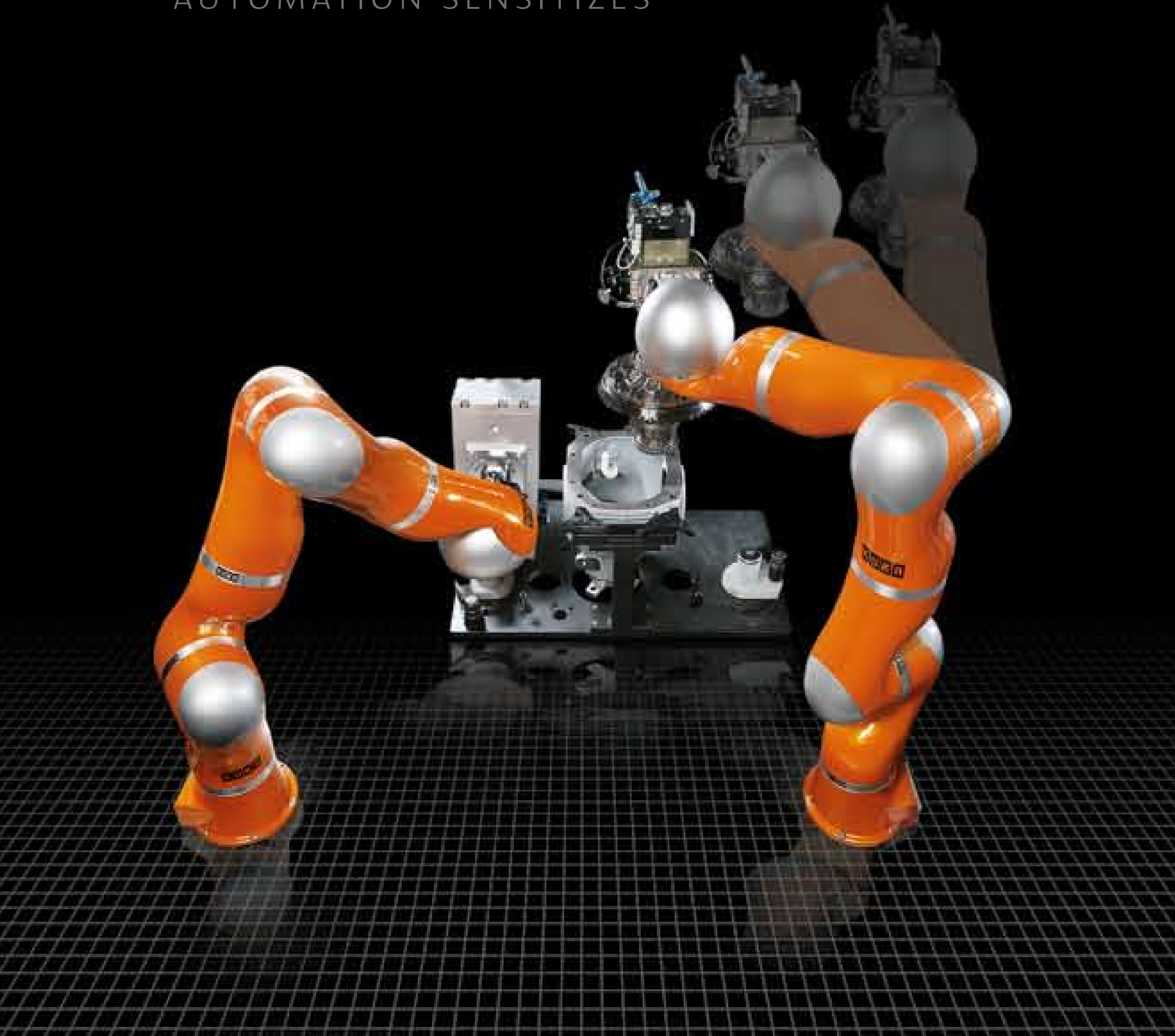
KUKA

ANNUAL REPORT 2009

AUTOMATION SENSITIZES

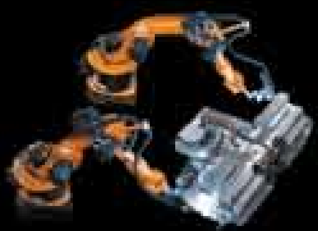


KUKA

ROBOTS INCLUDING APPLICATIONS

ROBOT CELLS

COMPLETE ROBOT-AUTOMATED SYSTEMS



GENERAL INDUSTRY

AUTOMOTIVE

COVER: AUTOMATION SENSITIZES

Major step forward: KUKA lightweight robots not only perform motion sequences according to conventional programming code, but also delicately approach objects using integrated sensors. At a big German car manufacturer, two sensitive KUKA lightweight robots successfully completed a beta test on a series production line for rear axle differentials.

Automation sensitizes

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

Our customer focus and innovation strength have made us the technology leader in our markets. Our aim is to 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.

Key figures 5-year overview*

KUKA GROUP		2005	2006	2007	2008	2009
Orders received	in € millions	1,090.2	1,186.4	1,343.8	1,279.9	903.3
Sales revenues	in € millions	1,051.1	1,164.6	1,286.4	1,266.1	902.1
EBIT	in € millions	– 53.4	16.7	70.4	52.0	– 52.9
% of sales	%	– 5.1	1.4	5.5	4.1	– 5.9
% of capital employed (ROCE)	%	– 21.9	8.1	41.6	21.5	– 16.7
Capital employed	in € millions	243.7	205.2	169.4	242.3	317.5
Employees (Dec. 31)		5,463	5,580	5,732	6,171	5,744

ROBOTICS DIVISION		2005	2006	2007	2008	2009
Orders received	in € millions	338.4	382.3	434.9	464.4	324.3
Sales revenues	in € millions	323.6	373.3	412.9	474.4	330.5
EBIT	in € millions	– 22.8	22.4	33.6	42.0	– 11.5
% of sales	%	– 7.0	6.0	8.1	8.9	– 3.5
% of capital employed (ROCE)	%	– 22.1	24.3	34.6	37.2	– 9.5
Capital employed	in € millions	103.3	92.2	97.1	112.9	120.5
Employees (Dec. 31)		1,936	1,838	2,023	2,261	2,009

SYSTEMS DIVISION		2005	2006	2007	2008	2009
Orders received	in € millions	778.2	847.8	937.7	854.9	615.4
Sales revenues	in € millions	791.2	832.8	900.0	837.5	605.5
EBIT	in € millions	– 14.4	10.0	37.2	26.8	– 29.1
% of sales	%	– 1.8	1.2	4.1	3.2	– 4.8
% of capital employed (ROCE)	%	– 9.7	9.9	51.0	20.2	– 14.7
Capital employed	in € millions	148.7	101.0	73.0	132.7	198.6
Employees (Dec. 31)		3,422	3,620	3,582	3,781	3,534

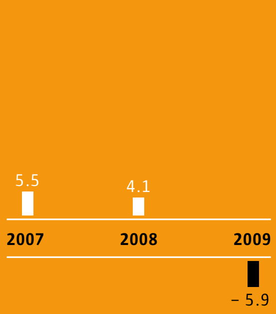
* Prior years were adjusted for comparison purposes.

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

Financial highlights

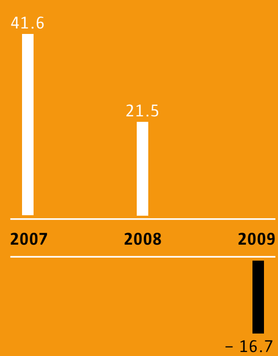
EBIT MARGIN

(in %)



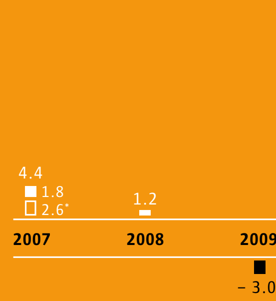
ROCE

(in %)



EARNINGS PER SHARE

(in €)



* Result from discontinued operations

KUKA around the world

EUROPE

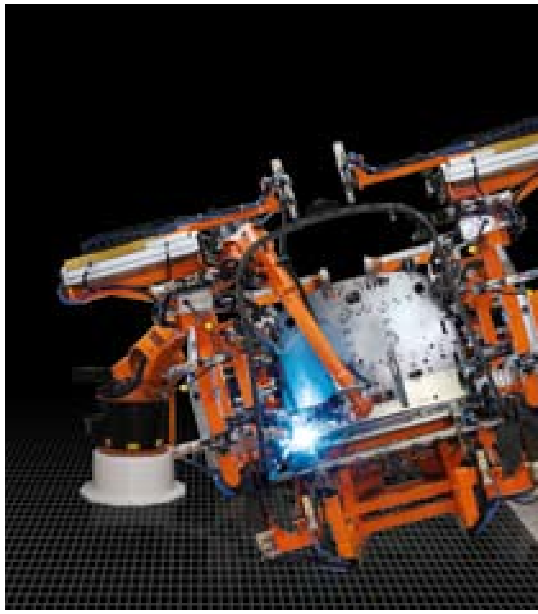
Belgium
Germany
France
Great Britain
Italy
Austria
Russia
Sweden
Switzerland
Slovakia
Spain
Czech Republic
Hungary

NORTH / SOUTH AMERICA

Brazil
Canada
Mexico
USA

ASIA

China
India
Japan
Malaysia
South Korea
Taiwan
Vietnam



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DR. TILL REUTER
CHIEF EXECUTIVE OFFICER

Dr. Till Reuter (41) has been the CEO of KUKA Aktiengesellschaft since October 1, 2009. After studying business administration at the University of St. Gallen in Switzerland, law at the University of Konstanz and earning a doctorate in St. Gallen, he started working as a business lawyer in New York / USA and São Paulo / Brazil (1995 – 1997). Dr. Reuter subsequently joined the renowned law firm Shearman & Sterling in Frankfurt and Düsseldorf (1997 – 1999). From 1999 on, he worked as an investment banker for Morgan Stanley, Deutsche Bank and Lehman Brothers, before founding his own company. Dr. Reuter has been President of the Executive Board of the holding company Rinvest AG in Pfäffikon / Switzerland, since 2008.

