KUKA

Annual General Meeting of KUKA Aktiengesellschaft

May 15, 2008

Kongresshalle Augsburg

REMARKS BY GERHARD WIEDEMANN,

CEO,

KUKA AKTIENGESELLSCHAFT

Ladies and Gentlemen,

I cordially welcome you to today's ordinary annual general meeting of KUKA Aktiengesellschaft here at the Kongresshalle Augsburg. Our headquarters is located in this city. On behalf of the entire Executive Board, I would also like to thank all shareholders, shareholder representatives, media representatives and guests present for taking the time to learn about the business situation and future plans of KUKA AG. I am pleased to welcome the newly elected mayors of Augsburg, Mr. Peter Grab and Mr. Hermann Weber. I would also like to welcome Mr. Johannes Hintersberger and Mr. Bernd Kränzle, members of the Bavarian parliament.

Let's use the time we have today to reflect on the business success of KUKA AG since it was restructured and since we narrowed the Group focus to the Robotics and Systems divisions, and to talk about the financial year just ended. Before we look at the current year, we will review our 2007 financial statements. I will conclude my remarks with the outlook for 2008.

There have been a number of new developments in our Group since the last annual general meeting. The Group's restructuring is starting to bear fruit. Our customers see this in the day-to-day business and our employees experience it on the job. We also want to clearly demonstrate this to you, our shareholders, by reinstating our dividend payments and launching a share buyback program. The Executive Board will recommend at today's annual general meeting that a dividend of EUR 1.00 per share be paid as a visible indicator of the business strength of KUKA AG. Furthermore, we have already launched our share buyback program, and have purchased more than 460,000 of our own shares since March 25, 2008.

I am sure that many of you still remember well that the former IWKA AG last paid a dividend for the 2004 financial year. The amount was EUR 0.66 per share. The last dividend distribution thus took place some time ago, and the amount was much less than our current recommendation of EUR 1.00 per share. If the dividend recommendation is approved, you as shareholders will have participated in the Group's business success in the amount of about EUR 26.2 million.

But let's take things in sequence: I would like to first explain the business performance for 2007, then discusses the first quarter 2008 and inform you about our goals for 2008.

Without a doubt, 2007 was a particularly important year for the corporate development of KUKA AG. While in 2006, we were still fully occupied with restructuring, in 2007, we completed the refocusing of the Group and can now concentrate fully on implementing our strategy of profitable growth.

I still remember well how I outlined for you the guiding principles of our restructuring and refocusing plans as I stood at this podium at last year's annual general meeting. As you know, I have known this company for many years and already then had a strong conviction about the potential of our Group.
In 2007, the Group rallied its forces and focused its innovation expertise on profitable growth. I now have the privilege of fielding your questions as CEO of the renamed Group, KUKA Aktiengesellschaft,

- which has a solid financial structure and balance sheet
- is on track for growth
- and can look forward to many opportunities in future.

The refocusing of our Group on its core competencies has borne fruit much faster than many thought possible. The renaming of the Group from IWKA AG to KUKA AG has effectively created a positive image association between the successful "KUKA" brand and the degree of awareness of the Group. KUKA stands for innovation and technology leadership, and thanks to the name change, this reputation has now been transferred to the image of the entire Group in a way that generates profits.

Focusing on the Robotics and Systems division is precisely what has significantly improved the KUKA Group's ability to compete in the future. The new, integrated business model has brought to the surface substantial synergies, enabled core competencies to unfold and makes it possible to penetrate new target markets and customer groups. We are now much faster, more flexible and effective than we were before. The development times between concept and launch of salable products have shortened considerably, while our customer orientation has increased. As a result, more and more industries around the globe are expressing interest in automation solutions from KUKA. Demand for our products and services is rising around the world. KUKA's product portfolio and core competencies are now more and more tuned to the needs of customers.

As developers and suppliers of robots, robot cells and robot-based automated production systems, we offer our international customers custom automation solutions that enable them to cut production costs and generate competitive advantages. In addition, we make our purchasers more flexible with respect to product variety and product quality. KUKA outgrew its former focus on automation solutions for the automotive industry quite some time ago.

While the automotive industry has traditionally been the exclusive leader when it came to automation, more and more forward-looking industries are catching up and are now automating formerly manual work processes.

Automation made by KUKA

is now sought after by many industries; for example, the solar industry, the aircraft industry, health care and logistics. General industry, which is what this sector is referred to by specialists, is becoming a more and more important part of the KUKA Group's business activities.

