*



* December 30, 2011 = 100, stock performance indexed, XETRA stock price

CONSOLIDATED MANAGEMENT REPORT

BUSINESS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS ACTIVITIES

KUKA AG is a stock corporation listed on the MDAX, the German index for medium-size companies.

KUKA Group is an internationally active robot and plant engineering company focused on robot-based automation that helps its customers improve the efficiency and quality of their production processes. The business model of the company's Systems division encompasses planning and building new automated assembly lines and systems and improving the efficiency of existing systems. The Robotics division focuses on designing and assembling industrial robots, complete with controllers and software. Robotics also offers its customers a range of services.

The divisions' management executives coordinate the divisional activities. KUKA AG is the Group holding company and is headquartered in Augsburg. Subsidiaries in countries of key importance to the business throughout the world help the divisions sell their products and systems as much as possible and provide assembly and field service locally. The company thus has a local presence in its global markets.

ROBOTICS DIVISION

The Robotics division supplies industrial robots complete with controllers and software. They are one of the key components of automated manufacturing systems. The division's product portfolio is modular. This enables the business unit to offer custom solutions based on a series of standard products, with payloads ranging from 5 to 1300 kg. The industrial robots are mainly developed and assembled in Augsburg. Control cabinet assembly, which is very labor-intensive, is carried out at two Hungarian factories. Currently there is also an assembly facility in Shanghai, China, whose main purpose is to serve the Asian market (startup scheduled for 2013).

In 2011 / 12, the division launched a new generation of industrial robots (KR QUANTEC / KR C4) that feature fundamentally improved mechanics and controllers. Clients' benefits have been enlarged substantially by this new series of industrial robots. The division also launched the new KR AGILUS small robot in 2012. Like the QUANTEC family, its advantages include improved energy efficiency and speed. This new robot model rounds out the division's product portfolio in the low payload range and is a key building block for expanding the general industry business.

KUKA also established an Advanced Robotics section within the Robotics division to accelerate the development of new applications and markets. It operates independently as KUKA Laboratories GmbH. In addition to doing research and development for the two divisions, this business entity is responsible for developing the lightweight robot (LWR) to the stage of market readiness and expanding the share of sales from the health care systems market over the long term. The LWR's unique combination of sensors and safety features enables it to be used in applications for which robot-based solutions were unsuitable to date for safety reasons.

SYSTEMS DIVISION

The Systems division plans, designs and builds automated manufacturing systems. The range of products and services offered covers the entire value added chain of a plant - from stand-alone system components, tools and jigs to automated manufacturing cells. The division also acts as a systems integrator, delivering turnkey systems. The division's expertise is in automating individual production processes such as welding and soldering, processing a variety of materials (metals and nonmetals) and integrating various manufacturing steps or building fully automated systems.

The division mainly supplies assembly lines for car bodies and automated systems, engine and transmission assembly systems, as well as machine tools for sheet metal processing to the automotive industry. KUKA Systems also operates a Jeep Wrangler car body manufacturing line (KTPO) located at the Chrysler site in Toledo, Ohio.

The Systems division works with regional centers of expertise. Markets in Germany and Europe are serviced from Augsburg, North and South America from greater Detroit, Michigan, and Asia from Shanghai, China. Other business segments include press tool manufacturing and automated assembly lines and test stands for engines and transmissions. These entities are located in Schwarzenberg / Erzgebirge and Slovakia as well as Bremen and greater Detroit, Michigan.

MARKETS AND COMPETITIVE POSITIONS

The automotive industry is KUKA Group's most important customer segment and generates 65 to 70 percent of total sales. KUKA has been developing and implementing robot-based automation solutions for this market segment for over thirty years. During this time, KUKA has become a recognized brand name for innovative technologies, because it has had to comply with the automotive industry's stringent productivity, quality and reliability specifications. By its own estimates, KUKA Robotics is the market leader for industrial robots in Europe and one of the world's leading suppliers of the product. KUKA Systems is number two in both Europe and North America in the area of car body manufacturing for the automotive industry. Both divisions regard themselves as technology leaders.

To continuously expand its business, KUKA specifically targets sectors outside the automotive industry (general industry) in which it can take advantage of its leading automotive industry market position. KUKA Robotics has made the most progress in this regard. The division is one of the key global players in markets such as metal processing, mechanical engineering, plastics, food and health care. The robots for general industry are mainly sold and serviced by systems partners that target specific markets. KUKA Systems is also expanding into nonautomotive sectors, especially the aviation industry and logistics / mobility, and currently generates 20 percent of its sales in general industry.

CORPORATE STRATEGY

KUKA employs a three-pronged strategy to grow profitably. It is based on the market leadership of its divisions, the company's innovation strength and its strong customer relationships, and is summarized below:

1. Expand KUKA's innovation and technology leadership.

   For over thirty years, the KUKA brand has been associated with innovations in the area of automotive plant construction and robot technologies. The automotive industry is generally a pioneer when it comes to developing innovative manufacturing technologies. In order to maintain and expand its high level of innovation, the Robotics division employs about ten percent of its workforce in research and development at its Augsburg headquarters and reinvests between six and eight percent of its sales revenues in R&D annually. Normally, the Systems division's R&D is conducted in conjunction with customer orders; only a minor share of spending in this area is reported as R&D. One of the Advanced Robotics section's mandates is cross-functional in that it is in charge of technical developments for new applications and markets targeted by the two divisions.

2. Diversify business activities into new markets and regions

   KUKA is expanding into markets outside the automotive industry (general industry) based on its leading position in the carmaking sector. KUKA Systems does this by drawing on its automation expertise and applying it to related markets such as aviation, while KUKA Robotics works with systems partners to develop new applications for industrial robots in target markets such as metal processing, machine tool manufacturing, plastics, food and health care. General industry markets are especially important because the growth and profit potential in these sectors are greater than in automotive. In parallel, KUKA has established sales and service capabilities in the high-growth emerging markets of Asia and South America, in order to reap sustainable profits from the increasing automation in these regions; for example, the BRIC nations, Brazil, Russia, India and China. The company often successfully penetrates new markets via automotive projects with existing customers. New opportunities to enter into discussions with local carmakers and general industry players arise once these footholds of been established.

3. Optimize cost structure and continuously improve efficiency

   KUKA reviewed all of its internal processes as part of its continuous efficiency and process improvement initiative and reengineered a number of them, especially its supplier management and procurement from low-cost countries processes (HUB concept). This has enabled the company to significantly reduce its breakeven point.

INTERNAL MANAGEMENT SYSTEM

The internal management system ensures that the Group's key indicators are transparent so that the company can be systematically managed. KUKA's financial targets are performance indicators that track the enterprise value of the company.

Operating earnings before interest and taxes (EBIT) are compared to sales revenues to determine return on sales. This gives the EBIT margin. EBIT is compared to average capital employed to determine return on capital employed, or ROCE. EBIT and ROCE are determined for KUKA Group as well as the Robotics and Systems divisions. Free cash flow; that is, cash flow from operating and investment activities minus capital spending, shows whether the investments can be funded from cash flow, and how much cash is available to pay a dividend and service debt. The key indicator is published for the Group.

An important early indicator of business performance for mechanical and plant engineering companies is orders received. Order backlog for a certain period is determined by subtracting sales revenues from orders received during that time. Order backlog is an important forward indicator of the expected loading of operational capacities. Orders received and order backlog are determined for KUKA Group as well as the Robotics and Systems divisions.

All key indicators are continuously tracked and reviewed by KUKA Group's management companies, as well as its corporate accounting and controlling departments. Management analyzes any deviations from plan and initiates the necessary corrective actions required to achieve the targets.

ECONOMIC ENVIRONMENT

ECONOMIC TREND MUCH BETTER IN GERMANY THAN IN REST OF EUROPE

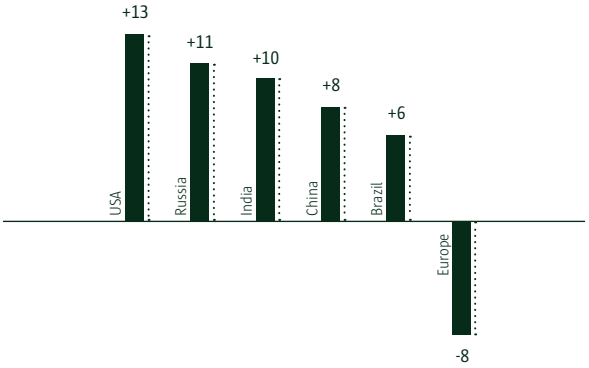
Despite the softening global economy and a period of economic weakness in the euro zone, the economy in Germany proved to be extremely resilient, registering above-average growth in a negative economic climate in 2012. According to preliminary figures from the German Federal Office of Statistics, gross domestic product increased by 0.7 percent on the prior year in spite of the sharp fourth-quarter decline in total economic output in Germany and other countries. With a rise of 4 percent, strong exports again drove the overall positive economic trend in Germany in 2012, especially exports to countries outside of the euro zone. However, a substantial decline was seen in capital expenditure by companies (-4 percent) and above all by the government (-9 percent). Thus the economy's scurry to catch up following the slump of 2009 has led to a phase of slight growth.

DEMAND IN AUTOMOTIVE SECTOR GAINS MOMENTUM

Both the world economy and global demand for automobiles continued to gain momentum in 2012. According to information from VDA (the German automotive industry association), automotive unit sales rose 4 percent in 2012 versus 2011. The upward trend benefited in particular from the return of the previous market leader, the United States, to its former strength with an increase of 13 percent to 14.4 million passenger vehicles and light commercial vehicles sold. The U.S. replaced China, which generated a rise of 8 percent to 13.2 million vehicles, as the world's largest automotive market. By contrast, the weak economies in Italy, Spain, and France in particular contributed to a significant decline in car sales in Europe totaling 8 percent to 13.2 million vehicles. At the same time, private consumers in Germany showed buying restraint, which led to a total decrease of 3 percent in unit sales of domestic passenger vehicles compared with the prior year.

UNIT CAR SALES IN 2012 BY REGION OR COUNTRY

Change year-on-year (in %) Source: VDA



GERMAN PREMIUM CARMAKERS OUTPERFORM THE MARKET

Germany's major automotive manufacturers – key KUKA Group customers – took advantage of their premium strategy and global positioning to significantly outperform the weak Western European markets in 2012. In the United States, for instance, German producers grew faster than the market for the seventh year in succession. Foreign production by these manufacturers rose disproportionally 8 percent versus the previous year to 7.7 million vehicles, while domestic production dropped 3 percent to reach just 5.4 million vehicles, three-fourths of which (4.1 million vehicles) was exported (-2percent). Thus the major German automotive manufacturers benefited in particular from their production facilities' growth in the expanding markets of the Americas and Asia.

MECHANICAL ENGINEERING REVENUES

After two years of growth rates in the high double digits, orders received in the German mechanical and plant engineering sector failed to meet the high prior-year figures with a decline of 3 percent. Domestic demand saw a particularly significant decrease of 8 percent, while the demand from abroad remains stable. The sector nonetheless closed the reporting year with sales revenues at a record high. According to the German Engineering Federation (VDMA), the sector reached the figure of € 209 billion in the reporting year, thus surpassing the previous high of € 208 billion achieved in 2008. Manufacturing of machines and systems increased by approximately 2 percent year-on-year after adjustment for inflation. Deliveries to European countries outside of Germany were especially strong. While sales to the deficit-ridden countries of Spain and Italy declined, the German mechanical and plant engineering sector generated an above-average increase of 7.5 percent overall in the remaining countries of the European Union. In addition, since fall of 2012 a number of key early indicators have pointed to a revival of the investment climate in certain major European markets. Therefore VDMA anticipates another increase in growth of the German mechanical and plant engineering sector with a rise of 2 percent year-on-year in the current year.

ROBOTICS MARKET UP SHARPLY AGAIN

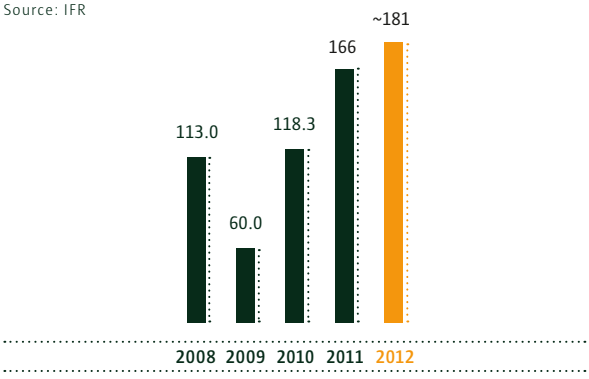
The international robotics industry continued growing in the reporting year. Based on the initial results for financial 2012, the International Federation of Robotics (IFR) expects sales of industrial robots to rise again, with an increase of 9 percent versus the prior year to a total of approximately 181,000 units worldwide. This sector had already experienced growth of 38 percent in the previous year to 166,000 units, representing the highest unit sales ever achieved in a single year.

The main driver of this growth was again the international automotive industry, which continued to make substantial investments in new production technologies and capacities as well as in modernizing worldwide production sites. However, even outside the automotive industry, general industry took advantage of robot technology to increase plant efficiency and improve product quality. According to IFR, the chief markets for industrial robots were Japan (31,000), North America (28,000), Korea (26,800), China (26,000), and Germany (19,000). North America and China (+15 percent each) and Japan (+11 percent) registered the highest growth rates, whereas unit sales stagnated in Germany and the rest of Europe.

WORLDWIDE SALES OF INDUSTRIAL ROBOTS

in thousands of units

Source: IFR



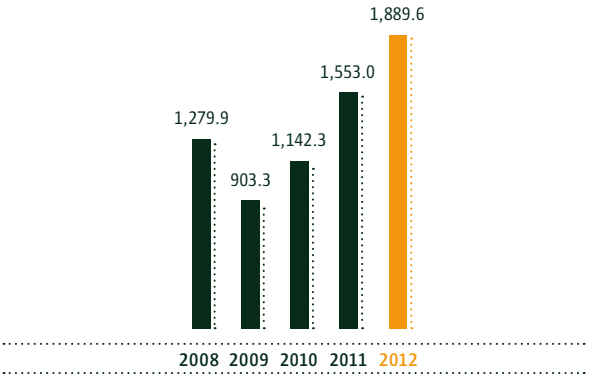
BUSINESS PERFORMANCE

The strong demand for robot-based automation from every corner of the globe enabled KUKA Group to significantly beat the prior year's numbers in financial 2012. This applies as much to orders received and sales revenues as it does to EBIT. In fact, EBIT grew at a faster rate than sales revenues. The guidance numbers for 2012 – sales revenues of € 1.65 billion and EBIT margin of at least 6 percent – were thus achieved safely.

ORDERS RECEIVED AT RECORD HIGH

Orders received for the financial year just ended reached a record € 1,889.6 million, up 21.7 percent from the € 1,553.0 million posted for 2011. Both divisions benefited from major orders from the international automotive industry, especially in the first half of 2012. The key drivers in the Robotics division were large order releases related to blanket orders from European carmakers and significant growth rates in China. As a result, the division's total orders received for financial 2012 came in at € 803.1 million, 22.7 percent higher than the € 654.4 million reported in 2011. Orders from general industry totaled € 294.9 million, a new record. The strong capital spending by KUKA customers continued in the systems business. The Systems division's orders received for financial 2012 were up by nearly the same percentage as Robotics' and reached € 1,115.1 million, 21.7 percent higher than the € 916.6 million received in 2011.

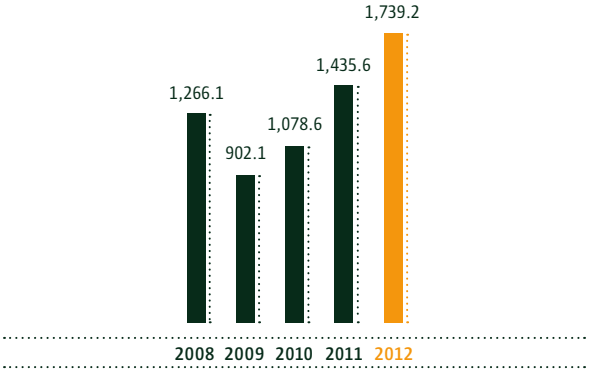
KUKA GROUP ORDERS RECEIVED in € millions



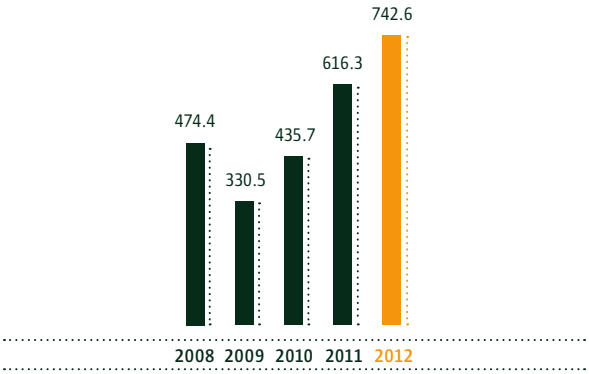
SALES REVENUES UP SHARPLY

KUKA Group's sales revenues rose nearly in parallel with orders received, coming in at € 1,739.2 million for financial 2012 overall, 21.1 percent higher than 2011's € 1,435.6 million. The Robotics division's sales revenues came in at € 742.6 million, 20.5 percent higher than the € 616.3 million reported for 2011. The Systems division had sales revenues of € 1,025.3 million, up 20.5 percent from € 850.7 million in 2011. The book-to-bill ratio for financial 2012 improved, coming in at 1.09. This drove order backlog even higher, which ensures high capacity utilization for 2013.

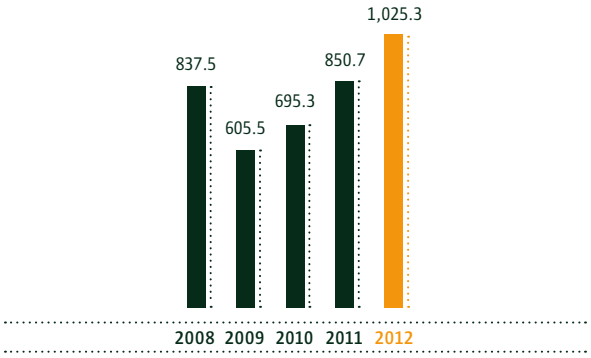
KUKA GROUP SALES REVENUES in € millions



KUKA ROBOTICS SALES REVENUES in € millions



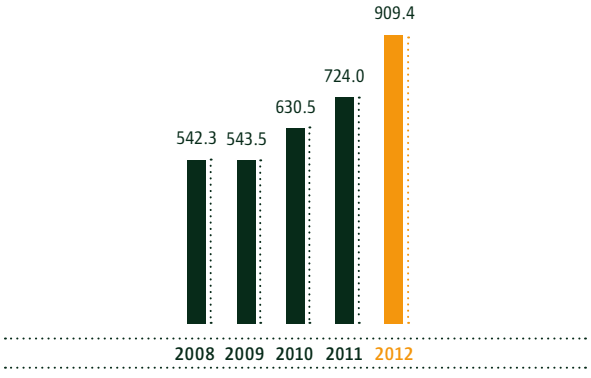
KUKA SYSTEMS SALES REVENUES in € millions



RISING ORDER BACKLOG

KUKA Group's order backlog at the end of 2012 was reported at € 909.4 million. This is up 25.6 percent from the € 724.0 million reported on the prior year's balance sheet closing date, December 31, 2011. Robotics' share of the order backlog at the end of the year (neglecting blanket orders from automotive) was € 248.7 million, rising 34.9 percent, and Systems' was € 661.1 million, 22.2 percent higher.

KUKA GROUP ORDER BACKLOG in € millions



NEW ROBOT FACTORY IN CHINA

Given the strong loading of the factories and the strong demand expected over the course of the next few years, KUKA expanded its robot manufacturing capacity both in Augsburg and Hungary (control cubicles) and is currently building a new robot assembly facility in the Chinese growth market. The cornerstone for the new plant was laid in Shanghai on October 12, 2012. The new factory will have a floor area of just under 20,000 square meters and is expected to be ready to start operations in the second half of 2013. In total, KUKA will then have the capacity to assemble about 25,000 robots annually, which is nearly 50 percent higher than is presently the case.

NEW HIRES, ESPECIALLY BY ROBOTICS

As of December 31, 2012, KUKA Group had expanded its workforce by 675 from the prior record date to 7,264, including apprentices and working students. This corresponds to a year-over-year increase of 10.2 percent. The workforce expansion was thus considerably less than the growth in sales revenues of 21.1 percent during the same period. The Robotics division accounted for 427 or more than 60 percent of the new hires, mainly in Augsburg and at the Hungarian control cubicle manufacturing site. Half the new recruits were assigned to the general industry business. Of the new hires, 259 (about 40 percent) work in the Systems division. To maintain operational flexibility, KUKA Group also hired 1,408 temporary employees as of December 31, 2012, up 330 from the 1,078 at the 2011 year-end on December 31, 2011.

Operating profit (EBIT) grows disproportionately

Earnings before interest and taxes (EBIT) for the financial year just ended grew at a faster rate than sales revenues. For the first time, KUKA Group surpassed the € 100 million threshold. The company's overall EBIT came in at € 109.8 million, which compares to € 72.6 million in 2011. EBIT margin also improved, going from 5.1 percent in 2011 to 6.3 percent in 2012. Both divisions contributed to this very satisfactory growth.

The Robotics division generated an EBIT of € 80.2 million thanks to a higher manufacturing volume, higher revenues from service and a higher share of sales of the new generation of KR QUANTEC / KR C4 robots. In 2011, the division earned € 51.0 million. EBIT margin for financial 2012 was at or above the 10 percent target in every quarter and came in at 10.8 percent overall. The Systems division's EBIT rose from € 33.7 million in 2011 to € 47.7 million, driven by improved process and project risk management. The division's overall EBIT margin was up accordingly and reached 4.7 percent. In the third and fourth quarters of 2012, the division reached its target of 5.0 percent.

2012 TARGETS ACHIEVED

The Executive Board presented its outlook for financial 2012 as usual at its financial results press conference on March 28, 2012. In it, the Board stated that it expected the company to generate at least the same sales revenues as the year prior given the high order backlog and continued strong capital spending plans, particularly in the automotive industry. EBIT margin was expected to rise disproportionately. For the Robotics division, the forecast was based on an increasing share of the new KR QUANTEC robots in the sales mix and higher sales from general industry and service. For the Systems division, it was based on better prices for backlogged orders and the increasing internationalization of the value added supply chain. KUKA Group's target margin for financial 2012 was forecast to reach at least 5.5 percent, up from the prior year's 5.1 percent.

In subsequent quarters, the Executive Board was able to raise the guidance numbers for financial 2012 step-by-step as the results of the interim reports indicated that the business results were consistently higher than the budgeted figures.

Target numbers for 2012	Sales revenues	EBIT margin
First quarter 2012	€ 1.5 billion	5.5 – 6.0%
Second quarter 2012	€ 1.6 billion	at least 6.0%
Third quarter 2012	€ 1.65 billion	at least 6.0%

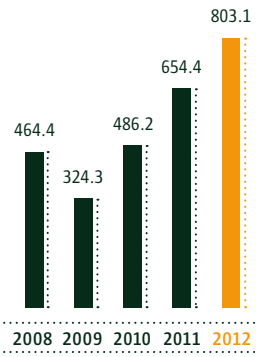
Because of the strong worldwide demand for robot-based automation, especially from the international automotive industry, KUKA was able to safely achieve its financial sales and profit targets. Sales revenues in financial 2012 reached € 1,739.2 million and surpassed the target number of € 1,650 million by 5.4 percent. The overall EBIT margin for the year came in at 6.3 percent and thus also exceeded the target forecast of at least 6.0 percent.

THE DIVISIONS

ROBOTICS

The strong demand for industrial robots last financial year was driven especially by releases of large quantities of robots from blanket orders previously placed by European carmakers. Most of the robots were released in the first half of 2012 to coincide with the timing of new vehicle models. Orders in the first six months totaled € 475.0 million, considerably more than the € 328.1 million of orders received in the second half of the year, as expected. Added together, orders received for the year overall came in at a new record high of € 803.1 million, up 22.7 percent from the € 654.4 million posted the year prior.

KUKA ROBOTICS ORDERS RECEIVED in € millions



Major order releases from automotive

The Robotics division's strong growth was attributable mainly to the automotive segment. Some of the major orders in the first quarter of 2012 are from a blanket order from Daimler AG. KUKA also supplied 700 industrial robots to French carmaker Renault for the first time. In the fourth quarter of 2012, the division also received a blanket order from BMW Group for the supply of 2,400 industrial robots and from Volkswagen for about 6,000 industrial robots. The latter is KUKA's largest ever booking. The robots associated with these blanket orders will be reported as orders received as they are released over the course of the next few years. (See also press releases dated November 7 and 21, 2012.) Orders received from automotive for financial 2012 climbed 34.9 percent, to € 371.0 million from € 275.0 million in financial 2011.

General industry growth

Demand for industrial robots from general industry was also quite a bit stronger in 2012; however, growth rates were lower than in the automotive segment. Still, a new quarterly record was set in the second quarter of 2012 when general industry orders received reached € 93.3 million. Among the major general industry orders received by the division were one from Chinese systems builder Huaheng for the manufacture of construction machines, one from Neue Halberg-Guss GmbH for manufacturing cylinder housings and one from Siemens Healthcare for medical robots. Orders received from general industry for financial 2012 were up 14.3 percent, to € 294.9 million from € 257.9 million in financial 2011. The service business continued to grow in parallel with the main segments, with orders received climbing 12.9 percent to € 137.2 million from € 121.5 million in financial 2011.

World premiere for new KR AGILUS small robot

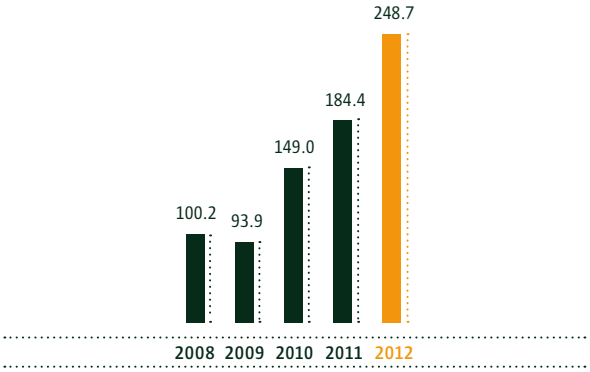
KUKA Robotics presented enhancements to its KR QUANTEC / KR C4 robot family for general industry at the biannual "AUTOMATICA" international automation trade show, which was held from May 22 to 25, 2012 in Munich. Included were new industrial robot models specifically designed for the metal processing industry, console robots for the plastics industry, palletizers for the logistics sector and new robot types for foundries. The company also staged the world premiere of its new KR AGILUS family of small robots at the show. Small robots with payloads up to ten kilograms are mainly used in general industry. KR AGILUS is thus a key element of the expansion strategy for this business area.

High order backlog ensures excellent capacity utilization

The Robotics division's sales revenues rose alongside the significantly higher orders received and reached € 742.6 million, up 20.5 percent from the € 616.3 million posted in financial 2011. The book-to-bill ratio remained above 1, coming in at 1.08 versus 1.06 in 2011.

The division's order backlog rose accordingly and reached € 248.7 million at the end of financial 2012, 34.9 percent higher than the € 184.4 million reported on the December 31, 2011 record date. The high order backlog, which does not account for the blanket orders from automotive, ensures strong capacity utilization until well into the current financial year.

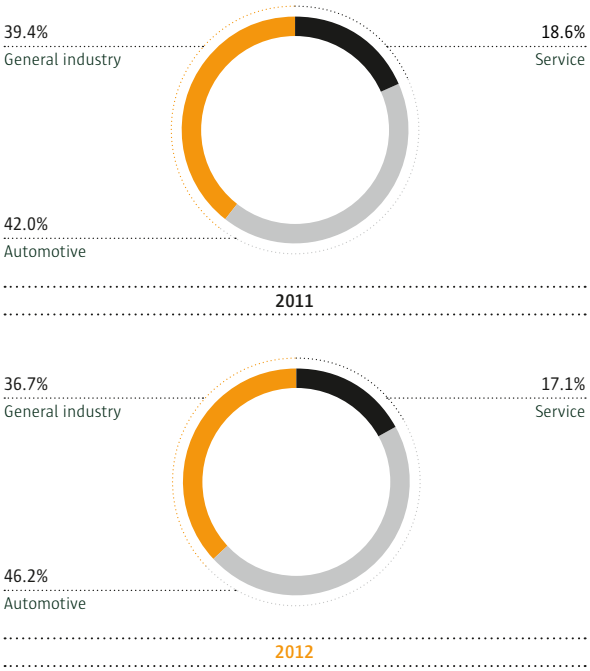
KUKA ROBOTICS ORDER BACKLOG in € millions



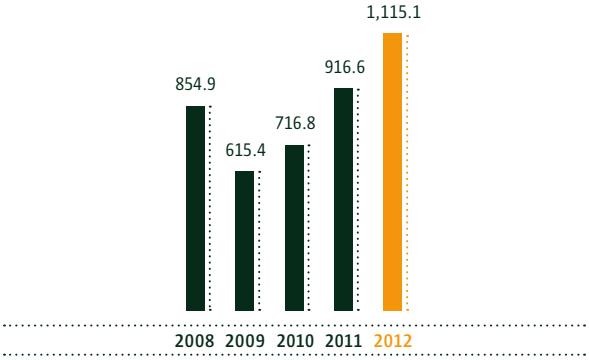
Earnings contribution rises disproportionately

Due to the very satisfactory business growth, the division's EBIT rose disproportionately in financial 2012. Thanks to high manufacturing capacity utilization and a higher share of revenues from the new KR QUANTEC / KR C4 generation of robots, Robotics was able to generate an EBIT of € 80.2 million, up over 50 percent from the € 51.0 million reported in 2011. EBIT margin for financial 2012 came in at 10.8 percent. It was at or above the 10 percent target in every quarter.

ORDERS RECEIVED BY MARKET SEGMENT



KUKA SYSTEMS ORDERS RECEIVED in € millions



SYSTEMS

The strong demand for automated manufacturing processes from the international automotive industry in its quest for greater efficiencies continued to drive the systems business. Here too, orders in the first half of 2012 were higher due to project timing. The division reported orders received of € 649.3 million in the first six months of the year, substantially more than the € 465.8 million posted in the second half. Total orders received for 2012 overall were above the € 1 billion threshold for the first time, coming in at € 1,115.1 million, 21.7 percent higher than the € 916.6 million generated in 2011.

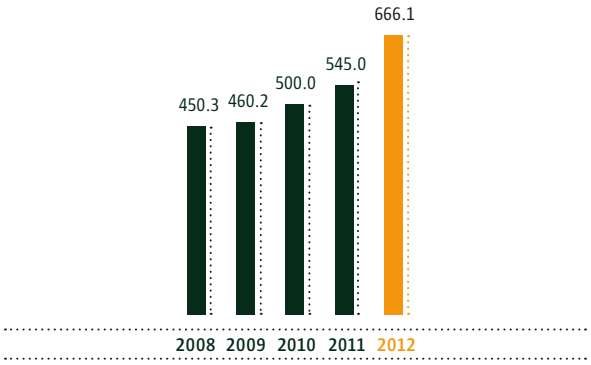
Large orders from the international automotive sector

The division won major orders from the international automotive industry in financial 2012. Systems won an order in Sweden to build the complete manufacturing system for the new Volvo S 60. A major Spanish automotive industry supplier placed an order for the engineering and construction of four ultra-flexible chassis parts assembly lines for various vehicles. The lines will feature remote laser welding. In China, KUKA Systems is building nine car parts assembly lines for a German premium carmaker. The division also landed various orders to build specialty Magnetarc and friction welding machines. KUKA has been a leading supplier of these two specialty welding processes for years. Last but not least, KUKA Systems won an order from a European aircraft manufacturer for the supply of jigs and fixtures for assembling passenger planes and its first order to build an automated production line for Bell 525 helicopters in North America.

Sales revenues surpass 1 billion threshold

The high orders received in 2011 and 2012 drove the division's sales revenues above the € 1 billion threshold. They reached € 1,025.3 million in 2012, up 20.5 percent from the € 850.7 million reported in 2011. The € 301.6 million KUKA Systems posted in the third quarter of 2012 is a new quarterly record. The book-to-bill ratio remained well above 1 in 2012, coming in at 1.09 versus 1.08 in 2011.

KUKA SYTEMS ORDER BACKLOG in € millions



Excellent capacity utilization for the current financial year

Since orders received were higher than sales revenues, System's order backlog continued to rise. At the end of financial 2012, order backlog was € 666.1 million, 22.2 percent higher than the € 545.0 million reported on December 31, 2011. The division's loading will thus be excellent well into the current financial year.

Profit contribution sharply higher

The Systems division's earnings before interest and taxes (EBIT) in 2012 came in at € 47.7 million versus € 33.7 million in 2011. The improvement over the previous year was driven especially by improved process management and the high capacity utilization. EBIT margin was 4.7 percent compared to 4.0 percent in 2011. The division achieved its target margin of 5 percent in the third and fourth quarters.

EARNINGS, FINANCIAL POSITIONS AND NET WORTH

SUMMARY

KUKA had another very successful year in 2012. New records were achieved for all key indicators – orders received, sales, EBIT, EBIT margin, free cash flow, and net liquidity – both in the Group and in the Robotics and Systems divisions.

EARNINGS POSITION

KUKA Group's orders received and sales revenues both rose by more than 20 percent in financial 2012. Earnings before interest and taxes (EBIT) rose 37.2 million from the prior year to 109.8 million driven by business volume growth and the resulting economies of scale, as well as the sustainable cost cuts from the crisis years of 2009 / 2010.

KEY FIGURES KUKA GROUP

in € millions	2008	2009	2010	2011	2012
Orders received	1,279.9	903.3	1,142.3	1,553.0	1,889.6
Sales revenues	1,266.1	902.1	1,078.6	1,435.6	1,739.2
EBIT	52.0	-52.6	24.8	72.6	109.8
in % from revenues	4.1	-5.8	2.3	5.1	6.3
% from capital employed (ROCE)	21.5	-16.6	7.9	21.8	32.3
Capital Employed	242.3	317.5	312.5	332.9	339.8
Employees (Dec. 31.)	6,171	5,744	5,990	6,589	7,264

Since 2010, the Robotics division's sales revenues have increased significantly each year. In 2012, sales rose 20.5 percent year-on-year to 742.6 million – the highest ever for the segment to date. The average annual growth rate since 2008 has thus been 9.4 percent. The contribution from the newly founded Chinese robotics distributor is particularly satisfying, given that its sales revenues passed the € 100 million mark in financial 2012 and nearly doubled year-on-year. As of year-end, the Robotics division had a total order backlog of 248.7 million (2011: 184.4 million).

The Systems division's annual sales also reached a historic high. The division generated sales revenues of 1,025.3 million in 2012, also up 20.5 percent from the prior year (2011: 850.7 million). The division's bookings were also very satisfactory, with orders received rising 21.7 percent from the previous year to € 1,115.1 million. The order backlog at year-end totaled 666.1 million (December 31, 2011: 545.0 million) – another new record, which will only be reflected in the 2013 results and to some extent 2014's due to the delayed sales revenues in the project business.

KUKA Group's overall sales revenues totaled 1,739.2 million in financial 2012, up from 1,435.6 million a year earlier.

Continous improvement in earnings and costs

KUKA Group's gross profit; that is, sales revenues less cost of sales, grew faster than sales revenues, rising 37.0 percent, from 281.7 million in 2011 to 385.9 million in 2012. The main reason for the increase was that the material usage ratio within cost of sales was held nearly constant and the share of personnel expenses actually fell. As a result, gross margin, i.e. gross profit in relation to the Group's sales revenues, rose from 19.6 percent to 22.2 percent.

The Robotics division contributed 56.1 million to the increase in gross profit. At the same time, gross margin increased for the second year in a row to the current 32.1 percent (2011: 29.6 percent).The rise was mainly the result of greater production volumes, a higher share of the KR QUANTEC KR C4 in the sales mix, and higher service business margins, which were able to more than offset the higher share of sales from automotive industry key accounts – where margins tend to be lower – the year prior.