Dear Shareholders,

The year 2009 was one of major change for KUKA. The economic crisis demanded extraordinary measures; above all it required all those responsible for the company to close ranks. The Executive Board, the Supervisory Board and employee representatives of KUKA are once again pulling together. KUKA now has a stable and long-term oriented group of shareholders, which is something not seen by this company for over thirty years.

The successful capital increase only five weeks after the new Executive Board took office in November 2009 is thus a clear indication of the confidence the financial markets have in the sustainability of our company. We have since then also been able to extend our bank financing. We also installed a leaner management structure in the operating divisions last fall. And finally, we have started to put in place the new “Advanced Robotics” section. The Executive Board has thus established the basis for KUKA’s future in only six months.

KUKA emerged from fiscal 2009 relatively well thanks to its motivated employees; better than many other German mechanical and plant engineering companies, and better than our Japanese competitors in the robotics segment:

- with a decline in orders received and sales compared to last year of just under 30 percent each,
- an order backlog that will again sustain our activities for five months,
- an operating result that came in within the adjusted target range and
- a debt load that is stable and remained low.

We adjusted operating capacity as necessary to match the substantially lower demand and took advantage of this opportunity to examine our internal processes and operating procedures. By systematically cutting our fixed cost components, we were able to significantly reduce our breakeven threshold. The savings are an investment in the higher earnings we will see when the economy rebounds. In total, we were able to save € 70 million during the financial year just ended, more than half of which is permanent.

Crises can be only overcome with motivated employees, for they especially bear the brunt during such times. This is why we choose socially responsible ways to adjust capacities, such as reduced working hours, salary concessions and voluntary severance agreements. For the most part, layoffs for operational reasons were avoided. But this in no way precludes the need to cut costs further. Our cost reduction program will be intensified in 2010.

During the current financial year, the focus is and will be on our future product portfolio. KUKA's core business is based on the automotive industry and its advanced technical specifications, and it will continue to represent an important part of our business in the future. But it is also clear that we will more aggressively apply the expertise we have won from our technology leadership position in robotics and robot-based plant engineering and construction to related sectors (general industry) outside the carmaking industry. Already today, we receive more than half of our robotics business orders from various general industry sectors: from the food industry and mechanical engineering companies to entertainment and health care technology. Especially the latter represents considerable untapped market potential. We are planning to pool parts of our research and development activities in the new "Advanced Robotics" section in order to be able to penetrate established and new markets with new products and applications faster.

KUKA Systems has also already built a second pillar in various general industry markets to complement its automotive industry business. As the world's number one in car body production, KUKA has highly advanced process expertise in robot-supported automation of manufacturing solutions. Sectors such as aircraft and rail vehicle manufacturing, solar and agricultural machinery industries have recognized this productivity improvement potential and are increasingly using it. Our aim is to make KUKA a technology company that supplies robot-based solutions globally for a wide range of general industry applications.

In order to achieve this goal, we will continuously invest in new products and applications. Accordingly, our research and development expenditures were again higher in fiscal 2009. You will be able to marvel at one of our very important achievements in a few weeks at the world's largest robot trade fair, AUTOMATICA, to be held in Munich in June: the new generation of KUKA industrial robots.

A groundbreaking milestone for robotics is the sensitive lightweight robot, which opens the door to completely new applications for supporting factory workers or providing personal services. We developed this "sensing" robot together with the German Aerospace Center. We will make it ready for serial production. KUKA's lightweight robot has already successfully passed a beta test in automotive serial manufacturing, producing more than 15,000 rear axle differentials.

The year 2009, with its major changes at all levels, was an especially challenging year for KUKA employees. But what we have achieved to date is clearly noticeable. I want to thank you, also on behalf of the entire Executive Board, from the bottom of my heart. I also thank our business associates and shareholders, who have placed their confidence in us, and whose trust we continue to need. We are working hard to continue to justify this trust in the future.

Sincerely,

Dr. Till Reuter
Chief Executive Officer

DR. WALTER BICKEL
EXECUTIVE BOARD MEMBER,
CHIEF OPERATING OFFICER (COO)

Dr. Walter Bickel (50) has been a member of KUKA Aktiengesellschaft's Executive Board since November 17, 2009 as Chief Operating Officer (COO). Dr. Bickel received a Diplom-Kaufmann diploma after completing his studies in business administration at the University of Cologne and in 1988 earned a doctorate (Dr. rer. pol.) He subsequently worked as a management consultant for Westdeutsche Consulting GmbH and as an executive for Deutsche Gesellschaft für Mittelstandsberatung mbH. From 1999 to 2008 he was an executive at the international management consulting company Droege & Comp. He has been an executive at Alvarez & Marsal Deutschland GmbH since 2008.

STEPHAN SCHULAK
EXECUTIVE BOARD MEMBER,
FINANCE AND CONTROLLING

Stephan Schulak (41) has been a member of KUKA Aktiengesellschaft's Executive Board responsible for Finance and Controlling since October 1, 2009. Previously, he was CFO of KUKA Roboter GmbH, starting in 2008. After completing his industrial business management studies, Stephan Schulak received his Dipl.-Betriebswirt diploma in 1997. He subsequently worked for Wacker Chemie AG, Munich, and Air Products Polymers GmbH & Co KG, Munich in various accounting positions. From 2000 to 2007, Stephan Schulak worked for SÜSS Micro Tec AG, Garching, first as an investment holdings controller and from 2002 as CFO. From 2007 to 2008 he was CFO of FJH AG, Munich.

BERND MINNING

CHAIRMAN OF THE SUPERVISORY BOARD

Bernd Minning (56)
Sole managing director of Grenzebach Maschinenbau GmbH,
Asbach-Bäumenheim, Bavaria

SUPERVISORY BOARD REPORT

During the financial year, the Supervisory Board was strongly involved in KUKA Aktiengesellschaft's and KUKA Group's business situation and consulted with the Executive Board, which it monitored in the interests of the shareholders and employees. It received regular timely updates from the Executive Board, which enabled it to examine in detail the company's business situation and financial position. Among other things, it was given periodic reports on the Group's key figures (e. g., orders received, sales, order backlog, EBIT, return on capital employed). The Executive Board's reports to the Supervisory Board related to planned business policies and essential issues concerning corporate planning, such as financing, capital spending and personnel planning. The Supervisory Board asked for detailed explanations of any disagreement between the business results and the plans and targets, as well as the budgets. The Supervisory Board then reviewed the submitted documents and analyzed any discrepancies. In addition, the Executive Board reported to the Supervisory Board periodically with regard to the operational situation and the company's strategic direction. Risk and compliance management were included as part of the regular reporting. The Supervisory Board was continuously involved in decisions of material importance, for particularly important or urgent issues also outside the normal schedule. When necessary, it also handed down decisions through written correspondence.

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

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

CHANGES TO THE SUPERVISORY BOARD AND EXECUTIVE BOARD

The changes to the shareholder structure of KUKA Aktiengesellschaft and the step-by-step acquisition of shares by Grenzebach Maschinenbau GmbH and Rinvest AG of Switzerland resulted in a series of personnel changes on the shareholder side of the Supervisory Board and at the Executive Board level in 2009.

At the Annual General Meeting of KUKA Aktiengesellschaft held on April 29, 2009, Mr. Bernd Minning and Dr. Till Reuter were newly elected to the Supervisory Board. Messrs. Pepyn R. Dinandt and Helmut Gierse stepped down from their positions on the Supervisory Board effective the end of the 2009 Annual General Meeting.

Mr. Walter Prues, Supervisory Board member representing the employees, left the Supervisory Board on June 30, 2009 to retire. Ms. Carola Leitmeir took his place on July 1, 2009.

In view of the demand by major shareholder Grenzebach Maschinenbau GmbH to call an extraordinary meeting of shareholders, the remaining Supervisory Board members representing shareholders announced their resignations. At an extraordinary Supervisory Board meeting held on September 3, 2009, members Dr. Rolf Bartke (Chairman), Dr. Reiner Beutel, Dr. Helmut Leube and Dr. Herbert Meyer announced they would resign and step down from their Supervisory Board positions effective the end of September 18, 2009. The Augsburg magistrates court appointed Prof. Dr. Dirk Abel, Dr. Uwe Ganzer, Prof. Dr. Uwe Loos and Guy Wyser-Pratte to take their place on September 18, 2009. As a result of the court appointment, the Supervisory Board again has the minimum prescribed twelve members. The employee representatives on the Supervisory Board did not change. KUKA AG's Supervisory Board elected Dr. Till Reuter as its new chairman on September 21, 2009. Mr. Jürgen Kerner continued in the office of Deputy Chairman of the Supervisory Board.

In its meeting on September 29, 2009, the Supervisory Board decided to reorganize the Executive Board. Dr. Till Reuter, Chairman of the Supervisory Board of KUKA Aktiengesellschaft, was named CEO for up to one year effective October 1, 2009 as per article 105 para. 2 of the German Stock Corporation Act (AktG), provided the conditions for an appointment on this basis are not rescinded prior to that time. Dr. Reuter resigned from his position as Supervisory Board chairman in the meeting held on September 29, 2009. He relinquished his Supervisory Board membership for the duration of his tenure as member of the Executive Board. Mr. Bernd Minning was elected as his successor as Supervisory Board Chairman effective the same day.