As a result, we established a number of important milestones in fiscal 2007:

- Orders received rose 13.3 percent, sales revenues were up 10.5 percent and EBIT more than quadrupled.
- EBIT margin climbed to 5.5 percent (4.9 percent operationally), a significant improvement over last year.
- Furthermore, we were able to pay down the company's debt and convert it to available liquidity, in part as a result of the sale of the Packaging division.
- With an equity ratio of 26.3 percent, KUKA enjoys a solid financial and balance sheet structure as of the end of 2007.
- These results were a precondition and form the basis for sustainably improving shareholder value in the coming years.

The Group's orders received climbed substantially, from EUR 1,186 million in 2006 to EUR 1,344 million in 2007. Both divisions contributed to this achievement, generating double-digit growth in orders received.

Group sales were up 10.5 percent to EUR 1,286 million, which compares to EUR 1,165 million the year prior. Gross profit from sales rose from EUR 218 million in 2006 to EUR 258 million in the year just ended. Accordingly, gross margin improved from 18.7 percent in 2006 to 20.1 percent in 2007.

EBIT reached EUR 70.4 million. **EBIT margin** skyrocketed, from 1.4 percent in 2006 to 5.5 percent in 2007, or 4.9 percent on operational basis.

We thus significantly exceeded our margin target, which we had already raised to 4.2 percent in May, then 4.6 percent in August of the 2007 financial year.

At the end of the 2007 financial year, the Group's **order backlog** was EUR 529 million, which compares to EUR 497 million in 2006. It secures thus the present level of activity for five months.

The sale of the Packaging division led to a result from discontinued operations of EUR 69.1 million in fiscal 2007 versus EUR -62.7 million the year prior. Net income for 2007 was therefore EUR 117.9 million, following a loss of EUR –64.8 million for 2006.

The KUKA Group's balance sheet changed significantly in comparison to last year, in part as a result of the disposal of the Packaging division. Total assets at the period end had declined by 17.2 percent to EUR 888 million. On the asset side, declines above all in property, plant and equipment and intangible assets, as well as inventories and trade receivables were offset by a significant increase in cash and cash equivalents, which rose EUR 147.5 million to EUR 223 million. On the liability side, equity increased to EUR 234 million at the period end, mainly because of the high net income. The equity ratio; that is, the relationship between equity and total assets, thus also increased. It went from 11.2 percent in 2006 to 26.3 percent in 2007. Overall, net liquidity; i.e., cash and cash equivalents minus short and long-term liabilities due to banks, improved by EUR

247.5 million as of December 31, 2007. The KUKA's balance sheet is solid thanks to net liquidity of EUR 164 million and an equity ratio of 26.3 percent.

Average capital employed in 2007 was EUR 169 million. ROCE, which is short for return on capital employed, was unusually high at 41.6 percent. In 2006 the number was 8.1 percent.

As a result of the business growth, we added 152 persons to our workforce in 2007, bringing the total to 5,732. About one-third of our people work for KUKA Robotics and two-thirds for KUKA Systems. About 57 percent of our employees work in Germany, primarily in Augsburg, where the headquarters of the company and its two operating divisions is located.

The Group's former debt was completely retired in 2007, and as of the December 31, 2007 record date had been converted to a net liquidity of EUR 164 million. The Group's liquidity position was therefore turned around by EUR 247.5 million over the course of only one year. Due to the prepayment of the financing for the Jeep Wrangler car body production facility, our net liquidity has in the meantime declined by about EUR 77 million.

Now to the Robotics division:

KUKA Robotics grew substantially in fiscal 2007. Not only did the division once again improve its excellent market position among major European automakers last year; it was also able to intensify its efforts to work with general industry partners.

Orders received came in at EUR 435 million, an increase of 13.8 percent over last year. This result was driven by the excellent growth in the automotive segments and the general industry segment. Aside from healthcare technology, growth in the food sector was particularly strong in 2007. We also saw an increase in demand from our customers for product related training programs. Thus the service segment also made a positive contribution to the result.

The Robotics division's **sales revenues** rose from EUR 373 million in 2006 to EUR 413 million in 2007, an increase of 10.6 percent.

The division's **EBIT** jumped significantly, rising 50 percent from EUR 22.4 million to EUR 33.6 million in 2007. **EBIT margin** improved 2.1 percentage points to 8.1 percent. ROCE, or return on capital employed, was 34.6 percent.

The number of persons working for the Robotics division increased by 10.1 percent, ending at 2,023 as of December 31, 2007.

Let me now turn to the Systems division and explain the results for the 2007 financial year.