KEY FIGURES KUKA ROBOTICS

in € millions	2008	2009	2010	2011	2012
Orders received	464.4	324.3	486.2	654.4	803.1
Sales revenues	474.4	330.5	435.7	616.3	742.6
EBIT	42.0	-11.5	20.8	51.0	80.2
in % from revenues	8.9	-3.5	4.8	8.3	10.8
% from capital employed (ROCE)	37.2	-9.5	16.1	38.3	57.2
Capital Employed	112.9	120.5	129.1	133.2	140.2
Employees (Dec. 31.)	2,261	2,009	2,347	2,753	3,180

The Systems division contributed € 42.8 million to the increase in gross profit, a rise of 48.3 percent compared with the previous year. Gross margin was 12.8 percent, or notably higher than the prior-year level of 10.4 percent. Adjusted for the interest expense contained in production costs, the margin was 13.6 percent (2011: 11.4 percent). In addition, project risk was reduced in financial 2012 thanks to the sustained positive market situation and ongoing improvement in KUKA's project risk management. Improvements in process management also contributed to the reduction in risk.

KEY FIGURES KUKA SYSTEMS

in € millions	2008	2009	2010	2011	2012
Orders received	854.9	615.4	716.8	916.6	1,115.1
Sales revenues	837.5	605.5	695.3	850.7	1,025.3
EBIT	26.8	-28.8	20.0	33.7	47.7
in % from revenues	3.2	-4.8	2.9	4.0	4.7
% from capital employed (ROCE)	20.2	-14.5	10.4	16.1	23.8
Capital Employed	132.7	198.6	192.4	209.6	200.5
Employees (Dec. 31.)	3,781	3,534	3,456	3,643	3,902

KUKA Group's operating costs, i.e. the costs of administration and sales as well as research and development, rose from € 216.1 million in 2011 to € 260.9 million in 2012 in connection with the increase in business activity. Total operating costs thus made up 15.0 percent of sales revenues, as in the prior year. KUKA Group expanded its sales team in financial 2012, particularly for general industry. Despite the ensuing rise in the average number of sales representatives from 546 to 627, the share of selling expenses in sales revenues remained constant at around 6.9 percent.

The research and development costs recognized in the income statement rose as budgeted to € 42.6 million, up € 4.9 million from the prior-year figure. The increase reflects the Group's constant technological orientation with a focus on investment in forward-looking technologies as well as the completion of projects such as the new KR AGILUS small robot and the LBR lightweight robot, which have now been fully amortized. Applications and projects of significance for future development are currently in the development phase, meaning that the costs attributable to them will be capitalized and included in the income statement in subsequent periods via scheduled amortization. A sum of € 10.4 million was capitalized in the reporting year for internally generated intangible assets (2011: € 8.2 million). General and administrative expenses totaled 5.7 percent of sales revenues (2011: 5.5 percent). The increase resulted among other things from increases in wages and salaries under collective bargaining agreements, the rise in variable compensation based on the company's good results, and the introduction of a new long-term incentive program for members of senior management.

The net amount of other expenses and income was an expense of € 22.5 million (2011: € 1.4 million). This figure includes losses and gains from foreign exchange transactions, particularly in USD, CNY, JPY, and BRL.

Strong rise in EBIT continues

The positive trend described above, particularly KUKA Group's high gross profit, is reflected directly in earnings before interest and taxes (EBIT), which rose € 37.2 million to € 109.8 million. In each quarter of 2012, KUKA Group's EBIT margin was higher than in the same quarter the year prior. EBIT margin reached 6.3 percent in financial 2012, the highest achievement for the past seven years, and up from 5.1 percent in 2011.

The increase in earnings before interest and taxes is attributable to both segments. The Robotics division generated EBIT of € 80.2 million in 2012 (2011: € 51.0 million) and thus an EBIT margin of 10.8 percent (2011: 8.3 percent). The EBIT margin was above 10.0 percent in each quarter. The Systems division also performed well, achieving an EBIT of € 47.7 million in 2012 (2011: € 33.7 million). The division's EBIT margin therefore came in at 4.7 percent, up 0.7 percent on the previous year.

The Systems division's EBIT margin was 5.0 percent in both the third and fourth quarter.

In line with the performance of EBIT, EBITDA (earnings before interest, taxes, depreciation and amortization) increased to € 138.5 million (2011: € 98.7 million). Total depreciation, amortization and write-downs totaled € 28.7 million in the reporting period (2011: € 26.1 million). Of this total, € 15.8 million is attributable to Robotics (2011: € 13.5 million), € 10.1 to Systems (2011: € 9.3 million), and € 2.8 million to Other (2011: € 3.3 million).

Financial results improved by € 5.4 million on the prior year to € -12.8 million, primarily due to repayment of the convertible bond in November 2011. Interest expenses of € 4.7 million had still been taken into account for the bond in the previous year. Interest in the amount of € 18.8 million was recognized for the bond issued in November 2010 (2011: € 18.7 million). Our guarantee conditions improved based on addendums to our syndicated loan agreement and additional bilateral guaranteed credit lines. Moreover, external bank guarantees were replaced with lower-cost internal Group guarantees thanks to the company's strong financing power. As of the reporting date, the external guaranteed credit line had been drawn down by € 148.9 million (2011: € 165.0 million). A total of € 2.6 million in guarantee commissions were incurred in the reporting year (2011: € 3.8 million). Interest income totaled € 9.6 million (2011: € 9.9 million) and mainly related to income from cash investments with banks, income from finance leases, and income from pension funds. Due to accounting regulations, finance charges in the amount of € 7.8 million (2011: € 8.4 million) had to be reclassified from net interest income to operating profit and recognized under internally generated intangible assets.

KUKA Group's tax expense totaled € 34.1 million in 2012 (2011: € 16.1 million), mainly as a result of current tax expenses in the U.S. and the planned reduction of tax loss carryforwards recognized in previous years in the German consolidated tax group. The tax rate was 38.0 percent (2011: 35.0 percent).

Profit after tax up by 86.0 percent

In 2011, KUKA Group achieved a turnaround in profit after tax. In 2012, this figure increased by 86.0 percent, from € 29.9 million to € 55.6 million. Earnings per share improved accordingly, rising from € 0.89 in 2011 to € 1.64 in 2012. The Executive Board will therefore propose to shareholders at the Annual General Meeting that a dividend of € 0.20 per share be paid for financial 2012.

CONSOLIDATED INCOME STATEMENT (CONDENSED)

in € millions	2008	2009	2010	2011	2012
Sales revenues	1,266.1	902.1	1,078.6	1,435.6	1,739.2
EBIT	52.0	-52.6	24.8	72.6	109.8
EBITDA	78.0	-29.5	47.0	98.7	138.5
Financial result	-5.0	-11.5	-22.1	-18.2	-12.8
Taxes on income	-16.4	-11.4	-4.1	-16.1	-34.1
Net result for the year	30.6	-75.8	-8.6	29.9	55.6

FINANCIAL POSITION

Principles and goals of financial management

KUKA Group is financially managed centrally by KUKA AG, which bundles and manages the financing and investment needs of the Group companies and enters into hedging transactions for the purpose of interest rate and currency management. KUKA AG performs these tasks on the basis of a uniform planning and reporting system in which risks related to credit, liquidity, interest rates, and exchange rates are recorded and, for the most part, hedged. Only standard derivative financial instruments are used to hedge risk. The hedging transactions are concluded exclusively on the basis of the hedged item or expected transactions. KUKA has issued a standard set of guidelines for all Group companies for the purpose of managing financial risk. As in previous years, the guidelines were continuously reviewed and optimized during the financial year to ensure that they remained up to date.

Group financing and cash pooling

The main components of KUKA Group's financing requirements are its liquidity requirements and its need for credit lines that can be used for guarantees and guaranteed credit lines. The Group's financing policy is aimed at securing sufficient liquidity reserves and guaranteed credit lines to be able to ensure the operating and strategic financing requirements of the Group companies at any time and also to have sufficient reserves as a buffer against unforeseen events.

The financing requirements of the Group companies are calculated on the basis of the multi-year financial projections and monthly rolling liquidity forecast over twelve months, each of which includes all companies consolidated in the Group accounts.

KUKA Group's financing requirements are primarily covered by a syndicated loan agreement in the amount of € 200.0 million and a term until March 2014, which can be used to draw down cash of up to € 50.0 million, and by the corporate bond issued in November 2010 in a volume of € 202.0 million and a term until 2017 (see Note 26 consolidated financial statements for more information).

Payments received on the basis of the operating activities of Group companies represent the Group's most important source of liquidity. The liquidity surpluses of individual Group companies are used to meet the financing requirements of other Group companies within the framework of cash management systems. This central, intragroup cash pooling optimizes the Group's liquidity position and has a positive impact on net interest income.

Additional enhancements to the financing structure

In November 2010, KUKA Group's financing structure was realigned on the basis of the new syndicated loan agreement and the launch of the corporate bond.

An additional step towards optimizing KUKA Group's financing structure was taken in the form of the convertible bond issued in February 2013 in the amount of € 58.8 million and a term until 2018 (please also refer to "Events after the Reporting Period").

From the perspective of the Executive Board, the measures taken ensure that the KUKA Group has appropriate long-term financing.

Upward trend in ratings

In November 2010, KUKA AG was for the first time awarded a rating by rating agencies Standard&Poor's ("B"; stable outlook) and Moody's ("B2"; stable outlook) in connection with the launch of the corporate bond. The bond itself received a rating of "B-" (Standard&Poor's) and "B3" (Moody's).

KUKA Group's excellent performance in 2012 and the associated improvement in the Group's financial ratios prompted both ratings agencies to issue a "positive outlook" in 2012. Based on publication of the preliminary figures of the KUKA Group, each of the agencies raised their ratings by one level in February 2013 – Standard&Poor's to "B+" and Moody's to "B1" – and maintained their positive outlooks for KUKA Group's performance. The bond rating was likewise raised one level to "B" and "B2."

Greater flexibility in issuing guarantees

The syndicated loan agreement comprises a volume of € 200.0 million that can be used in full for drawing down a guaranteed line of credit.

In addition to the guaranteed credit line from the syndicated loan, the Group has additional guaranteed credit lines via bilateral agreements with various surety companies for the purpose of supporting operating activities. These guaranteed credit lines had a volume totaling € 62.0 million as of December 31, 2012 (2011: € 52.0 million) and had been drawn down in the amount of € 39.5 million (2011: € 36.3 million).

The Group's improved credit rating gave KUKA AG's financial management a strong negotiating position, which it utilized to convince additional customers to accept "Group guaranteed credit lines". KUKA AG acts as guarantor for these guarantees in lieu of a bank. They therefore do not draw down any external guaranteed credit lines and increase the leeway in existing external guaranteed credit lines.

Thus external guaranteed credit lines in a maximum of € 262.0 existed as of December 31, 2012 (2011: € 202.0 million).

A total of 56.8 percent of the available facilities had been drawn down as of the reporting date (2011: 81.7 percent).

CONSOLIDATED CASH FLOW (CONDENSED)

in € millions	2008	2009	2010	2011	2012
Cash Earnings	69.4	-43.7	23.4	65.9	92.4
Cash flow from operation activities	-61.2	4.8	-24.8	36.4	117.9
Cash flow from investment activities	-105.7	-27.0	-12.5	-29.9	-40.8
Free cash flow	-166.9	-22.2	-37.3	6.5	77.1

Another significant rise in cash earnings

Cash earnings, consisting of profit after tax adjusted for cash-neutral depreciation and write-downs of property, plant and equipment and amortization and write-downs of intangible assets as well as other non-cash income and expenses, again improved significantly. After cash earnings more than doubled in 2011, another increase of 40 percent to € 92.4 million was registered in 2012 (2011: € 65.9 million). This growth was attributable in particular to the continuous improvement in profit after tax, which rose from € 29.9 million in 2011 to € 55.6 million in financial 2012.

Cash flows from operating activities also reflected the business growth. Trade working capital was as follows at the end of the reporting year:

TRADE WORKING CAPITAL

in € millions	2008	2009	2010	2011	2012
Inventories	114.8	76.7	109.0	128.3	126.9
Trade receivables and receivables from construction contracts	331.5	238.5	291.8	339.8	340.6
Trade payables and liabilities from construction contracts	203.7	127.9	188.2	260.6	231.7
Trade Working Capital	**242.6**	**187.3**	**212.6**	**207.5**	**235.8**

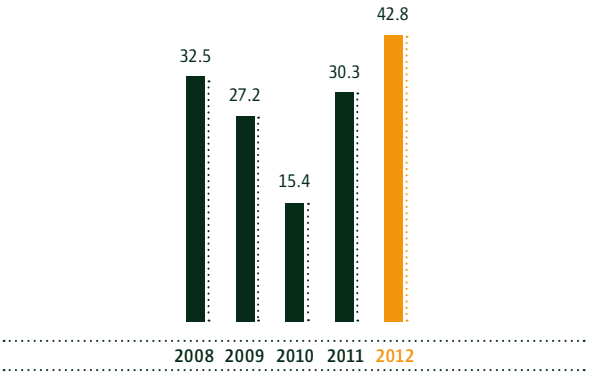
During the financial year, inventories rose € 18.0 million, advance payments received rose € 19.4 million, and trade payables and liabilities from construction contracts fell € 28.9 million. Trade receivables and receivables from construction contracts were approximately at the prior-year level (+€ 0.8 million). Thus trade working capital increased by a total of € 28.3 million on the prior year to € 235.8 million.

KUKA Group's cash flows from operating activities rose to € 117.9 million as of the balance sheet closing date (2011: € 36.4 million).

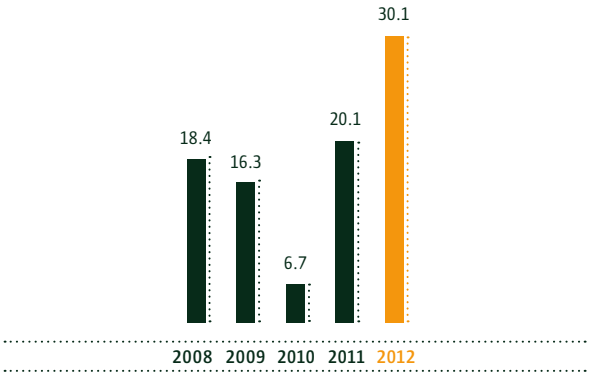
Record figure for free cash flow

Capital expenditure totaled € 42.8 million in the financial year (2011: € 30.3 million). This figure reflects the sustained high investments in research and development and the associated high share of intangible assets in capital expenditure, which totaled 39.0 percent (2011: 41.9 percent). The carrying amount of own development work completed in 2012 and projects still in the capitalization phase totaled € 17.6 million (2011: € 11.2 million). Development focused on lightweight robots and the KR AGILUS small robot (see "Research and Development").

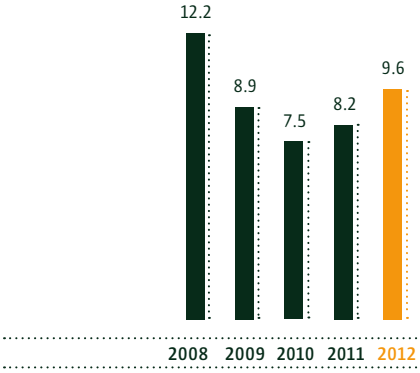
KUKA GROUP CAPITAL EXPENDITURES in € millions



KUKA ROBOTICS CAPITAL EXPENDITURES in € millions



KUKA SYSTEMS CAPITAL EXPENDITURES in € millions



Investments in property, plant and equipment totaled € 26.1 million in 2012 (2011: € 17.6 million) and was primarily attributable to technical equipment and machinery in the amount of € 10.0 million (2011: € 5.0 million) and other assets operating and office equipment of € 9.0 million (2011: € 8.8 million).

Broken down by division, capital expenditure was as follows in 2012: In the Robotics division, capital expenditure totaled € 30.1 million (2011: € 20.1 million). In addition to the capitalized development work described above, most of the investments were made in technical equipment and machinery such as a CNC processing center, an assembly line for the central hand of the QUANTEC robot, and laser and presses. The Systems division registered additions of € 9.6 million (2011: € 8.2 million), including new software for calculating offers, technical equipment such as friction welding and laser machines, and operating and office equipment. Other capital spending by KUKA AG totaled € 3.1 million (2011: € 2.0 million) and related chiefly to expansions of software and hardware components.

Due to the increase in investment volume and the payments received from disposals of fixed assets of € 2.1 million in 2012 (2011: € 0.4 million), cash flows from investing activities totaled € -40.8 million (2011: € -29.9 million).

Cash flows from investing activities together with cash flows from operating activities resulted in a new record for free cash flow of € 77.1 million (2011: € 6.5 million).

In the previous year, cash flows from financing activities were primarily impacted by the repayment of the convertible bond in the amount of € 69.0 million and the sale of treasury shares in the amount of € 23.7 million.

Net debt becomes net liquidity

From 2008 to 2011, KUKA Group always showed a net debt at year-end, i. e. the balance of cash and cash equivalents less current and non-current financial liabilities totaled an excess of liabilities over assets.

In 2012, however, it was not only possible to completely eliminate the net debt, which had totaled € 32.6 million as of December 31, 2011, but also to build up net liquidity of € 42.8 million due to the high, positive free cash flow. This represents an increase in available funds of € 75.4 million. Thus even if the Group were to repay all of its financial liabilities in full, it would still possess cash and cash equivalents of € 42.8 million. However, the financing structure of the Group is still very robust and geared toward the long term, with the share of current financial liabilities in the amount of € 6.6 million making up only 3.3 percent (2011: 3.7 percent) of the total financial liabilities of € 201.5 million.

NET WORTH

Rise in total assets due to higher cash holdings

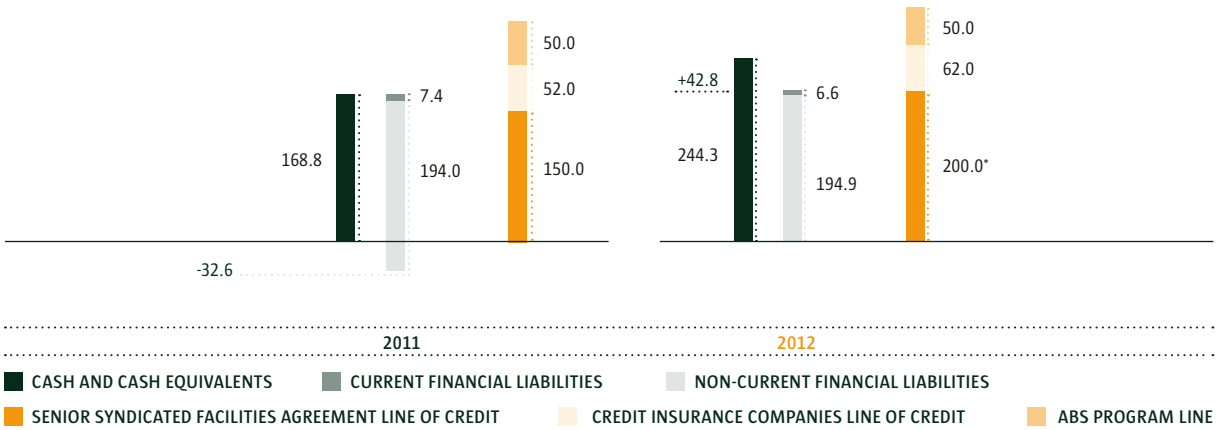
On the assets side, non-current assets rose only marginally year-on-year to € 300.4 million (2011: € 297.0 million). Due to increased capital spending, fixed assets increased by € 11.4 million, while receivables from finance leases declined by € 5.5 million as a result of the earlier assumption of financing by KTPO, and income tax receivables decreased by € 1.3 million as a result of scheduled incoming payments. With respect to deferred tax assets, the deferred taxes were used for loss carryforwards due to positive tax results, particularly in the German consolidated tax group. However, KUKA Group had to recognize deferred tax assets due to measurement differences; as a result, the total for deferred tax assets remained at around the previous year's level at € 36.3 million (2011: € 35.0 million).

NET WORTH

in € millions	2008	2009	2010	2011	2012
Balance sheet total	865.5	726.2	984.7	1,078.0	1,137.4
Equity	213.5	160.8	198.1	252.4	297.5
in % of balance sheet total	24.7	22.1	20.1	23.4	26.2
Net liquidity / debt	-53.6	-48.5	-60.3	-32.6	42.8

CONSOLIDATED NET LIQUIDITY / NET DEBT

in € millions



* of that € 50.0 million optionally as cash line

With regard to current assets, inventories registered a slight increase. Further details are provided in the section on cash flows. Other assets and prepaid expenses were higher the previous year, due mainly to higher value added tax receivables and prepaid import taxes related to major international projects. Cash and cash equivalents totaled € 244.3 million as of the balance sheet closing date (2011: € 168.8 million). In total, current assets increased by € 56.0 million year-on-year to € 837.0 million as of the balance sheet closing date (2011: € 781.0 million).

KUKA Group's total assets rose € 59.4 million, or 5.5 percent, from € 1,078.0 million as of December 31, 2011 to € 1,137.4 million as of December 31, 2012, primarily due to the higher levels of cash and cash equivalents.

Significant rise in equity

The net income of € 55.6 million (2011: € 29.9 million) had a particularly positive impact on equity. Actuarial effects from pension accounting had a negative impact of € 10.4 million, and were mainly due to the 1.7 percent drop in the discount rate for measuring German pension commitments versus the prior year. Overall, equity rose by € 45.1 million to € 297.5 million as of December 31, 2012. The equity ratio, i. e. the ratio of equity to total assets, rose accordingly with an increase of 2.8 percent from 23.4 percent to 26.2 percent.

Non-current financial liabilities relate primarily to the corporate bond and totaled € 194.9 million as of the balance sheet closing date, or approximately the prior-year level. Current financial liabilities refer to the deferred interest on the bond in addition to lower drawdowns of cash credit lines on the part of an international subsidiary.

The available liquidity was also utilized to make optimum use of trade discounts from supplier credits. In connection with this, trade payables were reduced by € 31.0 million compared with the previous year. A continued improvement in the advance payment behavior of customers led to an increase in advance payments received of € 19.4 million to € 86.5 million and to liabilities from construction contracts remaining at nearly the same high level with an increase of € 2.1 million to € 95.5 million. Other liabilities relate primarily to personnel liabilities, such as liabilities for flextime and vacation entitlements as well as variable compensation elements. Total current liabilities totaled € 523.4 million at year-end 2012 (2011: € 527.9 million).

Working capital and capital employed

Despite the rise in business volume, working capital decreased by € 8.4 million in the reporting year to € 90.5 thanks to active management.

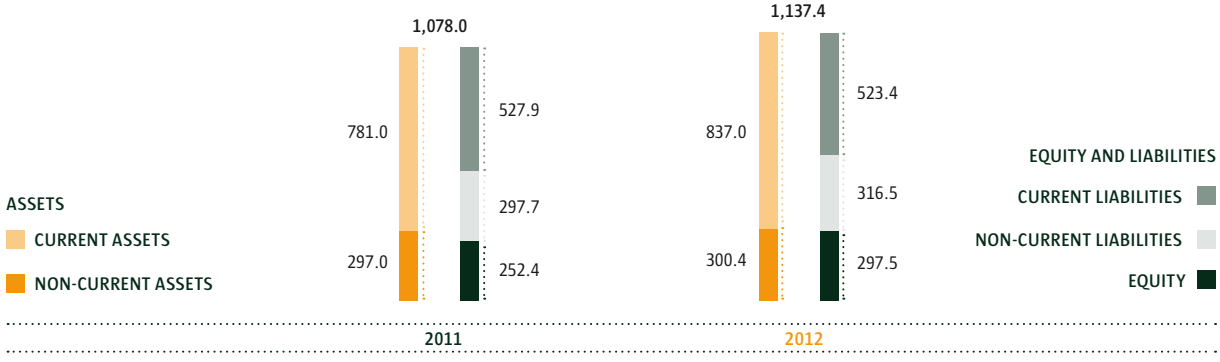
A key ratio at KUKA Group is return on capital employed ROCE. To calculate ROCE, the capital employed at the start and at the end of the financial year is averaged. On average, KUKA Group's capital employed totaled € 332.9 million in 2011 and € 339.8 million in 2012, or a slight rise year-on-year. The return on capital employed was 32.3 percent (2011: 21.8 percent).

The Robotics division generated average capital employed of € 140.2 million in 2012 (2011: € 133.2 million) and thus ROCE of 57.2 percent (2011: 38.3 percent).

The Systems division generated average capital employed of € 200.5 million in 2012 (2011: € 209.6 million) and thus ROCE of 23.8 percent (2011: 16.1 percent).

GROUP ASSETS AND FINANCIAL STRUCTURE

in € millions



NOTES TO THE FINANCIAL STATEMENTS OF KUKA AKTIENGESELLSCHAFT

KUKA Aktiengesellschaft acts as the Group's management holding company with central management responsibilities such as financial and management accounting, financing, human resources, legal, and financial communications. Its financial position is determined primarily by the activities of its subsidiaries, as illustrated by the direct allocation of KUKA Roboter GmbH and KUKA Systems GmbH, the management companies of the Robotics and Systems divisions.

KUKA AG prepares its annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetzbuch – AktG).

The financial statements of KUKA AG are published in the electronic Federal Gazette (Bundesanzeiger) and are also available on the company's website at www.kuka.com.

INCOME STATEMENT OF KUKA AKTIENGESELLSCHAFT (HGB)

in € millions	2011	2012
Other company-produced and capitalized assets	0.5	1.6
Other operating income	40.0	43.9
Personnel expense	-18.5	-21.2
Depreciation and amortization of tangible and intangible assets	-3.2	-3.0
Other operating expense	-36.8	-34.0
Income from participations	34.2	65.3
Other interest and similar income	23.4	24.5
Interest and similar expenses	-26.2	-20.9
Income from ordinary activities	**13.4**	**56.2**
Taxes on income	1.2	13.2
Net profit	**14.6**	**69.4**
Loss carryforward from previous year	-75.7	-61.1
Balance sheet loss	**-61.1**	**8.3**

KUKA AKTIENGESELLSCHAFT: BALANCE SHEET (HGB)

ASSETS

in € millions	2011	2012
Non-current assets		
Intangible assets	2.3	2.1
Property, plant and equipment	15.5	15.6
Financial investments	174.3	173.6
	192.1	**191.3**
Current assets		
Inventories	0.1	0.1
Receivables from affiliated companies	171.5	220.7
Other receivables and assets	13.1	11.4
	184.7	**232.2**
Cash and cash equivalents	**130.1**	**162.2**
	314.8	**394.4**
Prepaid expenses	**1.7**	**1.4**
	508.6	**587.1**

EQUITY AND LIABILITIES

in € millions	2011	2012
Equity		
Subscribed capital	88.2	88.2
Capital reserve	73.0	73.0
Other retained earnings	24.4	24.4
Balance sheet profit (previous year: Balance sheet loss)	-61.1	8.3
	124.5	**193.9**
Provisions		
Pension provisions	11.9	11.9
Provision for taxes	0.0	0.1
Other provisions	19.4	19.1
	31.3	**31.1**
Liabilities		
Bond	202.0	202.0
Liabilities due to banks	2.4	2.4
Trade payables	2.5	1.2
Accounts payable to affiliated companies	137.6	153.8
Liabilities to provident funds	2.5	2.5
Other liabilities	5.8	0.2
	352.8	**362.1**
	508.6	**587.1**

RESULTS OF OPERATIONS OF KUKA AKTIENGESELLSCHAFT

The earnings of KUKA Aktiengesellschaft are determined primarily by the earnings of its subsidiaries and its financing activities. The result from ordinary operations rose by € 42.8 million to € 56.2 million (2011: € 13.4 million).

Other operating income in 2012 mainly related to cost allocations of € 16.5 million (2011: € 16.4 million), direct costs charged on – for example from facility management – of € 11.3 million (2011: € 7.7 million), income of € 4.8 million from the rental of buildings to KUKA Group companies (2011: € 4.8 million), and currency translation gains of € 5.2 million (2011: € 7.7 million). The decline in other operating expenses resulted primarily from lower currency losses from foreign exchange conversion of € 6.5 million in 2012 versus € 10.1 million in 2011.

Net income from long-term equity investments increased significantly on the prior year to € 65.3 million (2011: € 34.2 million). This figure contains a distribution by KUKA's U.S. subsidiary in the amount of € 44.0 million during the reporting year. The balance of income from profit transfers and expenses from losses absorbed amounted to € 21.3 million (2011: € 34.2 million). Net interest income improved considerably. After a net interest expense of € 2.8 million in 2011, net interest income of € 3.6 million was generated in 2012. The improvement in net interest income was due in part to the repayment in November 2011 of the convertible bond issued in May 2006 and the resulting reduction in interest expenses. In addition, net interest income from affiliated companies rose.

Net income for the year of KUKA Aktiengesellschaft amounted to € 69.4 million. This figure includes tax income of € 13.2 million, which resulted primarily from tax allocations from consolidated tax group companies (2011: € 14.6 million). After offsetting the net income against the accumulated losses brought forward of € 61.1 million, net retained profits amounted to € 8.3 million.

FINANCIAL POSITION OF KUKA AKTIENGESELLSCHAFT

One of KUKA Aktiengesellschaft's most important tasks is to provide funds and guarantees for its subsidiaries' current operations. In November 2010, KUKA Aktiengesellschaft obtained external financing by launching a corporate bond, which is shown in the balance sheet line item "Bond."

In addition, KUKA Aktiengesellschaft entered into a syndicated senior facilities agreement with a consortium of banks in November 2010. Along with the provision of cash credit facilities, the agreement provides for guaranteed credit lines, which are particularly important for business in the Systems segment (for more details, see KUKA Group "Cash Flows" and Note 26 to the consolidated financial statements).

KUKA AG's financing role is reflected in its receivables from and liabilities to affiliated companies, which are predominantly the result of cash pooling accounts with subsidiaries and loans provided. The balance of these receivables and liabilities is net receivables of € 66.9 million (2011: € 33.9 million). The change in the subsidiaries' liquidity requirements was mainly the result of profit transfers during the financial year. The resulting financing was kept at approximately the prior-year level, thanks to active working capital management with regard to the subsidiaries involved in cash pooling. All in all, cash and cash equivalents of KUKA AG thus increased from € 130.1 million to € 162.2 million.

The financial liabilities of KUKA AG amounted to € 204.4 million, as in the prior year.

NET ASSETS OF KUKA AKTIENGESELLSCHAFT

The net assets of KUKA AG are impacted by the management of its equity investments as well as the way in which it executes its management function for the companies in KUKA Group. For information on receivables from and liabilities to affiliated companies, please refer to the information on KUKA Aktiengesellschaft's financial position.

Capital expenditure for intangible and tangible fixed assets in the amount of € 3.7 million was offset by depreciation, amortization and write-downs amounting to € 3.0 million (2011: 3.2 million). KUKA AG's direct equity investments in its subsidiaries are reported under long-term financial assets. At year-end, the investment structure of the North American companies was realigned in order to adequately depict the Group's management philosophy. In this context, the equity investment of KUKA Aktiengesellschaft in KUKA Systems Corporation North America, Sterling Heights, Michigan / USA was exchanged for the equity investment in KUKA U.S. Holdings Company LLC, Shelby Township, Michigan / USA at the carrying amounts.

Earnings for the financial year are reflected in the change in equity. The equity ratio of KUKA AG amounted to 33.0 percent as of December 31, 2012 (2011: 24.5 percent).

The net impact of these changes on the total assets of KUKA AG was an increase of € 78.5 million year-on-year to € 587.1 million.

EVENTS AFTER THE BALANCE SHEET

In an ad hoc announcement dated February 6, 2013, KUKA Aktiengesellschaft's Executive Board, with the approval of the Supervisory Board, resolved to offer convertible bonds with an aggregate nominal amount of € 50 to 60 million, maturing February 12, 2018; that is, with a term to maturity of five years. The convertible bonds are initially convertible into 1,598,659 new no par value bearer shares of KUKA Aktiengesellschaft. The bonds would be offered under exclusion of shareholder rights from conditional capital according to article 4, clause 6 of the Articles of Association, in accordance with the resolution passed at the Annual General Meeting on April 29, 2010.

KUKA Aktiengesellschaft announced the details of the transaction on February 6, 2013 after successfully placing the convertible bonds privately. The final placement volume is € 58.8 million and the annual coupon rate is 2.0 percent. The initial conversion price is € 36.8067, which amount reflects a conversion premium of 26.0 percent above the reference share price on February 6, 2013. The convertible bonds are admitted for trading on the over-the-counter segment of the Frankfurt Stock Exchange.

There were no other material events between the beginning of the financial year and the date of this management report that impact the financial, asset or earnings position of the Group.

RESEARCH AND DEVELOPMENT

To advance its technology leadership position, KUKA Group further intensified its new product and applications development activities, especially the Robotics division. R&D spending in financial 2012 rose to € 42.6 million from € 37.7 million in 2011. KUKA Group's research and development ratio; that is, R&D expenses in comparison to sales revenues, declined to 2.4 percent from 2.6 percent in 2011 because the Group's sales revenue growth outpaced R&D spending increases in 2012. The capitalization ratio; that is, the share of R&D costs capitalized was 22,2 percent, compared to 20,0 percent last year.

Most of KUKA Group's research and development is conducted by the Robotics division, which sells products. In financial 2012, the division accounted for € 40.4 million, or 94.8 percent of the total reported R&D spending. This compares to € 36.4 million or 96.6 percent the year prior. Here too, the R&D ratio declined as sales revenue grew faster than R&D spending. It came in at 5.4 percent in 2012 versus 5.9 percent in 2011. In addition, the division spent € 2.2 million on development services for the Systems division and other companies. The Systems division's development work relates almost exclusively to orders for customers. The Systems division applied for 20 patents in 2012 (2011: 31) and 43 patents were awarded (2011: 23).

GROUP RESEARCH AND DEVELOPMENT COSTS

	2008	2009	2010	2011	2012
Total expenditure in € millions	33.7	35.6	29.5	37.7	42.6
of which KUKA Robotics in € millions	31.0	33.1	28.2	36.4	40.4
KUKA Robotics share in %	92.0	93.0	95.6	96.6	94.8
KUKA Robotics' R&D-ratio in % of sales	6.5	10.1	6.8	5.9	5.4

ROBOTICS DIVISION

At the end of financial 2012, the Robotics division's research and development department employed 291 persons, compared to 258 last year. This is 33 persons more than the year prior, or an increase of 12.8 percent, considerably greater than the average at KUKA Group overall. Half these employees work on software and hardware development and half work on mechanical design and mechatronics. The majority have a university degree. The Robotics division applied for 90 patents and received 86 patents during the financial year. In 2011 the numbers were 79 and 90 respectively.

KUKA's newest generation: The KR AGILUS family of small robots

The world premiere for the new KR AGILUS small robot series was celebrated at AUTOMATICA 2012 in Munich, the international trade show for automation and mechatronics. The latest addition from Augsburg was developed for payloads ranging from 6 kg to 10 kg, and has a reach of 700, 900 or 1100 mm. It is especially suitable for handling tasks with short cycle times; for example, in the packaging and electronics industries. The robot is very compact so that it can be installed in tight spaces. Its motors are inside the unit and power, communications and compressed air lines are all integrated into its arm. In addition to a floor mounted version, KR AGILUS is also available for installation on ceilings or walls.

A compact version of the proven KR C4 controller is used to control the unit. This gives the AGILUS small robot the same features as its larger industrial robot brothers, starting with flexible integration of additional axes right through to the complete range of process packages for a wide variety of applications. Cross-functionalities such as Safe Operation, Roboteam, Vision and sensors are also included. The advantage for the user is that all KUKA robots are based on a standard engineering and programming philosophy, no matter which family they belong to.