The Supervisory Board Chairman Dr. Bartke had already negotiated termination agreements with Executive Board members Dr. Horst J. Kayser (CEO) and Dr. Matthias J. Rapp (CFO) at its meeting on September 3, 2009, which among other things included resignation from their Executive Board duties and office effective the end of September 30, 2009. Mr. Stephan Schulak was appointed to the position of CFO by resolution of the Supervisory Board on September 29, 2009. He took office on October 1, 2009. In addition, Dr. Walter Bickel was named Chief Operating Officer (COO) effective November 17, 2009 and was appointed to KUKA Aktiengesellschaft's Executive Board for one year. He is focusing on implementing the ongoing cost reduction program. There were no Executive Board member conflicts of interest during the reporting period.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

During the 2009 financial year, the Supervisory Board held six regular meetings and nine extraordinary meetings.

The March 10, 2009 sitting dealt with KUKA Aktiengesellschaft's and KUKA Group's financial results for 2008 and the resolutions for the April 29, 2009 Annual General Meeting.

At an extraordinary Supervisory Board meeting on March 14, 2009, the Supervisory Board members were informed that the Supervisory Board chairman and the Executive Board had contacted investor Grenzebach Maschinenbau GmbH.

In a further extraordinary Supervisory Board meeting on April 2, 2009, the panel dealt with supplementary motions submitted by Grenzebach Maschinenbau GmbH dated March 24 and 26, 2009 regarding the agenda for the 2009 Annual General Meeting. KUKA Aktiengesellschaft published its position regarding the supplementary motions that same day.

At the April 29, 2009 Supervisory Board meeting, immediately prior to the Annual General Meeting, the agenda items included the preparation for the Annual General Meeting and a report on the Group's business development. The supervisory panel was informed of the results of a review of the Supervisory Board's efficiency by the University of Witten / Herdecke.

The Supervisory Board meeting held immediately after the Annual General Meeting on April 29, 2009 dealt with the results of the shareholder meeting and supplementary Personnel and Audit Committee elections. At the Supervisory Board's inaugural meeting with the representatives of the major shareholders in attendance, the members discussed the Group's business situation and strategy.

The Supervisory Board met on July 20, 2009 for an extraordinary meeting. The meeting dealt with the strategic direction of the Group and cooperation at the Supervisory Board level.

The Supervisory Board met at a further extraordinary meeting on September 3, 2009. The members received the "Report regarding the status of work on a restructuring concept for KUKA" prepared by chartered accountants Ernst & Young. As already explained, Supervisory Board members Dr. Bartke, Dr. Beutel, Dr. Leube and Dr. Meyer declared their withdrawal from the board. The withdrawing Supervisory Board members released personal declarations. In addition, the Supervisory Board approved the termination agreements with Executive Board members Dr. Kayser and Dr. Rapp. Grenzebach Maschinenbau GmbH subsequently withdrew its previously submitted motion to call an extraordinary shareholder meeting.

On September 20 and 21, 2009, the Supervisory Board held an extraordinary meeting, which was initially led by Jürgen Kerner and later by the new chairman Dr. Till Reuter. After electing members to the committees, the focus turned to the Group's business situation and Ernst & Young's restructuring recommendations were discussed with the heads of the divisions.

An extraordinary meeting on September 25, 2009 dealt mainly with cooperation with the banks. The issue of Executive Board personnel was also discussed. This sitting was continued as an extraordinary Supervisory Board meeting on September 28, 2009. The Supervisory Board was informed about the status of the bank discussions before adjourning the meeting until the next day.

In an extraordinary Supervisory Board meeting on September 29, 2009, Dr. Till Reuter (Chairman) and Stephan Schulak were suggested as Executive Board members and appointed effective October 1, 2009. In addition, the Supervisory Board elected Mr. Bernd Minning as Chairman of the Supervisory Board effective September 29, 2009.

In the Supervisory Board meeting on October 21, 2009 the panel dealt with the status of the bank discussions, the current business situation, the Group's restructuring concept, as well as the standard operating procedures and allocation of duties on the Executive Board.

At an extraordinary Supervisory Board meeting on November 6, 2009, the Supervisory Board approved the capital increase from authorized capital with exclusion of subscription rights.

The Executive Board reported on the bank discussions, Group restructuring and other executive management issues, such as the appointment of Dr. Walter Bickel, at the November 16, 2009 Supervisory Board meeting.

The last Supervisory Board meeting of the financial year was held on December 7, 2009. In addition to the current business situation, cost reduction measures and the standard operating procedures of the Executive Board and Supervisory Board were on the agenda.

All members of the Supervisory Board participated in over half of the Supervisory Board meetings in 2009 during their respective terms of office (section 5.4.7 of the Corporate Governance Codex – CGC). Further details regarding corporate governance are included in the Corporate Governance report, which forms part of the Annual Report.

The following committees were established by the Supervisory Board: a Personnel Committee, an Audit Committee and an arbitration panel in accordance with article 27 para. 3 of the MitbestG (German Act on Company Co-Determination). A Nomination Committee as per item 5.3.3 of the CGC was also formed. The Personnel Committee, Mediation Committee and Nomination Committee were chaired by Dr. Rolf Bartke until September 18, 2009, then by Dr. Till Reuter as of September 21, 2009 and Bernd Minning as of September 29, 2009. Dr. Herbert Meyer handed over the chairmanship of the Audit Committee to Dr. Uwe Ganzer on September 21, 2009. Prof. Dr. Uwe Loos is chairman of the new Technology and Production Committee, effective September 21, 2009. The new Strategy and Development Committee was chaired by Dr. Till Reuter from September 21 until September 29, 2009 and by Bernd Minning since September 29, 2009.

The Personnel Committee met ten times during the financial year and dealt with the Executive Board and associated contract matters as per the articles of association. The personnel committee discussed the key issues relating to changes at the Executive Board level during the reporting period. The chairman informed the members of the Supervisory Board about the agenda items and decisions.

The Audit Committee met eight times. In addition to discussing the Annual Report, it dealt with issues such as preparation of the quarterly reports, the risk management report and the company's refinancing. The Audit Committee intensively supported the Supervisory and Executive Boards' tasks and provided the panel with important information to prepare it for making its decisions.

The Strategy and Development Committee met once to hear the details of the strategy. The Technology and Production Committee came together twice and dealt with company and purchasing process issues.

The committee described in article 27, clause 3 of the MitbestG (German Co-Determination Act) did not meet. The Nomination Committee as per item 5.3.3 of the CGC met several times.

INDEPENDENCE AND DECLARATION OF COMPLIANCE

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

WORK WITH THE AUDITORS

The annual financial statements and management report of KUKA Aktiengesellschaft as of December 31, 2009, as well as the consolidated annual financial statements and Group management report as of December 31, 2009, including the bookkeeping, were audited by auditors PricewaterhouseCoopers AG (PWC), Frankfurt / Main, which issued an unqualified audit opinion on them. KUKA Group's risk management system was also audited, as required by law. KUKA Group's midyear report dated June 30, 2009 was also audited. KUKA Aktiengesellschaft's consolidated statements were prepared in accordance with article 315a of the German Commercial Code (HGB) based on the International Accounting Standards IFRS as adopted by the European Union.

The Audit Committee appointed the external auditors as per the resolution at the Annual General Meeting of April 29, 2009. Prior to appointing the auditors of the financial statements of the company and the Group, the Chairman of the Audit Committee and the Chairman of the Supervisory Board conducted an in-depth review with the auditors regarding audit issues and scope. 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 were not immediately corrected. The auditor also agreed to immediately report all material findings and developments arising during the audit that were within the scope of the Supervisory Board's responsibilities. The auditors were also instructed to inform the Supervisory Board, or make a note in the audit report, if information was encountered during the audit that was contrary to the declarations released by the Executive and Supervisory Boards as per article 161, para. 1, clause 1 of the German Stock Corporation Act (AktG). Furthermore, the Audit Committee obtained the arm's-length declaration of the auditor in accordance with section 7.2.1 of the CGC and monitored the auditor's independence. The committee also signed contracts with the auditor for services that did not relate to the audit itself. Each year the audit prioritizes a different set of key topics. The key issues agreed with the auditor for fiscal 2009 included reviewing the intrinsic value of receivables. The auditor had no major complaints when auditing these items. In December 2009, the auditor gave the Audit Committee chairman a detailed explanation of the preliminary audit results. The auditor also immediately reported any findings that arose during the course of the audit that were material to the Supervisory Board's work.

Because they had been contracted to review the June 30, 2009 midyear financial report, the auditors attended the August 3, 2009 Audit Committee meeting.

In a joint meeting with the auditor on March 9, 2010, the Audit Committee reviewed the two Annual Reports, taking into consideration the auditor's reports. The highlights of the Annual Report were presented to the panel by the Executive Board and the auditor. The questions posed by the Audit Committee members were answered, the documentation relating to the financial statements were reviewed, discussed and checked in detail with the auditor and the audit reports were discussed in depth with the auditor. The Audit Committee reported to the Supervisory Board on the results of its meeting and its review during the board's meeting on March 14, 2010 and recommended that the Supervisory 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. All members of the Supervisory Board were in possession of the audit reports provided by PricewaterhouseCoopers. The auditor took part in the Supervisory Board meeting on March 14, 2010 regarding the annual financial statements in order to report on material findings in the audit and to provide additional information. The auditor explained in detail the asset, financial and earnings positions of the company and the Group. The auditor also reported that no significant weaknesses in the internal controlling and risk management systems as relates to the accounting system were determined. The auditor also advised that there are no circumstances that would affect the auditor's impartiality, or work required over and above the contracted auditing services. The Supervisory Board and its committees reviewed the financial statements in detail with the auditor, then discussed and checked them. The auditor answered the questions posed by the Supervisory Board. The audit reports were discussed with the auditor and the questions that arose were answered by the auditor.