Our Systems division, which specializes in manufacturing automation solutions, posted **orders received** of EUR 938 million, an improvement of 10.6 percent. The growth of the systems business in the United States was particularly strong. North America is already the second most important plant engineering market for us, right behind Germany. This result is driven by our pay-on-production contract at KTPO, which builds Chrysler's Jeep Wrangler car bodies at our facility in Toledo, Ohio, USA. Our current supply contract with Chrysler is valid until 2020. We employ about 250 persons in Toledo. The plant is highly automated; 245 KUKA robots are used.

As you know, KUKA reached an agreement with Chrysler LLC and the financing banks regarding prepayment of financing in the amount of EUR 77.1 million for the car body production facility of our American subsidiary. We were able to prepay the financing at the end of the first quarter of 2008 from the KUKA Group's existing liquidity.

Operating a flexible production facility is important for us in view of our business with both the automotive industry and other manufacturing sectors. This expenditure thus represents a long-term investment in the United States. Toledo has become a showcase for us in North America. We use it especially to support our business with European carmakers that want to move their production facilities to the region or expand existing factories.

We not only expect the major American carmakers to continue investing in new models and production systems, but also that European manufacturers will construct new plants or expand their existing manufacturing facilities in North America over the course of the next few years. There is considerable growth potential here, not only in consideration of the exchange rate between the dollar and the euro, which is encouraging manufacturers to move various facilities to where they can manufacture on a dollar basis.

KUKA Systems' **sales revenues** improved 8.1 percent to EUR 900 million in fiscal 2007. As mentioned, the strongest growth was in North America. However, sales revenues in Asia are also rising.

Systems' **EBIT** more than trippled. It rose from EUR 10 million in 2006 to EUR 37.2 million in 2007. **EBIT margin** increased accordingly, rising from 1.2 percent in 2006 to 4.1 percent.

Systems' workforce remained relatively stable. The division had 3,582 employees at year end. In 2006 the number was 3,620.

Ladies and gentlemen,

An important component of our profitable growth strategy, aside from expanding our general industry business; that is, non-automotive customers, is to establish our business internationally. Already today, the Group has its own companies in twenty-three countries. And we continue to press ahead with internationalization, particularly in markets with high growth rates. We take advantage of opportunities around the globe and thereby also systematically mitigate the risks that can arise due to regional economic fluctuations. At the present time, we are paying particular attention to the North American, Chinese and Indian markets.

In 2007, thirty-two percent of our Group's sales revenues were generated in North America. Year-over-year, we were able to grow our sales in this region by about EUR 100 million. The final total was EUR 414 million. Thirty-six percent of the Group's sales revenues came from Germany in fiscal 2007, versus 41 percent in 2006. Twenty percent of sales in 2007 came from other European countries, down from the prior year's 23 percent, and 12 percent of sales originated in other parts of the world, primarily Asia and South America.

So, the phrase "Automation made by KUKA" means something in many industries around the world. And we are determined to expand our sphere of influence, not only through organic growth, but also through acquisitions if we are presented with appropriate opportunities. We will choose our partners carefully, and our selections will be based on specific criteria. Potential partners must fit strategically into our integrated business model and support our international activities or enhance our engineering expertise. We will not invest in companies in need of restructuring, but only in those that can immediately contribute to the success of our Group.

A prerequisite to maintaining the market standing of an engineering and innovation leader like KUKA is of course also internally driven, ongoing development of new technologies. This is why KUKA has traditionally assigned a high priority to its research and development activities. Over the past few months, we have more closely tied our research and development units to our manufacturing and assembly departments. Our Robotics research and development unit now works hand-in-hand with our Systems R&D entity at KUKA's Innovation Center in Augsburg. The aim of this initiative is to become even more efficient and make our products even more application oriented.

Last year we spent EUR 30.8 million on research and development - 2.4 percent of sales revenues. Almost 92 percent of this spending was by the Robotics division. A total of 235 of our employees conduct research exclusively for this division.

About 8 percent of the development expenses were to the account of the Systems division. However, the total spending on research and development by Systems is higher. The majority of this division's new developments and enhancements are realized in conjunction with actual customer orders. This work is not part of the development budget.

In addition to conducting our own R&D, we collaborate with research institutes, the industry and universities. We also take advantage of opportunities to participate in public projects sponsored by the EU or the Federal Ministry of Education and Research.

From the portfolio of products we developed in 2007, I would especially like to highlight our new heavy load robot, the KR 1000 Titan. The Titan is the only robot in the world capable of lifting 1000 kg, which, by the way, earned it an entry in the Guinness World Records book. Our developers invested two years in the research, programming and testing of this high-performance machine. The effort was worthwhile. The robot's power, speed, reach and precision are second to none. With nine motors and a rated torque of 60,000 Newton meters, the Titan is 100 times more powerful than a high-performance car, and is able to move concrete stairs, one-meter-thick panes of glass and big cast parts. Please take a moment to inspect this robot in the foyer.