KR QUANTEC series expanded

The KR QUANTEC family of robots first presented at AUTOMATICA 2010 had a payload range of 90 kg to 300 kg. In financial 2012, a number of specialty versions for the general industry were added to the portfolio. The console versions are especially suited for loading and unloading injection molding machines in the plastics industry. The working envelope of these robots has been significantly extended in the forward and downward directions. Because they are lighter and have a lower profile, they are easy to mount either on or above injection molding machines, which is an advantage for loading and unloading. Thanks also to the new KR C4 control system, loading and unloading cycle times were shortened considerably.

The new KR QUANTEC version designed to link presses has an especially long reach of up to 3500 mm. It can very quickly load and unload large workpieces onto and from presses. Payloads for this application are between 100 kg and 120 kg.

An extremely precise version was added to the KR QUANTEC series of robots to round out the family. These are designed for high-precision work such as laser applications or flexible measuring tasks.

One cubicle for sixteen axes

After launching KUKA Robotics' KR C4 controller both in the automotive sector and general industry, KUKA presented its KR C4 extended cubicle at the international EuroBLECH 2012 technology trade show for metal processing in Hanover. Somewhat higher than the compact standard control cubicle, the new panel is equipped to handle up to sixteen axes. The package can be used to control not only a robot's six axes, but also other axes included in the automation cell, such as multi-axis positioners. These are used to turn a workpiece so that a welding robot can reach any part of it. All of the KR C4 controller's features; that is, integrated robot, motion, sequence, and process controls, are also available for this extended cubicle. Together with KUKA Motion Control (KMC), this enables robots to follow other kinematic sequences; for example, for handling tasks.

BMBF FlexiCut project: machining systems for lightweight materials

KUKA Roboter participates in a joint project sponsored by Germany's Federal Ministry of Education and Research (German: BMBF) called FlexiCut (flexible intelligent machining systems for complex composite fiber components). Lightweight materials are particularly attractive in the automotive and aerospace industries. At the present time, such components are usually manufactured manually. However, if they are ever to be mass-produced, it will be necessary to build largely automated manufacturing systems with short cycle times and high, repeatable quality. Robots are universal automation elements with numerous optional features, and can play a key role in achieving this goal.

KR QUANTEC robot wins not one, but three awards

The KUKA QUANTEC family of robots with payloads between 90 and 300 kg offer impressive performance, but that's not all: their graceful design is unmistakable. This is no coincidence, because organically designed components with flowing overall shapes facilitate the flow of mechanical forces and strengthen the components, which makes the robots very stable and stiff. In no time at all, the unusual look of the QUANTEC robot won it several highly coveted design prizes. The KR 240 R3100 ultra K console robot received the international red dot design award for 2012. The KR 270 R2700 ultra won not one but three design prizes: The red dot design award 2012 „best of the best", the German Design Award Gold 2013 handed out by the German Design Council and the iF Product Design Award Gold 2013. Once again, KUKA has proven that high-performance industrial products and excellent design are not mutually exclusive.

Advanced Robotics – in the Robotics devision

KUKA Laboratories' (Labs') core research and development projects center on sensitive robotic assistants that can be used in the industrial manufacturing and service robotics sectors; for example, health care and medical systems. The business unit also conducts some R&D for the Robotics and Systems divisions.

KUKA lightweight robot – next generation

KUKA's lightweight robot is a sensitive robotic arm the can perform delicate tasks; for example, on assembly systems or in the field of service robotics. The design of the product that had been used to date was based on a technology transfer between KUKA and the world-leading DLR Center for Robotics and Mechatronics in Germany. The lightweight robot's service capabilities were successfully tested at a number of customer beta sites, as were the manufacturing concepts.

The first next generation models were completed towards the end of last financial year. The lightweight robot was redesigned from the ground up. The development mandate was to simplify the mechatronic design and make the robot suitable for serial manufacturing. Target markets include manufacturing and service robotics, where the products can be used in various professions as assistants. The control architecture for the lightweight robot's drives and sensors is based on the KR C4 controller platform, with new safety features to qualify it for cooperative human-machine applications.

The new KUKA lightweight robot thus fulfills all specifications for industrial-scale use in tough, fully automated applications. It can be used to replace fixed assembly lines, or as an assistant in new and revolutionary robotic manufacturing lines where humans are included in the robot-based assembly systems. KUKA's new lightweight robot is the world's most sensitive manufacturing assistant.

Human-robot cooperation

KUKA and Daimler have signed a strategic joint development agreement and are working together on pioneering concepts involving the use of lightweight robots as production workers' assistants. Field tests are being conducted in pilot projects where the two companies jointly study the manufacturing process outcomes. This involves developing new-human machine safety concepts for the various applications and defining the critical safety parameters associated with them. The results of the field tests are examined scientifically, incorporated into safety codes and submitted to standards authorities.

Next generation controller kernel

The lightweight robot was redeveloped from the ground up and is now based on the KR C4 controller platform. The aim was to develop a real-time system consisting of parallel components, which can be expanded by adding more modules. The technology can be used to implement complex robot-based applications and later integrate them into a company's IT system. The operator interface and diagnostics were enhanced on the basis of the KR C4 controller. Established high-end IT development platforms are used to program the lightweight robot.

Lean R&D processes for developing mechatronics systems

Many engineering disciplines working in close cooperation are required to optimize the cost and features of the software, electronics and mechanics of a mechatronic robotic system. The product creation process for developing mechatronics systems was further enhanced in conjunction with lightweight robot project. The end-to-end simultaneous engineering and phase-specific development methods used, consisting of agile concept development and progress-driven detail engineering, are unique. The software was developed based on SCRUM methodology, which enables fast iterative testing and adjustment of the software product's features during the development process.

Mobile robotics and autonomous navigation

An initial version of KUKA's navigation system for autonomous mobile robotic systems was completed and used as the basic module. The navigation module can be used in various market segments. Potential applications span from distribution and manufacturing logistics, heavy load logistics based on KUKA's omniMove system and mobile manipulation using KUKA's omniRob. In financial 2012, KUKA tested the navigation system at beta sites for all three applications and demonstrated it to industrial customers.

Medical robotics

In the medical robotics area, KUKA Laboratories develops robot-based diagnostic and therapy systems in partnership with medical technology companies. The previous generation was superseded when a radiation therapy manufacturer qualified the KR C4 product platform and QUANTEC mechanics for the first time in conjunction with the licensing of a new medical product. The new radiation therapy system was successfully demonstrated and is now at the market launch stage. The enhanced features of the KUKA controller and hardware add value to the customer's systems. Research institutes and medical technology companies are also evaluating and studying a variety of other applications for the lightweight robot.

Research projects leading to new technologies and new applications

Research projects funded by the German Federal Ministry of Research and Education or the European Union provide an opportunity to develop technologies in a non-competitive environment and to build research and user networks. KUKA Laboratories participates in a variety of such research projects, which gives it access to research results and enables it to network with other members. One of these projects is First-MM (Flexible Skill Acquisition and Intuitive Robot Tasking for Mobile Manipulation in the Real World), an initiative in which new programming processes for mobile systems are being developed. The aim is to simplify the instruction sets that define flexible transportation tasks or complex manipulations.

Another project is TAPAS (Robotics-enabled Logistics and Assistive Services for the Transformable Factory of the Future), where new flexible, scalable manufacturing systems for the mass production as well as small lots of mass-produced products are being explored. The new technologies are being developed using specifications for real-world manufacturing scenarios and are continually validated at various stages of the development process.

The aim of the SAPHARI project (Safe and Autonomous Physical Human-Aware Robot Interaction) is to expand the functionalities of systems in which humans and robots collaborate. Researchers want to improve the autonomy, safety and everyday functionality of robotic systems that operate in environments where humans are present.

The SMErobotics project's mandate is to encourage the use of robotics in small and medium-size enterprises. To meet specifications for small-scale serial manufacturing systems, the cognitive and reasoning capabilities of robotic systems must be improved and collaboration between humans and robots simplified.

Shaping the future of robotics in Europe

KUKA has been driving Europe's robotics community since 2008. A highlight of the activities in financial 2012 was the founding of the Brussels-based international nonprofit association for all stakeholders in European robotics, euRobotics aisbl. One of the new organization's main missions is to establish a public-private partnership (PPP) for robotics in Europe, an initiative that is strongly endorsed by the European Commission. At the time of writing, euRobotics already had seventy members from the research community and industry. The organization has three key objectives:

- strengthen the competitiveness and leadership of manufacturers, suppliers and end users of robotics-technology-based systems and services;
- encourage the maximum and best possible acceptance of robotics technology by private and professional users;
- ensure that scientific excellence is the basis for Europe's robotics.

SYSTEMS DIVISION

Framing station for six vehicle types

The continuously increasing number of vehicle models and types that have to be manufactured these days demands ever-increasing assembly line flexibility. KUKA Systems developed a framing station that can handle up to six different vehicle types to address this need for flexibility. The frames, each of which matches the geometry of a particular vehicle, are alternately set up in the framing station. The frames are stored in four drum storage units and are automatically sent to the station according to the type of vehicle being assembled.

WaveLine – innovation for robot-based press automation

KUKA WaveLine is the first robot-based automated high-speed press line available on the market. It ideally combines the advantages of tandem and transfer press lines.

Tandem press lines consist of stand-alone presses that start and stop and are linked together by automation systems. Transfer press lines operate continuously and are linked by complex special solutions such as feeder or walking beam transfer systems. Although the output from such lines is greater, their capital cost is significant. The new KUKA WaveLine system concept allows tandem press lines to be synchronized and operate continuously for the first time, thus improving output. The individual presses used in this application are specially designed for this production mode and can be loaded and unloaded by KUKA's Cobra system. The press line can operate continuously and at a higher stroke frequency, which cuts energy consumption and is easier on the presses' mechanical systems since they do not have to be slowed down and re-accelerated for every cycle.

Multifunctional cell at the German Aerospace Center for Lightweight Production

KUKA Systems is currently building a multifunctional cell that integrates a large number of robots in cooperation with the German Aerospace Center (German: DLR). The aim is to use it at the Augsburg-based DLR Center for Lightweight Production in 2013. The unique thing is that the industrial robots and the specialized kinematic systems hang from the ceiling. The concept allows large workpieces consisting of several units to be worked on in parallel, with humans or machines having the ability to simultaneously access the parts. Research on various aspects of robotics and automation will be conducted over the next few years in conjunction with this initiative. Research topics include cooperating, in part externally controlled kinematic elements, which can also be safely operated. The medium-range objective is to develop appropriate technologies up to including human / machine interaction.

The multifunctional cells are equipped with KUKA's QUANTEC robot series. An external controller, which is currently in the test phase, has been able to significantly improve the accuracy with which the robot follows its programmed path. It is done using the external measuring system that sends corrections to the robot controller via an interface. It is conceivable that in the medium to long term this will allow large components to be machined in parallel using several machines and introduced into manufacturing lines. The associated process modules for this are currently being prepared.

New applications laboratory for lightweight robots

Together with KUKA Laboratories and KUKA Roboter, KUKA Systems established an applications laboratory for lightweight robot (LWR) applications at its Tech Center. The aim is to accelerate the development of industrial applications for lightweight robots by providing several flexible lightweight robot cells to conduct experiments and tests. The applications laboratory is also used to conduct feasibility studies for customers.

EFB – award for press tool manufacturing

KUKA Systems Werkzeugbau, based in Schwarzenberg / Erzgebirge, received a seal of approval from the European Research Association for Sheet Metal Working at EuroBLECH 2012 in Hanover for its many years of service on international research projects. Some of the work done by the company includes the following:

- research on and testing of parameters related to alternative and new metal forming processes such as hydroforming, hot forming and press hardening
- refining established processes related to forming and cutting sheet metal car body parts
- determining material properties for sheet metal that has to be cut or shaped
- optimizing process chain parameters related to manufacturing press tools for sheet metal car part cutting and forming systems

Selected EFB project findings are put into practice. One example is that engineers are now better able to estimate the performance capabilities of material models when simulating sheet metal forming operations. The limitations of the algorithms used in forming simulations used to date are now clearer. This is especially important for new metals, since the behavior of these materials cannot yet be precisely replicated. As a result, tools were often not correctly shaped. To date, the only way to correct this problem had been to rework the finished forming tool at great expense. The EFB project has reduced the severity of errors from this source.

Liquid encapsulation of wafers for solar modules

Together with solar industry partners, KUKA Systems is working on a publicly funded project that aims to develop innovative, matching, cost-effective technologies for high-performance solar cells and modules. In line with the project objectives, researchers are developing innovative manufacturing processes in the area of cells and modules that aim to cut production costs and improve the energy conversion efficiency of the modules. The researchers are developing process modules related to solar cell development, which will be combined to establish a highly efficient overall process. In financial 2012, KUKA Systems built a production system that will be used for testing and manufacturing a limited number of prototypes. It has already been used to produce the first modules required to certify the process.

PROCUREMENT

Each Group division is responsible for procuring the parts needed for manufacturing, but a lead buyer purchases indirect materials and services on behalf of all other Group entities. For example, KUKA Robotics' responsibility includes buying transportation services and energy and KUKA Systems is responsible for telecommunications, building management and the vehicle fleet.

DUAL SOURCE STRATEGY ENSURES RISING MANUFACTURING VOLUME

The Robotics division's manufacturing volume was once again sharply higher in financial 2012. In order to satisfy the strong demand, the division had to expand its robot assembly capacity in Augsburg and the control cubicle assembly facility in Taksony / Füzesgyarmat (Hungary). The division is also constructing a second robot assembly facility in China, which is scheduled to be started up sometime in 2013. The purchasing department is already buying castings and electronics from Asia in line with its global sourcing strategy. The volume of materials purchased there will expand further when the new factory in China comes online. In financial 2012, the division implemented a dual source strategy to meet the needs of its rising manufacturing volume. In doing so, it significantly expanded the number of suppliers in Europe and Asia. The dual source strategy helps minimize supply bottlenecks and gives buyers the flexibility to address exchange-rate fluctuations. In total, the Robotics division was able to cut its average purchasing costs by 4 percent in real terms; that is, adjusted for exchange rate and commodity cost differences.

SERIAL PRODUCTION FOR NEW SMALL ROBOT FAMILY IN FULL SWING

Another important procurement task in financial 2012 involved the launch of the new KR AGILUS small robot family. In this market segment, short lead times are often a key purchase decision parameter. To shorten time-to-market for the new product, the expected manufacturing volumes and material categories were defined early, new suppliers identified – mostly in Germany and other European countries – and contracts signed with the selected companies. All of these tasks were completed on time and serial manufacturing for the new product family started on August 1 as scheduled.

SYSTEMS DIVISION FURTHER EXPANDS PROCUREMENT TOOLS

In 2012, KUKA Systems further expanded the tools it uses to ensure cost-effective and timely procurement of systems components. The division rolled out a new planning tool to manage systems project deadlines. The new tool can be used to actively monitor all delivery deadlines, including upstream interfaces such as completion of specifications and design services. Capacities and delivery terms are already established and fixed during the quotation phase of a project. In addition, a structured risk analysis concept is used to identify potential risks and track the measures implemented to eliminate these risks. These initiatives enabled the division to further internationalize its procurement activities and as a result, the materials procured from low-cost countries reached 17 percent of total purchasing volume over the course of financial 2012. The division was also able to cut purchasing costs by 4 percent.

Both divisions also implemented a supplier finance program in financial 2012, which extended their payment due dates with the suppliers; thus improving the Robotics and Systems divisions' liquidity.

REGIONAL CENTERS OF COMPETENCE PART OF THE VALUE ADDED CHAIN

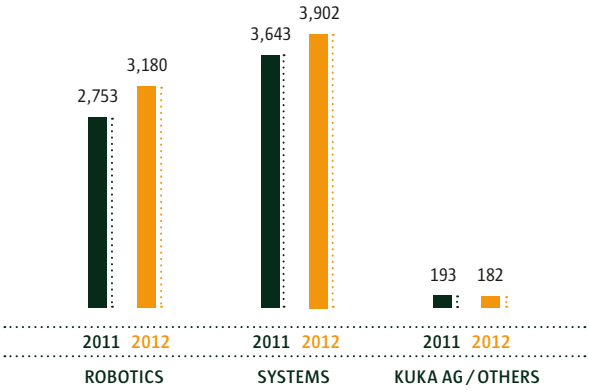
The Systems division established regional centers for standard components as part of the new HUB concept last year. In Europe, the center is the Romanian subsidiary, the Chinese subsidiary works for the Americas and Asia. These regional centers are increasingly becoming a fixed part of the international value added chain. They focus on parts procurement, assembly and manufacturing. The planning and project management tasks continue to be the responsibility of the regional centers in Germany for Europe, the United States for the Americas and China for Asia. The HUB concept enables the company to conduct business flexibly and efficiently in the regions. Rush orders can be cost-effectively handled internally. The center of competence in Romania also trains university graduates to program robots. After completion of the training, they are delegated to international construction sites to practice their newly acquired skills.

EMPLOYEES

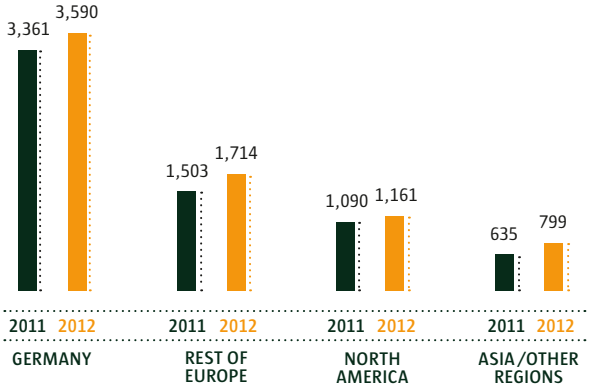
HUMAN RESOURCES REALIGNED

KUKA Group's human resources work focused on both operations and strategy in the 2012 financial year. Due to rapid growth in business volume, the divisions hired new employees on a large scale. In Germany, the new hires were primarily in research and development in the Robotics division, and employees were added to expand business activities in the growth regions of the Americas and Asia. KUKA also implemented various measures aimed at reinforcing its position as an attractive employer as a pro-active response to the looming shortage of specialists and managers. For example, KUKA intensified its vocational training program, enhanced its contacts with schools and universities, and promoted a good work-life balance with its "Career and Family" initiative. Finally, the company restructured its management organization and its executive development program.

EMPLOYEE S BY DIVISION (DEC. 31)



EMPLOYEE S BY REGION (DEC. 31)



PERSONNEL EXPANSION IN LINE WITH STRATEGY

KUKA Group added 675 employees to its payroll as of December 31, 2012, up 10.2 percent year on year, for a total of 7,264 employees. This figure includes apprentices and working students. Hence the workforce expansion was considerably lower than the growth in sales revenues during the same period (+21.1 percent). The Robotics division added 427 of these employees, or more than 60 percent of all new hires, primarily in Augsburg and in the Hungarian control cubicle operations. Half of the new hires are attributable to the general industry segment. A total of 259 (approximately 40 percent) of the new hires work in the Systems division. To maintain operational flexibility, KUKA Group also hired 1,408 temporary employees as of December 31, 2012, up 330 from the 1,078 at the 2011 year-end on December 31, 2011.

BALANCED QUALIFICATION STATISTICS

The types of qualifications held by KUKA employees remains balanced: Around one-third of the staff hold a university degree, and two-thirds have credentials in a technical or business field. At the main headquarters in Augsburg, for example, 860 employees have graduate or undergraduate degrees (31 percent). Another 470 are technicians or master technicians (17 percent). The remaining employees have completed a state-approved technical or business training program (24 percent) or a comparable program (25 percent). The age distribution average of 41 years remained stable at KUKA Group during the reporting year (previous year: 41 years). The average age in the Robotics division was below the Group average at 39 (previous year: 38). In the Systems division, the average age was slightly above the Group average at 42 (previous year: 43).

The number of employees who have been with the company for an extended period of time remained constant: 55 employees celebrated 25 years of service, 26 employees 40 years of service, and one employee in the Robotics division even celebrated his 50th anniversary with the company.

CAREER TRAINING SUCCESSFULLY PROMOTED

In view of changing demographics and the declining number of jobseekers, KUKA stepped up its activities aimed at reaching out to potential applicants and succeeded in hiring additional entry-level employees during the reporting year. Thus the company had a total of 230 apprentices at its German locations in Augsburg, Bremen, and Schwarzenberg / Erzgebirge at the end of December 2012, three more than the 227 on December 31, 2012. The number of apprentices at the Augsburg headquarters was up by more than half (57 percent) and thus increased more than elsewhere,rising from 88 to 138 over the four-year period from 2009-2012.

NEW "DUAL STUDY" PROGRAM ESTABLISHED

KUKA offers a wide range of technical and business training programs aimed at the following professional vocations:

- industrial mechanic and machinist;
- mechatronics and electronics technician for automation technology;
- technical product designer;
- industrial business management assistant; and
- computer specialist.

Furthermore, high school graduates with university qualifications are able to earn a bachelor's degree in engineering in a professional track program ("dual study program") from various universities of cooperative education or from the University of Augsburg. In addition the dual study program in mechatronics and electronics, KUKA now also offers a dual study program in mechanical engineering, computer science and business IT systems.

The company also expanded contacts with high schools in the region during the reporting year, giving students a chance to explore the world of vocational training in a one-week try-out program. At the Augsburg location, a total of 1,000 high school students have taken advantage of this opportunity over the past twelve years. The number of interested students started at 60 – 80 and has now reached more than 100 per year. The vocational training center additionally conducts 15-25 plant tours for entire school grades each year, and certain graduating students receive job applicant training.

Since 2004, KUKA has moreover held a "girls' day" to arouse interest among young women in technical careers. In 2012, twenty girls took the opportunity to obtain information on vocational training options. The share of female apprentices in the trade / technical areas is already relatively high at KUKA with 20 percent. In addition, for ten years KUKA has been represented at the "Fit For Job!" career information fair, where every year 10,000 – 15,000 visitors from the region have access to information on vocational training. In 2012, KUKA's small, mobile "youBot" robots acted as a public draw. A "vocational training day" was also held for the first time in 2012. On June 30, more than 500 students in the application stages were able to obtain information on the various apprenticeship opportunities at KUKA on location, and even try their hand at one of the programs offered at the Augsburg training center.

TRAINEE PROGRAM FOR MANAGEMENT RECRUITS

Along with KUKA's vocational training activities, the company also sought out qualified applicants for specialist and management positions by introducing itself at a total of twelve job fairs held by universities and colleges in Aachen, Aalen, Augsburg, Deggendorf, Ingolstadt, Kempten, Munich, Trier and Ulm. This included participating in career days, cross-mentoring, and similar events held by the various institutions. Thanks to these initiatives, the number of work-study students at KUKA nearly doubled from 20 at the end of December 2011 to 38 at the end of December 2012. Seventy-six theses were written by graduating university students during this period. Graduates in the fields of mechanical engineering, mechatronics, electrical engineering, and industrial engineering (Diplom or masters) are able to enroll in a fifteen-month training program at KUKA. The program takes place either in the Robotics division with stations in project management, development, sales, or international production or in the Systems division (project management, design, international construction sites). The program is supplemented by one elective station in the other division and a three-month stay abroad. Six trainees are taking part in the training program at present.

FAMILY-FRIENDLY JOBS THAT SET AN EXAMPLE

In May 2010, KUKA received "Career and Family" certification at the Augsburg location for being a family-friendly company, a testament to its clear dedication to family-conscious personnel policies.

In the following three years, numerous individual measures were identified and implemented in the areas of working hours and job organization, work location, and information policy and leadership competency to make it easier for employees to combine job and family.

The measures included:

- new and significantly more flexible working hours;
- the introduction of sabbaticals;
- additional part-time positions;
- meeting times arranged to be more family friendly;
- an agreement between the works council and management on telecommuting and home offices (in preparation);
- use of parental leave periods for advanced training and continuing education; and
- stress management programs.

All measures were widely communicated via the executive management and works council representatives on site. Information on the programs was also provided in articles in OrangeNews, the employee magazine, in the Internet and intranet, at company parties and other events, in brochures put out especially for this purpose, and in a leaflet included with employees' salary information.

This helped the measures implemented to become a regular part of working life in Augsburg. KUKA is now leading the way in the areas of job flexibility, forward-looking working hours models, and consideration of its employees' individual life situations.

To ensure that work-life balance continues to be permanently anchored in KUKA's corporate culture, in March 2013 Dr. Till Reuter, CEO of KUKA AG, took charge of the re-certification of the "Career and Family" initiative for the period from 2013 to 2016. The company held various workshops between November 2012 and January 2013 in preparation for this.

NEW LEADERSHIP STRUCTURE

To make KUKA even more attractive to young talent and experienced managers alike, the company has set up several new leadership groups to open up both structured and flexible career paths to suitable employees from the KUKA Robotics and KUKA Systems divisions as well as from KUKA Laboratories and KUKA AG. The aim is to coordinate the employees' personal development goals with the company's executive staff requirements.

The first career path is directed at engineers and technicians who wish to become junior or senior project leaders as well as international project leaders, with suitable employees ultimately being included in the senior management circle. The second career path is geared towards specialists, particularly in research and development, who likewise are able to rise to senior management as Senior Engineers, Experts or Senior Experts. This group currently has sixty members and sees itself as an international, intercultural platform for exchanging ideas and experiences below the existing senior management level.

The new leadership structure took effect at KUKA Group on October 1, 2012.

"ORANGE CARE" / "KUKA CARES" PROGRAMS INITIATED

In the past year, the company's social welfare activities were given a fixed platform at KUKA's two main headquarters in Augsburg and in Sterling Heights, Michigan near Detroit.

In Augsburg, committed employees established a non-profit association called Orange Care e.V., which will dedicate itself to youth and family work in the future and support those in need. Its first main project will be to set up a day-care center for small children at the Augsburg location. CEO Dr. Till Reuter and Bernd Minning, Chairman of the Supervisory Board, are founding members of the association.

In North America, the "KUKA CARES" program is directed at the social welfare needs of employees. It includes health initiatives, family events, and company grants as well as the organization of advanced training and continuing education programs. KUKA's goal is to use this platform to help create a healthy and safe working environment that has a motivating effect on employees and strengthens their ties to the company.

10. EMPLOYEE SHARE PROGRAM

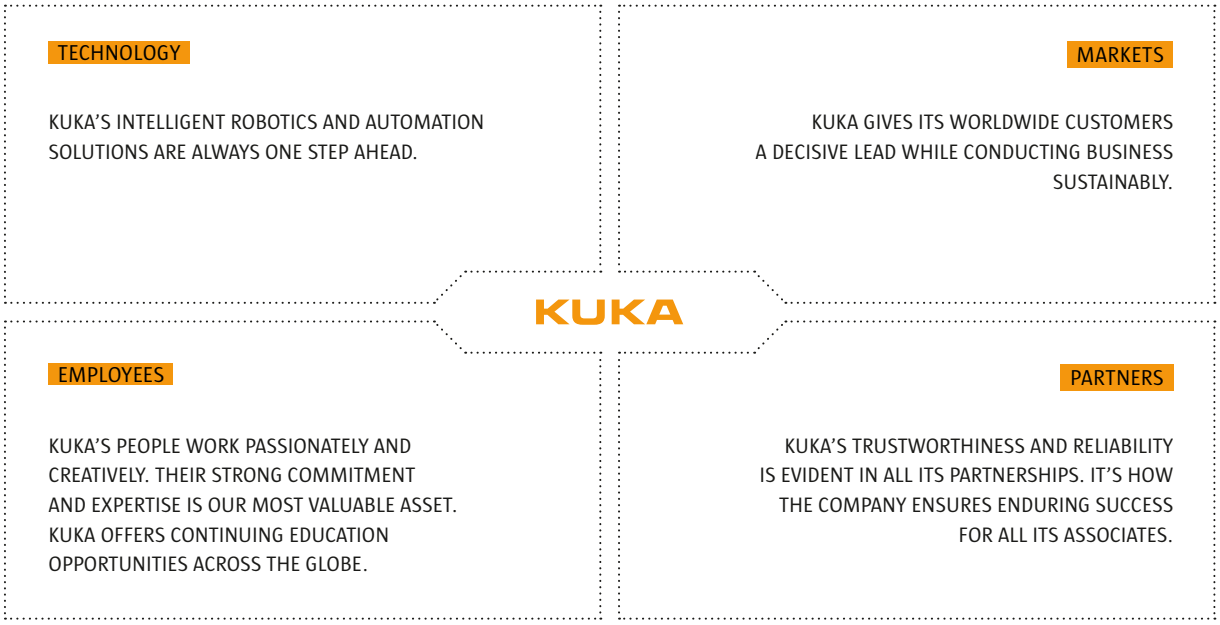
Offering company stock to the workforce is an attractive option for increasing the loyalty of existing employees and gaining potential employees. The KUKA employee share program was offered for the tenth time in 2012. A total of 387 employees took part. They were offered one additional incentive share when purchasing two KUKA shares. A total of 164,295 shares thus went to KUKA employees in June 2012 in connection with this program.

SUSTAINABILITY

CORPORATE PHILOSOPHY REINFORCES GROUP COHESION

In fall of 2011, company executives participated in a multi-day workshop during which they worked out a common corporate philosophy. The end result was introduced to all company units during the reporting year. The corporate philosophy combines the numerous guidelines that the company has followed and convictions it has held into the four complementary pillars of "Technology, Markets, Employees, and Partners," which now represents the framework for responsible action for all KUKA employees. "We have laid down these principles to illustrate the commitment of our employees and corporate management," stated Dr. Till Reuter, CEO of KUKA AG in an interview on the topic in the OrangeNews employee magazine (1 / 12).

SMART TOOLS MEET SMART PEOPLE



SMART TOOLS MEET SMART PEOPLE.

This slogan exemplifies and reinforces our company's new guiding principle. Taking the pillar of "Technology" as an example, this means:

While our products have changed over the course of the 110 years since the company was founded, the passion of our employees for technology, innovation, and quality has remained. KUKA wants to use its smart solutions in robotics and automation to set technical standards and give our customers all over the world a decisive lead. In doing so, the importance of doing business sustainably guides our employees' actions. Our goal is to use natural resources efficiently and steadily to reduce human stress and minimize our environmental footprint. Moreover, KUKA cooperates with all of its partners in an atmosphere of trust and reliability to assure the enduring success of all involved (see "Corporate Philosophy") at www.kuka-ag.com

PARTNER IN THE "BLUE COMPETENCE" INITIATIVE

KUKA Roboter GmbH is an official partner in the "Blue Competence" initiative (www.bluecompetence.net) of the German Engineering Federation (VDMA). The initiative bundles the activities of its member companies into the following areas:

- Efficient utilization of energy
- Development of alternative, regenerative energy sources
- Conservation of scarce resources and recycling of secondary raw materials
- Reduction of emissions of industrial operations and in the transportation sector
- Development of new, more economical fueling concepts.

One of the main goals of "Blue Competence" is to raise awareness of the progress made in the German mechanical and plant engineering sector in the use of energy, the optimization of production processes, and the recycling of secondary raw materials and to advance the development of new technologies in these areas. For example, the German mechanical engineering industry has already made a substantial economic contribution to reducing the lifecycle costs of its machines and installations over the past ten years in addition to the accompanying improvements in environmental quality.

ADDITIONAL SAVINGS POTENTIAL FROM ROBOT DOWNTIME

Industrial robots are by no means "energy hogs." Their average energy consumption is 2.5 kW – lower than that of approximately two household hair dryers (approx. 3.0 kW). When on standby, the robots use a maximum of 200 watts, which is less energy than a fast graphics card utilized in PC gaming. However, industrial robots are in motion creating value only around 20 percent of the time. The rest of the time they are on standby during the production phase or powered down during production-free periods. KUKA Robotics has succeeded in reducing energy consumption by 60 percent during the times when no value is being added by increasing the maximum number of braking cycles and thus reducing brake engagement time. Additional savings potential is gained by closely synchronizing production cycles with the robots' movements. This enables wait times within a group of cooperating robots to be completely eliminated in many cases and allows the system to operate at the energetic optimum. The Robotics division is currently developing associated simulation modules that precisely depict motion sequences and calculate the robots' power consumption.

NEW KR AGILUS SMALL ROBOT – ENERGY EFFICIENT, QUICK, AND SAFE

The Robotics division launched a new family of small robots in the reporting year. The KR AGILUS was unveiled at AUTOMATICA 2012. Not only does it deliver outstanding performance in the lower payload ranges (up to 10 kg), it is also extremely energy efficient, quick, and safe. Like KUKA's larger industrial robots, the KR AGILUS uses the KR C4 universal controller, but a compact version that requires very little maintenance; it is for instance no longer necessary to replace the lubricant. In addition, the KR AGILUS is the only robot in its class that has a "SafeOperation" function that considerably simplifies human / machine interaction. Software and hardware components monitor the robot's work envelope and its movements so that no mechanical monitoring is required.

JOINT PROJECT: "ENERGY-EFFICIENT AND RESOURCE-SAVING BODY CONSTRUCTION"

KUKA Systems GmbH is a member of the innovative Green Carbody Technologies alliance, in which industry has joined forces with the scientific community to make automotive manufacturing systems more energy efficient and to better conserve resources. Body construction is one of the most energy-intensive areas of vehicle manufacturing. The "energy-efficient and resource-conserving body construction" project is currently focusing on:

- process sequence optimization;
- energy consumed by the joining processes;
- energy consumed by the process control systems; and
- using lightweight processes to reduce the material use.

SUSTAINABLE DEVELOPMENT OF PRODUCTS AND SOLUTIONS

When developing and building products and solutions, KUKA Systems operates on the threshold principle, with each component being reviewed for necessity. This process often makes it possible to substantially reduce the amount of material used; for instance, when designing steel components. This directly cuts materials costs, and generates indirect savings by reducing carbon emissions during manufacturing and when transporting the finished products. One example of this is the modular KUKA flexibleCUBE welding cell, the sustainable approach used here requires approximately 44 percent less material than conventional assembly processes.

KS CycleMove: Transporting components without using electric power

The Systems division has also developed a system of conveying components on assembly lines that requires no electric drives; instead, it relies almost exclusively on gravity. KS CycleMove consists of a frame and various sloped input / output belts that transport the pallets with the parts. The pallets are equipped with roller bearings and have a patented braking system that keeps their speed constant, regardless of the weight of the workpiece and the length of the belts. When they reach the end of the belt, the pallets can be returned either automatically or using robots, which makes moving parts both easy and safe. KS CycleMove is available in belt lengths of from three to six meters, and the maximum payload is 15 kg. This system uses up to 95 percent less power than conventional accumulating conveyors.

KEY FIGURES ECOLOGY

	2011	2012
Number of locations worldwide	**37**	**37**
with ISO 9001 certification	14	14
of which ISO 14001 certified	10	10
Consumption (Augsburg only)		
Electric power (MWh)	13,386	13,587
Gas (MWh)	14,605	15,272
Water (m^3)	19,972	21,822
CO_2 GHG emissions (t)	9,416.8	11,593.5

KUKA AG has also been working on the Carbon Disclosure Project since 2008. This organization publishes information on the life-cycle assessments of listed companies and on business prospects for sustainable products once per year. The Carbon Disclosure Project is supported by a number of investor groups (www.cdproject.net)

HEALTH MANAGEMENT INTENSIFIED

KUKA offers a wide range of preventive health management programs, which it has made a regular part of the work environment. The company's "Fit for KUKA" program offers employees special breakfasts consisting of fruit and granola, exercises for instant relaxation and a healthy back at regular intervals. The seminars are free as long as the employee attends a certain number of sessions.

In addition, a general health day was held for the second time since 2011. On July 20, 2012, seven allied partners offered employees the following workshops and more:

- exercises in responsive fitness and walking;
- pilates, yoga, and back exercises;
- skin screening and try-out massages;
- glucose and cholesterol measurement;
- a smoker information session;
- reflex speed testing on a driving simulator; and
- fire safety conduct.

IA total of 1,200 employees took advantage of the opportunity to check their fitness levels and received numerous suggestions for improving their performance and well-being at work and at home. Some employees enrolled in courses at the KUKA Academy in 2012 to become a life balance coach. They learned methods and skills for balancing the demands of career and family, which they can now pass on to colleagues and other employees. The KUKA Academy also held a similar course for executives.