ANNUAL FINANCIAL STATEMENTS FOR 2009 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 14, 2010, the Supervisory Board raises no objections to the results and concurs with the auditor's findings. In the opinion of the Supervisory Board, the auditor's reports comply with the legal requirements stipulated in articles 317 and 321 of the German Commercial Code (HGB).

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

At its financial statements meeting on March 14, 2010, the Supervisory Board approved the management report and annual financial statements prepared by the Executive Board for the 2009 financial year, including the executive compensation report and the explanatory report by the Executive Board of KUKA Aktiengesellschaft regarding the information as per articles 289, para. 4 and 5 and 315, para. 4 of the German Commercial Code (HGB), which form part of the management report and the Group management report. Thus the annual financial statements of KUKA Aktiengesellschaft are adopted.

The Supervisory Board likewise approved the consolidated annual financial statements and the Group management report of KUKA Aktiengesellschaft for the year 2009 prepared by the Executive Board.

THANKS TO THE STAFF

The Supervisory Board thanks all employees for their work, strong dedication and loyalty to the company in 2009. KUKA's human resources, with their motivation and ambition, are the reason for the company's technology leadership. We thank each and every one of you. We also thank the members of the Executive Board, the management teams and the elected employee representatives. All of their efforts serve the interests of the company, its customers and shareholders.

Augsburg, March 14, 2010
The Supervisory Board

Bernd Minning
Chairman

ACTIVE ENVIRONMENTAL PROTECTION

KUKA automates industrial production processes and thereby helps its customers improve their systems' productivity and product quality. KUKA regards itself as a partner that shares responsibility with its customers and aims to actively contribute toward reducing material use and energy consumption in manufacturing systems and when operating KUKA's products and systems. As a company with contemporary management, we are aware of our responsibility towards our employees, society and the environment. In fiscal 2009, stepping up environmental protection was a top priority on our business agenda.

ENVIRONMENTAL MANAGEMENT: GOALS AND PROGRAMS

The key objective of KUKA's environmental management program is to continuously improve the environmental soundness of our operations, over and above compliance with regulating authority specifications. This includes:

- designing environmentally sound products and systems,
- optimizing our utilization of power and water resources,
- reducing waste and increasing the use of recycled materials as well as
- optimizing the work and environmental conditions in the factories.

In 2009, environmental protection programs at the Augsburg headquarters location focused on:

- visualizing key environmental indicators,
- employee environment and health initiatives,
- introduction of an electronic ordering system for hazardous materials as well as
- accident rate 50 percent below industry average.

ENERGY SAVING DAYS IN LECHHAUSEN AND GERSTHOFEN

A number of the employee environment and health initiatives were well received, including "biking to work", "fit for spring" and a non-smoking seminar. KUKA also held an energy saving day at its Lechhausen and Gersthofen locations together with Augsburg's municipal utility. Experts from the utility presented energy-saving heater valves and high-efficiency heat pumps, as well as energy savings possibilities for countless PC applications, all of which can be used both at the office or at home to significantly cut energy consumption.

Saving energy is also an important topic for the apprentices. Apprentices at KUKA's new training center in Augsburg learn to measure and compare the power consumption of various electric loads. An introduction to active environmental protection is also part of the apprentices' curriculum. Among other things, apprentices learn to properly separate and dispose of accumulated waste. This applies not only to the packaging, paper and residual waste generated by every household, but also to the proper disposal of metals, wire and cable waste, as well as hazardous materials such as cooling lubricants and oils generated by every industrial operation.

ACCIDENT RATE SIGNIFICANTLY BELOW INDUSTRY AVERAGE

Another goal of conducting business sustainably is to achieve an accident rate that is 50 percent below the industry average. Workers in manufacturing and similar operations are exposed to increased health and safety risks. KUKA therefore takes great pains to minimize all types of risks at its manufacturing locations. For years it has successfully achieved this goal: The average "1,000-man-ratio"; that is, the number of work-related accidents subject to reporting per 1,000 employees at KUKA in Germany and the operations in Hungary from 2006 to 2008 was 17 incidents. This is less than half the statistical accident rate recorded by the government safety agency (44). In 2009, KUKA's 1,000-man-ratio declined further and at eleven reportable work-related accidents per 1,000 employees in Germany and Hungary was again significantly less than 50 percent of the industry average (government safety agency: 35).

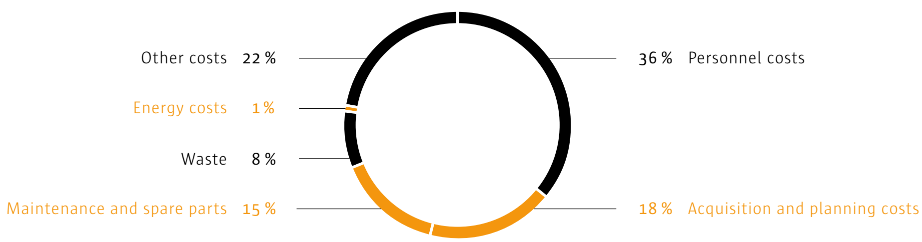
LIFE CYCLE COSTS ON THE WAY TO BECOMING STANDARD

The investment costs of a machine or system always consist of the acquisition costs and the costs of operation. Since operating costs are often multiples of acquisition costs, today's customer increasingly demands a summary of the total costs (life cycle costs) per mode of operation of the machine or system being considered. According to a survey by the German Engineering Federation (VDMA)

- 26 percent of those surveyed use life cycle costs,
- 14 percent are in the introductory phase and
- 30 percent are planning or considering the method.

For example, the German automotive industry shows the costs of a manufacturing system for cars as follows:

LIFE CYCLE COSTS IN THE AUTOMOTIVE INDUSTRY
(in %)



Source: BAIN & Company

The chart shows that the acquisition and planning costs of a system are 18 percent, but more importantly, operational labor costs are 36 percent, maintenance and spare parts 15 percent and waste 8 percent. Energy consumption is at end of the scale at 1 percent.

Life cycle cost projections enable machine and system users to include the costs for each mode of operation when making an investment decision. This gives purchasers the information required to optimize material and energy consumption also in view of sustainability aspects. KUKA Systems actively supports its customers based on the principle that transparency can cut costs and help protect the environment.

LIFE CYCLE COSTS ALSO FOR ROBOTS

Robots are often the key component of an automated production line. Users of these systems thus also ask for life cycle costs from their robot suppliers. A number of years ago, KUKA Roboter started providing its customers with this information for standard models. The data includes estimates of the average hours of operation of the robot; e. g., 5,500 operating hours per year and a life of 14 years. Detailed maintenance cost projections (electrical, mechanical and software) and spare part requirements (electrical and mechanical) over the life of the robot are also given. Customers are also given information on the technical availability of an environmentally friendly, energy-saving KUKA robot: 99.9 percent. This data is useful to both manufacturers and users of robots as a basis for making decisions, also from the aspect of sustainability.

KUKA EQUITY

INTERNATIONAL STOCK MARKET ROLLERCOASTER

FURTHER INFORMATION

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

The 2009 stock market year was very much shaped by the international financial market crisis and the global economic crisis. As a result, international markets tumbled at the beginning of the year and experienced the sharpest decline in 80 years. The central banks responded by cutting prime lending rates to the lowest ever levels; e. g., in the United States to 0.25 percent. In parallel, the governments of the major industrial nations announced massive stimulus packages to mitigate the negative impact on their own economies and labor markets. Spending was in the triple-digit billions.

The turnaround for these developments occurred in March 2009. The markets anticipated a quick recovery of the global economy, particularly in the United States, and started to rally. During the remainder of the year, general economic growth stabilized at a low level. In line with these developments, by the end of 2009, the DAX, the index of Germany’s 30 largest listed companies, had almost returned to the level it was in fall 2008, the starting point of the most recent market slide. Between January 1 and December 31, 2009, the DAX rose 23.8 percent in total.

The MDAX, the German index of 50 medium-size listed companies, significantly outperformed the DAX during the second half of 2009. Because of its greater percentage of export-oriented industrial companies, this market sector faced greater pressure during the downturn; thus there was more room for improvement during the subsequent recovery stage. In total, the MDAX was up 34 percent from January 1 to December 31, 2009. The increase between the bottom, reached on March 9, and the top on October 10 was over 80 percent.

KUKA SHARES – KEY NUMBERS

		2005	2006	2007	2008	2009
Number of shares	millions	26.60	26.60	26.60	26.60	29.26
Earnings per share	€	– 5.45	– 2.43	4.43	1.18	– 2.95
Dividend per share	€	–	–	1.00	–	–
Dividend yield (Dec. 31)	%	–	–	3.85	–	–
High for the year	€	23.15	24.75	31.50	26.01	12.67
Low for the year	€	15.62	14.02	18.58	10.07	9.02
Closing price for the year	€	18.25	19.36	26.01	12.67	11.95
Change compared to prior year	%	– 9.60	6.10	34.30	– 51.30	– 5.70
P/E ratio	(Dec. 31)	–	–	5.90	10.70	–
Market capitalization (Dec. 31)	€ millions	485.45	515.00	692.00	337.00	350.00
Average daily volume	No. of shares	91,250	165,000	232,000	234,000	98,300

KUKA SHARES TRENDS SIDEWAYS

Similar to the shares of most other mechanical engineering companies, KUKA's shares tumbled in winter 2008/09, gripped by the plunging international markets. However, unlike those of its peers, KUKA's shares did not participate in the rally that started in the second quarter of 2009. A profit warning on April 27, 2009 and the start of Chapter 11 bankruptcy proceedings at two major North American automotive customers on April 30 and June 1, 2009 weighed on the company's share price. These negative factors were not eliminated until the fourth quarter of 2009, at which time investors regained confidence in KUKA's stock. After reaching a low on February 9, KUKA's share price reached its high for the year on November 6, up 37 percent. However, in total, the share price declined another 5.7 percent between January 1 and December 31, 2009 and closed at € 11.95 at year end. KUKA's share price performance was thus comparable to the lower end of similar mechanical engineering companies listed on the MDAX and SDAX, whose share prices trended between – 6 percent and 52 percent during the same period.