An annual general meeting in May would not be complete without a glance at the current business year, especially the **first quarter of 2008**.

As you have already read in the press, the KUKA Group's current business year is off to a good start. In particular, we were already able to make important progress in the general industry segment at the start of the business year.

EBIT climbed from the prior year's EUR 9.8 million to EUR 15.8 million. **EBIT margin** jumped to 5.6 percent from 3.4 percent in the first quarter of 2007, largely because of even better capacity utilization.

Orders received remained high at EUR 404 million. Adjusted for currency effects of about EUR 15 million and the fact that our subsidiary KTPO absorbed costs of about EUR 35 million related to purchasing raw materials, something it did not do last year, orders received on a comparable year-over-year basis rose by about EUR 18 million.

The changed procurement activities at our US subsidiary had an impact in several areas of our first quarter financial results, and I will be referring to this change a few more times. The so-called KTPO effect resulted from the fact that certain materials procured by our American subsidiary were charged to Chrysler until the end of the first quarter of 2007. The corresponding sale therefore covered the expense. Since the second quarter of 2007, Chrysler has been free-issuing these materials to our subsidiary, with the result that there are no more sales associated with these items.

Sales revenues in the first quarter of 2008 came in at EUR 280 million, about EUR 10.5 million lower than the comparable quarter of 2007. Adjusted for the KTPO effect I just explained plus the exchange rate impact, they actually increased by about EUR 33 million on a year-over-year basis.

Consolidated order backlog ended at EUR 647 million, slightly higher than last year. The present level of activity was thus secured for 5.8 months.

The KUKA Group had 5,831 **employees** as of March 31, 2008, an increase of 199 persons.

The divisional results for the first quarter of 2008 follow:

The **Robotics** division was able to expand the share of business coming from general industry as planned. The general industry contribution to orders received rose from EUR 40.7 million in the first quarter of 2007 to EUR 59.9 million in Q1 of 2008. Total orders received in the first quarter came in at EUR 116.8 million, matching the record level of the first quarter of 2007.

We were able to land a whole series of new orders from a wide range of industries.

In Europe, KUKA robotics is growing considerably faster than the market, partly because of the unveiling of new products such as the KR 1000 Titan and the new welding specialists, KR5 arc and KR 5 arc hw. Large orders came from Ronal (Germany), Salvagnini (Italy), Sacmi (Italy), Hähn-Automation (Germany), Brembo (Italy), Bergen Plastics (Norway), saf, Deckel Maho Gildemeister (dmg), ligmatech (Holzhomag Group) and Philips Roosendaal (Netherlands).

The leading plant engineering and assembly company in the glass and construction materials sector, Grenzebach Maschinenbau, purchased the first KR 1000 Titan. The recently developed heavy load robot will make a substantial contribution to improving productivity in the glass industry.

MAN Roland applied its APL (Automatic Plate Loading) robot technology in the industrial printing industry. The APL System is based on a four-axis kinematic system that uses KUKA Robotics' KMC controller. It has a positioning accuracy of 0.01 mm and significantly speeds up plate changes. At the end of the printing process, the robot takes the used plates from the machine and places them in a box. Then it takes a set of up to four new plates from the magazine using two vacuum suction cups for each and transfers it to the plate clamping system. The robot application guarantees a faster, more flexible system that keeps the surrounding area cleaner.

Order backlog in the first quarter of 2008 came in at EUR 106.8 million, a high level but 3.5 percent below the prior year's first quarter.

Sales revenues reached EUR 117.5 million, 28 percent or about EUR 26 million higher than last year. Driven by higher sales and better capacity utilization, Robotics' **EBIT** soared, rising from EUR 6.0 million last year to EUR 10.1 million in the first quarter of 2008. **EBIT margin** improved from 6.6 percent to 8.6 percent.

The number of **persons employed** by Robotics rose by 176 to 2,081.

The **Systems division** reported **orders received** of EUR 300 million for the first quarter of 2008, 8.8 percent less than the prior year's comparable number. However, after adjusting for the KTPO and euro/US dollar exchange rate impacts, the comparable orders received level is actually EUR 18 million higher than the prior year's first quarter.

Ladies and gentlemen, let me digress briefly from all these numbers. I would like to give you a little more detail about an order that KUKA Systems received from a non-automotive customer. Over the past few months, we have received orders from the American company Evergreen Solar to supply robot-supported production handling systems for photovoltaic modules.