KEY SOCIAL FIGURES

	2011	2012
Number of employees (Dec. 31)	6,589	7,264
of which apprentices	227	230
Average length of service (years)	9.1	8.8
Sick leave ratio (in %)	2.9	2.7
Fluctuation (in %)	12.9	9.8
Accidents per 1,000 employees (Germany)	13.9	10.8

RISK AND OPPORTUNITY REPORT

PRINCIPLES

KUKA Group is a global enterprise with international operations. Its corporate activities open up new business opportunities, but also involve a number of risks. The goal of KUKA AG's Executive Board is to minimize these risks and take advantage of potential opportunities in order to systematically and sustainably improve the value of the company for all stakeholders and shareholders.

Risk management

To achieve this objective, the Executive Board has implemented a comprehensive risk management system within the Group, which is used to systematically and continuously identify, evaluate, manage, monitor and report internal and external risks to which its divisions and subsidiaries are exposed. Identified risks are evaluated throughout the Group for their potential impact on profits and the likelihood that they will occur.

They are categorized according to worst, medium and best case scenarios including the expected risk value. Accruals and write-downs associated with these risks are recognized in the financial statements in accordance with applicable accounting principles. The monthly risk report includes the top ten risks for the divisions and KUKA AG as holding company as well as an overview of the entire Group's risk exposure. These top ten risks are a fixed part of the monthly reporting.

The risk report is also reviewed during Executive and Supervisory Board meetings, especially when the audit committee convenes. The identified risks are presented and explained in more detail to the Executive Board quaterly by the risk management committee. The committee also determines whether the measures already taken to minimize risk are adequate or whether further steps should be initiated. In addition, the plausibility of the reported risks is evaluated and alternative ways of avoiding similar risk in the future are derived.

The direct lines of responsibility for early identification, control and communication of risks are defined and lie with the management of the divisions and subsidiaries. Risk managers in the central and decentralized business units ensure that the reporting process is uniform, with clearly defined reporting channels and reporting thresholds that are in line with the size of the company. Whenever the Group's defined reporting thresholds are exceeded, an internal ad hoc announcement must be made. Responsibility for coordinating the risk management system lies with the head of Group controlling at KUKA AG, who is also the head of risk management and thus reports directly to the CFO of KUKA AG. This ensures that risk management is an integral component of the KUKA Group's overall planning, control and reporting process.

The Group's risk management system enables the Executive Board to identify material risk at an early stage, take appropriate steps to counter such risk, and monitor implementation of the steps. As part of its regular audits, the internal audit department monitors adherence to the KUKA Group's risk management guidelines and thus the effectiveness of the procedures and tools that have been implemented. If necessary, internal audit involves those responsible for risk management in the audit scope. In addition, the internal audit department regularly audits the risk management process to ensure that it is efficient and continuously improved. Furthermore, external auditors check that the early risk identification system is suitable for timely identification of risk that could threaten the existence of the company as a going concern.

KUKA Group's opportunity and risk-related controlling process ensures that opportunities and risks are taken into consideration by management. Further details regarding the associated opportunities are provided in the description of the various risk categories.

KUKA Group also has an internal controlling system (see p. 87: Internal Control and Risk Management System) that goes above and beyond the risk management system and is used to continuously monitor and support proper adherence to business and accounting processes.

MARKET AND SECTOR RISKS AND OPPORTUNITIES

KUKA is exposed to the cyclic investment behavior of its customers in the various market subsectors. The automotive sector, with its oligopolitical structures and constant price pressure, makes up a major portion of business volumes in the Systems and Robotics divisions. Fluctuations in capital expenditure plans are considered in strategic and operating planning, in part by analyzing public announcements and disclosures. Due to the cyclic nature of the business, the company continuously strives to be as flexible as possible with its own capacities and its cost structure.

KUKA Group is also exposed to country risks, such as risk resulting from inadequate patent and trademark protection in Asia, exchange rate fluctuations, financing risk, technical risk, and the risk of substantial increases in prices for key commodities. To the extent possible and economically viable, value is increasingly added at a local level in order to reduce currency exchange risk. To safeguard its intellectual property, KUKA has developed an independent strategy based primarily on securing patents and trademark rights. New competitors in the market, especially from Asia, are resulting in increased price pressure. We counter this by maintaining strong relationships with our customers, and especially by expanding and protecting our technological competence.

KUKA benefited from high investment activity in both the automotive industry and in the general machinery and plant engineering sector during all of 2012. Additional opportunities exist on the basis of the excellent competitive position that KUKA Group's key automotive customers enjoy in their markets. The advantages of its customer portfolio compared with its competitors gives KUKA Group opportunities to grow its business and, in particular, to gain market share. Further opportunities exist due to the general trend toward greater automation in non-industrial sectors, such as the long-term prospects associated with assisting an aging society.

KUKA works with suppliers that focus on quality, innovation strength, continuous improvement, and reliability so that it can supply its own customers with products of the highest possible quality. Generally, KUKA sources product components from several suppliers, although in a few cases – due to a lack of alternatives – it depends on single-source suppliers that dominate their markets.

Additional risks that could also impact business performance after 2012 are an exacerbation of the sovereign debt crisis, particularly in the Euro zone. Increasing currency fluctuations could also pose a risk, particularly those involving the U.S. dollar, the Hungarian forint, the Japanese yen, and the Chinese yuan. How KUKA manages its currency exchange risk is described in detail in the section on financial risk.

PERFORMANCE RISKS AND OPPORTUNITIES

KUKA Robotics

The key challenges for this division's product portfolio involve ongoing cost sensitivity and demands for continuous product innovation on the part of customers around the world. This applies especially to the automotive industry and its sub-suppliers. The result is permanent price pressure and potentially longer life cycles for the robots in use.

KUKA Robotics responds to such trends by continually developing new products and applications that offer customers in existing markets quantifiable financial advantages driven by very fast paybacks. Launching new products such as the new small robot KR AGILUS or the light weight robot entails risks associated with product performance and warranties of quality, which could generate reworking costs. To manage such risks or avoid them altogether, KUKA employs a comprehensive quality management system that includes extensive validation and test processes.

KUKA sees an opportunity in continuously expanding its customer base beyond the automotive sector to general industry. This represents a key component of corporate strategy. The process involves developing completely new markets such as medical technology and other consumer-related sectors in which human-machine collaboration will be necessary in the future. The systems used for human-machine collaboration can operate without protective barriers or similar safety measures. One of the division's sections, Advanced Robotics, focuses on technical development of such innovative products and applications. In addition, the company is expediting sales in the Americas region and the BRIC nations. Increasing the distribution of our own value added across several local currencies will make the earnings power of the company less dependent on exchange-rate fluctuations.

KUKA Systems

This division's sales and profits are subject to general business risk due to the length of time it takes to process project orders, the revisions to specifications that are often necessary while processing the orders, the infrequency of the orders received as well as price and competitive pressures. Other risks associated with these projects include inaccurate prediction of the actual costs as well as penalties for late deliveries. The division thus has appropriate risk checklists for individual orders, which are used to assess the associated legal, business and technical risks prior to accepting an order. Insolvency risks in particular are monitored, tracked, and mitigated using a strict project and receivables management process in conjunction with exposure reporting. Other risks are continuously monitored and, if necessary, accounted for by accruals or write-downs on the balance sheet. Opportunities associated with the project business arise mainly when parts can be purchased at a lower cost than originally estimated, and by invoicing the customer for any changes over the course of the project.

Major automakers throughout the world are currently rapidly expanding their global manufacturing capacities. KUKA increasingly carries out joint projects with internal partners, especially in South America and Asia, with several of the division's regional subsidiaries collaborating on a project. In such cases, risks involve the exchange of information, the value-added process, and the IT-based master project management system. There are also organizational risks associated with extraordinarily rapid and strong growth in business volume, particularly in emerging markets. KUKA mitigates these risks by additionally harmonizing its global IT systems and deploying experienced internal and contract employees when establishing and expanding the local organizations.

The increasing variety of models offered by the automotive industry has a positive impact on the potential market volume, since this generates increasing demand for flexible manufacturing systems, which in turn spurs demand for new or revamped assembly lines. This creates new business opportunities for systems integrators and sub-suppliers. Scarce resources are driving demand for smaller and more fuel-efficient vehicles, which will be fueled by alternative energy sources. Going forward, this will make it necessary for automakers, especially U.S. manufacturers, to invest in new production lines or to upgrade their existing production installations.

Pay-on-production contracts such as the one entered into by KUKA Toledo Productions Operations (KTPO) offer additional opportunities, but also risks. The Jeep Wrangler brand continues to present above-average growth prospects compared with other American car models. KUKA participated in this growth again in 2012. Risks in this context involve greater dependence on the volumes produced for the U.S. car market.

Thorough market analyses have shown that KUKA Systems also has long-term business opportunities outside the automotive industry; namely, in general industry. Current example is the aerospace industry, from which new orders were again received in 2012. Although this presents an opportunity to penetrate new markets, it also entails risk, above all in relation to technical requirements, since customers in these sectors often have no experience with automated systems. Using the appropriate risk checklists to review the technical risks is therefore a major instrument to mitigate risk in advance of applying new automation technologies.

STRATEGIC RISKS AND OPPORTUNITIES

The goal of KUKA's business divisions is to be among the technology and market leaders in their target markets. Consistently enhancing their core technologies using coordinated innovation programs is thus of primary importance. A key task is to identify the opportunities and risks involved in technical innovations in a timely manner and to evaluate their feasibility. The company mitigates the impact of faulty market assessment by conducting regular market and competitor analyses, some of which are decentralized. The risk of developing non-marketable products and systems is reduced through application-oriented development, partnerships with systems integrators, and alliances and cooperative research projects with, for example, the German Aerospace Center (DLR) in Wessling near Munich, the RWTH Aachen, and several institutes of the Fraunhofer Society.

Using effective quality assurance systems in combination with regular certification programs helps convince purchasers that the company offers customer-oriented products and solutions and strengthens the positions of KUKA's companies in their target markets.

The corporate strategy is managed by a central KUKA AG department and is regularly reviewed and coordinated with the divisions. The joint Innovation Center develops crossover technologies and concepts in order to take advantage of the synergies arising from uniform procedures and processes and to meet market demand for innovative products and solutions.

PERSONNEL RISKS AND OPPORTUNITIES

The success of KUKA Group, a high-tech enterprise, depends to a great degree on having qualified technical and management staff. Personnel risk arises mainly from employee turnover in key positions within the Group. Improvements in both business and economic prospects enable the company to strengthen the loyalty of its core personnel, train new, highly skilled employees, and entice new recruits to join the Group. This applies to the traditional markets in Europe and the U.S., but especially to recruiting employees in growth markets such as the BRIC countries, in which the need for well-trained employees is steadily growing. Last but not least, in-house continuing education programs such as those offered by KUKA Academy, or employee suggestion programs, generate opportunities resulting from the improved motivation and qualification of the workforce.

Furthermore, in Germany there is evidence of an increasing shortage of qualified personnel, particularly those with technical training. This requires that the company have appropriate in-house training programs and permanently stay in sync with the job market and job seekers. To this end, KUKA works closely with local and national universities and research institutes, such as the University of Augsburg, RWTH Aachen and the German Aerospace Center (DLR).

Centralized and decentralized training and continuing education programs for employees at all levels of the Group ensure that its personnel have the indispensable expert skills required. The in-house and international trainee program offers recruits the opportunity to get to know the various divisions and foreign operations. The 230 apprentices to be trained by KUKA Group as of year-end will be integrated into the company early on, and most of them will be offered a permanent position when they have completed their training. One of the key challenges in the coming years will be to prepare KUKA Group for the future in view of the demographic shift.

In addition to KUKA Group's attractive performance and results-driven compensation system for executives aimed at strengthening entrepreneurial thought processes and management styles, the Group's employee share program encourages employees to remain with the company and participate in its growth over the long term.

IT RISKS AND OPPORTUNITIES

The existing IT security and Business Continuity Management systems as well as guidelines and organizational structures are continuously optimized and reviewed in an effort to predict and minimize possible IT-related risks such as failure of computer centers or other IT systems. One way in which this is achieved is by continuously investing in updated hardware and software. Ongoing optimization of IT-supported processes generates long-term cost reduction potential and leads to continuous quality improvements. By systematically monitoring the associated processes, the company reduces the risks associated with an increasing number of external threats as well as dependence on the ever-expanding digitization of business processes.

IT security is also closely tied to KUKA Group's risk management process. External and internal auditors conduct an annual IT audit as well as spot checks to ensure that the respective processes adhere to legal requirements.

FINANCIAL RISK

One of KUKA AG's primary tasks is to coordinate and control the Group's financing requirements and to ensure that KUKA remains financially independent. With this goal in mind, the holding company optimizes the Group's financing and limits its financial risk via the Group's uniform treasury reporting system. In addition, liquidity risk is reduced for the Group as a whole by closely monitoring the Group's companies and their management of payment flows.

Over the course of the past four years, several measures have been implemented to strengthen the KUKA Group's solvency. One of these was to restructure the company's debt with respect to terms of maturity and the type of financing instruments used. In 2009 and 2010, this included two capital increases, the issue of a corporate bond and the conclusion of new syndicated senior facilities agreements.

In November 2010, KUKA AG was for the first time awarded by ratings agencies Standard & Poor's and Moody's in connection with the launch of the corporate bond. At that time, KUKA AG's bond was rated "B-" by Standard & Poor's and "B3" by Moody's. Based on the good performance of KUKA Group in 2012 and the associated improvement in the Group's financial ratios, both ratings agencies cited a "positive outlook" in 2012. At present, the ratings agencies have given KUKA AG a long-term corporate family rating (CFR) of "B+" (Standard & Poor's) and "B1" (Moody's). Please see the section entitled "Financing" starting on page 136 for more information.

The syndicated senior facilities agreement, which runs until March 2014, contains the usual covenants. A fundamental risk associated with this type of covenant-based financing exists when business performance is significantly below plan and the resulting earnings and financing situation precludes adherence to the defined limits. KUKA monitors adherence to the covenants on a monthly basis. The company complied with all covenants during the course of the 2012 financial year. As of December 31, 2012, all ratios regulated by covenants were well within the contractually defined limits.

In addition to the steps described above, the financing portfolio of KUKA Group is supplemented by agreements on bilateral credit lines with credit insurance companies in a scope of € 62 million along with ABS programs involving the regular sale of receivables in a scope of € 50 million.

Transaction-related currency exchange risks are hedged using currency futures. Details on the central currency management process are provided under "Financial Instruments" starting on page 141 of the notes to the financial statements. Currency translation risks, i.e. valuation risks associated with balance sheet items whose value has been converted from a foreign currency, are not hedged, but are continuously monitored. The risk associated with the volatility of leading currencies and the resulting economic exchange risk (competitive risk) is mitigated by having production facilities in several countries (natural hedging). Internal guidelines govern the trading and use of derivatives, which are subject to continuous internal risk monitoring.

COMPLIANCE RISK

Compliance violations may lead to fines, sanctions, judicial orders regarding future conduct, forfeiture of profits, exclusion from certain transactions, loss of trade licenses, or other restrictions. Furthermore, involvement in potential corruption proceedings could harm the overall reputation of KUKA Group and have a negative impact on efforts to compete for business with customers in both the public and private sectors. Such proceedings could also have a negative impact on the relationship that KUKA Group has with business partners upon which it depends, as well as on its ability to find new business partners. They could furthermore negatively affect the company's ability to pursue strategic projects and transactions of potential importance for the business, such as joint ventures or other forms of cooperation. Ongoing or future proceedings could lead to the suspension of some existing contracts, and third parties, including competitors, could initiate legal proceedings against KUKA Group for substantial amounts of money.

In order to make these risks transparent and controllable, a Corporate Compliance Program was introduced in early 2008. The compliance committee established through this program meets at regular intervals and ad hoc and reports to KUKA AG's CEO, who in turn reports directly to the Supervisory Board's Audit Committee. In financial year 2012, employees all over the world received training via e-learning on the corporate compliance program of KUKA Group.

The CEO is ultimately responsible for the corporate compliance program, which is regularly updated and subject to strict internal controls. The program did not uncover any substantial risks in 2012 due to the active countermeasures taken to mitigate risk at an early stage and to eliminate risk sources, e.g., by realigning business processes.

OTHER RISKS

KUKA Group continuously monitors other risks and mitigates these to the greatest extent possible. Since the company does not use hazardous materials, there is no indication of environmental risk arising from operational activities. The Group makes use of buildings and properties for its business operations, some of which it owns. As a result, the company is exposed to risks associated with any residual pollution, soil contamination, or other damaging substances that may be discovered on its properties. There is currently no evidence of any situations that would have a negative impact on the measurement of balance sheet items. However, it cannot be ruled out than any such situations, which could, for example, require costly cleanup operations to be undertaken, will not occur in the future.

Where possible, legal risks are limited by using standardized master agreements. The Group's legal department supports the operating companies and thereby helps to limit risks. In addition, Group-wide Directors' and Officers' (D&O) liability insurance policies are in place whose coverage includes the managing bodies (Executive Board and managing directors) and supervisory bodies (Supervisory Board, administrative and advisory boards) of the German and foreign Group subsidiaries. Existing insurance policies are reviewed annually in order to weigh the relationship between the insurance protection and deductible amount versus the risk premium. The Executive Board of KUKA Group subsequently decides on any further steps.

The shareholder structure is periodically analyzed to assess the possibility of takeover of the company. Because it has operations around the world, KUKA Group is required to observe numerous international and country-specific regulations, mostly related to the laws of the particular country, as well as instructions from tax authorities. Risks related to financial law exist should the company fail to observe laws and other regulations. Tax audits in particular could have a negative impact on the Group if audit findings result in liability for the payment of interest, penalties, or back taxes. Appropriate provisions have been recognized for such tax risks based on experience.

SUMMARY

From an overall perspective, KUKA Group is primarily exposed to business performance and financial risk. The Executive Board is not aware of any individual or combined risks that could threaten the company's existence as a going concern. Strategically and also financially, the company is positioned to be capable of taking advantage of arising business opportunities.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

PRINCIPLES

Pursuant to section 289 (5) and 315 (2) no. 5 of the German Commercial Code (HGB), KUKA Aktiengesellschaft, as a publicly traded parent company, must describe the key characteristics of its internal control and risk management system in its management report. The description must include the accounting processes of the companies included in the consolidated financial statements.

KUKA regards the internal control and risk management system as a comprehensive system, and uses the definitions provided by the Institut der Wirtschaftsprüfer in Deutschland eV., Düsseldorf, of accounting-related internal control systems (IDW AuS 261 no. 1g et seq.) and risk management systems (IDW AuS 340, no. 4).

An internal control system is accordingly defined as all principles, processes, and measures introduced to the company by management that result in systematic and transparent risk management.

The internal control system focuses on organizational implementation of the management's decisions made to ensure the effectiveness and efficiency of business operations (including the preservation of assets, which includes preventing and exposing asset misappropriation), adherence to generally accepted accounting principles and the reliability of internal and external accounting, and compliance with the legal provisions relevant for the company. This approach allows risk to be better identified, measured, and controlled.

The risk management system comprises all organizational rules and measures related to identifying risk and dealing with entrepreneurial risk.

In the area of financial reporting, the preparation of consolidated financial statements in compliance with the standards must be ensured regardless of possible risk. KUKA meets this requirement through implementation of an accounting-related internal control system at all KUKA Group companies. The internal control system is geared toward assuring early identification of possible sources of error and limiting the resulting risk. Various monitoring measures – both integrated into the process and independent of the process – contribute to the preparation of annual and consolidated financial statements that are in conformity with the legal provisions.

STRUCTURES AND PROCESSES

With regard to the accounting process, the structures and processes described below have been implemented in KUKA Group. The Executive Board of KUKA AG bears full responsibility for the internal control and risk management system as it applies to the accounting process.

The system extends via clearly defined management and reporting structures to all subsidiaries that are included in the consolidated financial statements.

For the Group's German companies, the Shared Service Center of KUKA AG is responsible at a central level for accounting and human resource operations. Intragroup tasks such as treasury, legal services, and taxes are also performed centrally by KUKA AG on the basis of uniform Group processes.

The principles, organizational structures, and processes of the (Group) accounting-related internal control and risk management system are defined in guidelines and organizational procedures. Adjustments based on external and internal developments are integrated on a continuous basis and made available to all employees concerned.

CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

With respect to the accounting process, we regard those characteristics of the internal control and risk management system as material that can significantly impact the accounting and the overall presentation of the consolidated and annual financial statements, including the combined management report. At KUKA Group, these include, in particular:

- Identifying the main areas of risk (see page 81 et seq. of the Risk Report) and control that affect the (Group) accounting process;
- quality controls to monitor the (Group) accounting process and the accounting results at the level of the Group Executive Board, the management companies, and the individual reporting entities included in the consolidated financial statements;
- preventive control measures in the finance and accounting systems of the Group and the companies included in the consolidated financial statements as well as in operating business performance processes that generate key information for the preparation of the consolidated and annual financial statements and the combined management report, including a separation of functions of predefined approval processes in relevant areas;
- measures to ensure proper, IT-supported processing of (Group) accounting-related facts and data. These include, for example, central management of access rights to the bookkeeping systems and automated plausibility checks when data is recorded in the reporting and consolidation system;
- measures to ensure the accounting-related internal control and risk management system by the relevant departments and by internal audit, which monitors adherence to the internal control system by conducting systematic reviews.

In addition, the CFOs of all subsidiaries must provide an internal responsibility statement in the context of external reporting as of June 30 and December 31. Only then do the members of the Executive Board of KUKA AG provide an external statement of responsibility by signing the Group Responsibility Statement at mid-year and year-end, by which they confirm that they have adhered to the prescribed accounting standards of KUKA Group and that their figures give a true and fair view of the Group's financial performance, financial position and cash flows. In its meetings, the Audit Committee of the Supervisory Board regularly reviews the effectiveness of the accounting-related internal control system. The Supervisory Board thus continuously obtains an appropriate view of the Group's risk situation and monitors ICS effectiveness.

In so doing, the Executive Board of KUKA AG presents the risks associated with financial reporting at least once per year, outlines the control measures implemented, and monitors their correct execution.

SUMMARY

The structures, processes, and characteristics of the internal control and risk management system ensure that the accounting processes of KUKA AG and KUKA Group are uniform and are implemented in accordance with the legal requirements, generally accepted accounting principles, international accounting standards, and internal Group guidelines.

They also ensures that transactions are recognized and measured uniformly and accurately throughout the Group and that accurate and reliable information is therefore provided to the internal and external recipients of the information reported.

DISCLOSURES IN ACCORDANCE WITH SECTION 289 (4) AND SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB), INCLUDING ACCOMPANYING EXPLANATIONS

The information required by sections 289 (4) and 315 (4) of the German Commercial Code (HGB) is disclosed and explained in the following.

COMPOSITION OF SUBSCRIBED CAPITAL

As of December 31, 2012, the total share capital of KUKA Aktiengesellschaft amounted to € 88,180,120.60 and consisted of 33,915,431 no-par-value bearer shares with a pro-rata amount of the share capital of € 2.60 each. The share capital is fully paid in. All shares have equal rights and each share guarantees its holder one vote at the Annual General Meeting.

Shareholders are not entitled to have share certificates issued for their shares (section 4 [1] of the Articles of Association). When new shares are issued, the start of profit-sharing may be established at variance with section 60 (2) of the German Stock Corporation Act (AktG), (section 4 [3] of the Articles of Association).

RESTRICTIONS AFFECTING VOTING RIGHTS OR TRANSFER OF SHARES

KUKA Aktiengesellschaft regularly grants the company's Executive Board members and other selected executives from Group companies the right to participate in so-called „phantom share programs," i. e. virtual share programs, as per the terms of their individual contracts. The phantom share programs are part of the performance-based compensation system for executives and are aimed at sustainably increasing enterprise value. Each of the programs has a term of three years. The payout at the end of the term depends on the share price at that time and on the change in enterprise value. The phantom share programs stipulate that at the end of the term of the respective program, the executives entitled to participate must apply 25 percent of the gross sum paid out toward the purchase of KUKA shares until a pre-determined holding volume is reached. For the programs established to date, the holding volume amounts to 50 percent of the fixed annual remuneration of the executive in question. Shares acquired outside of the phantom share program also count toward the holding target. The holding obligation does not end until the participant leaves KUKA Group.

Again in 2012, KUKA Aktiengesellschaft set up an employee share program (MAP 2012). Under the terms of MAP 2012, employees were entitled to buy KUKA shares and, in addition to the shares purchased, received bonus shares at a pre-determined ratio as defined by MAP 2012. Employees are restricted from selling the KUKA shares purchased or bonus shares allocated until December 31, 2013.

The Executive Board is not aware of any other restrictions that would affect voting rights or the transfer of shares.

SHAREHOLDINGS THAT EXCEED 10 PERCENT OF THE VOTING RIGHTS

According to the German Securities Trading Act (WPHG), any shareholder who reaches, exceeds, or falls below the voting rights threshold pursuant to section 21 of the WpHG through purchase, sale, or by other means is obliged to report same to the company and the German Federal Financial Supervisory Authority (BaFin).

The most recent notifications were made to KUKA Aktiengesellschaft on September 2, 2011 by the following persons and companies, which reported the following shareholdings of more than 10 percent of the voting rights as follows:

1.	Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim, Germany	24.41%	held directly
2.	Grenzebach GmbH & Co. KG, Asbach-Bäumenheim, Deutschland	24.41%	allocated pursuant to section 22 (1) sentence 1 no. 1 of the WpHG
3.	Grenzebach Verwaltungs-GmbH, Asbach-Bäumenheim, Germany	24.41%	allocated pursuant to section 22 (1) sentence 1 no. 1 of the WpHG
4.	Rudolf Grenzebach, Germany	24.41%	allocated pursuant to section 22 (1) sentence 1 no. 1 of the WpHG

Other than this, KUKA Aktiengesellschaft has no knowledge of any persons or companies whose direct or indirect shareholdings in the company exceed 10 percent of the voting rights.

SHARES WITH SPECIAL RIGHTS THAT CONFER POWERS OF CONTROL

There are no shares with special rights conferring powers of control.

METHOD OF VOTING RIGHTS CONTROL WHEN EMPLOYEES HOLD AN INTEREST IN THE SHARE CAPITAL AND DO NOT DIRECTLY EXERCISE THEIR RIGHTS OF CONTROL

No employees hold an interest in the share capital within the meaning of section 289 (4) no. 5 or section 315 (4) no. 5 of the German Commercial Code (HGB).

LEGAL PROVISIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING THE APPOINTMENT AND DISMISSAL OF EXECUTIVE BOARD MEMBERS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to section 6 (1) of the Articles of Association, the company's Executive Board must consist of at least two persons. The Supervisory Board determines the number of Executive Board members pursuant to section 6 (2) of the Articles of Association. The appointment and dismissal of members of the Executive Board are governed in sections 84 and 85 of the Stock Corporation Act (AktG), section 31 of the German Act on Company Codetermination (MitbestG), and section 6 of the Articles of Association.

Pursuant to sections 119 (1) no. 5 and 179 (1) of the Stock Corporation Act (AktG), any changes to the Articles of Association require a resolution by the Annual General Meeting. Section 22 (1) of the Articles of Association states that a simple majority of the share capital represented at the Annual General Meeting is sufficient to pass a resolution, provided that a greater majority is not required by law. A greater majority is required in particular for resolutions concerning changes to the company's business purpose, a reduction in share capital, and changes to the form of incorporation.

Pursuant to section 11 (3) of the Articles of Association, the Supervisory Board is authorized to make amendments to the company's Articles of Association that only affect the wording. Furthermore, the Supervisory Board was authorized by resolution of the Annual General Meetings of April 29, 2010 and May 26, 2011 to amend the wording of section 4 (1), (5), and (6) of the Articles of Association after utilizing Authorized Capital 2010 and / or Authorized Capital 2011 to (partially) increase the share capital and, in the event the Authorized Capital 2011 has not been (fully) utilized by April 28, 2015 or May 25, 2016, after expiry of the respective authorization.

EXECUTIVE BOARD AUTHORIZATION TO ISSUE AND BUY BACK SHARES

As per the resolution of the Annual General Meeting on May 26, 2011 and section 4 (5) of the company's Articles of Association, which was added on the basis of such resolution, the Executive Board, subject to approval by the Supervisory Board, is authorized to increase the company's share capital on or before May 25, 2016 by up to € 44,090,059.00 through the issue of new shares on one or more occasions (Authorized Capital 2011). When doing so, the shareholders must be granted subscription rights. However, subject to approval by the Supervisory Board, the Executive Board is authorized to exclude fractional amounts from the shareholders' subscription rights and to exclude shareholder rights if the capital increase takes place in exchange for capital contributions in kind for the purpose of acquiring companies or parts of companies, shares in companies, or other assets (including claims of third parties against the company). The Executive Board is further authorized, subject to approval by the Supervisory Board, to exclude shareholder subscription rights upon utilization on one or more occasions of the Authorized Capital 2011 in return for cash contributions in an amount not to exceed 10 percent of the share capital existing on the effective date of such authorization or, if lower, the share capital existing on the date such authorization is exercised, so that the new shares can be issued at a price that is not significantly lower than the price of the company's shares trading on the stock exchange at the time of finalizing the new share issue price. The above-mentioned 10 percent threshold applies to shares that are sold on the basis of the authorization of the Annual General Meeting of April 29, 2010 pursuant to section 71 (1) no. 8 sentence 5 of the German Stock Corporation Act (AktG) in conjunction with section 186 (3) sentence 4 of the AktG during the term of the existing authorization or that are to be issued to service bonds with warrants or convertible bonds, profit participation

certificates or income bonds, or a combination of these instruments, provided the instruments were issued on the basis of an authorization resolved at the Annual General Meeting of April 29, 2010 pursuant to the corresponding application of section 186 (3) no. 4 of the AktG during the term of said authorization. The Executive Board, subject to approval by the Supervisory Board, may only use the aforementioned authorization to exclude shareholder subscription rights to the extent that the pro-rated sum of shares issued under exclusion of subscription rights does not exceed 30 percent of the share capital existing either on the date such authorization takes effect or on the date the authorization is exercised, should that amount be less. The Executive Board is authorized, subject to approval by the Supervisory Board, to stipulate additional details regarding the capital increase and its execution, in particular with respect to share rights and the terms and conditions related to the share issue.

Section 4 (6) of the Articles of Association stipulates a conditional increase in the company's share capital by up to € 18,200,000.00, divided into up to 7,000,000 new no-par-value bearer shares (conditional capital). The conditional capital increase will only be carried out to the extent that the holders of options or conversion rights or obligations exercise their options or conversion rights arising from the bonds with warrants or convertible bonds, profit participation rights, or income bonds (or a combination of these instruments) that have been issued in return for cash contributions and which are issued or guaranteed by KUKA Aktiengesellschaft or a dependent Group company of KUKA Aktiengesellschaft on the basis of the authorization granted to the Executive Board by the Annual General Meeting resolution of April 29, 2010 until April 28, 2015, or – if the holders are obligated to exercise their conversion or option rights – to the extent that they fulfill their conversion or option obligations, or to the extent that KUKA Aktiengesellschaft exercises its option to grant shares in KUKA Aktiengesellschaft in whole or in part in lieu of paying the monies due, provided no cash settlement is granted or treasury shares or shares in another listed company are used to service the bonds. The new shares will be issued at the option or conversion price to be determined in accordance with the aforementioned authorization resolution. The new shares will participate in the profits as of the beginning of the financial year in which they are created. The Executive Board is authorized, subject to approval by the Supervisory Board, to define the further details of the execution of the conditional capital increase.

On February 12, 2013, KUKA Aktiengesellschaft partially exercised the authorization to issue bonds with warrants and / or convertible bonds and the aforementioned conditional capital by issuing a convertible bond in a total principle amount of € 58,800,000.00 via a private placement. Under the terms of the placement, the company incurs an obligation to the bondholders to convert each bond with a face value of € 100,000.00 pursuant to the conversion right at any time during the exercise period in full, though not in part, to no-par-value bearer shares in KUKA Aktiengesellschaft with a pro rata amount of the share capital of € 2.60 each at the current conversion price of € 36.8067 per share. Should all holders of the convertible bonds make use of their conversion rights, the company's share capital would be increased by € 4,153,591.00 through the issue of – currently – approximately 1,597,535 new shares with a pro rata amount of the share capital of € 2.60 each, subject to the anti-dilution provisions of the bond terms. The convertible bond has been listed in the Open Market of the Frankfurt Stock Exchange.

As per the resolution passed by the Annual General Meeting of KUKA Aktiengesellschaft on April 29, 2010, the company is authorized, up until April 28, 2015, to buy back its own shares in an amount not to exceed 10 percent of the share capital existing at the time the resolution was passed via the stock market or in the form of a public purchase offer addressed to all shareholders by the company. In doing so, the purchase price (excluding transaction costs) may not be more than 10 percent higher or lower than the average market price defined in the authorization.

On the basis of the above resolution, the Executive Board is also authorized, subject to approval by the Supervisory Board, to treat the company shares acquired subject to the exclusion of shareholder subscription rights on the basis of that and earlier authorizations as follows:

(i) to sell the company shares acquired to third parties in connection with business combinations or the acquisition of companies or parts of companies or interests in companies, or for the purpose of acquiring other assets (including claims of third parties against the company);

(ii) to sell the company shares acquired by means other than via the stock exchange or an offer to all shareholders, provided the shares are sold for cash at a price that is not substantially lower than the quoted stock market price of company shares at the time of the sale. However, such authorization only

applies subject to the proviso that the shares sold subject to the exclusion of subscription rights pursuant to section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) may not, in total, exceed 10 percent of the share capital, whether on the effective date of the authorization or on the date on which it is exercised. The limit of 10 percent of the share capital is to include shares (i) that are issued to service bonds with warrants or convertible bonds, profit participation certificates or income bonds, or a combination of these instruments, provided the instruments were issued on the basis of an authorization resolved by the Annual General Meeting of April 29, 2010 pursuant to the corresponding application of section 186 (3) no. 4 of the AktG and (ii) that are issued by exercising an authorization – in effect on the date on which the above authorization took effect or that was resolved by the Annual General Meeting of April 29, 2010 – to issue new shares, subject to the exclusion of subscription rights, from authorized capital pursuant to section 186 (3) sentence 4 of the AktG;

(iii) to use the company shares acquired to introduce the company's stock on foreign stock exchanges on which they have not previously been admitted to trading;

(iv) to offer shares in lieu of paying variable compensation components and / or a thirteenth monthly salary to KUKA Group employees in or for the 2010 financial year in 2010 and 2011. Included are the following groups of employees: (i) members of the company's Executive Board; (ii) members of the management boards of companies associated with the company; (iii) employees of the company; (iv) employees of companies associated with the company. When offering the company's own shares in this connection, it must be ensured that (i) the shares are acquired at a price not substantially lower than the quoted stock market price of company shares at the time of accepting the offer; (ii) the acceptance period for the respective offer is four weeks, subject to regulations concerning collective agreements; and (iii) employees who have acquired shares must hold these for a period of four years.

To the extent that members of the Executive Board are to be given the option of purchasing company shares in lieu of payment of compensation components, the Supervisory Board of the company will be authorized to use the company shares and will determine the modalities of the company share offer subject to the preceding stipulations. On the basis of the authorization granted by the Annual General Meeting of April 29, 2010, the Executive Board of KUKA Aktiengesellschaft, with the approval of the Supervisory Board, resolved on May 11, 2011 to sell the 1,327,340 company shares purchased in 2008 (on the basis of an earlier authorization). The shares were sold in May 2011 at a price of € 18.60 per share.

Moreover, subject to approval by the Supervisory Board, the Executive Board is authorized to withdraw the company shares acquired. Both the purchase and the disposal authorization may be executed on one or more occasions as well as in parts.