GRENZEBACH NEW MAJOR SHAREHOLDER

Grenzebach Maschinenbau GmbH, based in Asbach-Bäumenheim / Germany, and Rinvest AG, from Pfäffikon / Switzerland acquired about 7.8 million KUKA shares in several steps between December 2, 2008 and June 10, 2009. With a voting share of currently 26.56 percent of total share capital including 1.73 percent of Rinvest / Switzerland, Grenzebach is thus KUKA AG's largest individual shareholder. The company is an international systems builder in the general industry sector, and has been working with KUKA for nearly a decade.

KUKA EQUITY MOVED TO THE SDAX

Deutsche Börse decided to move the KUKA equity from the MDAX to the SDAX, the index of 50 smaller listed companies reporting in the Prime Standard, on September 21, 2009. The reason for the shift between indices is the lower market capitalization of KUKA's shares as a result of the lower number of free float shares.

CAPITAL INCREASE SUCCESSFULLY COMPLETED

On November 6, 2009, KUKA AG issued about an additional 10 percent new shares in the capital markets. The new shares were placed with institutional investors by Berenberg Bank, Hamburg. This capital increase resulted in an inflow of € 27.4 million to KUKA AG, which will serve to strengthen the capital base. In addition, it reflects the increased confidence of capital market participants in KUKA and its future business growth.

INVESTOR CONTACTS EXPANDED

FURTHER INFORMATION

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

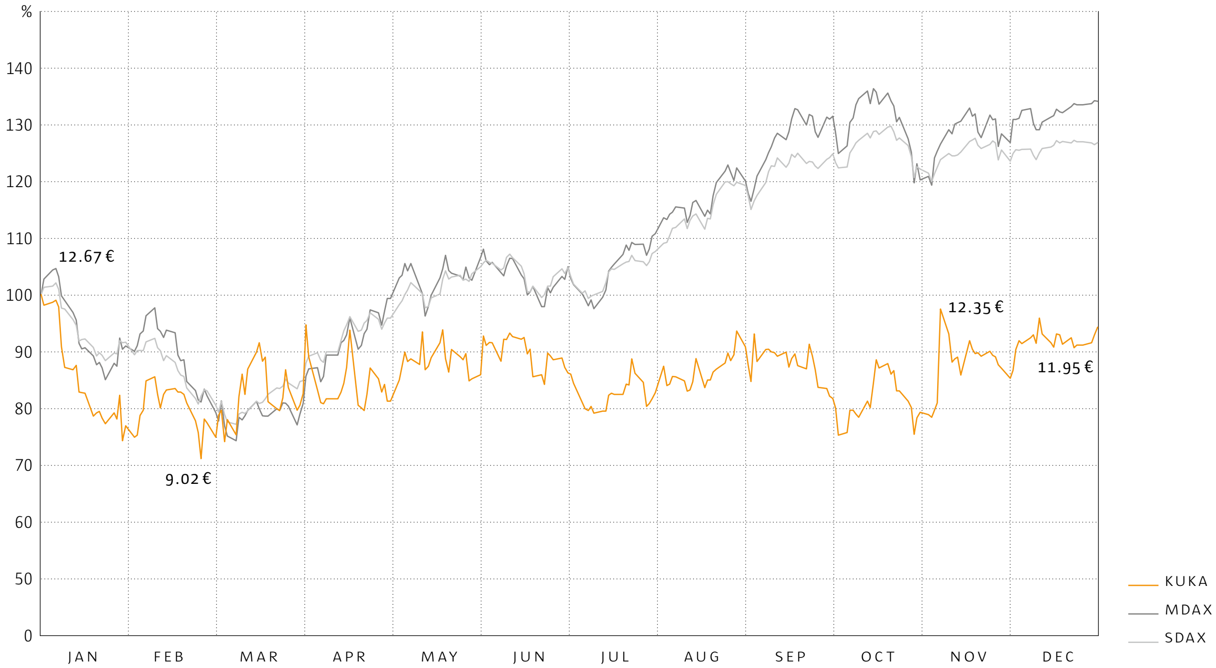
Despite the turbulence in the financial markets and the participation of a new major shareholder, interest in KUKA's shares by investors and financial analysts remained high. The Executive Board presented the company and fielded questions from conference participants at a total of 20 road shows and investor conferences, the same number as last year. Locations included New York, Frankfurt / Main, Munich and Zurich. The Executive Board and / or the manager of investor relations also visited investors in Geneva, Vienna, Milan, Paris, Luxembourg and Amsterdam, some for the first time. Overall, the number of one-on-one meetings with investors and analysts rose from 82 last year to 92 during the current reporting period. The 2008 Annual Financial Report was presented and explained at the annual DVFA Analysts' Conference on March 12, 2009 in Frankfurt / Main. KUKA shares are analyzed by all key German banks (currently 16).

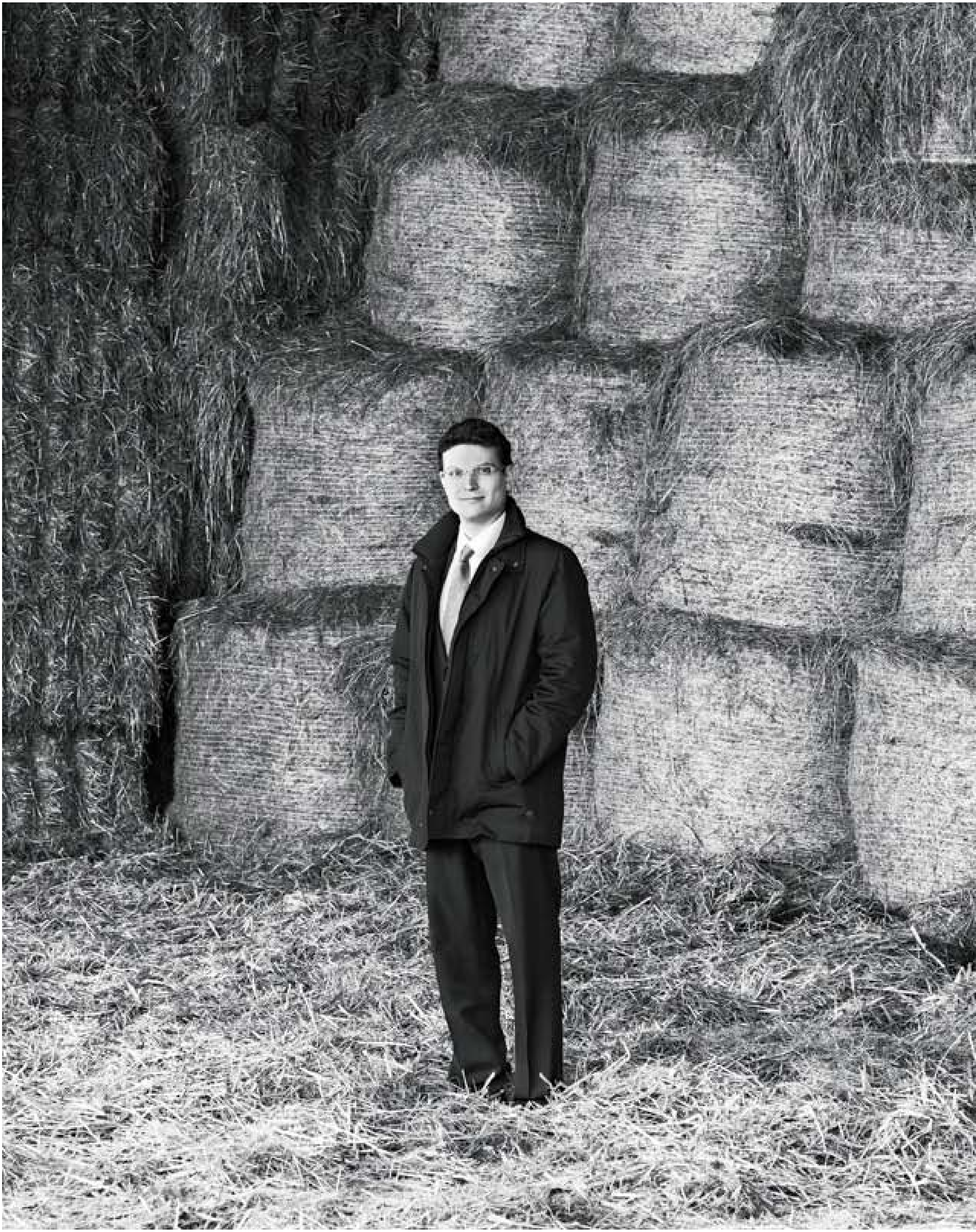
CONVERTIBLE BOND

KUKA AG placed a convertible bond issue with a nominal value of € 69 million in the capital markets on May 9, 2006 via its 100-percent owned Dutch subsidiary, KUKA Finance B.V. The convertible bond's term extends to November 2011, pays interest at a rate of 3.75 percent per annum and can be converted to KUKA shares at a conversion price of € 25.40. The convertible bond has been listed on the EuroMTF market of the Luxembourg Stock exchange since November 9, 2006 (ISIN DE000A0GRMC0 / WKN A0GRMC). It was quoted at 81 percent in the last listing of the Frankfurter Wertpapierbörse at the end of December 2009, which compares to 72.80 percent the previous year. In contrast to KUKA's share price, the convertible bond price was thus up 8.2 percentage points compared to the previous year's reporting date.