Overall, Systems' **order backlog** was 2.5 percent higher than last year, coming in at EUR 551 million. The first-quarter order backlog secures the present level of activity for about 7.2 months.

Sales revenues in the first quarter of this year reached EUR 175 million, 16 percent lower than in the first quarter of 2007. However, once again, the number is higher than last year after taking into account the KTPO and exchange rate impacts totaling EUR 43 million.

EBIT came in at EUR 8.4 million, 45 percent higher than the prior year's first quarter. **EBIT margin** improved from 2.8 percent to 4.8 percent.

As of the record date of March 31, 2008, Systems had 3,614 **employees**, 56 less than last year.

This completes my explanation of the current results.

I would now like to give you a little information about our **shareholder structure** and the **share buyback program**, which is in progress.

Our **shareholder structure** is more or less stable. But we are delighted that more and more German investors are recognizing the potential of our company and purchasing our shares. A recent analysis of our shareholder structure indicates that German private investors increased their share of KUKA AG's total share capital last year from 30.7 percent to the current 36.6 percent. German institutional investors maintained their share at a relatively stable 15.4 percent. Last year, 16.5 percent of our institutional investors were German. Foreign investors reduced their share from 52.8 percent in 2006 to 48.0 percent this year.

The share buyback program aims to acquire up to 2.66 million KUKA shares, representing 10 percent of outstanding stock. The share buyback program will continue until August 29 of this year. As of May 9, 2008, we had already reacquired over 460,000 shares, or 1.7 percent of total share capital.

Ladies and gentlemen,

I would now like to give you a brief overview of the KUKA Group's **future**. As you can see from the business results, the KUKA Group's 2008 financial year has started well, and the company is confidently implementing its profitable growth strategy.

We have the good fortune to have our sails trimmed to run with the wind in a time in which automation is providing an ever-stronger tailwind. In a way, you could say that we did the right thing at the right time.

Robot supported automation applications will begin to enter our consciousness in many facets of our lives and industry. The slide shows examples of automation applications in aviation, the solar industry, healthcare and the service robot sector. Combined with this is the expansion of our sales network in Asia and North America.

Global **sales of industrial robots** rose 10 percent in 2007. According to estimates by the International Federation of Robotics, about one million industrial robots are in operation around the world today. This figure is expected to increase to almost 1.2 million by 2010. All research institutes and associations agree: Automation continues to make inroads around the world. Today, Europe is already the second largest robot market, right behind Japan. In Europe, Germany is the largest market for robotics.

The **service robot** business is poised for a **breakthrough**. Experts predict that the number of service robots used in professional applications will almost double by 2010.

Robots will increasingly be used not only in connection with assistance in the field of simple household or healthcare services, but also gain importance in conjunction with highly complex medical procedures.

A robot controlled by a medical specialist can drill much finer and more precise holes in bones, for instance for a hip replacement operation, than a human ever could without support from a robot. KUKA robots are already used to position patients with an accuracy in the millimeter range in connection with highly sensitive cancer therapy x-ray applications. Ladies and gentlemen, the future belongs to service robotics. Robotics can open the door to patient therapy and healing opportunities that were unthinkable just a few years ago. More and more doctors are recognizing the benefits of robotics in operating rooms and are taking advantage of the human-machine cooperation possibilities of KUKA robots.

This truly opens the door to a fascinating world, and KUKA is an incubator of ideas with proven robotics and engineering expertise that accepts these challenges and drives forward developments that benefit mankind. By collaborating with universities and research institutes the world over, we are able to develop and implement robotic solutions that offer our customers tailor-made applications and enjoy an excellent market reputation.

Against this backdrop, the rising worldwide demand for intelligent robot-based high-tech solutions sets the stage for excellent growth opportunities for KUKA in the coming years. We are determined to

further expand our quality edge and feel obliged to live up to the "Made in Germany" standard.
The first quarter of 2008 has established a solid foundation for further success, and we expect the Robotics division to grow by 10 percent this financial year. The Systems division expects an increase in business volume of about 4 percent this financial year. Taking into account the revised raw material purchasing configuration at KTPO, Systems is also forecasting growth in line with the medium-term business plan. The budget calls for average annual growth of 10 and 5 percent to 2010 for the Robotics and Systems divisions respectively.

Based on continued high utilization of capacities and the improved earnings structure, the Executive Board is aiming to increase the KUKA Group's operating EBIT margin from 4.9 percent in 2007 to at least 5.5 percent for the current fiscal year.

I would like to thank you for accompanying us on KUKA's journey and look forward to achieving many new and interesting milestones in 2008. I also thank you for your attention.