SIGNIFICANT COMPANY AGREEMENTS THAT ARE CONDITIONAL UPON A CHANGE OF CONTROL, AND THE RESULTING IMPACT

Syndicated bank loan

On November 8, 2010, KUKA Aktiengesellschaft and its significant investment companies signed a new syndicated loan agreement with a banking syndicate led by Deutsche Bank AG Filiale Deutschlandgeschäft, Commerzbank AG, UniCredit Bank AG, and Landesbank Baden-Württemberg, under the terms of which the lenders provide an amount of up to € 200,000,000. The facility covers the main credit requirements of KUKA Group (including the furnishing of bank guarantees). The contract includes a change of control clause that is typical in the industry, under the terms of which the syndicated banks may demand repayment of the loan in the event that a shareholder (or several shareholders acting in concert) acquire(s) control of at least 30 percent of the voting rights of KUKA Aktiengesellschaft.

2010 Corporate Bond (high-yield bond)

In addition, KUKA Aktiengesellschaft issued a high-yield corporate bond in a principle amount of € 202,000,000.00 on November 18, 2010 under the lead of Deutsche Bank AG (London Branch) and Goldman Sachs International. The corporate bond is traded on the Luxembourg exchange (Euro MTF). The bond terms and conditions include a change-of-control clause that is customary for high-yield bonds. The clause states that a change-of-control has occurred when:

(i) one or more persons acting in concert acquire(s) control of more than 30 percent of the share capital or voting rights of KUKA Aktiengesellschaft;

(ii) as a result of one or several transactions, all or nearly all assets of KUKA Aktiengesellschaft or a subsidiary defined in the bond terms and conditions as a "restricted subsidiary" are sold or transferred by some other means to a person who is not a "restricted subsidiary";

(iii) for two years in succession, the majority of the shareholder representatives on the Supervisory Board is not made up of Supervisory Board members who were either members of the Supervisory Board on the date of issue of the corporate bond, or whose appointment to the Supervisory Board was not supported by or made upon recommendation of the Nomination Committee; or

(iv) KUKA Aktiengesellschaft or a subsidiary qualified as a "restricted subsidiary" undertakes one of the transactions defined in section 3 of the bond terms and conditions as a "permitted investment."

These include significant shareholdings in third parties (for example joint ventures). If an event occurs that qualifies as a change-of-control item under the bond terms and conditions, each bondholder has the right to demand that KUKA Aktiengesellschaft buy back its bond notes at a price of 101 percent of the face value plus interest.

2013 Convertible Bond

The terms and conditions of the convertible bonds ("terms and conditions of issue") also contain the customary change-of-control provision, pursuant to which KUKA Aktiengesellschaft must publish any change of control immediately upon acquiring knowledge thereof in accordance with the terms and conditions of issue and announce the effective date of the change of control. Accordingly, each bondholder has the right to demand repayment of one or all of its bonds at the principle amount plus interest from the bond issuer on the effective date of the change of control. Otherwise, the conversion ratio will be adjusted as required by the terms and conditions of issue. A "change of control" within the meaning of the terms and conditions of issue exists when a person or persons acting in concert (i) acquire(s) – directly or indirectly (within the meaning of section 22 of the WpHG) – legal or beneficial ownership totaling more than 50 percent of the voting rights of the bondholder or the ability to control the management of the bondholder in another manner within the meaning of section 17 of the AktG or (ii) [participate(s) in] a takeover bid for shares of the bondholder and (A) the shares already controlled by the bidder and the shares for which the offer has already been accepted grant a total of more than 50 percent of the voting rights of the bondholder at any time during the takeover bid and (B) the offer is or becomes unconditional (without prejudice to any regulatory approvals, particularly antitrust approvals that will not be obtained until after the end of the acceptance period in accordance with section 16 (1) of the German Securities Acquisition and Takeover Act (WpÜG) or (iii) acquire(s) all or significantly all of the assets of bondholder from the bondholder by sale or transfer. If an event were to occur that would be regarded as a "change of control" under the terms and conditions of the aforementioned financing instruments and if all holders or a significant portion of the holders of such financing instruments were to subsequently call in the loan agreements for repayment at the same time and make use of their rights of repurchase, this could impair the financial situation of KUKA Aktiengesellschaft on a lasting basis, unless KUKA Aktiengesellschaft were to obtain alternative financing on the market.

On the other hand, if holders of only one financing instrument or only a small portion of the creditors of all financing instruments were to make use of the change-of-control clauses, KUKA Aktiengesellschaft would possibly be able to meet the financing gap through its own resources as matters stand today.

Agreements concluded between the company and members of the Executive Board or employees governing compensation in the event of a takeover bid

No agreements have been concluded between the company and members of the Executive Board or employees governing compensation in the event of a takeover bid.

OUTLOOK

ECONOMIC ENVIRONMENT

Because of the current weak economic performance in many industrial countries, the economic outlook for the world economy for the current year has turned cloudy. In its latest economic growth forecast for 2013, the World Bank reduced its estimate for year-over-year growth from 3.0 percent to 2.4 percent. The growth continues to be driven by the emerging countries, especially China, where gross domestic product is expected to expand by 5.5 percent. In contrast, growth in the major industrial markets of the United States and Japan is expected to be significantly lower at 1.9 percent and 0.8 percent respectively. The euro zone continues to be the worst performer, stagnating overall, even though Germany is once again expected to outpace the rest of Europe's member states, with a slight growth forecast of 0.4 percent.

Automotive market growth holds steady

According to a study by IHS Automotive, global car markets will continue to grow from 2013 through 2015. The research institute's analysts are forecasting an average annual growth rate of 5 percent for the overall market. Accordingly, sales of cars and light commercial vehicles during this period will rise from 79.4 million units in 2012 to 92.3 million units in 2015.

Asian growth engine

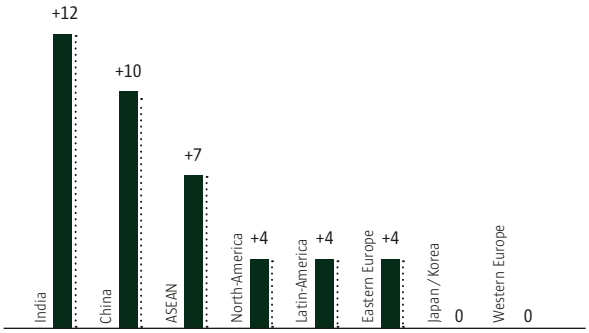
Bucking the trend are Asian growth rates, some of which are in the double digits: India +12 percent, China +10 percent and the other ASEAN countries +7 percent. With a forecast market volume of 25.3 million vehicles, China will be by far the world's largest car market by number of units by 2015. In contrast, the other markets will grow at a much slower pace over the next years. The average annual growth rate in North America is expected to be 4 percent, with a market volume of 19.1 million units. Western Europe and Japan & Korea will stagnate in the same period, with forecast market volumes of 14.4 and 6.3 million units respectively.

Auto market long-term growth to remain steady

Even long-term (to 2019), IHS Automotive experts expect the world's automotive market to continue to grow, although at a lower average rate of 4 percent annually. The growth will continue to be driven by the emerging markets of Asia, South America and Eastern Europe, with growth rate forecasts of 10 percent for India, 7 percent for China and 5 percent for South America and Eastern Europe. Remarkably, although in the long term China is expected to further expand its dominant position with a forecast market volume of 30.4 million vehicles in 2019, India is expected to show the highest growth rate. The industrial regions of North America and Western Europe will continue to underperform in the period to 2019, each with an annual growth forecast of 2 percent.

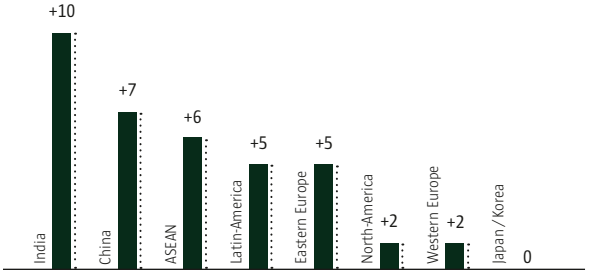
CAR MARKET GROWTH BY REGION, 2012 – 2015 in %

Source: IHS Automotive, Oktober 2012



CAR MARKET GROWTH BY REGION, 2012 – 2019 in %

Source: IHS Automotive, Oktober 2012



Trend toward automating production systems unabated

In the robot market, the trend toward automating producing systems continues unabated. This applies not only to the traditional users, but increasingly to new applications in industries other than the automotive sector. Using industrial robots always improves production statistics and system flexibility. In addition, it improves product quality and the work environment for human beings in hazardous and polluted environments. Robot manufacturers are encouraging the trend toward automation by developing „smart“ robots to make collaboration between humans and machines safe and simplifying robot programming.

Various trends are recognizable among different end users. The automotive sector remains the biggest customer group and is without doubt the innovation driver. The intense competition in this industry will continue to drive capital spending for new vehicle models, fuel-efficient motors and new materials that reduce vehicle weight, as players strive to gain market share in traditional markets and establish a reputation in emerging markets. But after the high levels of capital spending over the past few years, demand is expected to become more cyclic in the future according to IFR, the International Federation of Robotics. On the other hand, capital spending growth for premium carmakers, most of which are KUKA Group customers, is expected to be stronger.

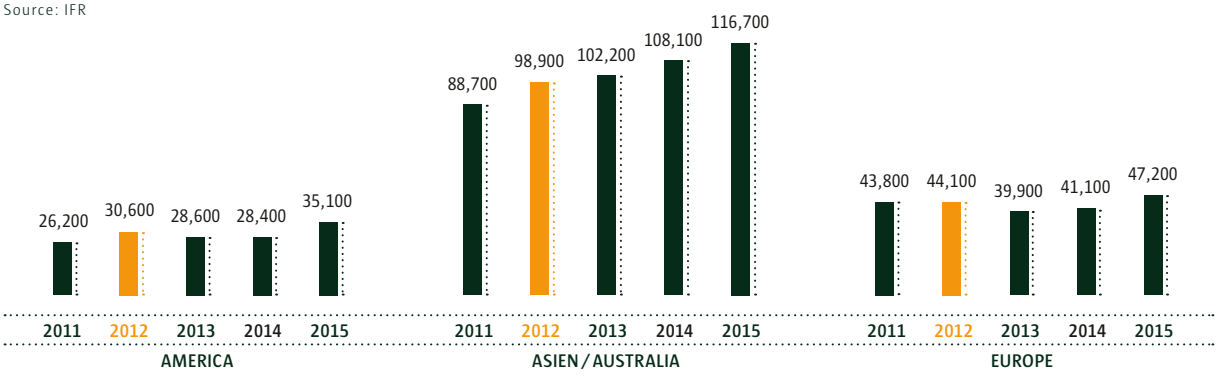
However, general industry (non-automotive) systems continue to be considerably less automated. For example, in Germany in 2011, the automotive sector had 1,176 robots for every 10,000 workers, while general industry had only 137. So robot density in the automotive sector is nine times higher than in the other manufacturing sectors, which is an indicator of the high growth potential of automation in general industry. The trend towards customizing consumer goods in particular is forcing manufacturers to make their manufacturing systems ever more flexible and thus use more and more robots. The pharmaceuticals, health care and the food and beverage industries, which are all under pressure to cut costs and improve efficiencies, are also continually automating their production systems.

Strong growth in China

China still has a lot of catching up to do, and as a result, the Chinese economy's growth will continue to be above average. Sharply rising wages at Chinese companies especially should drive up demand for automated manufacturing systems. According to China's National Bureau of Statistics, wages in the past decade have already risen by a factor of 3.5, and annual growth rates in the foreseeable future are expected to continue to be in the double-digits, even though the wage levels themselves will still be below those in the major industrial regions. Added to this are other challenges Chinese society has to face, such as the rapid aging of its population as a result of the one-child

SALES OF INDUSTRIAL ROBOTS BY REGION 2011 – 2015 in units

Source: IFR



policy and an increasing shortage of skilled workers. And increasing affluence is driving demand for higher quality products, not only in export markets, but also in China's home market. All these factors intensify the pressure to improve productivity by automating manufacturing processes, and this in turn drives demand for industrial robots. China is thus likely to catch up to Japan, the largest market for robots, in the next few years and subsequently overtake it. Since robots first emerged fifty years ago, there has never been a country in which demand for robot-based automation has grown as quickly as it is growing in China.

Steady robotics market growth

In its most recent study, the International Federation of Robotics (IFR) forecast that the robotics market will grow at an average rate of 5 percent annually from 2013 to 2015. Industrial robot sales growth in Asia is expected to be above average at 6 percent, average in the United States at 5 percent and below average in Europe at 2 percent (source: World Robotics 2012).

Groundbreaking collaboration in the field of service robotics

At the end of 2012, Daimler AG and KUKA AG signed a strategic partnership agreement in the area of service robotics. The joint project will focus on using safe, sensitive lightweight robots (LWR) in automotive mass production lines. Innovative cooperation between humans and robots in particular could revolutionize automotive industry manufacturing systems. Humans and robots are now able to jointly carry out the most delicate assembly tasks. Assembly-line workers can interact directly with LWRs, intuitively teaching them what to do. The robot arm's sensitive motorized grippers are able to handle objects gently and perform difficult tasks precisely. The lightweight robot becomes a worker's „third hand".

In a pilot project at the Mercedes Benz factory in Untertürkheim, Germany, sensitive KUKA lightweight robots have already helped assemble more than 500,000 rear axles since 2009.

COMPANY-SPECIFIC OPERATING ENVIRONMENT

KUKA Group's strategy for 2013 and 2014 continues to be to generate profitable growth on the basis of its high innovation strength and strong customer relationships. Especially important to both divisions is to expand the general industry business. The aim is to have a balanced, broad customer base across many industry sectors so that demand is more stable and potential profits higher. This is expected to mitigate the cyclic nature of demand from the automotive industry, which places especially large orders.

The Robotics division's planned strategic initiatives for 2013 and 2014 are as follows:

- increase its general industry market share by expanding its robot product portfolio: Following the launch of the KR QUANTEC / KR C4 general industry robot versions at Automatica 2012, the division now has a completely new range of large industrial robots. The products' significant advantages – lower weight, shorter cycle times, and reduced energy consumption – are expected to enable the division to significantly expand existing market shares in various general industry segments.

- Product portfolio extended: In financial 2012, the division also expanded its product portfolio and introduced a new family of small robots, which will supplement the large industrial robots in the low payload range. The KR AGILUS was released in fall 2012. Its speed, high precision and safety, especially for general industry pick-and-place applications, are expected to make it successful very quickly. KUKA is now able to offer a payload range of 6 kg to 1,300 kg.

- Maintain automotive industry market leadership: KUKA is the world's leading supplier of robots to the automotive industry, due mainly to its strong share of orders from European premium and compact carmakers. Several large frame contracts from Volkswagen Group, BMW AG and Chinese carmaker Great Wall Motor (GWM) are a testament to KUKA's market strength. These large orders ensure that the division's capacity utilization in 2013 and 2014 will be high. In addition, the orders enabled the division to expand its robot assembly facility at the Augsburg headquarters. Furthermore, KUKA is currently building a new factory for industrial robots in China, which will be started up in the second half of 2013. Delivery times therefore will be reduced significantly.

- Advanced Robotics: KUKA laboratories was formed three years ago to drive the development and marketing of products outside the traditional fields of industrial robotics. In financial 2012, the lightweight robot (LWR), which boasts a unique combination of sensitivity and safety, was brought to the stage of serial production. KUKA is also working with strategic partners to penetrate new markets in the health care industry in the medium to long-term; for example, for patient rehab tasks. KUKA Laboratories is already an established supplier of industrial robots for x-ray therapy and diagnostics.

The Systems division reengineered its organizational structure and internationalized its value added chain in financial 2012 to adjust to the shifting regional demand. The plan for 2013 – 2014 is as follows:

- Tap existing opportunities to boost profits. This applies in particular to buying standard components in low-cost countries and further expanding the subsidiaries in Romania, Mexico and China, so that they can supply systems to the regional centers for Europe, North America and Asia.

- Further penetrate non-automotive markets. The division is also continuing to expand its non-automotive business; for example, aircraft manufacturing, rail vehicle manufacturing and logistics / mobility. The processes in these markets can be standardized by automating them, which results in higher throughput and improved product quality. Systems has a lot of expertise in this area thanks to its pioneering role in the automotive industry.

EXPECTED BUSINESS OUTLOOK

Summary

Overall, KUKA Group sees a positive development of the world economy in 2013 – 2014. The company's key markets, automotive and general industry, should also continue to expand during this period, even though growth rates are expected to be sharply lower after the unusually strong capital spending in 2010 – 2012. From a regional perspective, demand from Asia and North and South America will be stronger, with Europe damping the overall trend. Based on these scenarios, KUKA Group expects sales revenues to increase further during the period covered by this forecast, and earnings to also improve as a result.

Sales and EBIT margin

Based on these forecasts, KUKA Group's sales revenues and EBIT margin for the current financial period overall should be slightly higher than the year prior. The expected improvement is supported by the high order backlog at the start of the year, which gives the company good visibility on business development in the coming months. The Systems division will benefit especially from the improved prices for orders in its backlog and from further cost reductions in project administration and purchasing, while the Robotics division will see higher R&D spending but should generate additional economies of scale as its business volume grows.

In 2014, KUKA Group expects sales revenues and EBIT to continue to improve year-over-year, especially in view of the expanding general industry business, provided the global economy and markets grow accordingly.

Net income

In financial 2012, KUKA Group generated a net income of € 55.6 million. The expected improvement in operating profit in the current financial year should also result in a higher net income for the year. Net income growth in 2013 is expected to be slightly greater than operating profit growth. Provided conditions remain favorable, this trend could continue in 2014.

Research and development and capital expenditures

The demand for KUKA robots and systems is based primarily on innovation and quality strengths. To safeguard and expand these competitive advantages sustainably, KUKA Group plans to increase spending on research and development over the period covered by this forecast. The Robotics division will direct the spending towards enhancing robotics applications and software and developing new products. The Systems division's spending on R&D usually takes place almost exclusively in conjunction with processing in-house orders. Overall, KUKA Group plans to spend about € 50 million in 2013 and 2014 each on research and development. Expenditures totaling € 15 – € 20 million are also expected as a result of capitalizing investments. Due to the importance of innovations at KUKA, the company plans to merge its research activities in Augsburg at the Lechhausen site and invest in this location.

KUKA Group also expects its own capital spending to rise generally as a result of the expansion of its assembly capacity for robots, implementation of the HUB concept by the Systems division and the higher budgeted spending on research and development.

Free cash flow

KUKA Group's free cash flow is primarily generated from operating earnings and the development of working capital in the Robotics and Systems divisions. Provided general conditions remain stable and sales grow as expected, leading to investments in working capital, KUKA Group expects free cash flow in 2013 and 2014 to be well into positive territory.

Dividend

The Executive and Supervisory Boards will recommend to shareholders at the Annual General Meeting in Augsburg on June 5, 2013 that a dividend of € 0.20 per share be paid for financial 2012. KUKA's policy should be to pay out part of its earnings to its shareholders in form of a dividend when it has performed well during the financial year.

FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

of KUKA Aktiengesellschaft for the period January 1 – December 31, 2012

in € millions	Notes	2011	2012
Sales revenue	(1)	**1,435.6**	**1,739.2**
Cost of sales	(2)	-1,153.9	-1,353.3
Gross income		**281.7**	**385.9**
Selling expenses	(2)	-99.5	-119.7
Research and development costs	(2)	-37.7	-42.6
General and administrative expenses	(2)	-78.9	-98.6
Other operating income	(3)	43.0	31.8
Other operating expenses	(3)	-44.4	-54.3
Earnings from operating activities		**64.2**	**102.5**
Reconciliation to earnings before interest and taxes (EBIT)			
Financing costs included in operating results		8.4	7.3
Earnings before interest and taxes (EBIT)		**72.6**	**109.8**
Write-off of financial assets	(4)	-0.8	–
Interest income	(4)	9.9	9.6
Interest expense	(4)	-27.3	-22.4
Financial results		**-18.2**	**-12.8**
Earnings before tax		**46.0**	**89.7**
Taxes on income	(5)	-16.1	-34.1
Earning after taxes		**29.9**	**55.6**
of which: attributable to minority interests		0.1	–
of which: attributable to shareholders of KUKA AG		29.8	55.6
Earnings per share (diluted / undiluted) in €	(6)	**0.89**	**1.64**

STATEMENT OF COMPREHENSIVE INCOME

of KUKA Aktiengesellschaft for the period January 1 – December 31, 2012

in € millions	Notes	2011	2012
Earning after taxes		**29.9**	**55.6**
Translation adjustments		2.8	0.1
Changes of actuarial gains and losses	(23)	-2.1	-13.5
Deferred taxes on changes of acturial gains and losses		0.6	3.1
Changes recognized directly in equity		**1.3**	**-10.3**
Comprehensive income		**31.2**	**45.3**
of which: attributable to minority interests		0.1	0.0
of which: attributable to shareholders of KUKA AG		31.1	45.3

CASH FLOW STATEMENT*

of KUKA Aktiengesellschaft for the financial year 2012

in € millions	2011	2012
Net income after taxes	**29.9**	**55.6**
Depreciation of intangible assets	10.4	11.4
Depreciation of tangible assets	15.7	17.3
Depreciation of financial assets	0.8	0.0
Other non-payment related income	-4.0	-2.7
Other non-payment related expenses	13.1	10.8
Cash earnings	**65.9**	**92.4**
Result on the disposal of assets	-0.1	0.2
Changes in provisions	-22.8	13.4
Changes in current assets and liabilities		
Changes in inventories	-36.0	-18.4
Changes in receivables and deferred charges	-83.9	41.3
Changes in liabilities and deferred income (excl. financial debt)	113.3	-11.0
Cash flow from operating activities	**36.4**	**117.9**
Payments from disposals of fixed assets	0.4	2.1
Payments for capital expenditures on intangible assets	-12.7	-16.7
Payments for capital expenditures on tangible assets	-17.6	-26.1
Payments for the acquisition of consolidated companies and other business units	–	-0.1
Cashflow from investing activities	**-29.9**	**-40.8**
Free cash flow	**6.5**	**77.1**
Proceeds / payments from the sale / acquisition of treasury shares	23.7	–
Dividend payments	-0.1	–
Proceeds / payments from the issuance / repayment of bonds and liabilities similar to bonds	-69.0	–
Proceeds from / payments for the acceptance / repayment of bank loans	3.6	-1.0
Cash flow from financing activities	**-41.8**	**-1.0**
Payment-related changes in cash and cash equivalents	**-35.3**	**76.1**
Exchange rate-related and other changes in cash and cash equivalents	0.7	-0.6
Changes in cash and cash equivalents	**-34.6**	**75.5**
(of which net increase / decrease in restricted cash)	(-69.0)	(–)
Cash and cash equivalents at the beginning of the period	134.4	168.8
Cash and cash equivalents at the end of the period	**168.8**	**244.3**

* See notes page 147 for further disclosures on the cash flow statement

GROUP BALANCE SHEET

of KUKA Aktiengesellschaft as at Dezember 31, 2012

ASSETS

in € millions	Notes	Dec. 31, 2011	Dec. 31, 2012
NON-CURRENT ASSETS			
Non-current assets	(7)		
Intangible assets	(8)	78.8	82.9
Property, plant and equipment	(9)	87.6	94.9
Financial investments	(10)	0.2	0.2
		166.6	**178.0**
Finance lease receivables	(11)	**75.7**	**70.2**
Income tax receivables		**7.6**	**6.3**
Other long-term receivables and other assets	(14)	**12.1**	**9.6**
Deferred taxes	(5)	**35.0**	**36.3**
		297.0	**300.4**
CURRENT ASSETS			
Inventories	(12)	**195.4**	**213.4**
Receivables and other assets			
Trade receivables	(13)	145.5	141.7
Receivables from construction contracts	(13)	194.3	198.9
Finance lease receivables	(11)	4.6	5.0
Income tax receivables		6.0	6.8
Other assets, prepaid expenses and deferred charges	(14)	66.4	26.9
		416.8	**379.3**
Cash and cash equivalents	(15)	**168.8**	**244.3**
		781.0	**837.0**
		1,078.0	**1,137.4**

EQUITY AND LIABILITIES

in € millions	Notes	Dec. 31, 2011	**Dec. 31, 2012**
EQUITY	(16)		
Subscribed capital	(17)	88.2	88.2
Capital reserve	(18)	67.5	67.5
Revenue reserves	(20)	95.2	140.4
Minority interests	(21)	1.5	1.4
		252.4	**297.5**
NON-CURRENT LIABILITIES, PROVISIONS AND ACCRUALS			
Financial liabilities	(26)	194.0	194.9
Other liabilities	(27)	13.3	13.4
Pensions and similar obligations	(23)	70.4	82.0
Deferred taxes	(5)	20.0	26.2
		297.7	**316.5**
CURRENT LIABILITIES	(25)		
Financial liabilities	(26)	7.4	6.6
Trade payables		167.2	136.2
Advances received		67.1	86.5
Liabilities from construction contracts	(13)	93.4	95.5
Accounts payable to affiliated companies		0.1	0.1
Income tax liabilities		6.1	9.2
Other liabilities and deferred income	(27)	109.6	109.1
Other provisions	(24)	77.0	80.2
		527.9	**523.4**
		1,078.0	**1,137.4**

DEVELOPMENT OF GROUP EQUITY

of KUKA Aktiengesellschaft for the finanicial year 2012

Notes		(17)	(18)	(19)	
	Number of shares outstanding	Subscribed capital in € millions	Capital reserve in € millions	Share buy-back in € millions	
Jan. 01, 2011	**32,588,091**	**88.2**	**75.4**	**-27.9**	
Comprehensive income	–	–	–	–	
Sale of treasury shares	1,327,340	–	–	27.9	
Other changes	–	–	-7.9	–	
Jan. 01, 2012	**33,915,431**	**88.2**	**67.5**	**–**	
Comprehensive income	–	–	–	–	
Other changes	–	–	–	–	
Dec. 12, 2012	**33,915,431**	**88.2**	**67.5**	**–**	

	(20)				(21)	
	Revenue reserves					
	Translation gains / losses in € millions	Actuarial gains and losses in € millions	Annual net profit and other revenue reserves in € millions	Equity to shareholders in € millions	Minority interests in € millions	Total in € millions
	-3.0	**1.7**	**62.2**	**196.6**	**1.5**	**198.1**
	2.8	-1.5	29.8	31.1	0.1	31.2
	–	–	-4.2	23.7	–	23.7
	–	–	7.4	-0.5	-0.1	-0.6
	-0.2	**0.2**	**95.2**	**250.9**	**1.5**	**252.4**
	0.1	-10.4	55.6	45.3	–	45.3
	–	–	-0.1	-0.1	-0.1	-0.2
	-0.1	**-10.2**	**150.7**	**296.1**	**1.4**	**297.5**

GROUP NOTES

of KUKA Aktiengesellschaft for the financial year 2012

GROUP SEGMENT REPORTING*

	Robotics		Systems	
in € millions	2011	**2012**	2011	**2012**
Group external sales revenue	585.9	716.5	849.2	1,022.7
as a % of Group sales revenue	40.8%	41.2%	59.2%	58.8%
Intra-Group sales	30.4	26.1	1.5	2.6
Sales revenue by division	**616.3**	**742.6**	**850.7**	**1,025.3**
Operating profit / loss	**50.7**	**79.7**	**25.6**	**40.9**
Interest included in operating profit / loss	0.3	0.5	8.1	6.8
EBIT	**51.0**	**80.2**	**33.7**	**47.7**
as a % of sales revenues of the division	8.3%	10.8%	4.0%	4.7%
as a % of external sales revenue of the division	8.7%	11.2%	4.0%	4.7%
as a % of average capital employed (ROCE)	38.3%	57.2%	16.1%	23.8%
EBITDA	**64.5**	**95.9**	**43.0**	**57.8**
as a % of sales revenue of the division	10.5%	12.9%	5.1%	5.6%
as a % of Group external sales revenue	11.0%	13.4%	5.1%	5.7%
as a % of average capital employed (ROCE)	48.4%	68.4%	20.5%	28.8%
Capital employed (annual average)*	133.2	140.2	209.6	200.5
Capital employed (end of financial year)	127.2	153.3	217.9	183.1
Assets	284.8	343.8	581.6	508.6
Liabilities	165.2	200.3	363.3	329.0
Capital expenditure	20.1	30.1	8.2	9.6
Depreciation / amortization of intangible and tangible assets	13.2	15.8	9.3	9.6
Impairment losses on intangible and tangible assets	0.3	–	–	0.5
Payroll (balance sheet date)	2,753	3,180	3,643	3,902

* See notes page xxx for more information on Group segment reporting

	KUKA AG and other Companies		Reconciliation and Consolidation		Group	
	2011	**2012**	2011	**2012**	2011	**2012**
	0.5	0.0	–	–	1,435.6	1,739.2
	0.0%	0.0%	–	–	100.0%	100.0%
	10.1	0.0	-42.0	-28.7	0.0	0.0
	10.6	**0.0**	**-42.0**	**-28.7**	**1,435.6**	**1,739.2**
	-16.7	**-16.0**	**4.6**	**-2.1**	**64.2**	**102.5**
	0.0	0.0	-	-	8.4	7.3
	-16.7	**-16.0**	**4.6**	**-2.1**	**72.6**	**109.8**
	–	–	–	–	5.1%	6.3%
	–	–	–	–	5.1%	6.3%
	–	–	–	–	21.8%	32.3%
	-13.5	**-13.1**	**4.7**	**-2.2**	**98.7**	**138.5**
	–	–	–	–	6.9%	8.0%
	–	–	–	–	6.9%	8.0%
	–	–	–	–	29.6%	40.8%
	-7.8	-0.2	-2.1	-0.7	332.9	339.8
	-3.4	2.9	-0.7	-0.8	341.0	338.5
	174.5	173.5	-174.4	-175.9	866.5	850.0
	76.4	73.3	-7.8	-9.3	597.1	593.3
	2.2	3.1	-0.2	-0.0	30.3	42.8
	3.3	2.9	–	-0.1	25.8	28.2
	–	–	–	–	0.3	0.5
	193	182	–	–	6,589	7,264

GENERAL COMMENTS

ACCOUNTING PRINCIPLES

KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, has prepared its Group consolidated financial statements for the period ending December 31, 2012 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 Interpretations Committee (SIC) as well as the International Financial Reporting Standards Interpretations Committee (IFRS IC). The applied accounting principles were applicable and approved by the European Union as of the balance sheet date and were supplemented by the guidelines stipulated in section 315a, paragraph 1 of the German Commercial Code (HGB). The statements comply with all standards (IFRS / IAS) and interpretations (IFRIC) for which application is mandatory for the 2012 financial year. As a general rule, the accounting policies used conform to the methods applied in the prior year except for the standards and interpretations for which application is mandatory for the first time in the 2012 financial year. The newly applied standards and interpretations are listed under "Changes in accounting policies".

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

The Group consolidated financial statements have been prepared in euros. Unless otherwise noted, all amounts are stated in millions of euros (€ million).

The Executive Board prepared the consolidated financial statements on March 4, 2013.

CONSOLIDATION PRINCIPLES

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

The consolidated financial statements are based on the financial statements of KUKA Aktiengesellschaft and those of the consolidated subsidiaries and were prepared according to the uniform accounting policies for the Group. Capital consolidation takes place by offsetting carrying amounts of investments against the proportionate newly measured equity of the subsidiaries at the time of their acquisition. In line with IFRS 3, any positive differences are capitalized as goodwill under intangible assets. Any negative differences must be recognized in the income statement.

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

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

SCOPE OF CONSOLIDATION

A total of 49 companies are included in the Group consolidated financial statements. This is one company more than in 2011. In addition to KUKA Aktiengesellschaft, six companies registered inside Germany and 42 firms domiciled outside Germany are included for which KUKA Aktiengesellschaft either directly or indirectly holds majority voting rights.

In comparison to December 31, 2011, the scope of consolidation has changed to the extent that the following newly founded companies were added:

- KUKA Robotics Manufacturing China Co. Ltd. Shanghai, China
- KUKA U.S. Holdings Company LLC., Shelby Township, Michigan, USA

KUKA Finance B.V., Rotterdam, Netherlands was liquidated in the fourth quarter.

KUKA Robotics Manufacturing China Co. Ltd. belongs to the Robotics division. KUKA U.S. Holdings Company LLC. bundles the activities in North America and is integrated in the Systems segment. KUKA Finance B.V. was included as part of the KUKA AG segment under other companies. The change in the scope of consolidation does not impair comparability with the previous year.

CURRENCY TRANSLATION

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

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

Accordingly, all assets and liabilities are translated at the rate effective on the balance sheet date. Existing goodwill and equity are translated using historical rates. Income and expenses are translated using average rates for the year. The translation of annual profits or losses on the income statement is also done at average rates for the year. Differences arising from the translation of assets and liabilities denominated in foreign currencies compared to their translation in the prior year as well as translation differences between the income statement and the balance sheet are recognized in the revenue reserves. In the event of the departure of Group entities, existing exchange differences are then recognized in profit or loss. The following table shows the currency values compared to the previous year:

		Balance sheet date		Average rate	
Country	Currency	Dec. 31, 2011	**Dec. 31, 2012**	2011	**2012**
Brazil	BRL	2.4159	2.7036	2.3259	2.5097
Canada	CAD	1.3215	1.3137	1.3756	1.2848
China	CNY	8.1588	8.2207	8.9961	8.1094
India	INR	68.7130	72.5600	64.8669	68.6295
Japan	JPY	100.2000	113.6100	111.0217	102.6225
Korea	KRW	1,498.6900	1,406.2300	1,541.0467	1,448.1950
Malaysia	MYR	4.1055	4.0347	4.2553	3.9689
Mexico	MXN	18.0512	17.1845	17.2791	16.9087
Rumania	RON	4.3233	4.4445	4.2386	4.4581
Russia	RUB	41.7650	40.3295	40.8797	39.9238
Sweden	SEK	8.9120	8.5820	9.0276	8.7067
Switzerland	CHF	1.2156	1.2072	1.2340	1.2053
Taiwan	TWD	39.1724	38.4500	41.0302	38.1648
Thailand	THB	40.9910	40.3470	42.4248	39.9436
Czech Republic	CZK	25.7870	25.1510	24.5892	25.1458
Hungary	HUF	314.5800	292.3000	279.3100	289.3242
USA	USD	1.2939	1.3194	1.3917	1.2856
United Kingdom	GBP	0.8353	0.8161	0.8678	0.8111
Vietnam	VND	27,347.0000	27,596.4850	28,897.6695	26,928.9602

ACCOUNTING AND VALUATION

Goodwill

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

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

With respect to the segment-specific discount rates as well as the further parameters and their derivation, and also for the identification of the principal items of goodwill, please refer to the discussions under item 8.

Self-developed software and other development costs

Development costs for newly developed products or internally generated intangible assets (e. g. software) are capitalized provided that the technical feasibility and commercialization of the newly developed products are assured, that this will result in an inflow of economic benefits to the Group, and that the further requirements of IAS 38.57 have been met. In this context, the costs of production encompass the costs directly and indirectly attributable to the cost of development. According to IAS 38, expenditures on research are recognized as expenses when they are incurred. Provided they are material, borrowing costs are capitalized for qualifying assets. Those assets are defined as qualifying assets within the KUKA Group for which a period longer than 12 months is required to get them ready for their intended use or sale. Examples here within the KUKA Group in particular are manufacturing plants, internally-generated intangible assets and long-term construction contracts.

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

Other intangible assets

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

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

Property, plant and equipment

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

In addition to directly attributable costs, the costs of production for internally generated assets also include a proportionate share of overhead costs in accordance with IFRSs. Borrowing costs are capitalized for qualifying assets (for a definition of qualifying assets see the information under "Self-developed software and other development costs").

Depreciation is based predominantly on the following periods of useful life:

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

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

Government grants

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

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

Finance and operating lease

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

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

To the extent that the KUKA Group has entered into operating leases according to IAS 17, lease or rent payments are directly recognized as an expense in the income statement and distributed using the straight-line method over the term of the leasing agreement, unless a different systematic basis more closely corresponds with the utilization period. Relevant total future costs are reported in item 9.