KUKA SHARE PRICE PERFORMANCE FROM JANUARY 1, 2009 – DECEMBER 31, 2009

Index January 2009 = 100



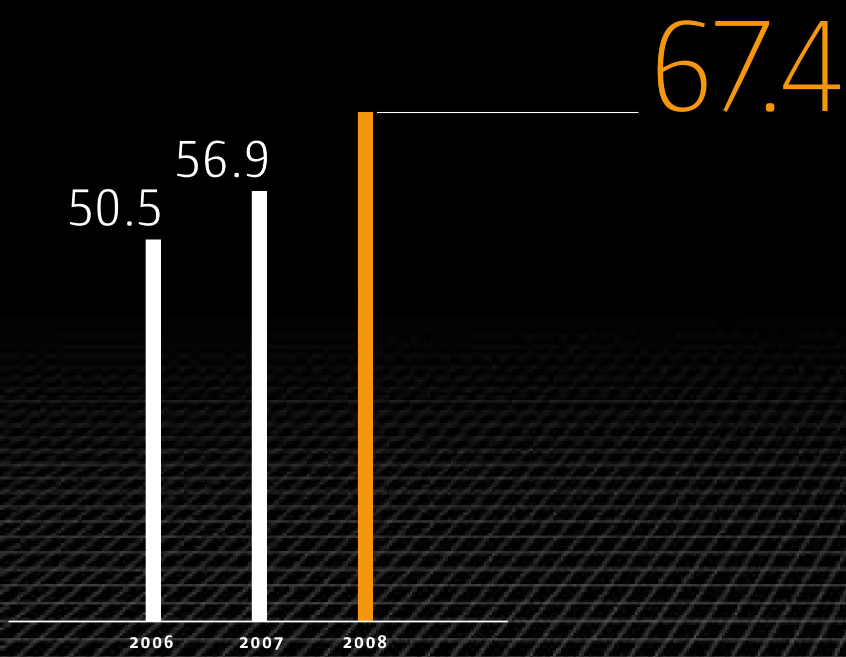


CASSIANO FABRIS, DIPL. ING., PROJECT MANAGER INDUSTRIAL SOLUTIONS, KUKA SYSTEMS

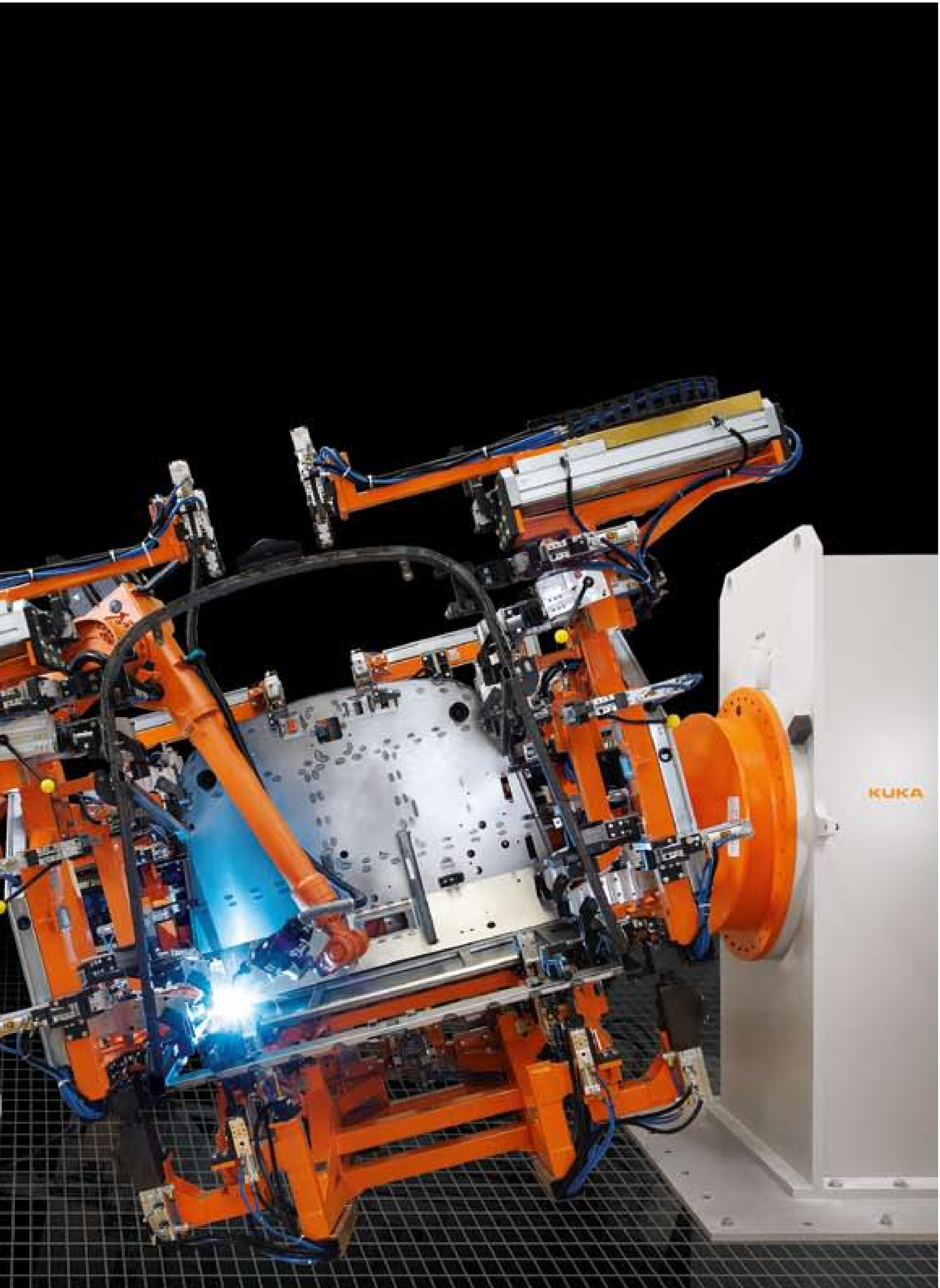
"We help make agricultural machinery manufacturing more efficient – even as quality specifications become ever stricter. We meet these high standards worldwide, enabling our customers to benefit from clear competitive advantages in the marketplace."

"Our automated manufacturing solutions for the agricultural machinery and construction vehicle sectors offer our customers genuine added value: Quality and speed are more important than ever in manufacturing."

AGRICULTURAL MACHINERY GLOBAL PRODUCTION VOLUME
(in € billions)



Source: VDMA, own calculations


KUKA

BUSINESS AND BUSINESS ENVIRONMENT

KUKA focuses on robot-based automation of industrial manufacturing processes and is active in the mechanical and plant engineering sector. KUKA AG has been listed on the German stock market index for small cap companies (SDAX) since September 21, 2009 and has a market capitalization of about € 300 million.

KUKA AG's business model is based on robots manufactured by the Robotics division and application engineering supplied by the Systems division. Regional subsidiaries in 24 countries support the divisions worldwide. These branch offices are responsible for the sale of the divisions' products and services and do the local assembly and field service work.

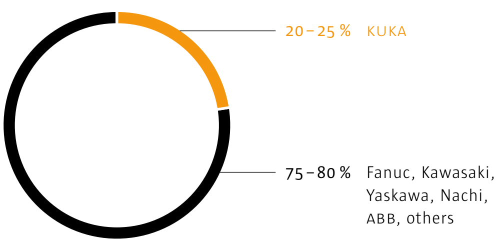
The Robotics division is an innovation and technology leader.

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

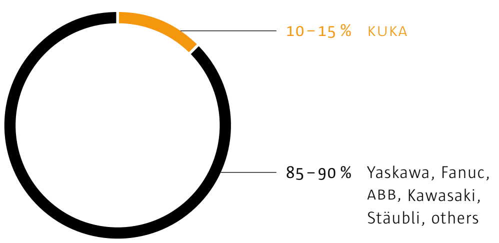
KUKA ROBOTICS

The Robotics division delivers the core component, robots, which are applied to automate manufacturing processes. KUKA Robotics develops, manufactures and sells industrial robots, which are used in almost all industry sectors. The division's product portfolio comprises basic modular types with many

KUKA ROBOTICS – COMPETITIVE POSITION AUTOMOTIVE



KUKA ROBOTICS – COMPETITIVE POSITION GENERAL INDUSTRY



Source: KUKA and market data

mechanical and electrical infeed options. All new robots and applications are developed and designed centrally in Augsburg. KUKA Robotics targets the automotive sector, general industry and service. Key account managers service the automotive industry. Systems partners that specialize in the various sectors look after sales and service of KUKA robots in general industry.

The Robotics division is an innovation and technology leader. KUKA is the market leader in the automotive industry, with a market share of 20 to 25 percent. KUKA's general industry market share is 10 to 15 percent.

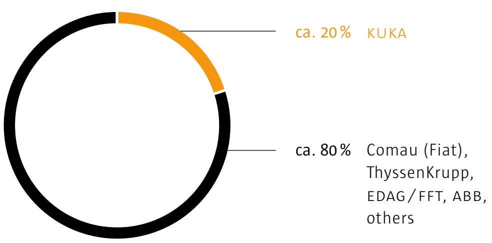
KUKA SYSTEMS

The Systems division delivers application engineering expertise for automating manufacturing processes. KUKA Systems acts as a general contractor, designing and building complete systems. In addition to utilizing its application-oriented robotics expertise, the division employs many other metal forming and joining processes in its designs. The Systems division has designated regional centers of expertise to execute systems projects: in Augsburg for Germany and Europe, in greater Detroit for North America and in Shanghai for the growing Chinese market.