Financial instruments

Financial instruments are contracts that simultaneously give rise to a financial asset of one entity and a financial liability of another entity. These include both primary financial instruments (e. g. trade receivables or trade payables) and derivative financial instruments (e. g. transactions to hedge the risks of changes in fair value).

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

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

- Loans and receivables
- Financial assets and financial liabilities held for trading
- Available-for-sale financial assets
- Financial liabilities measured at amortized cost

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

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

Investments in non-consolidated companies and financial investments

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

Receivables and other assets

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

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

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

Cash and cash equivalents

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

Liabilities

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

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

On initial recognition, financial liabilities are carried at fair value less transaction costs. They are measured at amortized cost in subsequent periods; any difference between the amount paid out (less transaction costs) and the redemption amount is recognized in the interest result for the term of the loan using the effective interest method. Fees incurred when setting up credit lines are capitalized as credit transaction costs and are amortized over the term of the corresponding loan commitment.

Trade payables also include payments due on outstanding supplier invoices.

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

Derivatives

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

Derivatives are used to hedge currency fluctuations. Accounting for hedging instruments within the restrictive framework of the hedge accounting rules is not undertaken.

Inventories

According to IAS 2, inventories are valued at average cost of acquisition or production. In addition to the direct unit costs, production costs also include appropriate costs for indirect materials and production overheads according to IAS 2. Write-downs to lower net realizable value have been taken to the extent required. In addition to valuation allowing disposal at no net loss, these write-downs also cover all other inventory risk. If the reasons that led to a devaluation of inventories in the past no longer exist, impairment losses are reversed.

Construction contracts

Construction contracts that meet the criteria of IAS 11 are recognized according to the percentage of completion method (POC method). As a rule, the percentage of completion to be recognized by contract is determined by the cost of work to date as a percentage of the estimated total costs (cost-to-cost method). The corresponding earnings from the contract are recognized on the basis of the percentage of completion thus determined. These contracts are presented as receivables or liabilities from construction contracts. To the extent that services performed to date exceed advances received, the contracts are recorded on the balance sheet as receivables arising from construction contracts. If there is a negative balance after deduction of advances, this is recognized as liabilities from construction contracts. Borrowing costs are considered for construction contracts in accordance with IAS 23. If necessary, provisions are recognized for impending losses.

Current and deferred taxes

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

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

Pension provisions and similar obligations

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

Other provisions

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

Provisions are recognized for costs of restructuring to the extent that a detailed, formal restructuring plan has been created and communicated to the parties affected by it and it is highly probable that the company can no longer withdraw from these obligations.

No provisions are recognized for future expenses, since these do not represent an external obligation.

Liabilities in the personnel area such as vacation pay, flex-time credits and the statutory German early retirement are recognized under other liabilities. Provisions and accruals for internal expenses have not been recognized in the balance sheet owing to the lack of an external obligation.

Liabilities for outstanding vendor invoices are recognized under trade payables.

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

Share-based compensation

As in the previous year, KUKA employees of German companies had the opportunity to purchase KUKA shares as part of an employee stock ownership program in the 2012 financial year. Arranged according to a holding period (vesting period) of one, three and five years, employees receive an additional share as a bonus share for every ten KUKA shares acquired. Rights to additional shares are forfeited if the employment relationship of the beneficiary is terminated before the end of the vesting period. A 50 percent incentive was granted in addition to the subscribed shares. The total number of incentive shares was limited to 75,000 as in the previous year. KUKA employees acquired a total of 109,530 shares; 54,765 incentive shares were credited. The fair value of this stock award agreement amounted to € 3.1 million and is based on the market value of the KUKA shares at the grant date. This amounted to € 18.70 (prior year: € 17.87). This results in an expense of € 1.0 million (prior year: € 0.9 million) for the 2012 financial year, which was recognized as personnel expenses.

In addition to the employee share program, KUKA also has a phantom share program for the executive management team, which was introduced in 2012. The phantom share program for the years 2012 to 2014 is measured as a cash-settled, share-based compensation instrument using the fair value at each respective balance sheet date. The measurement parameters correspond to the phantom share program of KUKA Aktiengesellschaft's executive board. The entitlements are paid out at the end of the contractually agreed period. Early payment is possible only under certain conditions when leaving the Group. An amount of € 1.5 million for future claims arising from the phantom share program for the executive management team was set aside at December 31, 2012. See the compensation report for further details about the structure of the phantom share program.

Revenue recognition

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

Cost of sales

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

Research and development costs

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

Finance costs included in operating results

Under the provisions of IAS 23R, finance costs must be accrued for qualifying assets (for a definition of qualifying assets see the information under "Self-developed software and other development costs"). Due to the way the corporation is internally managed and to increase transparency, finance costs included in operating results are eliminated in the reconciliation for the earnings before interest and taxes (EBIT).

ASSUMPTIONS AND ESTIMATES

KUKA prepares its consolidated financial statements in compliance with the IFRSs mandatory in the EU. In certain cases it is necessary for management to make assumptions and estimates that affect the recognition and amount of assets and liabilities on the balance sheet, income and expenses, as well as the disclosure of contingent liabilities. This is essential in the preparation of the Group consolidated financial statements. These assumptions and estimates may change over time and differ from the actual amounts determined at a later time. Moreover, management could have made different assumptions and estimates in the same reporting period for similarly justifiable reasons. In the application of accounting policies, the company has made the following important discretionary decisions, which have a significant effect on the amounts in the annual financial statements. These do not include those decisions that represent estimates.

Development costs

Development costs are recognized as assets in accordance with the methods described under accounting policies. For the purpose of testing the impairment of the amounts recognized as assets, management must make assumptions concerning the expected future cash flows from assets, the applicable discount rates and the timing of the inflow of expected future cash flows that the assets will generate. Moreover, assumptions must be made regarding cost yet to be incurred and the period until completion for projects that have not yet entered the development stage.

Goodwill impairments

Assets recognized as goodwill are tested at least once a year for impairment in the KUKA Group. This requires an estimate to be made of the value in use for each cash-generating units to which the goodwill has been allocated. To determine the value in use, management must estimate the future cash flows of the respective cash-generating units and select an appropriate discount rate for calculating the present value of these cash flows. The selected discount rate, for example, is influenced by volatility in capital markets and interest rate trends. The expected cash flows are also influenced by fluctuations in exchange rates and the expected economic developments. For details about the carrying amounts of the assets recognized as goodwill and the performance of the impairment tests please refer to the discussion under item 8.

Deferred tax assets

Deferred tax assets for loss carry-forwards are recognized to the extent that it is probable that taxable income will be available such that the loss carry-forwards can actually be used. The determination of the amount of deferred tax assets requires an estimate on the part of management of the expected timing and amount of anticipated future taxable earnings as well as future tax planning strategies. For details please refer to the discussion under item 5.

Receivables and liabilities from construction contracts

Long-term construction contracts are recognized using the percentage of completion method. A significant share of business in the Systems segment in particular is related to long-term construction contracts. Sales are reported based on the percentage of completion. A careful estimate of the progress toward completion is essential here. Depending on the method used to determine the percentage of completion, the most important estimates include the total order costs, the costs yet to be incurred until completion, the total project revenues and risks as well as other assessments. The management team responsible for the respective project continuously monitors all estimates on a monthly basis and adapts these as needed.

Pensions and other post-employment benefits

Expenditures under defined-benefit plans and other post-employment benefits are determined on the basis of actuarial calculations. The actuarial calculations are prepared on the basis of assumptions with respect to discount rates, expected returns on plan assets, future increases in wages and salaries, mortality rates and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainties. For examples of how changes to the discount factor affect the defined benefit obligation as well as for other details see item 23.

Provisions

To a great degree, the designation and measurement of provisions for impending losses from contracts, of provisions for warranty obligations and of litigation provisions involve making estimates.

Long-term construction contracts in particular are awarded based on invitations to tender. KUKA recognizes a provision for impending losses when the current estimated total costs arising from the respective contract exceed the expected total revenue. These estimates may change due to new knowledge as the project progresses. Deficit orders are identified based on continuous project costing. This requires an assessment of the performance standards and warranty costs.

KUKA is confronted with different types of litigation. These proceedings can lead to criminal or civil sanctions or fines. A provision is always recognized when it is likely an obligation will result that will lead to future cash outflows and the amount of which can be reliably assessed. The underlying issues are often complex and associated with great uncertainties. Judgment whether a present obligation arising from a past event is to be recognized on the balance sheet date, whether future cash outflows are probable and the obligation can be reliably assessed is therefore largely at the discretion of management. The company, under the inclusion of external legal professionals, regularly assesses the respective stage of the proceeding. New findings can change the assessment and it may be necessary to adjust the provision accordingly. Please see item 24 for further details on provisions.

CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies did not significantly affect the Group consolidated financial statements compared to 2011.

The following revised standards were applied for the first time in the 2012 financial year:

Amendments to IFRS 7 – Disclosures Relating to the Transfer of Financial Assets

The amendments to IFRS 7 apply to disclosure requirements relating to the transfer of financial assets. The purpose is to make the relationships between financial assets that cannot be fully derecognized and their corresponding financial liabilities easier to understand. This should also improve the assessment of the type and particularly the risks of a continuing involvement for derecognized financial assets. Additional disclosures are required as a result of these amendments if an excessively high number of transfers with continuing involvement occur, e. g. near the end of a reporting period. This has no material effect on the KUKA Group.

Amendments to IAS 12 – Recognition of Deferred Tax: Recovery of Underlying Assets

With investment property it is often difficult to assess whether existing temporary tax differences are recovered as part of continuing use or in the wake of a sale. The amendment to IAS 12 clarifies that measurement of deferred tax should be based on the rebuttable presumption that the recovery is due to a sale. This has no effect on the KUKA Group.

Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The amendment constitutes an additional exemption for entities that were exposed to severe hyperinflation and following which take up the presentation of IFRS-compliant financial statements again or prepare IFRS-compliant financial statements for the first time. The exemption allows for the measurement of various assets and liabilities at fair value and permits the use of fair value as deemed cost in the opening IFRS balance sheet. This has no effect on the KUKA Group.

IFRS and interpretations that are not yet mandatory

The following new and amended standards and interpretations had been adopted by the preparation date of the Group consolidated financial statements. However, these will become effective at a later date. The initial application always occurs in the year in which first-time adoption is required. Their impact on the consolidated financial statements of KUKA Aktiengesellschaft has not yet been completely analyzed. Consequently, the anticipated effects only represent a first estimate.

IAS 19 (revised 2011) – Employee Benefits

The revision of IAS 19 eliminated the elections for the treatment of actuarial gains and losses. In the future only Option 3 (applied by KUKA) will be available, i. e. actuarial gains and losses are to be recognized in the period in which they arise in other comprehensive income. Moreover, returns on plan assets will then be recognized in profit or loss based on the returns from corporate bonds – independent of the actual portfolio structure. In the future, past service cost due to changes to the plan will in future be recognized directly in the period in which the change occurs. In addition, the expected return on plan assets is now determined based on management's expectations regarding the performance of the investment portfolio at the beginning of the accounting period. The application of IAS 19 (revised 2011) permits only a generalized return on plan assets in the amount of the discount rate of pension obligations at the beginning of the period.

The expected amount of administrative expenses for plan assets has been included in the interest result in the past. Due to the changes, administrative expenses for plan assets must be recognized as part of the revaluation component in other comprehensive income, whereas other administrative costs must be allocated to operating profit at the time the costs are incurred.

In certain cases the amendment to IAS 19 may influence other long-term personnel-related provisions. Adoption of the revised standard is mandatory for financial years starting on or after January 1, 2013. Based on an initial assessment, we expect no material changes with regard to the financial position and performance.

Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 lead to a new grouping of the items presented in other comprehensive income. Items that can later be "recycled" to profit or loss for the period, e. g. at derecognition or offset, are to be presented separately from items that are not recycled. This change is mandatory for financial years starting on or after July 1, 2012; it is merely a new method of presentation and therefore has no impact on the financial position or performance.

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces the guidance on control and consolidation provided by IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The new standard changes the definition of "control" so that the same criteria are used to determine control over all companies. Discretionary power and variable returns are prerequisites for control. We do not expect this new standard to affect the consolidated financial statements of the KUKA Group. This standard is mandatory in the EU for financial years starting on or after January 1, 2014.

IFRS 11 – Joint Arrangements

This new standard introduces two types of joint arrangements: joint operations and joint ventures. The prior election of proportionate consolidation for jointly controlled entities has been eliminated. The equity method of accounting is now mandatory for partners in a joint venture. Currently there are no joint arrangements in the KUKA Group, so it is not expected that the standard will have any impact on the company. This standard is mandatory in the EU for financial years starting on or after January 1, 2014.

IFRS 12 – Disclosure of Interests in Other Entities

This new standard supersedes the current disclosures included in IAS 28 and determines the required disclosures for entities that report in accordance with the two new standards IFRS 10 – Consolidated Financial Statements and IFRS 11 – Joint Arrangements. The new standard is expected to increase the scope of disclosure for notes. This standard is mandatory in the EU for financial years starting on or after January 1, 2014.

IFRS 13 – Fair Value Measurement

IFRS 13 describes how to determine fair value and expands the disclosures on fair value; the standard does not include any requirements in which cases fair value is to be used. Here, fair value is defined as the price that would be paid by independent market participants in an arm's length transaction on the measurement date if an asset were sold or a liability transferred. This standard is mandatory for financial years starting on or after January 1, 2013.

In addition to the aforementioned standards, we expect the further standards, standard adjustments and interpretations to have little or no material impact on KUKA Aktiengesellschaft's consolidated financial statements: Altogether, the following standards, standard adjustments and interpretations have already been approved and in part already adopted into EU law.

Standard / Interpretation	Effective date	Planned application by KUKA AG
Amendment to IAS 1, Presentation of Items of Other Comprehensive Income	July 1,2012	financial 2013
Amendments to IAS 19 (revised 2011), Employee Benefits	January 1,2013	financial 2013
IFRS 10, Consolidated Financial Statements	January 1,2014	financial 2014
IFRS 11, Joint Arrangements	January 1,2014	financial 2014
IFRS 12, Disclosure of Interests in Other Entities	January 1,2014	financial 2014
IFRS 13, Fair Value Measurement	January 1,2013	financial 2013
Revision of IAS 27, Consolidated and Separate Financial Statements	January 1, 2014	financial 2014
Revision of IAS 28, Investments in Associates and Joint Ventures	January 1,2014	financial 2014
Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities	January 1,2013	financial 2013
Amendments to IAS 32 – Adjustment for Offsetting Financial Assets and Financial Liabilities	January 1,2014	financial 2014
IFRS 9, Financial Instruments	January 1,2015	financial 2015*
Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	January 1,2015	financial 2015*
Amendments to IFRS 1, Government loans	January 1,2013	financial 2013*
Amendments to IFRS 10, IFRS 12 and IAS 27, Investment companies	January 1,2014	financial 2014*
Improvements to IFRS (2009 – 2011)	January 1,2013	financial 2013*
Amendments to IFRS 10, IFRS 11 and IFRS 12, Transitional provisions	January 1,2014	financial 2014*
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	January 1,2013	financial 2013

* Pending adoption (endorsement) by the European Union.

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

1 SALES REVENUES

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

The breakdown of sales revenues by business division and region is shown in segment reporting (cf. page 68 and 69). Services account for approximately 17.8 percent of sales revenues in the Robotics division as compared to 18.6 percent last year. Services play a less significant role in the Systems division.

In connection with construction contracts, sales revenues in the amount of € 879.1 million were recognized in the reporting year (compared to € 690.9 million in the prior year) according to the percentage of completion method.

2 COST OF SALES, SELLING EXPENSES, RESEARCH & DEVELOPMENT EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of the cost of sales, selling expenses, research and development expenses and general and administrative expenses:

	Cost of sales		Selling expenses		Research and development expenses		General and administrative expenses		Total	
in € millions	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Cost of materials	867.4	1,038.0	1.8	2.4	4.0	9.7	1.8	0.2	875.0	1,050.3
Personnel expense	265.6	294.0	49.1	61.3	18.3	27.1	42.7	52.7	375.7	435.1
Amortization	12.4	13.0	1.1	1.4	7.3	8.7	5.3	5.6	26.1	28.7
Other expenses and income	8.5	8.3	47.5	54.6	8.1	-2.9	29.1	40.1	93.2	100.1
Total	**1,153.9**	**1,353.3**	**99.5**	**119.7**	**37.7**	**42.6**	**78.9**	**98.6**	**1,370.0**	**1,614.2**

The cost of sales comprised under other expenses include finance costs for receivables from construction contracts totaling € 7.3 million compared to € 8.4 the previous year. This was calculated on the basis of the Group capitalization rate of 6.6 percent (prior year: 7.5 percent).

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

in € millions	2011	**2012**
Wages and salaries	316.5	365.8
Social security payments and contributions for		
retirement benefits and provident funds	59.2	69.3
(of that for retirement benefits)	(3.5)	(4.4)
Total	**375.7**	**435.1**

Annual average employed and employed at the balance sheet date by the KUKA Group:

	Annual average		Balance sheet date			
Employees by functional categories	Total 2011	**Total 2012**	Total 2011	**Total 2012**	of that, Germany	of that, abroad
Manufacturing	4,793	5,251	4,958	5,380	2,378	3,002
Sales	546	627	568	660	339	321
Administration	523	607	543	631	326	305
Research and development	255	307	273	325	320	5
Trainees*	23	38	20	38	19	19
	6,140	**6,830**	**6,362**	**7,034**	**3,382**	**3,652**
Apprentices	202	198	227	230	208	22
Total	**6,342**	**7,028**	**6,589**	**7,264**	**3,590**	**3,674**

3 OTHER OPERATING INCOME AND EXPENSES

These line items capture income and expenses that are not allocated to the functional categories cost of sales, selling expenses, research and development expenses, general and administrative expenses or otherwise reported separately.

in € millions	2011	**2012**
Income from foreign currency transactions	36.4	24.2
Reimbursements from damages claims	1.7	0.1
Other income	4.9	7.5
Other operating income	**43.0**	**31.8**
Expenses for foreign currency transactions	38.2	30.8
Donations	0.1	0.1
Other taxes	3.7	13.2
Other expenses	2.4	10.3
Other operating expense	**44.4**	**54.4**
Other operating income and expenses	**-1.4**	**-22.6**

4 FINANCIAL RESULT

in € millions	2011	**2012**
Depreciation of financial assets	**0.8**	**0.0**
Interest income from finance lease	6.9	7.1
Returns on pension plan assets	0.3	0.3
Remaining interest and similar income	2.7	2.2
Other interest and similar income	**9.9**	**9.6**
Interest component for allocations to pension provisions	3.5	3.3
Guarantee commission	3.8	2.6
Interest expense for the convertible bond	4.7	–
Interest expense for the corporate bond	18.7	18.8
Transaction costs of Syndicated Senior Facilities Agreement	1.4	1.4
Financing costs reclassified to operating results	-8.4	-7.8
Remaining interest and similar expenses	3.6	4.1
Other interest and similar expenses	**27.3**	**22.4**
Financial result	**-18.2**	**-12.8**

The write-downs of financial assets last year concerned a minority interest in North America acquired in 2009.

Interest income from finance lease concerns the financing of a factory building for the production of bodies for the Jeep Wrangler in Toledo, USA (cf. note 11). Remaining interest and similar income comes from short-term deposits of cash and cash equivalents at banks.

Finance costs reclassified to operating results and capitalized concern finance costs to be accrued according to IAS 23R. Remaining interest and expenses primarily include ongoing expenses for accessing cash lines from the Syndicated Senior Facilities Agreement.

5 TAXES ON INCOME / DEFERRED TAXES

Tax expense

Income tax expense breaks down by origin as follows:

in € millions	2011	2012
Current taxes	14.8	25.6
(of that relating to other periods)	-0.2	0.2
Deferred taxes	1.3	8.5
from temporary differences	-5.5	7.2
from loss carry-forwards	6.8	1.3
Total	**16.1**	**34.1**

Of the current expenses for tax on earnings, € 4.5 million is attributable to domestic expenditure compared to € 3.1 million in the previous year, whereas € 21.1 million is attributable to foreign expenditure compared to € 11.7 million last year.

Deferred tax expenses of € 7.2 million are attributable to domestic operations and € 1.3 million to foreign. This compares with the figures from the previous year of € -0.6 million and € 1.9 million, respectively.

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

in € millions	2011	2012
Earnings before tax expense	**46.0**	**89.6**
Expected tax expense	**13.8**	**26.9**
Tax rate-related differences	1.7	5.1
Tax reductions due to tax-exempt income	-1.3	-1.6
Tax increases due to non-deductible expenses	4.3	2.2
Tax arrears (+) / Tax credits received (–) for prior years	-6.5	-1.2
Changes to allowance on deferred taxes	5.7	4.7
First-time recognition of previously unrecognized deferred tax assets on tax loss carryforward	-1.5	-1.8
Other differences	-0.1	-0.2
Taxes on income (actual tax expense)	**16.1**	**34.1**

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

In principle, deferred taxes were recognized on the basis of the applicable tax rate for each company in question.

In addition to an existing corporate income tax credit, an amount equal to € 6.3 million (prior year: € 7.6 million) results after discounting as a non-current tax receivable effective December 31, 2012, and an amount of € 1.8 million (prior year: unchanged) as a current tax receivable.

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

Current tax expenses in other accounting periods totaling € 0.2 million (prior year: tax income of € 0.2 million) primarily resulted from domestic and foreign operations.

There are currently still no material conclusions for the new domestic audit period 2005 to 2008.

Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities	
in € millions	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**
Non-current assets	12.5	4.4	43.9	44.8
Current assets	48.2	62.6	55.9	71.3
Provisions	16.4	24.5	3.6	2.7
Liabilities	23.9	27.2	4.5	9.0
Subtotal	**101.0**	**118.7**	**107.9**	**127.8**
Balancing item	-87.9	-101.6	-87.9	-101.6
Valuation allowance	-3.2	-4.7	–	–
Subtotal	**9.9**	**12.4**	**20.0**	**26.2**
Deferred taxes on temporary differences	9.9	12.4	20.0	26.2
Deferred taxes on tax loss carry-forwards	25.1	23.9	–	–
Total	**35.0**	**36.3**	**20.0**	**26.2**
thereof: from items recognized in equity			-1.4	-4.5

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

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

From the loss carry-forward and carried interest of € 232.3 million (prior year: € 233.8 million), amounts totaling € 150.9 million (prior year: € 146.8 million) are not considered in the accounting of deferred taxes.

Deferred tax income in the amount of € 1.8 million (prior year: € 1.5 million) results from the recognition of deferred tax receivables on loss carry-forwards from earlier periods which until now had not been included in or written down from the tax accrual / deferral.

In accordance with IAS 12, deferred tax items must be recognized for the difference between the proportionate equity of a subsidiary recognized on the Group balance sheet and the investment carrying amount of this subsidiary on the tax balance sheet of the parent company (so-called outside basis differences) if it is likely that this difference will be realized. Since both KUKA Aktiengesellschaft as well as the subsidiaries in question are corporations, these differences are predominantly tax exempt under section 8b KStG upon realization and thus permanent in nature. According to IAS 12.39, no deferred tax liability should be recognized even for temporary differences (e. g. those resulting from the 5 percent flat-rate allocation under section 8b KStG) if it is not likely, given control by the parent company, that these differences will reverse in the foreseeable future. Since no such reversal is expected, no deferred tax items had to be recognized on the balance sheet for this purpose. There are outside basis differences in the amount of € 1.9 million (prior year: € 1.7 million).

Overall, the change to deferred tax assets and liabilities of € 4.9 million (prior year: € 2.6 million) came from amounts affecting net income totaling € 8.5 million (prior year: € 1.3 million) as well as amounts not affecting net income due to changes in pension obligations and currency effects.

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

6 EARNINGS PER SHARE

Undiluted / diluted earnings per share break down as follows:

	2011	**2012**
Net income / loss for the year after minority interests (in € million)	29.8	55.6
Weighted average number of shares outstanding	33,428,740	33,915,431
Earnings per share (in €)	**0.89**	**1.64**

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.

The sale of 1,327,340 treasury shares in May 2011 further increased the weighted average number of shares outstanding from 30.3 million on December 31, 2010 to 33.4 on December 31, 2011. This puts the number of shares outstanding at 33.9 million since December 31, 2011.

7 FIXED ASSETS

SCHEDULE OF CHANGES IN FIXED ASSETS 2012

	Acquisition / manufacturing Costs						
in € millions	Status as at Jan. 1, 2012	Exchange rate differences	Additions	Disposals	Reclassifications	Status as at Dec. 31, 2012	
I. Intangible assets							
1. Rights and similar assets	47.9	-0.1	6.1	1.8	0.3	52.4	
2. Self-developed software and other development costs	23.7	–	10.4	–	–	34.1	
3. Goodwill	56.6	–	–	–	–	56.6	
4. Advances paid	1.2	–	0.2	–	-0.3	1.1	
	129.4	**-0.1**	**16.7**	**1.8**	**0.0**	**144.2**	
II. Tangible assets							
1. Land, similar rights and buildings including buildings on land owned by third parties	115.7	-0.3	2.3	0.7	0.1	117.1	
2. Technical plant and equipment	96.7	-0.1	10.0	2.2	1.0	105.4	
3. Other equipment, factory and office equipment	73.3	-0.3	9.0	4.0	0.5	78.5	
4. Advances paid and construction in progress	1.7	0.0	4.8	–	-1.6	4.9	
	287.4	**-0.7**	**26.1**	**6.9**	**0.0**	**305.9**	
III. Financial investments							
1. Participations in affiliated companies	4.6	–	–	–	–	4.6	
2. Other participations	0.9	–	–	–	–	0.9	
3. Other loans	0.0	–	–	0.0	–	–	
	5.5	**–**	**–**	**0.0**	**–**	**5.5**	
	422.3	**-0.8**	**42.8**	**8.7**	**–**	**455.6**	

The following amounts have been capitalized under technical plant and equipment due to finance leases in which the KUKA Group acts as the lessee:

Technical plant and equipment	**4.5**	**–**	**–**	**–**	**–**	**4.5**	

	Accumulated depreciation and impairment losses					Net carrying amount
	Status as at Jan. 1, 2012	Exchange rate differences	Additions	Disposals	Status as at Dec. 31, 2012	**Status as at Dec. 31, 2012**
	38.2	-0.2	5.4	0.5	42.9	9.5
	5.4	–	6.0	–	11.4	22.7
	7.0	–	–	–	7.0	49.6
	–	–	–	–	–	1.1
	50.6	**-0.2**	**11.4**	**0.5**	**61.3**	**82.9**
	68.6	-0.1	3.6	0.3	71.8	45.3
	75.0	-0.1	6.1	1.5	79.5	25.9
	56.2	-0.2	7.6	3.9	59.7	18.8
	–	–	–	–	–	4.9
	199.8	**-0.4**	**17.3**	**5.7**	**211.0**	**94.9**
	4.5	–	–	–	4.5	0.1
	0.8	–	–	–	0.8	0.1
	–	–	–	–	–	–
	5.3	**–**	**–**	**–**	**5.3**	**0.2**
	255.7	**-0.6**	**28.7**	**6.2**	**277.6**	**178.0**
	3.6	**–**	**0.2**	**–**	**3.8**	**0.7**

SCHEDULE OF CHANGES IN FIXED ASSETS
2011

in € millions	Acquisition / manufacturing Costs					
	Status as at Jan. 1, 2011	Exchange rate differences	Additions	Disposals	Reclassifications	Status as at Dec. 31, 2011
I. Intangible assets						
1. Rights and similar assets	43.6	0.1	4.3	0.3	0.2	47.9
2. Self-developed software and other development costs	18.5	–	8.2	3.0	–	23.7
3. Goodwill	56.6	–	–	–	–	56.6
4. Advances paid	1.2	–	0.2	–	-0.2	1.2
	119.9	**0.1**	**12.7**	**3.3**	**0.0**	**129.4**
II. Tangible assets						
1. Land, similar rights and buildings including buildings on land owned by third parties	114.8	0.5	1.0	0.8	0.2	115.7
2. Technical plant and equipment	92.7	0.3	5.0	2.5	1.2	96.7
3. Other equipment, factory and office equipment	68.6	0.0	8.8	4.3	0.2	73.3
4. Advances paid and construction in progress	0.5	0.0	2.8	–	-1.6	1.7
	276.6	**0.8**	**17.6**	**7.6**	**0.0**	**287.4**
III. Financial investments						
1. Participations in affiliated companies	4.6	–	–	–	–	4.6
2. Other participations	0.9	–	0.0	0.0	–	0.9
3. Other loans	0.0	–	–	0.0	–	0.0
	5.5	**–**	**0.0**	**0.0**	**–**	**5.5**
	402.0	**0.9**	**30.3**	**10.9**	**–**	**422.3**

The following amounts have been capitalized under technical plant and equipment due to finance leases in which the KUKA Group acts as the lessee:

Technical plant and equipment	**4.5**	**–**	**–**	**–**	**–**	**4.5**

	Accumulated depreciation and impairment losses					Net carrying amount
	Status as at Jan. 1, 2011	Exchange rate differences	Additions	Disposals	Status as at Dec. 31, 2012	**Status as at Dec. 31, 2011**
	33.0	0.1	5.4	0.3	38.2	9.7
	3.4	–	5.0	3.0	5.4	18.3
	7.0	–	–	–	7.0	49.6
	–	–	–	–	–	1.2
	43.4	**0.1**	**10.4**	**3.3**	**50.6**	**78.8**
	66.1	0.2	3.1	0.8	68.6	47.1
	71.6	0.2	5.5	2.3	75.0	21.7
	53.1	0.2	7.1	4.2	56.2	17.1
	–	–	–	–	–	1.7
	190.8	**0.6**	**15.7**	**7.3**	**199.8**	**87.6**
	4.5	–	–	–	4.5	0.1
	–	–	0.8	–	0.8	0.1
	0.0	–	–	0.0	–	0.0
	4.5	**0.0**	**0.8**	**–**	**5.3**	**0.2**
	238.7	**0.7**	**26.9**	**10.6**	**255.7**	**166.6**
	3.3	**–**	**0.3**	**–**	**3.6**	**0.9**

8 INTANGIBLE ASSETS

Changes to the individual items under intangible assets are disclosed in the schedule of changes in fixed assets. Write-downs in the previous year totaling € 0.2 million (prior year: none) were made in connection with the company KUKA S-BASE, Czech Republic, which was under liquidation at the reporting date.

Goodwill

Recognized goodwill in the amount of € 49.6 million (prior year: unchanged) breaks down as follows:

Profit Center in € millions	Dec. 31, 2011	**Dec. 31, 2012**
Body-Structure and Engineering	40.7	40.7
Assembly & Test	4.7	4.7
Robotics Automotive	3.8	3.8
Others / less than € 1 million	0.4	0.4
Total	**49.6**	**49.6**

Individual profit centers represent the smallest cash-generating unit, making them the basis for the impairment test of goodwill. As in previous years, the customer service business in the Robotics division is proportionately allocated to the profit centers "Automotive" and "General Industry".

The impairment test is based on a three-year detailed planning period and increased steadiness in the last year of the detailed planning. As in the previous year, a perpetual growth rate of 0.5 percent is considered. The following discount rates for WACC before taxes were used in the financial year:

in %	2011	**2012**
Planning period	2012 – 2014	2013 – 2015
Systems	13.0	12.8
Robotics	12.7	11.9

The cost of equity capital and borrowing costs were determined on the basis of segment-specific peer groups.

Material components used in determining WACC are the market risk premium of 6.25 percent (prior year: 5.0 percent) and the risk-free interest rate of 2.5 percent (prior year: 4.0 percent).

The beta factor was determined as a three-year average of the respective peer group; for the Systems segment it was 1.070 (prior year: 1.136) and for the Robotics segment it was 1.242 (prior year: 1.269).

The ratios for the cost of equity capital and the cost of borrowed capital were determined by segment based on the average debt-to-equity ratios of the respective peer group for the last three years. The tax rate used was 30.0 percent (prior year: 29.37 percent).

A one percent higher WACC would only marginally influence the impairment of goodwill – as marginally as a reduction in sales revenues over the entire planning period by ten percent with a correspondingly lower cash flow.

Self-developed software and other product development costs

According to IAS 38, self-developed software and other development costs must also be capitalized. For the purpose of such capitalization, KUKA uses a definition of the costs of production which, in accordance with IASs, includes attributable direct costs as well as an appropriate allocation for overheads and depreciation. Borrowing costs are included in the production costs for qualifying assets based on the Group capitalization rate of 6.6 percent (prior year: 7.5 percent).

Development costs are only recognized as assets in the KUKA Group at KUKA Roboter GmbH and KUKA Laboratories GmbH. The companies are working on several projects involving mechanical systems and performance and guidance software for robots as well as new applications in the area of medical technology. Borrowing costs of € 0.5 million (prior year: € 0.2 million) were accounted for. Total expenditures for research and development for the reporting period were € 42.6 million compared to € 37.7 million in 2011.

Development costs with a carrying amount of € 22.7 million (prior year: € 18.3 million) from the years 2008 to 2012 have been capitalized according to IAS 38. Additions for 2012 totaled € 10.4 million compared to € 8.2 million last year. Amortization is applied using a straight-line method over the respective expected useful life of three years or less. The share of depreciation related to capitalized borrowing costs is recognized in the income statement initially under research and development expenses and eliminated in the reconciliation of the operating results to EBIT. As in the previous year, an amount less than € 0.1 million was reclassified in this area in the financial year under review.

9 TANGIBLE ASSETS

The breakdown of the assets aggregated in the balance sheet items of tangible assets, as well as changes over the reporting year and in 2011, are shown in item 7 of the annual report. The major focus of capital expenditures in the financial year is described in the management report.

Subsidies in the amount of € 0.2 million (prior year: € 0.3 million) were deducted from the cost of purchase or cost of production of property, plant and equipment. Government grants were received, principally for research and development projects, totaling € 1.7 million (prior year: € 2.0 million) and recognized as directly income-relevant. There were no contingently repayable grants as of the balance sheet date.

The depreciable amounts are as follows:

in € millions	2011	**2012**
Depreciation of tangible assets		
scheduled	15.4	17.0
non-scheduled	0.3	0.3
Total	**15.7**	**17.3**

The write-downs in the financial year relate to the company KUKA S-BASE, Czech Republic, which was under liquidation at the reporting date. The prior year figure is primarily due to the relocation and the associated early termination of a foreign operation's lease agreement.

The finance leases for technical plant and equipment have interest rates of 2.25 percent p.a. Future payments due for finance lease agreements as well as the present values for future leasing payments (the corresponding amounts are recognized under other liabilities) are below € 0.1 million: In the previous year, both the minimum lease payments and the present values were € 0.2 million.

Commitments from leases and rental agreements

in € millions	Dec. 31, 2011	**Dec. 31, 2012**
due within one year	7.9	9.2
due between one and five years	15.0	13.2
due more than five years	13.9	13.6
Total	**36.8**	**36.0**

Liabilities from leases and rental agreements in connection with operating leases consist of commitments in connection with leases for passenger cars, office and factory buildings.

Total rental expenses for the financial year were € 17.0 million compared to € 14.9 million in the prior year; rental income totaled € 0.3 million, which was the same as in 2011.

10 FINANCIAL INVESTMENTS

Financial investments resulted from investments in non-consolidated affiliated companies and other investments with less than ten percent ownership.

11 FINANCE LEASE

KUKA Toledo Production Operations LLC., Toledo, Ohio, USA manufactures Jeep Wrangler bodies under the terms of a pay-on-production contract with Chrysler. The first unpainted car bodies associated with the project were delivered to Chrysler in July 2006. The project was initially financed through an operating lease agreement with a local corporation and a consortium of financing banks. In 2008 KUKA Aktiengesellschaft reached an agreement with Chrysler LLC and the financing banks regarding the settlement of the € 77.1 million financing, which resulted in the legal ownership of the buildings and production systems.

Because of the existing agreement to supply car bodies to Chrysler, the acquisition of the production system assets was not included on the balance sheet as an asset acquisition, but instead categorized as a finance lease in accordance with IFRIC 4 / IAS 17 guidelines and booked as a receivable from finance leases. A non-current lease receivable of € 70.2 million (prior year: € 75.7 million) and a current lease receivable of € 5.0 million (prior year: € 4.6 million) exist as of the balance sheet date. Sales revenues shown on KTPO's balance sheet will thus be reduced by the fictitious leasing rate. The interest component included in the fictitious leasing rate is booked under interest result, while the repayment component of this repayment reduces the receivables as per schedule.

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

in € millions	2011	**2012**
Future minimum lease payments / Finance lease gross investments	123.4	111.0
of that not later than one year	11.7	11.6
of that later than one year and not later than five years	46.6	46.5
of that later than five years	65.1	52.9
Unrealized financial income	-43.1	-35.8
Present value of outstanding minimum lease payments	**80.3**	**75.2**
of that not later than one year	4.6	5.0
of that later than one year and not later than five years	23.2	25.4
of that later than five years	52.5	44.8

12 INVENTORIES

in € millions	Dec. 31, 2011	**Dec. 31, 2012**
Raw materials and supplies	43.6	65.4
Work in process	107.8	113.3
Finished goods	25.4	20.7
Advances paid	18.6	14.0
Total	**195.4**	**213.4**

The carrying amount of inventory with adjusted valuation in the amount of € 129.7 million compares with € 123.5 million in 2011 and has been recognized at net realizable value. Write-downs, relative to gross value, amounted to € 35.2 million versus € 26.2 million the year prior.

13 RECEIVABLES

in € millions	Dec. 31, 2011	**Dec. 31, 2012**
Trade receivables	145.5	141.7
Receivables from construction contracts	194.3	198.9
Total	**339.8**	**340.6**

Trade receivables and receivables from construction contracts have a term of less than one year.

The following table breaks down receivables by age and recoverability:

	not impaired as of the balance sheet date but in arrears by										
in € millions	less than 30 days	30 to 60 days	61 to 90 days	91 to 180 days	more than 180 days	Total of past due, unimpaired receivables	impaired trade receivables before recording of impairment losses	impairment loss	net carrying amount of impaired trade receivables	neither impaired nor past due as at the balance sheet date	**Net carrying amount**
as of Dec. 31, 2011	21.6	6.8	3.6	4.4	1.5	37.9	6.7	-6.3	0.4	107.2	**145.5**
as of Dec. 31, 2012	26.5	15.9	3.2	2.4	1.3	49.3	6.3	-6.0	0.3	92.1	**141.7**

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

Receivables of KUKA Roboter GmbH are regularly sold as part of two ABS programs. See note 26 / Asset-backed securities program for more details.

Trade receivables

Bad debt allowances on trade receivables developed as follows:

in € millions	2011	**2012**
Impairment losses / status as at Jan. 1	**6.8**	**6.3**
Additions (expenses related to impairment losses)	2.8	1.7
Use	-0.1	-0.8
Reversals	-3.2	-1.2
Impairment losses / Status as at Dec. 31	**6.3**	**6.0**

The total amount of additions of € 1.7 million (prior year: € 2.8 million) breaks down into additions for specific bad debt allowances of € 1.6 million (prior year: € 2.6 million) and lump-sum bad debt allowances in the amount of € 0.1 million (prior year: € 0.2 million).

Receivables from construction contracts

For receivables from construction contracts, advances received have been offset against costs incurred in connection with the contract, including contributions to earnings on a per contract basis. As at the balance sheet date, costs incurred and earnings recognized in connection with long-term contracts in the amount of € 1,301.9 million were offset against advances received in the amount of € 1,103.0 million. In 2011 these figures were € 852.5 million and € 658.2 million, respectively. This resulted in receivables of € 198.9 million compared to € 194.3 million the year prior and liabilities of € 95.5 million versus € 93.4 million a year earlier. For liabilities from construction contracts, advances received exceed the costs incurred and the earnings portion.

14 OTHER ASSETS, PREPAID EXPENSES AND DEFERRED CHARGES

in € millions	of that up to one year	of that more than one year	Dec. 31, 2011 Total	of that up to one year	of that more than one year	Dec. 31, 2012 Total
Other assets, prepaid expenses and deferred charges	66.4	12.1	78.5	26.9	9.6	36.5

Last year other assets, prepaid expenses and deferred charges were increased largely due to greater sales tax demands.

The following table shows the financial instruments recognized under other assets as outlined in IFRS 7:

in € millions	Impaired receivables before recording of impairment loss	Impairment loss	Carrying amount of impaired receivables	Neither impaired nor past due as at the balance sheet date	**Carrying amount**
as of Dec. 31, 2011	2.7	-2.7	0.0	22.8	**22.8**
as of Dec. 31, 2012	2.5	-2.5	0.0	13.4	**13.4**

There are no other assets that are past due but not impaired as of December 31, 2012 or December 31, 2011.

Impairment losses on other assets developed as follows:

in € millions	2011	**2012**
Impairment losses / Status as at Jan. 1	**2.7**	**2.7**
Additions (Expenses related to impairment losses)	0.2	0.2
Use	0.0	0.0
Reversals	-0.2	-0.4
Impairment losses / Status as at Dec. 31	**2.7**	**2.5**

15 CASH AND CASH EQUIVALENTS

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

The KUKA Group maintains bank balances exclusively at financial institutions with an excellent credit rating. Furthermore, funds to be invested are distributed across several financial institutions in order to diversify risk.

No cash was subject to limited availability neither on the balance sheet date of the financial year under review nor on that of the previous year.

in € millions	Dec. 31, 2011	**Dec. 31, 2012**
Cash-on-hand	0.1	0.1
Cash and bank balances	168.7	244.2
Total	**168.8**	**244.3**

16 EQUITY

Changes in equity including changes without effect on profit or loss are presented in the Consolidated Statement of Changes in Equity on page 104 ff. and in the Statement of Comprehensive Income on page 100.

For more information on equity see the notes in the management report under "Disclosure as per article 315 paragraph 4 of the German Commercial Code, including accompanying explanation".

17 SUBSCRIBED CAPITAL

The total share capital of KUKA Aktiengesellschaft amounts to € 88,180,120.60 and is subclassified into 33,915,431 no-par value bearer shares. Each share is equal to one vote.

18 CAPITAL RESERVE

The capital reserve applies to KUKA Aktiengesellschaft. The change in the previous year results from the scheduled repayment of the convertible bond in November 2011.

19 TREASURY SHARES

KUKA sold 1,327,340 treasury shares in May 2011. The shares were sold for € 18.60 each. After deducting the usual commissions, the company received € 23,698,328.36 million.

Following the sale of the treasury shares, the total number of shares in circulation since December 31, 2011 is 33,915,431.

20 REVENUE RESERVES

The revenue reserves include:

- The accumulated retained earnings of KUKA Aktiengesellschaft and its consolidated subsidiaries
- Consolidation and exchange rate effects
- Actuarial gains and losses included in provisions for pensions and the associated deferred taxes
- Obligations as part of an employee stock ownership program for KUKA employees

Deferred taxes totaling € -4.5 million (prior year: € -1.4 million) from transactions not recognized in profit or loss are included in equity. These are exclusively attributable to actuarial gains and losses from pensions.

21 MINORITY INTERESTS

This item primarily concerns the minority stake held by third parties in KUKA Enco Werkzeugbau spol. s. r. o., Dubnica, Slovakia and in HLS Vietnam Co. Ltd., Ho Chi Minh City, Vietnam. The stake in HLS Vietnam Co. Ltd was increased from 75.1 percent to 95.0 percent in the year under review. The changes to this item are detailed in the Consolidated Statement of Changes in Equity.

22 MANAGEMENT OF CAPITAL

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

This requires sufficient equity (equity ratio as a key indicator), liquidity (net liquidity as a key indicator), and a sufficient return on capital employed (ROCE as a key indicator). Management and controlling of the business divisions therefore also takes place based on these key indicators.

		2011	**2012**
Equity	€ millions	252.4	297.5
/ Total equity	€ millions	1,078.0	1,137.4
Equity ratio	**%**	**23.4**	**26.2**
EBIT	€ millions	72.6	109.8
/ Capital employed	€ millions	332.9	339.8
ROCE	**%**	**21.8**	**32.3**
Cash and cash equivalents	€ millions	168.8	244.3
Non-current finance liabilities	€ millions	-194.0	-194.9
Current finance liabilities	€ millions	-7.4	-6.6
Net liquidity / net debt	€ millions	**-32.6**	**42.8**

23 PENSION PROVISIONS AND SIMILAR OBLIGATIONS

KUKA recognizes actuarial gains and losses directly in equity at the time in which they occur (Option 3 in accordance with IAS 19.93A).

Provisions for pensions developed as follows in the financial year 2012:

in € millions	Status as at Jan. 1	Consumption	Additions	Actuarial gains (–) and losses (+) (directly in equity)	**Status as at Dec. 31**
2011	70.2	5.6	3.7	2.1	70.4
2012	**70.4**	**5.6**	**3.7**	**13.5**	**82.0**

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

Owing to their benefit character, the obligations of the US Group company KUKA Assembly and Test Corp. for post-employment medical benefits are also disclosed under pension provisions according to IAS 19. Of the total provisions and accruals, these post-employment benefit provisions, calculated according to the rules of IAS 19, represent € 0.8 million (prior year: € 0.7 million). The possible effect of a one percentage point increase / decrease in the expected cost trend in the field of healthcare services is under € 50,000.

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

For the defined contribution plans, the company pays contributions to a public or private pension insurance carrier. Upon payment of the contributions, the company has no further obligations. Total payments for pensions under defined contribution plans in the amount of € 22.7 million compared to € 19.3 million in 2011 are disclosed as expenses in the year in question.

Under defined benefit plans, the company incurs an obligation to provide the benefits promised by the plan to current and former employees.

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

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

The discounting factor is determined based on the returns from high-quality, fixed-rate corporate bonds.

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

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

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

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

	Germany		USA		Other	
Dec. 31	2011	**2012**	2011	**2012**	2011	**2012**
Demographic assumptions	RT 2005 G	RT 2005 G	RP 2000	RP 2000	IPS55 (I). TV88 / 90 (F)	IPS55 (I). TV88 / 90 (F)
Discount factor	4.70%	3.00%	4.40%	3.90%	4.70%	3.25%
Expected rate of return on assets	–	–	8.00%	7.60%	–	–
Wage dynamics	0.00 – 2.50%	0.00 – 2.50%	–	–	0.00 – 2.00%	0.00 – 2.00%
Pension dynamics	1.75 – 2.50%	1.75 – 2.50%	–	–	0.00 – 2.00%	0.00 – 2.00%
Changes in cost of medical services	–	–	5.00% – 7.50%	5.00% – 7.00%	–	–

Funding status of defined benefit pension obligations

	Germany		USA		Other		Total	
in € millions	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Present value of pension benefits covered by provisions	67.1	78.0	0.8	0.8	0.6	0.9	68.5	79.7
Present value of funded pension benefits	–	–	5.8	6.7	–	–	5.8	6.7
Defined benefit obligation	**67.1**	**78.0**	**6.6**	**7.5**	**0.6**	**0.9**	**74.3**	**86.4**
Fair value of plan assets	–	–	3.9	4.4			3.9	4.4
Net obligation as of Dec. 31*	**67.1**	**78.0**	**2.7**	**3.1**	**0.6**	**0.9**	**70.4**	**82.0**

* Is the same as the pension provision because in both the reporting year as well as in the previous year there was no overfunding of plan assets and no unrecognized past service cost.

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

Changes in the defined benefit obligation

	Germany		USA		Other		Total	
in € millions	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Net obligations as of Jan. 1	67.9	67.1	5.5	6.6	0.6	0.6	74.0	74.3
of which funded in a separate fund	–	–	(4.8)	(5.8)	–	–	(4.8)	(5.8)
of which funded by provisions	(67.9)	(67.1)	(0.7)	(0.8)	(0.6)	(0.6)	(69.2)	(68.5)
Current service costs	0.4	0.3	0.1	0.1	0.0	0.2	0.5	0.6
Interest expense	3.2	3.1	0.3	0.3	0.0	0.0	3.5	3.4
Payments	-5.4	-5.2	-0.2	-0.3	0.0	0.0	-5.6	-5.5
Acturial gains (–) / and losses (+)	1.0	12.7	0.7	0.9	0.0	0.1	1.7	13.7
Currency translation	–	–	0.2	-0.1	0.0	0.0	0.2	-0.1
Net obligations as of Dec. 31	**67.1**	**78.0**	**6.6**	**7.5**	**0.6**	**0.9**	**74.3**	**86.4**
of which funded in a separate fund	(–)	(–)	(5.8)	(6.7)	(–)	(0.0)	(5.8)	(6.7)
of which funded by provisions	(67.1)	(78.0)	(0.8)	(0.8)	(0.6)	(0.9)	(68.5)	(79.7)

The defined benefit obligation increased in the reporting year owing to a decrease in the discounting factor for domestic and foreign pension plans. The influence of the remaining valuation parameters was minimal. A change to the discounting factor of +/- 0.25 percent would lead to a lower/higher defined benefit obligation of -/+ € 2.4 million (prior year: € 1.8 million).

Current service costs and interest expenses totaling € 4.0 million (prior year: unchanged) compare to benefit payments of € 5.5 million during the financial year (prior year: € 5.6 million). The increase of the defined benefit obligation results mainly from actuarial losses of € 13.7 million accrued during the financial year, compared to losses of € 1.7 million in 2011.

Development of plan assets in the financial year

in € millions	2011	**2012**
Fair value as at Jan. 1	3.8	3.9
Expected returns on plan assets	0.3	0.3
Acturial gains/losses	-0.4	0.2
Currency translation	0.2	-0.1
Employer contributions	0.2	0.3
Payments	-0.2	-0.2
Fair value as at Dec. 31	**3.9**	**4.4**

Pension expense for defined benefit plans

	Germany		USA		Other		Total	
in € millions	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Current service costs	0.3	0.3	0.1	0.1	0.1	0.2	0.5	0.6
Interest expense	3.2	3.1	0.3	0.3	0.0	0.0	3.5	3.4
Expected return on plan assets	–	–	-0.3	-0.3	–	–	-0.3	-0.3
Pension expenses from defined benefit commitments	**3.5**	**3.4**	**0.1**	**0.1**	**0.1**	**0.2**	**3.7**	**3.7**

Pension expenses for defined benefit plans remained at € 3.7 million, the same level as the previous year.

The actuarial gains and losses recognized in Group equity include the following amounts:

in € millions	2008	2009	2010	2011	**2012**
Cumulative gains (+) and losses (–) recognized directly in equity as at Jan. 1	3.5	6.9	2.7	0.9	-1.2
Actuarial gains (+) and losses (–) of the financial year	3.4	-4.2	-1.8	-2.1	-13.5
Cumulative gains (+) and losses (–) recognized directly in equity as at Dec. 31	6.9	2.7	0.9	-1.2	-14.7

The actual gains from external pension funds were € 0.2 million compared to prior year losses of € 0.1 million.

As of December 31, 2012 the plan assets of € 4.4 million (prior year: € 3.9 million) broke down into 76.1 percent shares in stock funds (prior year: 73.7 percent), with the remaining 23.9 percent (prior year: 26.3 percent) comprising fixed-interest securities and cash funds.

Employer payments into the fund assets of € 0.4 million are expected in the 2013 financial year.

The amounts for the current year and the four previous years of the defined benefit obligation, the plan assets and the funded status are represented as follows:

in € millions	2008	2009	2010	2011	**2012**
Defined benefit obligation	70.9	73.1	74.0	74.3	86.4
Plan Assets	2.4	3.1	3.8	3.9	4.4
Funded Status	**68.5**	**70.0**	**70.2**	**70.4**	**82.0**

The following shows the experience adjustments for the current and four previous years:

in € millions	2008	2009	2010	2011	**2012**
Experience-based increase(+) / decrease (–) of pension obligations	0.8%	1.0%	0.5%	1.4%	-3.3%
Experience-based increase(+) / decrease (–) of plan assets	-53.1%	15.6%	5.9%	-9.2%	3.8%

Other provisions for warranty commitments and risks from pending transactions include provisions for impending losses from pending transactions of € 10.5 million (prior year: € 13.2 million) and warranty risk of € 27.4 million (prior year: € 20.5 million). Of the reversals, € 4.5 million is attributable to provisions for impending losses and € 0.9 to warranty risk.

The Group-wide restructuring plan for personnel and material measures launched in 2009 was concluded in the reporting year. The provision existing until December 31, 2011 was used in the reporting period.

Of the other provisions, € 15.2 million (prior year: € 17.2 million) relates among other items to costs still to be incurred for orders already invoiced and litigation risk of € 0.8 million (prior year: € 2.7 million).

The expected remaining term of the other provisions is up to one year.

24 OTHER PROVISIONS

in € millions	Status as at Jan. 1,2012	Exchange rate differences	Comsumption	Reversals	Additions	**Status as at Dec. 31, 2012**
Warranty commitments and risks from pending transactions	33.7	0.0	11.8	5.4	21.4	37.9
Liabilities arising from restructurings	1.4	0.0	1.4	0.0	0.0	0.0
Other provisions	41.9	-1.5	22.0	5.1	29.0	42.3
Total	**77.0**	**-1.5**	**35.2**	**10.5**	**50.4**	**80.2**

25 LIABILITIES

2012 in € millions	Remaining maturity up to one year	 of more than five years	Dec. 31, 2012 total
Liabilities due to banks	4.2	0.0	4.2
Bond	2.4	194.9	197.3
Convertible bond	0.0	0.0	0.0
Financial liabilities	**6.6**	**194.9**	**201.5**
Trade payables	136.2	–	136.2
Advances received	86.5	–	86.5
Liabilities from construction contracts	95.5	–	95.5
Accounts payable to affiliated companies	0.1	–	0.1
Income tax payables	9.2	–	9.2
Other liabilities and deferred income	109.1	13.4	122.5
(of that for other taxes)	(19.0)	–	(19.0)
(of that for social security payments)	(3.4)	–	(3.4)
(of that liabilities relating to personnel)	(65.3)	(8.0)	(73.3)
(of that for leases)	(0.0)	–	(0.0)
(of that derivates)	(4.9)	–	(4.9)
Total	**443.2**	**208.3**	**651.5**

2011 in € millions	Remaining maturity up to one year	 of more than five years	Dec. 31, 2011 total
Liabilities due to banks	5.0	0.2	5.2
Bond	2.4	193.8	196.2
Convertible bond	–	–	–
Financial liabilities	**7.4**	**194.0**	**201.4**
Trade payables	167.2	–	167.2
Advances received	67.1	–	67.1
Liabilities from construction contracts	93.4	–	93.4
Accounts payable to affiliated companies	0.1	–	0.1
Income tax payables	6.1	–	6.1
Other liabilities and deferred income	109.6	13.3	122.9
(of that for other taxes)	(24.8)	–	(24.8)
(of that for social security payments)	(1.7)	–	(1.7)
(of that liabilities relating to personnel)	(52.9)	(7.5)	(60.4)
(of that for leases)	(0.3)	–	(0.3)
(of that derivates)	(4.2)	(0.3)	(4.5)
Total	**450.9**	**207.3**	**658.2**

26 FINANCIAL LIABILITIES / FINANCING

The existing financial liabilities mainly represent the bond issued in November 2010.

Fixed interest rate agreements

in € millions	Net carrying amount 2011	 2012	Fair value 2011	 2012	Original maturity	Notional interest rate
Bond	196.2	197.3	202.8	229.8	2010 – 2017	8.75% p. a.

The market value of the bond was determined using the Xetra closing price of the Deutsche Börse Frankfurt on the last trading day of the respective year.

Variable interest rate liabilities to banks as of Dec. 31, 2012

Financial instrument / in millions	Net carrying amount		Avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	298.4 INR	4.2€	12.00% p. a.	2013

Variable interest rate liabilities to banks as of Dec. 31, 2011

Financial instrument / in millions	Net carrying amount		Avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	8.0 CNY	1.0€	8.17% p. a.	2012
Liabilities due to banks	262.5 INR	3.8€	12.00% p. a.	2012

The nominal interest rates correspond to those interest rates that had to be paid for utilization at the reporting date in the respective currency.

Bond

In November 2010, KUKA Aktiengesellschaft placed a bond with a face value of € 202.0 million. The issue price was 99.3605 percent, which corresponds to a cash inflow of € 200.7 million. The bond was issued in denominations of € 50,000.00 and carries an interest coupon of 8.75 percent p.a. Interest payments are made on May 15 and November 15 every year.

The bond matures at the latest on November 15, 2017 and will be redeemed by payment equal to the face value plus interest accrued up until that time. The issuer has the right to cancel the bond before maturity. The first possible call date is November 15, 2014.

The bond is listed on the Luxembourg stock exchange (ISIN DE000A1E8X87 / WKN A1E8X8). The last price quoted for the bond on the Frankfurter stock exchange in 2012 was 113.75 percent versus 100.40 as at December 31, 2011.

On initial recognition the bond was carried at fair value less transaction costs totaling € 8.0 million. The difference between the amount paid out (less transaction costs) and the redemption amount is recognized in the interest result for the term of the loan using the effective interest method. The interest rate rises to 9.66 percent (effective) when the issuing costs are included.

Syndicated loan

The Syndicated Senior Facilities Agreement concluded in November 2010 has a volume of € 200.0 million (€ 50.0 million as a cash credit line and € 150.0 million as a guarantee line) and has a term until the end of March 2014. According to a supplement to the Syndicated Senior Facilities Agreement in the second quarter of 2012, the cash credit line can now be used bilaterally with the individual underwriters as a guarantee line.

The Syndicated Senior Facilities Agreement includes financial and non-financial covenants. The key financial covenants relate to minimums for the interest coverage ratio (ratio of earnings before interest, taxes, depreciation and amortization [EBITDA] to defined net interest expense), to upper limits for leverage (ratio of net debt to EBITDA) and to gearing (ratio of defined net debt to equity without minority interests). Compliance with the financial covenants is reviewed at the end of each quarter.

The utilization of the guarantee facility as of the key date totaled € 109.4 million (prior year: € 128.7 million); the existing working capital line was utilized via a branched-off line for KUKA Robotics (India) in the amount of € 4.2 million (December 31, 2011: € 3.8 million).

The receivables of the syndicate of banks from the Syndicated Senior Facilities Agreement are collateralized by KUKA companies, among other things, with land charges on domestic properties, charges on business interests, patent and trademark rights and by way of securities. These securities also subordinately serve bondholders.

Credit lines from surety companies

The guarantee facilities committed by surety companies were raised from € 52.0 million (as at December 31, 2011) to the current € 62.0 million. According to the Syndicated Senior Facilities Agreement, these credit lines can be utilized up to a maximum of € 45.0 million. At the end of the reporting year, the company had utilized € 39.5 million versus € 36.3 million on December 31, 2011.

Asset-backed securities program

KUKA issued an asset-backed securities (ABS) program in December 2006 and again in June 2011. Under this program, trade receivables of KUKA Roboter GmbH can be sold in regular tranches to a special purpose vehicle (SPV) of Bayerische Landesbank or 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 the respective bank. Covenants analogous to those of the Syndicated Senior Facilities Agreement are also in place for this financing program.

The key components of the ABS program are included in the following table:

	ABS Program 2006		ABS Program 2011		Total	
in € millions	2011	**2012**	2011	**2012**	2011	**2012**
Volume	25.0	25.0	25.0	25.0	50.0	50.0
Utilization	9.0	4.2	13.5	9.6	22.5	13.8
Expires		March 31, 2014		June 30, 2018		
Retained credit risk (in %)	1.15	1.15	1.15	1.15	1.15	1.15
Continuing involvement	0.2	0.2	0.2	0.2	0.4	0.4
Value adjustment of continuing involvement	0.2	0.2	0.2	0.2	0.4	0.4

Default guarantees from credit insurers ensure adequate credit worthiness of the receivables sold. KUKA Roboter GmbH assumes the first 1.15 percent of credit risk from the sale of receivables and as a further security provides a cash deposit each time, which is reported under other assets. KUKA Roboter GmbH manages and processes the receivables that are sold. No claims to be recognized in the income statement resulted from this in 2012 (prior year: € 0.2 million).

27 OTHER NON-CURRENT / CURRENT LIABILITIES AND DEFERRED INCOME

The other liabilities for other taxes are primarily from sales, wage and church tax.

Other liabilities in the personnel area are mostly related to obligations from vacation entitlements (2012: € 8.3 million; prior year: € 5.7 million), flex-time credits (2012: € 12.9 million; prior year: € 12.8 million), variable compensation elements (2012: € 35.8 million; prior year: € 25.8 million) and early retirement (2012: € 7.0 million; prior year: € 6.7 million).

Early retirement obligations have been reduced by the fair value of the corresponding fund assets (2012: € 8.0 million; prior year: unchanged). The present value of entitlements from pre-retirement obligations (DBO) before offsetting was € 15.0 million (prior year: € 14.7 million).

An amount of € 1.5 million was recognized for the first time in 2012 for the phantom share program (PSP) introduced for the executive management team (see Share-based compensation on page 42 ff. for more details).

Also reported under this item are, among other things, special payments, inventor's compensation, long-service awards and trade association fees.

Liabilities arising from finance leases are recognized at the present value of future lease payments and disclosed as other liabilities.

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

a) Principles of risk management

As part of its general business activities, the KUKA Group is exposed to various financial risks, in particular from movements in exchange rates and interest rates as well as counterparty risk and liquidity risk. The purpose of financial risk management is to identify, assess and manage these risks. The aim is to limit the potential negative impact on the financial position.

Derivatives may be a part of financial risk management depending on the risk assessment. Derivatives are exclusively used as hedging instruments with reference to an underlying transaction and are thus not held for trading or other speculative purposes. To reduce the credit risk, hedging transactions are only concluded with financial institutions with an excellent credit rating.

The fundamentals of the Group's financial policy are established by the Executive Board and implemented by the Group Treasury in close cooperation with the Group companies. Certain transactions require the approval of the CFO, who is regularly briefed on the current risk exposures and how these are being managed.

b) Currency risk

Risks arising from fluctuations in exchange rates that may affect the Group's cash flow – for example from investments, financing and already fixed or planned incoming and outgoing operational payments in foreign currencies – are hedged as they arise or become known through the use of derivative financial instruments with banks or by offsetting opposing cash flows. Hedging may also cover future planned transactions such as planned purchases in foreign currencies, where hedging is used to cover exchange rate fluctuations congruent with the respective maturities and amounts. The Group Treasury is principally responsible for the conclusion of hedging transactions with banks.

Exchange rate risks that do not influence the Group's cash flows, e.g. risks resulting from translation of balance sheet and income statement items of foreign KUKA companies into the Group currency (translation risks), are generally not hedged.

From the perspective of the Group companies, there were no financial liabilities in foreign currencies at banks at the reporting date. All intra-Group loans denominated in foreign currencies were hedged accordingly. KUKA was not exposed to any significant exchange rate risk in the area of financing at the reporting date on account of these hedging activities.

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

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

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

Currency sensitivity analyses are based on the following assumptions:

- Major non-derivative monetary financial instruments (liquid assets, receivables, liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives.
- Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency by using derivatives. For this reason, there can be no material effect on the variables considered in this connection.

Owing to the KUKA Group's delivery and service structure and the relationships with suppliers, the following currency scenarios arise at the balance sheet date for the main foreign currencies used by the KUKA Group:

A ten percent gain of the EUR against the USD would have a positive effect on Group profits of plus € 1.0 million (prior year: plus € 0.5 million). A ten percent decline of the EUR against the USD would have a negative effect on Group profits of minus € 1.2 million (prior year: minus € 0.6 million).

A ten percent gain of the EUR against the JPY would have a negative effect on Group profits of minus € 3.3 million (prior year: minus € 3.8 million). A ten percent decline of the EUR against the JPY would have a positive effect on Group profits of plus € 4.0 million (prior year: plus € 4.7 million).

A ten percent gain of the EUR against the CNY would have a positive effect on Group profits of plus € 1.1 million (prior year: plus € 0.2 million). A ten percent decline of the EUR against the CNY would have a negative effect on Group profits of minus € 1.4 million (prior year: minus € 0.2 million).

A ten percent gain of the EUR against the HUF would have a negative effect on Group profits of minus € 0.6 million (prior year: minus € 0.8 million). A ten percent decline of the EUR against the HUF would have a positive effect on Group profits of plus € 0.7 million (prior year: plus € 0.9 million).

A ten percent gain of the EUR against the BRL would have a positive effect on Group profits of plus € 0.3 million (prior year: minus € 0.1 million). A ten percent decline of the EUR against the BRL would have a negative effect on Group profits of minus € 0.4 million (prior year: plus € 0.2 million).

Assumptions concerning the future cannot be derived from this presentation of currency effects. However, this analysis shows that the positive and negative effects of exchange rate fluctuations in the Group are largely canceled out. This is due to the balanced long and short positions with regard to the amounts involved.

c) Interest rate risk

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

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

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

An increase in market interest rates by 100 basis points at December 31, 2012 would have a positive effect on results of plus € 2.4 million (prior year: plus € 1.6 million). A decrease in market interest rates by 100 basis points would have a negative effect on results of minus € 0.4 million (prior year: minus € 1.6 million). This hypothetical effect results solely from the financial investments (borrowings) with variable interest rates totaling € 244.3 million (€ 4.1 million) at the balance sheet date.

d) Credit risk

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

At the level of operations, the outstanding debts are continuously monitored in each area locally. There are regular business relations with major customers at several KUKA Group companies. The associated credit risks are subject to separate quarterly credit rating monitoring as part of the risk management system at the Group's Executive Board level for early detection of an accumulation of individual risks. Added to these measures are comprehensive routine checks implemented at the segment level as early as the order initiation process (submission of offers and the acceptance of orders) to verify the credit rating of potential business partners. Where necessary, credit risk is accounted for through individual impairments.

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

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

e) Liquidity risk

One of KUKA AG's primary tasks is to coordinate and control the Group's financing requirements and to ensure the financial independence of KUKA and its ability to pay on time. With this goal in mind, the KUKA Group optimizes the Group's financing and limits its financial risks. The standardized, Group-wide treasury reporting system implemented in 2007 was further enhanced in the 2012 financial year for this purpose. In addition, the Group's overall liquidity risk is reduced by closely monitoring the Group's companies and their control of payment flows.

As a first step to ensure the payment capability at all times and the financial flexibility of the KUKA Group, a liquidity reserve is kept by KUKA Aktiengesellschaft in the form of credit lines and cash funds. Moreover, KUKA has issued a bond, signed a Syndicated Senior Facilities Agreement with a consortium of banks and arranged for surety companies to commit working capital guarantees. The funding and guarantee requirements for business operations are ensured to a large extent internally by transferring cash funds (intercompany loans) and guarantees. This ensures that Group-wide liquidity management takes place at the individual company level, thereby further optimizing the Group's financing on the whole.

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

DEC. 31, 2012 in € millions	Cash flows 2013	Cash flows 2014	Cash flows 2015 – 2017	Cash flows 2018 ff.
Non-current financial liabilities	17.7	17.7	255.0	–
Current financial liabilities	4.2	–	–	–
Trade payables	136.2	–	–	–
Liabilities from construction contracts	95.5	–	–	–
Accounts payable to affiliated companies	0.1	–	–	–
Other non-current liabilities and provisions	–	0.0	0.0	0.0
(of that for leases)	–	0.0	0.0	0.0
Other current liabilities and provisions	56.2	–	–	–
(of that for leases)	0.0	–	–	–

DEC. 31, 2011 in € millions	Cash flows 2012	Cash flows 2013	Cash flows 2014 – 2016	Cash flows 2017 ff.
Non-current financial liabilities	17.7	17.7	53.0	219.7
Current financial liabilities	5.0	–	–	–
Trade payables	167.2	–	–	–
Liabilities from construction contracts	93.4	–	–	–
Accounts payable to affiliated companies	0.1	–	–	–
Other non-current liabilities and provisions	–	0.5	0.0	0.0
(of that for leases)	–	–	–	–
Other current liabilities and provisions	53.8	–	–	–
(of that for leases)	(0.3)	–	–	–

All financial instruments are included which were held at the balance sheet dates and for which payments have already been contractually agreed. Foreign currency amounts are expressed at the spot rate on the key date. The variable interest payments from the financial instruments were determined on the basis of the interest rates last fixed prior to December 31, 2012, i. e. 2011. Financial liabilities repayable at any time are always allocated to the earliest time period.

f) Hedges

Hedges are used by the KUKA Group exclusively in the form of forward exchange transactions to secure existing balance sheet items as well as to hedge future payment flows. These are exclusively for the purpose of hedging currency risk.

The following shows the carrying amounts of the financial instruments by measurement category according to IAS 39:

in € millions	Abbr.	2011	2012
Available-for-sale financial assets	AfS	0.2	0.2
Loans and receivables	LaR	527.4	596.6
Financial assets held for trading	FAHfT	4.0	1.7
Financial liabilities measured at amortized cost	FLAC	418.9	389.1
Financial liabilities held for trading	FLHfT	4.5	4.9

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

Carrying amounts and fair values by measurement categories for 2012

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2012	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2012	**Fair value / Status as at Dec. 31, 2012**
Assets						
Financial investments		0.2	–	–	0.2	0.2
(of that participations)	AfS	(0.2)	–	–	(0.2)	(0.2)
Long-term finance lease receivables	n.a.	70.2	–	70.2	–	70.2
Other long-term receivables and other assets		9.6	4.1	0.0	5.5	9.6
(of that trade receivables)	FAHfT	(0.1)	–	–	(0.1)	(0.1)
(of that from the category LaR)	LaR	(5.4)	–	–	(5.4)	(5.4)
(of that other)	n.a.	(4.1)	(4.1)	–	–	(4.1)
Trade receivables	LaR	141.7	–	–	141.7	141.7
Receivables from construction contracts	LaR	198.9	–	–	198.9	198.9
Current finance lease receivables	n.a.	5.0	–	5.0	–	5.0
Other assets, prepaid expenses and deferred charges		26.9	19.0	0.0	7.9	26.9
(of that derivatives without a hedging relationship)	FAHfT	(1.6)	–	–	(1.6)	(1.6)
(of that other from the category LaR)	LaR	(6.3)	–	–	(6.3)	(6.3)
(of that other)	n.a.	(19.0)	(19.0)	–	–	(19.0)
Cash and cash equivalents	LaR	244.3	–	–	244.3	244.3

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2012	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2012	**Fair value / Status as at Dec. 31, 2012**
Liabilities						
Non-current financial liabilities	FLAC	194.9	–	–	194.9	229.8
Other non-current lliabilities and provisions		13.4	13.4	0.0	0.0	13.4
(of that for leases)	n. a.	(0.0)	–	(0.0)	–	(0.0)
(of that derivatives without a hedging relationship (held for sale))	FLHfT	(0.0)	–	–	(0.0)	(0.0)
(of that other from the category FLAC)	FLAC	(0.0)	–	–	(0.0)	(0.0)
(of that other)	n. a.	(13.4)	(13.4)	–	–	(13.4)
Current financial liabilities	FLAC	6.6	–	–	6.6	6.6
Trade payables	FLAC	136.2	–	–	136.2	136.2
Liabilities from construction contracts	n. a.	95.5	95.5	–	–	95.5
Accounts payable to affiliated companies	FLAC	0.1	–	–	0.1	0.1
Other current liabilities, prepaid expenses and deferred charges		109.1	52.9	0.0	56.2	109.1
(of that for leases)	n. a.	(0.0)	–	(0.0)	–	(0.0)
(of that derivatives without a hedging relationship (held for sale))	FLHfT	(4.9)	–	–	(4.9)	(4.9)
(of that other from the category FLAC)	FLAC	(51.3)	–	–	(51.3)	(51.3)
(of that other)	n. a.	(52.9)	(52.9)	–	–	(52.9)

Carrying amounts and fair values by measurement categories for 2011

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2011	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2011	**Fair value / Status as at Dec. 31, 2011**
Assets						
Financial investments		0.2	–	–	0.2	0.2
(of that participations)	AfS	(0.2)	–	–	(0.2)	(0.2)
Long-term finance lease receivables	n.a.	75.7	–	75.7	–	75.7
Other long-term receivables and other assets		12.1	3.0	–	9.1	12.1
(of that trade receivables)	FAHfT	(0.0)	–	–	(0.0)	(0.0)
(of that from the category LaR)	LaR	(9.1)	–	–	(9.1)	(9.1)
(of that other)	n.a.	(3.0)	(3.0)	–	-	(3.0)
Trade receivables	LaR	145.5	–	–	145.5	145.5
Receivables from construction contracts	LaR	194.3	–	–	194.3	194.3
Current finance lease receivables	n.a.	4.6	–	4.6	–	4.6
Other assets, prepaid expenses and deferred charges		66.4	52.7	–	13.7	66.4
(of that derivatives without a hedging relationship)	FAHfT	(4.0)	–	–	(4.0)	(4.0)
(of that other from the category LaR)	LaR	(9.7)	–	–	(9.7)	(9.7)
(of that other)	n.a.	(52.7)	(52.7)	–	–	(52.7)
Cash and cash equivalents	LaR	168.8	–	–	168.8	168.8

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2011	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2011	**Fair value / Status as at Dec. 31, 2011**
Liabilities						
Non-current financial liabilities	FLAC	194.0	–	–	194.0	202.8
Other non-current lliabilities and provisions		13.3	12.1	0.0	1.2	13.3
(of that for leases)	n. a.	(0.0)	–	(0.0)	–	(0.0)
(of that derivatives without a hedging relationship (held for sale))	FLHfT	(0.3)	–	–	(0.3)	(0.3)
(of that other from the category FLAC)	FLAC	(0.9)	–	–	(0.9)	(0.9)
(of that other)	n. a.	(12.1)	(12.1)	(0.0)	–	(12.1)
Current financial liabilities	FLAC	7.4	–	–	7.4	7.4
Trade payables	FLAC	167.2	–	–	167.2	167.2
Liabilities from construction contracts	n. a.	93.4	93.4	–	–	93.4
Accounts payable to affiliated companies	FLAC	0.1	0.1	–	–	0.1
Other current liabilities, prepaid expenses and deferred charges		109.6	55.8	0.3	53.5	109.6
(of that for leases)	n. a.	(0.3)	–	(0.3)	–	(0.3)
(of that derivatives without a hedging relationship (held for sale))	FLHfT	(4.2)	–	–	(4.2)	(4.2)
(of that other from the category FLAC)	FLAC	(49.3)	–	–	(49.3)	(49.3)
(of that other)	n. a.	(55.8)	(55.8)	(0.0)	(0.0)	(55.8)

With the exception of financial investments and leasing claims, most assets have short terms to maturity. Their carrying amounts as of the financial reporting date therefore correspond approximately to the fair value. Long-term interest-bearing receivables including finance lease receivables are measured and, if necessary, impaired based on different parameters such as interest rates and customer-specific credit ratings. Thus, these carrying amounts also largely reflect the market values.