KUKA Systems is the market and technology leader.

In the automotive industry, KUKA Systems focuses on flexible manufacturing lines for making vehicle bodies. Several different models or variants of a particular model can be built using these systems. The Jeep Wrangler is made in Toledo, Ohio under the terms of a pay-on-production contract. Other business segments include press tool manufacturing and automated assembly lines and test stands for engine and transmission components. These entities are located in Schwarzenberg / Erzgebirge, Slovakia and Bremen, as well as greater Detroit, Michigan.

KUKA SYSTEMS – COMPETITIVE POSITION



Source: KUKA and market data

Framing – the heart of every car body assembly line.

KUKA Systems' share of orders awarded by the automotive industry is almost 20 percent, making it the market and technology leader in this sector. The division is increasingly expanding into comparable general industry sectors and offers robot-based automation solutions for the aircraft and rail vehicle manufacturing industries, solar and agricultural machinery sectors and others.

INTERNAL MANAGEMENT SYSTEM

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

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

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

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

NON-FINANCIAL PERFORMANCE INDICATORS

Workforce qualification statistics are an important performance indicator. About 20 percent of KUKA Group's employees have a university or college degree and 72 percent have a diploma in a technical or accounting field. 90 percent of KUKA employees thus have a degree or diploma, which is the reason for the company's broad-based technological expertise.

In addition, KUKA products and systems contribute to permanently reducing material use and energy consumption in industrial production systems. A way to quantify this is to present the expected operating costs of a system or a robot over its life cycle. This gives operators a way to ensure their system or robot installation is sustainable before purchasing or operating it. KUKA Systems and KUKA Robotics have been supporting their customers for many years according to the following principle: Transparency helps protect the environment and can reduce costs.

KUKA also takes pains to improve the environmental soundness of its operations internally over and above complying with regulating authority specifications. The key goals of KUKA's environmental management are to

- design environmentally sound products and systems,
- optimize utilization of power and water resources,
- reduce waste and increase the use of recycled materials as well as
- optimize the work and environmental conditions in the factories

In fiscal 2009, the accident rate at KUKA in Germany and in the Hungarian factories was 11 reportable accidents per 1,000 employees. As in previous years, this was substantially less than half the government safety agency's statistic of 35 accidents per 1,000 employees.

GUIDANCE 2009

Revised guidance for 2009 met.

KUKA AG released the following outlook together with its half-year results: A breakeven operating result (EBIT) and breakeven free cash flow before extraordinary restructuring expenditures are expected for the full year 2009. In view of the negative business developments in the second half year, this forecast was revised when the nine-month figures were published as follows: including the extraordinary restructuring expenditures, the operating result (EBIT) is expected to be significantly negative. The revised guidance forecast for KUKA Group's fiscal 2009 consolidated operating result was between € –10 million and € –15 million excluding extraordinary expenditures. KUKA Group's actual consolidated operating result (EBIT) for the 2009 financial year came in at € –14.3 million. Extraordinary expenses had been forecast to be at least € 25 million depending on restructuring requirements. The actual restructuring costs totaled € 38.6 million. Free cash flow was forecast to be between € – 40 million and € – 50 million. Actual free cash flow in 2009 was € – 22.2 million supported by advanced payments from customers. Overall, KUKA thus met its revised guidance targets for 2009.

ECONOMIC CLIMATE

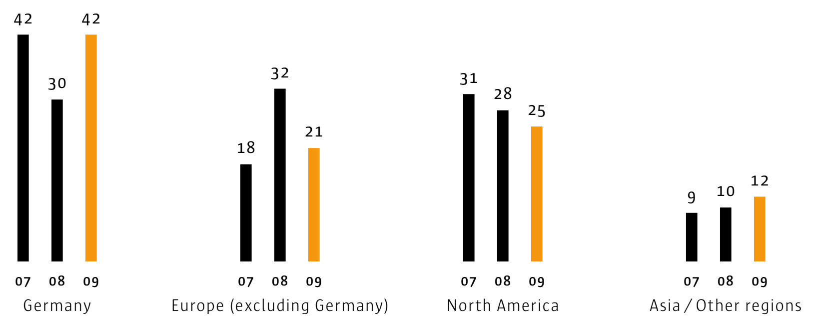
WORLD ECONOMY IN CRISIS

Second half year stabilizes at low level.

The worst economic crisis since the 30s drove the world economy into a global recession in the winter of 2008 / 2009. The situation stabilized at a low level in the second half of 2009, supported by sharp interest rate cuts and massive stimulus packages by the governments of all important industrial nations. As a result, the economic setback for the year overall was less severe than originally expected. Overall, the world's economy may have retreated by 1.2 percent in 2009 – more in the industrial nations than in the emerging and developing countries. Already in the second quarter of 2009, Germany reported that gross domestic product had started rising again. Still, overall economic performance in 2009 was down 4.9 percent according to a preliminary official estimate. This is the sharpest decline since the founding of the Federal Republic of Germany. Spending on capital goods and exports, down 20 percent and 15 percent respectively, was particularly hard hit.

KUKA GROUP ORDERS RECEIVED BY REGION

(share in %)



Robot team in automotive manufacturing.

AUTOMOTIVE INDUSTRY BENEFITS FROM GOVERNMENTAL SCRAPPING PROGRAMS

The international automotive industry was particularly hard hit by the economic crisis, but developments in individual markets varied greatly. In the United States, car and light truck sales were down 21 percent compared to the previous year. Only 10.4 million vehicles were sold. North American manufacturers General Motors and Chrysler lost 30 percent and 36 percent respectively of their market shares, more than the average for other carmakers. Both companies filed for creditor protection under the terms of Chapter 11 and underwent fast-track bankruptcy proceedings. In Western Europe, governmental car scrapping programs dampened the impact of the recession, especially in Germany, Great Britain, France and Italy. As a result, new registrations in Germany rose 23 percent to 3.8 million vehicles, a number last seen sixteen years ago. However, the major German carmakers saw exports drop 17 percent and production fall 10 percent. The European car market shrank 2 percent to 14.5 million vehicles in total, only slightly less than the year prior. This was in sharp contrast to China, where car sales in the now largest market in the world soared 54 percent to 13.6 million vehicles thanks to government incentives. World sales of private cars were thus only down five percent to 53 million vehicles in 2009 according to the German automotive industry association (VDA).

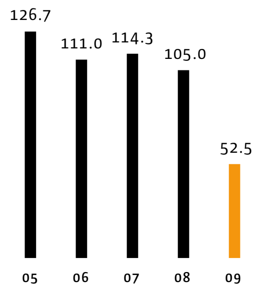
MECHANICAL AND PLANT ENGINEERING BUSINESS DOWN SHARPLY

Orders received decline 38 percent.

The mechanical and plant engineering industry, which is geared toward exports, experienced a sharp decline in business as a result of the constrained spending on capital equipment due to the crisis. According to the German Engineering Federation (VDMA), orders received slid 38 percent from last year in real terms. The sector's total order volume was thus back to the same level it was in the early 90s. Manufacturing of machines and systems was down 25 percent year-over-year in total. Order backlog also declined. Capacity utilization in fall 2009 was only 70 percent, compared to the normal 86 percent. About one-quarter of all employees in this sector were on short time work over the course of the year. However, the German mechanical and plant engineering sector's performance bottomed out in the fourth quarter of 2009 and reported the first rising trend compared to the already weak prior year's comparable quarter.

WORLDWIDE SALES OF INDUSTRIAL ROBOTS

(in thousands of units)



Source: International Federation of Robotics (IFR)

SHARP DOWNTURN IN ROBOTICS MARKET

The robotics and automation segment's 2009 performance was slightly worse than that of other VDMA sectors, with orders received down 41 percent compared to last year. However, German manufacturers performed significantly better that their international competitors. Japanese robot manufacturers reported a drop of 59 percent in sales in 2009 (source: Japan Robotic Industry Association JARA). According to the International Federation of Robotics (IFR), robot sales were down 50 percent compared to the previous year, mainly because of the weak demand from Japanese and North American carmakers.

BUSINESS PERFORMANCE

As a result of the global economic crisis, KUKA Group's orders received plummeted in the first quarter of 2009 and stabilized at a low level over the course of the year. The situation is primarily due to the declining investments by the automotive industry and tighter credit in the general industry sector accompanied by corresponding pressure on supplier prices. All in all, the generally difficult economic conditions had a negative impact on KUKA Group's business performance in 2009.

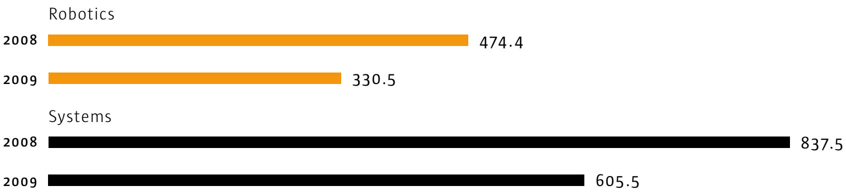
ORDERS RECEIVED DOWN SHARPLY

KUKA Group's orders received declined by 29.4 percent year-over-year, going from € 1,279.9 million in 2008 to € 903.3 million in 2009. The two divisions reported similar declines. The Robotics division's orders received came in at € 324.3 million in 2009, a reduction of 30.2 percent compared to the year prior. The business with automotive sector customers was particularly hard hit. The general industry and service sectors were down by a lesser amount. The Systems division's orders received declined by 28.0 percent year-over-year, going from € 854.9 million in 2008 to € 615.4 million in 2009.