Liabilities – with the exception of long-term financial liabilities and the other non-current liabilities – have regular, short terms to maturity. The values shown on the balance sheet approximately represent the fair values. The market value of the bond is based on the quoted prices as of the balance sheet date.

The derivative financial instruments recognized at the balance sheet date have to do with forward exchange transactions to hedge exchange exposure. Recognition in the balance sheet occurs at the market value determined using standardized financial mathematical methods, among other things, in relation to the foreign exchange rates.

In accordance with IFRS 7.27A, financial assets and financial liabilities measured at market values are to be attributed to the three levels of the fair value hierarchy. The three levels of the fair value hierarchy are defined as follows:

LEVEL 1: Quoted prices in active markets for identical assets or liabilities
LEVEL 2: Inputs other than quoted prices that are observable either directly or indirectly
LEVEL 3: Inputs for assets and liabilities that are not based on observable market data.

Affected by this in the KUKA Group are primarily forward exchange transactions carried as an asset (€1.7 million; prior year: €4.0 million) and those carried as a liability (€4.9 million; prior year: €4.5 million). These are measured according to level 2.

Net results listed according to valuation categories are represented as follows:

Net profit / loss by IAS 39 measurement categories for 2012

in € millions	Net gains / losses	Total interest income / expenses	Commission income / expenses
Loans and Receivables (LaR)	-4.2	2.2	0.0
Available-for-Sale Financial Assets (AfS)	-1.1	0.0	–
Financial Instruments Held for Trading (FAHfT und FLHfT)	-2.5	–	–
Financial Liabilities Measured at Amortised Cost (FLAC)	1.7	-24.3	-2.6
Total	**-6.1**	**-22.1**	**-2.6**

Net profit / loss by IAS 39 measurement categories for 2011

in € millions	Net gains / losses	Total interest income / expenses	Commission income / expenses
Loans and Receivables (LaR)	-1.2	2.7	0.0
Available-for-Sale Financial Assets (AfS)	-0.8	0.0	–
Financial Instruments Held for Trading (FAHfT und FLHfT)	3.1	–	–
Financial Liabilities Measured at Amortised Cost (FLAC)	-2.8	-28.4	-3.8
Total	**-1.7**	**-25.7**	**-3.8**

As in the previous year, net losses from the category Loans and Receivables include for the most part exchange rate effects as well as results from additions and reversals of provisions for receivables and other assets. In addition to foreign currency effects, the net profits from Financial Liabilities Measured at Amortized Cost also include income from writing off liabilities.

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

Commission expenses are recorded as the transaction costs for financial liabilities due to banks and fees for the provision of guarantees.

29 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

in € millions	2011	**2012**
Liabilities from guarantees	1.5	0.1
Liabilities from warranty agreements	36.3	9.6
Other commitments	43.6	44.1
(of that, discounted notes)	(1.1)	(2.4)
(of that, rent / lease liabilities)	(36.8)	(36.0)
(of that, other financial commitments)	(5.7)	(5.7)
Total	**81.4**	**53.8**

The reduction in liabilities from warranty agreements was primarily the result of the settlement of a long-term construction contract and the increased issuance of corporate guarantees for new contracts.

NOTES TO THE GROUP CASH FLOW STATEMENT

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

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents disclosed on the balance sheet, i. e. cash on hand, checks and cash with banks provided they are available within three months. All cash and cash equivalents are not subject to restrictions.

Cash flow from operating activities is derived indirectly from the earnings after taxes on income.

Under the indirect method, the relevant changes to the balance sheet items associated with operating activities are adjusted for currency translation effects and changes to the scope of consolidation.

Payments for the acquisition of consolidated companies and business units totaling € 0.1 million were made in the year under review to purchase additional shares of HLS Vietnam Co. Ltd., Ho Chi Minh City, Vietnam. There were no payments received or made in the previous year for the sale or acquisition of consolidated companies and other business units.

Cash inflows / outflows from operating activities also include the following items:

in € millions	2011	**2012**
Interest paid	-29.1	-22.0
Interest received	8.9	8.6
Income taxes paid	-23.0	-29.8
Income tax received	3.3	1.4

NOTES TO THE GROUP

SEGMENT REPORTING

The data for the individual annual financial statements have been segmented by business field and region. The structure follows internal reporting (management approach). The segmentation is intended to create transparency with regard to the earning power and the prospects, as well as the risks and rewards for the various business fields within the Group.

Segment reporting is designed to accommodate the structure of the KUKA Group. The KUKA Group was engaged in the reporting year and 2011 in two major business segments:

KUKA ROBOTICS

This segment offers customers from the automotive sector and general industry – as well as those supported by comprehensive customer services – industrial robots, from small models to the Titan robot now weighing in at 1,300 kg. The Advanced Robotics activities are also bundled in this segment.

KUKA SYSTEMS

This segment provides customers in the fields of automotive, aerospace, solar and general industry with innovative solutions and services for automated production. Applications range from welding, bonding, sealing, assembling and testing, to forming solutions tailored to meet the specific customer needs.

KUKA Aktiengesellschaft and other investments that are supplementary to the operating activities of the KUKA Group are aggregated in a separate segment. Cross-divisional consolidation and reconciliation items are shown in a separate column. The allocation of the Group companies to the individual business segments is shown in the schedule of shareholdings.

The breakdown of sales revenues by region is based on the customer's registered office / delivery location. Non-current assets (tangible and intangible assets) are calculated by company location.

	Revenues acc. to customer location		Non-current assets acc. to registered office of the company	
in € millions	2011	**2012**	2011	**2012**
Germany	503.6	596.1	85.9	94.4
Europe (excluding Germany)	328.8	398.6	19.8	22.8
North America	274.2	427.3	54.5	54.2
Asia / other regions	329.0	317.2	6.2	6.4
Total	**1,435.6**	**1,739.2**	**166.4**	**177.8**

In 2012 the KUKA Group achieved more than ten percent of total sales from four (prior year: three) customers, respectively. These sales are attributable to both the Robotics segment and the Systems segment.

	Total 2011		Total 2012	
	in € millions	in %	in € millions	in %
Customer A	268.8	18.7	250.7	14.4
Customer B	149.2	10.4	213.6	12.3
Customer C	222.4	15.5	195.4	11.2
Customer D	76.6	5.3	177.2	10.2
Other customers	718.6	50.1	902.3	51.9
Sales revenues	**1,435.6**	**100.0**	**1,739.2**	**100.0**

The calculations for segment reporting rely on the following principles:

- Group external sales revenues show the divisions' respective percentage of consolidated sales for the Group as presented in the Group income statement.
- Intra-Group sales revenues are related sales transacted between segments. In principle, transfer prices for intra-Group sales are determined at the market level.
- Sales revenues for the segments include revenues from sales to third parties as well as sales to other Group segments
- EBIT reflects operating earnings, i. e. the earnings from ordinary activities before financial results; EBIT is adjusted for borrowing costs to be capitalized.
- ROCE (return on capital employed) is the ratio of EBIT to capital employed, which is largely non-interest bearing. To calculate ROCE the capital employed is based on an average value.

The reconciliation of capital employed to segment assets and segment liabilities is shown in the following table:

in € millions	2011	2012
Capital employed		
Intangible assets	78.8	82.9
+ Tangible assets	87.6	94.9
+ Non-current lease receivables	75.7	70.2
+ Asset-side working capital	624.2	601.8
Inventories	195.4	213.4
Receivables from construction contracts	194.3	198.9
Trade receivables	145.5	141.7
Other receivables and assets	89.0	47.8
= Asset items of capital employed	866.3	849.8
./. Other provisions, excluding major provisions for restructuring	75.7	80.2
./. Liabilities from construction contracts	93.4	95.5
./. Advances received	67.1	86.5
./. Trade payables	167.2	136.2
./. Other liabilities except for liabilities similar to bonds (incl. deferred income)	121.9	112.9
= Liabilities items of capital employed (= liability-side working capital)	525.3	511.3
= Capital employed	**341.0**	**338.5**
Average capital employed	332.9	339.8
Segment assets		
Asset items of capital employed	866.3	849.8
+ Participations	0.2	0.2
= Segment assets	**866.5**	**850.0**
Segment liabilities		
Liability items of capital employed (= liability-side working capital)	525.3	511.3
+ Pension provisions and similar obligations	70.4	82.0
+ Major provisions for restructuring	1.4	0.0
= Segment liabilities	**597.1**	**593.3**
Asset-side working capital	624.2	601.8
Liability-side working capital	525.3	511.3
Working capital	**98.9**	**90.5**

Additional 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 Group notes.

OTHER NOTES

RELATED PARTY DISCLOSURES

Persons or companies that may be influenced by or have influence on the reporting company must be disclosed in accordance with IAS 24, provided they have not already been included as consolidated companies in the financial statements.

Parties related to the KUKA Group include mainly members of the Executive and Supervisory Boards as well as non-consolidated and associated KUKA Group companies in which KUKA Aktiengesellschaft directly or indirectly holds more than 20 percent of the voting rights or companies that hold more than 20 percent of the share of voting rights in KUKA Aktiengesellschaft.

Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim, Bavaria currently holds a 24.4 percent share in KUKA Aktiengesellschaft and therefore represents a related party for the purpose of IAS 24.

As in the previous year, product and services-related business activities transacted between companies included in the KUKA Group consolidation and defined as related parties primarily existed for the most part only between the Grenzebach Group in the reporting year. In this context, KUKA Group companies performed services totaling € 21.7 million (prior year: € 23.8 million) and received services worth € 36.0 million (prior year: € 31.7 million).

in € millions	Interest in %	Products and services provided by the KUKA Group to related companies		Products and services provided by related companies to the KUKA Group	
		2011	**2012**	2011	**2012**
Grenzebach Group	24.4	23.8	21.7	31.7	36.0

Intra-Group purchases and sales are transacted under the "dealing at arm's length" principle at transfer prices that correspond to market conditions.

Services provided to related parties mainly comprise commissions and sales, primarily for products from the Robotics segment. Services provided to the Group consist primarily of preparatory work that is subject to subsequent processing by the KUKA Group's consolidated companies and job order production.

The following table lists the material amounts owed by related parties to fully consolidated KUKA Group companies and vice versa.

in € millions	Interest in %	Receivables of the KUKA Group to related companies		Liabilities of the KUKA Group to related companies	
		Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**
Grenzebach Group	24.4	7.0	3.0	1.9	2.0
Other less than € 1 million	–	–	–	0.1	0.1
Total	**–**	**7.0**	**3.0**	**2.0**	**2.1**

The other related parties listed in the table are Freadix FryTec GmbH, Augsburg, IWK Unterstützungseinrichtung GmbH, Karlsruhe and KUKA Unterstützungskasse GmbH, Augsburg.

No business subject to reporting rules was conducted between any KUKA Group companies and members of KUKA Aktiengesellschaft's Executive or Supervisory Boards with the exception of the legal transactions outlined in the compensation report.

EXECUTIVE BOARD AND SUPERVISORY BOARD COMPENSATION

Compensation paid to the Executive Board totaled € 4.0 million (prior year: € 3.2 million). The incumbent executive officers received a fixed salary including payments in kind of € 0.7 million (prior year: € 0.9 million) in the financial year 2012. Target achievement and performance-based compensation amounted to € 1.2 million (prior year: € 1.3 million).Compensation under the phantom share program for 2012 – 2014 amounted to € 0.6 million. The compensation of Stephan Schulak was dealt with separately due to the early termination of the contract. A cash settlement of € 1.5 million was paid for all compensation elements. On December 31, 2012, provisions for all Executive Board phantom share programs totaled € 1.7 million (prior year: € 1.0 million).

With a few exceptions, former Executive Board members have been granted benefits from the company pension scheme, which include old-age, vocational and employment disability, widow's and orphan's pensions. The amount of accruals included for this group of persons in 2012 for current pensions and vested pension benefits totals € 10.0 million (German-GAAP, HGB) compared to € 9.8 million in 2011.

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

In the 2012 financial year the members of the Supervisory Board received a total of € 0.8 million (prior year: € 0.9 million) for their activities as members of this body.

Please refer to the notes in the audited compensation report for further information and details about the compensation of individual Executive Board and Supervisory Board members. The compensation report is part of the corporate governance report and summarizes the basic principles used to establish the compensation of the Executive and Supervisory Boards of KUKA Aktiengesellschaft. The compensation report is an integral part of the management report.

The members of the Executive and Supervisory Boards are presented on page 152 ff.

AUDIT FEES

The fee for the auditor KPMG AG, Wirtschaftsprüfungsgesellschaft, Munich, recognized as an expense in 2012 totals € 1.4 million. € 1.0 million was recognized for financial statement auditing services. The auditor performed other assurance services totaling € 0.1 million. € 0.3 million was recognized as an expense for tax advisory services performed by the auditor.

DECLARATION REGARDING THE CORPORATE GOVERNANCE CODE

The identically worded declarations in accordance with section 161 German Corporation Act (AktG) that have been issued by the Executive Board (February 5, 2013) and of the Supervisory Board (February 15, 2013) are available for inspection by any interested party on the company's website (www.kuka-ag.de/en/).

EVENTS AFTER THE BALANCE SHEET DATE

In an ad hoc release dated February 6, 2013, the company announced that KUKA Aktiengesellschaft's Executive Board, with the approval of the Supervisory Board, has decided to offer convertible bonds with a total par value of € 55.0 million to € 60.0 million with February 12, 2018 as the maturity date, i. e. with a term of five years. The bonds may initially be converted into up to 1,598,659 new bearer shares of KUKA Aktiengesellschaft. The issue is, under the exclusion of subscription rights, to take place according to section 4(6) of the Articles of Association and in accordance with the authorization granted by the Annual General Meeting of April 29, 2010.

After successful private placement of the convertible bonds, KUKA Aktiengesellschaft already announced the details of the transaction on February 6, 2013: The final issue volume is € 58.8 million with a nominal interest rate of 2.0 percent. The initial conversion price is € 36.8067, which represents a conversion premium of 26.0 percent to the reference price of the share on February 6, 2013. The convertible bonds are admitted to trading on the over-the-counter market of the Frankfurt Stock Exchange.

The proceeds from the issue serve to optimize the balance sheet in the medium-term and to increase financial flexibility.

Augsburg, March 4, 2013

KUKA Aktiengesellschaft

The Executive Board

Dr. Till Reuter Peter Mohnen

CORPORATE BODIES

EXECUTIVE BOARD

Dr. Till Reuter
Pfäffikon, Switzerland, Chief Executive Officer
- Rinvest AG, Pfäffikon / Switzerland*
- Dr. Steiner Holding AG*

Peter Mohnen (as of August 1, 2012)
Munich, Member of the Executive Board
Finance and Controlling

Stephan Schulak (until July 31, 2012)
Rohrbach, Member of the Executive Board
Finance and Controlling

SUPERVISORY BOARD

Bernd Minning
Kaisheim
Chairman of the Supervisory Board
Managing Director of
- Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim
- Grenzebach BSH GmbH, Bad Hersfeld
- Grenzebach Shanghai GmbH, Asbach-Bäumenheim
- Grenzebach International GmbH, Asbach-Bäumenheim

Member of the Board of Directors of
- Grenzebach Machinery (Jiashan) Ltd., Jiashan, PR China (Chairman)
- Grenzebach Machinery (Shanghai) Ltd., Shanghai, PR China (Chairman)
- Grenzebach Corporation, Newman, Georgia / USA
- INOS Automation Software. Inc., Farmington Hills, Michigan / USA
- Grenzebach Machinery (Italy) s.r.l., Fossano, Italy

Jürgen Kerner (until Juni 6, 2012)***
Königsbrunn
Deputy Chairman of the Supervisory Board
Managing Member of the Board of Directors of IG Metall trade union, Frankfurt
- MAN SE, Munich*
- manroland AG, Offenbach* (until Mai 31, 2012)
- Premium Aerotec GmbH, Augsburg*
- Siemens AG, Munich

Thomas Kalkbrenner (as of Juni 13, 2012)
Augsburg
Deputy Chairman of the Supervisory Board
(as of September 27, 2012)
2nd Secretary of IG Metall trade union, Augsburg branch

Prof. Dr. Dirk Abel
Aachen
University Professor
Director of the Institute of Automatic Control at RWTH Aachen
Member of the Supervisory Board of ATC GmbH (Aldenhoven Testing Center of RWTH Aachen University), Aachen

* Membership in other legally stipulated supervisory boards
** Membership in comparable German and foreign controlling bodies of commercial enterprises
*** Employee Representative

Wilfried Eberhardt***
Aichach
Executive Vice President Marketing & Associations
KUKA Roboter GmbH, Augsburg
Authorized signatory of KUKA Roboter GmbH, Augsburg

Dr. Uwe Ganzer
Bochum
Graduate in Business Management
- expert AG, Langenhagen*
- Curanum AG, Munich (Chairman of the Supervisory Board)*

Siegfried Greulich***
Augsburg
Chairman of the Works Council of KUKA Systems GmbH, Augsburg

Thomas Knabel***
Zwickau
2nd Secretary of IG Metall trade union, Zwickau branch

Carola Leitmeir***
Großaitingen
Chairman of the Works Council of KUKA Laboratories GmbH, Augsburg

Prof. Dr. Uwe Loos
Stuttgart
Industrial Consultant
Dorma Holding GmbH +Co.KGaA, Ennepetal*
- Bharat Forge LTD, Pune, India**
- CDP Bharat Forge GmbH, Ennepetal**
- Kenersys GmbH, Münster**
- Fritz GmbH, Bietigheim Bissingen**
- Bharat Forge Aluminiumtechnik, Brand-Erbisdorf**

Dr. Michael Proeller
Augsburg
Business Administrator
Managing Partner of Erhardt + Leimer GmbH, Augsburg
Managing Director of Erhardt + Leimer Elektroanlagen GmbH, Augsburg
Managing Director of Erhardt + Leimer Steuerungstechnik GmbH, Augsburg
- Erhardt + Leimer Inc., Duncan, USA**
- Erhardt + Leimer. India Pvt, Ltd., India**
- Erhardt + Leimer. Italia Srl., Italy**
- Erhardt + Leimer do Brasil Ltda., Brazil**
- Erhardt + Leimer Canada Ltd., Canada**
- Erhardt + Leimer Japan Ltd., Japan**
- Erhardt + Leimer France Sarl., France**
- Erhardt + Leimer (Hangzhou) Ltd., PR China**

Fritz Seifert***
Schwarzenberg
Chairman of the Works Council of KUKA Systems GmbH, Augsburg
Toolmaking Division Schwarzenberg
(until December 31, 2012)
Deputy Chairman of the Group Works Council
(until March 25, 2013)

Guy Wyser-Pratte
Bedford, New York / USA
President Wyser-Pratte & Co., Inc.

* Membership in other legally stipulated supervisory boards
** Membership in comparable German and foreign controlling bodies of commercial enterprises
*** Employee Representative

SCHEDULE OF SHAREHOLDINGS OF KUKA AKTIENGESELLSCHAFT

As of December 31, 2012

	Name and registered office of the company	Currency	Share of Equity in %	Method of Consolidation
Germany				
1	KUKA Roboter GmbH, Augsburg*	EUR	100.00	c
2	KUKA Systems GmbH, Augsburg*	EUR	100.00	c
3	KUKA Laboratories GmbH, Augsburg*	EUR	100.00	c
4	HLS Ingenieurbüro GmbH, Augsburg	EUR	100.00	c
5	KUKA Dienstleistungs GmbH, Augsburg*	EUR	100.00	c
6	Bopp & Reuther Anlagen-Verwaltungsgesellschaft mbH, Augsburg	EUR	100.00	c
7	Freadix FryTec GmbH, Augsburg	EUR	100.00	nc
8	IWK Unterstützungseinrichtung GmbH, Karlsruhe	EUR	100.00	nc
9	KUKA Unterstützungskasse GmbH, Augsburg	EUR	100.00	nc
10	Schmidt Maschinentechnik GmbH i.L., Niederstotzingen	EUR	100.00	nc
Other Europe				
11	HLS Czech s.r.o., Mlada Boleslav / Czech republic	CZK	100.00	c
12	KUKA S-BASE s.r.o. v likvidaci, Roznov p.R. / Czech republic	CZK	100.00	c
13	KUKA Automatisering + Robots N.V., Houthalen / Belgium	EUR	100.00	c
14	KUKA Automatisme + Robotique S.A.S., Villebon-sur-Yvette / France	EUR	100.00	c
15	KUKA Automotive N.V., Houthalen / Belgium	EUR	100.00	c
16	KUKA Enco Werkzeugbau spol. s.r.o., Dubnica nad Váhom / Slowakia	EUR	65.00	c
17	KUKA Nordic AB, Västra Frölunda / Sweden	SEK	100.00	c
18	KUKA Roboter CEE GmbH, Linz / Austria	EUR	100.00	c
19	KUKA Roboter Italia S.p.A., Rivoli / Italy	EUR	100.00	c
20	KUKA Roboter Schweiz AG, Dietikon / Switzerland	CHF	100.00	c
21	KUKA Robotics Hungária Ipari Kft., Taksony / Hungary	EUR	100.00	c
22	KUKA Robotics OOO, Moskau / Russia	RUB	100.00	c
23	KUKA Robotics UK LTD, Wednesbury / Great Britain	GBP	100.00	c
24	KUKA Robots IBÉRICA, S.A., Vilanova i la Geltrú / Spain	EUR	100.00	c
25	KUKA Sistemy OOO, Togliatti / Russia	RUB	100.00	c
26	KUKA Systems France S.A., Montigny / France	EUR	100.00	c
27	KUKA Systems SRL, Sibiu / Romania	RON	100.00	c
28	Metaalwarenfabriek 's-Hertogenbosch B.V., 's-Hertogenbosch / Netherlands	EUR	100.00	nc
29	Thompson Friction Welding Ltd., Halesowen / Great Britain	GBP	100.00	c
North America				
30	KUKA U.S. Holdings Company LLC., Shelby Township, Michigan / USA	USD	100.00	c
	incl.			
31	KUKA Systems North America LLC., Sterling Heights, Michigan / USA	USD	100.00	c
32	KUKA Assembly and Test Corp., Saginaw, Michigan / USA	USD	100.00	c
33	KUKA Systems de Mexico, S. de R.L. de C.V., Mexico City / Mexico	MXN	100.00	c
34	KUKA Recursos, S. de R.L. de C.V., Mexico City / Mexico	MXN	100.00	c

	Name and registered office of the company	Currency	Share of Equity in %	Method of Consolidation
35	KUKA Toledo Production Operation, LLC., Clinton Township, Michigan / USA	USD	100.00	c
36	KUKA Robotics Corp., Sterling Heights, Michigan / USA	USD	100.00	c
37	KUKA Robotics Canada Ltd., Saint John NB / Canada	CAD	100.00	c
38	KUKA de Mexico S.de R.L.de C.V., Mexico City / Mexico	MXN	100.00	c
Latin America				
39	KUKA Roboter do Brasil Ltda., São Paulo / Brazil	BRL	100.00	c
40	KUKA Systems do Brasil Ltda., São Bernardo do Campo SP / Brazil	BRL	100.00	c
Asia				
41	HLS Autotechnik (India) Pvt. Ltd., Pune / India	INR	100.00	c
42	HLS VIETNAM CO., LTD., Ho Chi Minh City / Vietnam	VND	95.00	c
43	KUKA Automation Equipment (Shanghai) Co., Ltd., Shanghai / China	CNY	100.00	c
44	KUKA Flexible Manufacturing Systems (Shanghai) Co., Ltd., Shanghai / China	CNY	100.00	c
45	KUKA Robot Automation Malaysia Sdn BhD. Kuala Lumpur / Malaysia	MYR	99.99	c
46	KUKA Robot Automation Taiwan Co. Ltd., Chung-Li City / Taiwan	TWD	99.90	c
47	KUKA Robotics (China) Co. Ltd., Shanghai / China	CNY	100.00	c
48	KUKA Robotics Manufacturing China Co., LTD. Shanghai City / China	CNY	100.00	c
49	KUKA Robotics (India) Pvt. Ltd, Haryana / India	INR	100.00	c
50	KUKA Robotics Japan K.K., Tokyo / Japan	JPY	100.00	c
51	KUKA Robotics Korea Co., Ltd., Kyunggi-Do / South Korea	KRW	100.00	c
52	KUKA Systems (India) Pvt.Ltd, Pune / India	INR	100.00	c
53	KUKA Systems (Thailand) Co., Ltd., Bangkok / Thailand	THB	100.00	c

* Companies that have made use of the exemption persuant to sec. 264 par. 3 or sec. 264 b of the German Commercial Code

Type of consolidation

c fully consolidated companies as at Dec.2012

ck non-consolidated companies as at Dec. 2012

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Augsburg, March 4, 2013

KUKA Aktiengesellschaft

The Executive Board

Dr. Till Reuter Peter Mohnen

AUDIT OPINION

We have audited the consolidated financial statements prepared by KUKA Aktiengesellschaft, Augsburg, comprising the income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity, and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1, to December 31, 2012. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Article 315a para. 1 HGB are the responsibility of the parent company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – "Institute of Public Auditors in Germany"). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 4, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Karl Braun
(German public auditor)

Rainer Rupprecht
(German public auditor)

GLOSSARY OF ACCOUNTING TERMS

ABS
Asset-backed securities. Asset-backed securities are bonds or notes that are collateralized with assets (usually receivables). Receivables of KUKA Roboter GmbH are purchased within the framework of an ABS program.

BRIC countries
Term that refers to the combination of Brazil, Russia, India and China.

Capital employed
Capital employed includes working capital as well as intangible assets and tangible fixed assets. Capital employed therefore represents the difference between operating assets and non-interest-bearing outside capital.

Cash earnings
Cash earnings are a measurement for the inflow or outflow of cash from the operating profits (EBIT). They are the resulting balance from operating profits, interest, taxes, depreciation as well as other non-payment-related expenses and income.

CGC
Corporate Governance Code: The German Government Commission's list of requirements for German companies (since 2002).

Corporate compliance
Corporate compliance means that all employees conform to the company's legislative framework and internal guidelines and do not contravene any applicable laws. Proactive risk minimization is also part of a company's compliance management system.

Corporate governance
Common international term for responsible corporate management and control that aims at creating long-term value.

DAX
German stock index of blue chip companies. It includes the 30 largest German companies admitted to the Prime Standard in terms of market capitalization and volume of stocks traded.

Declaration of compliance
Declaration of the Executive Board and the Supervisory Board in accordance with article 161 of the German Corporation Act (AktG) regarding the implementation of the recommendations of the Government Commission in the German Corporate Governance Code.

Deferred taxes
Temporary differences between calculated taxes on the commercial and tax balance sheets designed to disclose the tax expense in line with the financial accounting income.

Derivatives
Financial instruments whose value is largely derived from a specified price and the price fluctuations / expectations of an underlying base value, e. g., exchange rates.

EBIT
Earnings before interest and taxes.

EBIT margin
ebit in relation to sales revenues.

Equity ratio
Ratio of equity to total assets.

Earnings per share
Earnings per share are calculated on the basis of Group consolidated earnings after taxes and the average number of shares outstanding for the year.

Exposure
A key figure used to assess risk. This key figure includes all incoming payments in a 90-day period prior to the record date of the down payments, payments based on percentage of completion or compensation after acceptance of the work carried out. In addition, the key figure also comprises all customer payments made within 90 days and which have not yet been supplied with deliveries / services including the sum of unpaid invoices following delivery or service supplied to the customer, the poc receivables and any purchase commitments.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow shows the extent of the funds generated by the company in the business year.

Free float
Shares of a public company owned by diverse shareholders.

General industry
General industrial markets not including the automotive industry.

Gross margin
Gross margin is determined by dividing gross profit by sales, expressed as a percentage.

Gross profit
Gross profit on sales is defined as total sales minus cost of goods sold. Cost of goods sold includes all direct costs associated with sales revenues generated. Other costs, such as research and development, marketing and administration, are not included.

HGB
German Commercial Code.

IAS
International Accounting Standards.

IFRIC / SIC
International financial reporting interpretation committee – interpreter of the international financial reporting standards ias and ifrs, formerly also SIC. IFRIC is the new name for the Standing Interpretations Committee adopted by the trustees of the iasc foundation in March 2002. sic was created in 1997 to improve the application and worldwide comparability of financial reports prepared in accordance with International Accounting Standards (IAS). It outlines financial statement practices that may be subject to controversy.

IFRS
International Financial Reporting Standards: The IFRS ensure international comparability of consolidated financial statements and help guarantee a higher degree of transparency.

MAP
KUKA Aktiengesellschaft's employee share program.

Market capitalization
The market value of a company listed on the stock exchange. This is calculated by taking the share price and multiplying it by the number of shares outstanding.

MDAX
This stock index comprises the 50 largest German companies (after those of the dax) according to market capitalization and volume of stocks traded.

Net liquidity / Net debt
Net liquidity / net debt is a financial control parameter consisting of cash, cash equivalents and securities minus current and non-current financial liabilities.

Percentage of completion method (POC)
Accounting method of sales and revenue recognition according to the stage of completion of an order. This method is used for customer-specific construction contracts.

R&D expenses
Expenditures related to research and development.

Rating
Assessment of a company's creditworthiness (solvency) determined by a rating agency based on analyses of the company. The individual rating agencies use different assessment levels.

ROCE
Return on capital employed (roce) it the ratio of the operating profit / loss (EBIT) to the capital employed (see Capital employed). To calculate roce the capital employed is based on an average value.

SDAX
This stock index comprises 50 smaller German companies that in terms of order book turnover and market capitalization rank directly below the MDAX shares.

Volatility
Intensity of fluctuations in share prices and exchange rates or changes in prices for bulk goods compared to market developments.

Working capital
Working capital consists of the inventories, trade receivables, other receivables and assets, accrued items and the balance of receivables and payables from affiliated companies, as far as these are not allocated to financial transactions, minus other provisions, trade payables, other payables with the exception of liabilities similar to bonds and deferred income.

WPHG
German Securities Trading Act.

FINANCIAL CALENDAR 2013

MAY 8, 2013	**FIRST-QUARTER INTERIM REPORT**
JUNE 5, 2013	**ANNUAL GENERAL MEETING, AUGSBURG**
AUGUST 7, 2013	**ANNUAL REPORT TO MIDYEAR**
NOVEMBER 6, 2013	**INTERIM REPORT FOR THE FIRST NINE MONTHS**

This financial report was published on March 26, 2013 and is available in German and English from KUKA AG's public / investor relations department. In the event of doubt, the German version applies.

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KUKA Aktiengesellschaft (p. 28 / 29)

TEXT
(p. 1 – 11, p. 19 – 26, p. 28 / 29)

PR Toolbox Inc., Martin Wendland
(p. 16 / 17)

TRANSLATION
HR Übersetzungsagentur, Saarbrücken

KEY FIGURES 5-YEAR OVERVIEW

in € millions	2008	2009	2010	2011	2012
Orders received					
Robotics	464,4	324,3	486,2	654,4	803,1
Systems	854,9	615,4	716,8	916,6	1.115,1
Group	1.279,9	903,3	1.142,3	1.553,0	1.889,6
Sales revenues					
Robotics	474,4	330,5	435,7	616,3	742,6
Systems	837,5	605,5	695,3	850,7	1.025,3
Group	1.266,1	902,1	1.078,6	1.435,6	1.739,2
Order backlog (Dec. 31)	**542,3**	**543,5**	**630,5**	**724,0**	**909,4**
EBIT					
Robotics	42,0	-11,5	20,8	51,0	80,2
Systems	26,8	-28,8	20,0	33,7	47,7
Group	52,0	-52,6	24,8	72,6	109,8
EBIT in % of sales					
Robotics	8,9	-3,5	4,8	8,3	10,8
Systems	3,2	-4,8	2,9	4,0	4,7
Group	4,1	-5,8	2,3	5,1	6,3
Earnings after taxes	**30,6**	**-75,8**	**-8,6**	**29,9**	**55,6**
Financial situation					
Free cash flow	-166,9	-22,2	-37,3	6,5	77,1
Capital employed (annual average)	242,3	317,5	312,5	332,9	339,8
ROCE (EBIT in % of capital employed)	21,5	-16,6	7,9	21,8	32,3
Capital expenditure	32,5	27,2	15,4	30,3	42,8
Employees (Dec. 31)	6.171	5.744	5.990	6.589	7.264
Net worth					
Balance sheet total	865,5	726,2	984,7	1.078,0	1.137,4
Equity	213,5	160,8	198,1	252,4	297,5
in % of balance sheet total	24,7	22,1	20,1	23,4	26,2
Net liquidity	-53,6	-48,5	-60,3	-32,6	42,8
Share					
Weighted average number of shares outstanding (in millions of shares)	25,8	25,7	30,3	33,4	33,9
Earnings per share (in €)	1,18	-2,95	-0,28	0,89	1,64
Dividend per share (in €)	–	–	–	–	0,20*
Market capitalization (Dec. 31)	337,0	350,0	548,0	472,0	938,4

* subject to approval by shareholders at the Annual General Meeting on June 5, 2013.

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