Down 29.4 percent from last year.

KUKA GROUP SALES REVENUES BY DIVISION

(in € millions)



STABLE ORDER BACKLOG

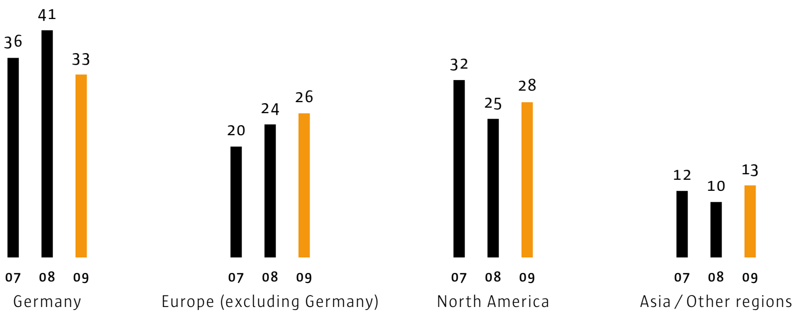
Order backlog was € 543.5 million as of December 31, 2009, nearly the same as at the end of 2008. KUKA Group's activity is notionally secured for about five months.

SALES REVENUES ALSO DOWN SHARPLY

KUKA Group's consolidated sales revenues for 2009 came in at € 902.1 million, down by 28.7 percent from 2008's € 1,266.1 million. Here too, the two divisions were equally affected. The Robotics division's sales revenues declined by 30.3 percent, from € 474.4 million in 2008 to € 330.5 million in 2009. The Systems division's sales revenues declined by 27.7 percent, from € 837.5 million in 2008 to € 605.5 million in 2009. The Group's book to bill ratio was thus 1.0.

KUKA GROUP SALES REVENUES BY REGION

(share in %)



COST REDUCTION PROGRAM SLIGHTLY ABOVE PLAN

In 2009, KUKA implemented a cost reduction program aimed at saving more than € 70 million. This program resulted in material and personnel costs savings of € 72 million as per December 31, 2009, of which € 42 million are of a recurring nature. The savings from Q1 to Q3 2009 totaled € 45 million. The total savings for 2009 thus slightly exceeded the original target. All personnel related savings were made in conjunction with socially acceptable redundancy agreements. The company's prefers actions included flexible measures such as reducing the number of temporary workers, reduced working hours for core personnel, salary concessions, postponement of union wage hikes and voluntary severance agreements. For the most part, layoffs for operational reasons were avoided.

All personnel measures socially responsible.

The difficult business situation resulted in the restructuring of the business in France and the closure of the KUKA Systems France location in Montigny. In total, 144 employees were affected by these steps. Nevertheless, KUKA has since been able to sell the Tours location, which employed 80 people, to a strategic investor. Severance packages were negotiated with the remaining employees in greater Paris.

FEWER EMPLOYEES

KUKA Group's work force shrank by 427 persons, going from 6,171 as of December 31, 2008 to 5,744 as of December 31, 2009. This represents a year-over-year decline of 6.9 percent. The Robotics division had 252 fewer employees, with the total falling from 2,261 on December 31, 2008 to 2,009 as of December 31, 2009. The Systems division reported a drop of 247, the total count going from 3,781 on December 31, 2008 to 3,534 as of December 31, 2009. Due to the transfer of central functions to the Shared Service Center, KUKA AG added 72 employees. Furthermore, the number of temporary workers went from 1,008 as of December 31, 2008 to 584 on December 31, 2009, a year-over-year drop of 42.1 percent. The remaining temporary workers are mainly based at KUKA's US subsidiaries. In total, personnel capacities were reduced in the course of the year 2009 by 11.9 percent.

Plasma welding KUKA robots.

EARNINGS

SUMMARY

KUKA Group's consolidated orders received and sales revenues were down 29.4 percent and 28.7 percent respectively year-over-year. The sharp decline was due to the global economic crisis. The reduction in business volume and the subsequent restructuring costs and one-time charges drove the operating result (EBIT) down from € 52 million in 2008 to € –52.9 million in 2009. Adjusted for restructuring costs, KUKA's consolidated operating result (EBIT) came in at € –14.3 million, within the guidance range of € –10 to € –15 million. Overall, the earnings situation in 2009 was unsatisfactory as a result of the difficult market situation.

FIVE-YEAR SUMMARY OF EARNINGS

		2005*	2006*	2007	2008	2009
Operating result (EBIT)	€ millions	– 53.4	16.7	70.4	52.0	– 52.9
% of sales revenues		– 5.1	1.4	5.5	4.1	– 5.9

* Prior year's numbers adjusted for comparison purposes.

GROSS PROFIT DOWN SHARPLY

KUKA Group's consolidated gross profit from sales was down € 101.6 million, from € 260.8 million in 2008 to € 159.2 million in 2009. Gross margin declined from 20.6 percent in 2008 to 17.7 percent in 2009; adjusted for restructuring costs totaling € 11.7 million, gross margin was 18.9 percent. This decline was due to significantly lower sales revenues and lower profits from the orders that were processed.

Operating costs, i. e., the sum total of sales and administration costs, research and development costs and other operating income and expenses rose further in 2009, driven by one-time charges. KUKA Group's total consolidated operating costs were up € 3.3 million, from € 208.8 million in 2008 to € 212.1 million in 2009. This includes special expenditures, including voluntary redundancy payments to German and foreign employees totaling € 26.9 million.

ONE-TIME CHARGES WEIGH ON OPERATING RESULT (EBIT)

KUKA Group's consolidated operating result declined by € 104.9 million to € –52.9 million in 2009, mainly because of the significantly lower gross profit. This includes special expenditures totaling € 38.6 million. Adjusted for one-time costs, the operating result (EBIT) was thus € –14.3 million.

Divisions' operating results only slightly negative excluding special charges.

The divisions' operating results (EBIT) were also negative in 2009. The Robotics division's EBIT declined from € 42.0 million in 2008 to € –11.5 million in 2009. Excluding special expenditures totaling € 9.6 million, the division's operating result (EBIT) was only slightly negative at € –1.9 million. The Systems division's operating result (EBIT) slid from € 26.8 million in 2008 to € – 29.1 million in 2009. Without one-time charges of € 23.8 million, the division's operating result was € – 5.3 million. KUKA AG's EBIT from other activities including consolidation effects reached € –12.3 million, compared to € –16.8 million last year. Overall, KUKA Group's consolidated return on sales went from 4.1 percent in 2008 to – 5.9 percent, or –1.6 percent without one-time charges, in 2009.

The result from financing activities went from € – 5.0 million in 2008 to € –11.5 million. The higher interest expenses were mainly due to the costs of refinancing and interest payments resulting from audits. Earnings before taxes in total declined from € 47.0 million last year to € – 64.4 million. Tax expenses for the financial year just ended totaled € 11.4 million and were mainly due to the elimination of tax loss carryforwards when one of the major shareholders exceeded the legally stipulated shareholding threshold of 25 percent.

In total, consolidated earnings before taxes went from € 30.6 million in 2008 to € – 75.8 million in 2009. Earnings per share dropped from € 1.18 in 2008 to € – 2.95 in 2009. The weighted average number of shares in circulation during the financial year was 25.7 million excluding KUKA-owned shares (4.54 percent).

CONSOLIDATED INCOME STATEMENT (CONDENSED)

(in € millions)

	2008	2009
Sales revenues	1,266.1	902.1
Operating result (EBIT)	52.0	– 52.9
Financial result	– 5.0	– 11.5
Taxes on income	– 16.4	– 11.4
Net income / loss for the year	30.6	– 75.8

FINANCIAL POSITION

FINANCIAL MANAGEMENT GOALS AND PRINCIPLES

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

GROUP FINANCING AND WORKING CAPITAL MANAGEMENT

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

The business operating activities of the Group's companies and the associated revenue streams represent the Group's most important source of liquidity. Cash management systems are used to employ the excess cash generated by individual Group companies to cover the financial needs of others. The centralized revenue sharing within the Group reduces the amount of third-party financing required, which has a positive impact on the interest result. Coverage of KUKA Group's financial needs is primarily secured through the existing Syndicated Senior Facilities Agreement, as well as the issue of the convertible bond (see explanations in the notes p. 140).

Syndicated Senior Facilities Agreement revised in March 2010.

Due to the difficult economic situation in 2009, the company violated certain financial covenants of its Syndicated Senior Facilities Agreement. Up until the time the Senior Syndicated Facilities Agreement was revised in March 2010, the cash and working capital guarantees required to sustain the operating business were provided in the required amounts under the terms of a waiver process. To secure cash flow, KUKA Group had access to cash credit lines and working capital guarantees from national and international banks and credit insurance companies totaling € 262 million as of December 31, 2009. The financing is complemented by a convertible bond of € 69 million placed on May 2006. An ABS program launched in December 2006 (regular sale of receivables) totaling up to € 25 million (actual required amount as of December 31, 2009 was € 9.5 million) also exists. This ABS program also includes financial covenants, some of which the company violated in financial 2009. The cash commitments associated with this financing were fully available at the end of 2009.

CONSOLIDATED CASH FLOW (CONDENSED)

(in € millions)

	2008	2009
Cash earnings	69.4	– 43.7
Cash flow from operating activities	– 61.2	4.8
Cash flow from investing activities	– 105.7	– 27.0
Free cash flow	– 166.9	– 22.2

RoboScan in series manufacturing.

The negotiations with the financing credit institutions were successfully completed in March 2010. The key items of this agreement include increasing cash credit lines to € 146 million, maintaining working capital guarantees at the same level and a term until March 2012. KUKA Group has thus ensured that its financing is secure.

POSITIVE CASH FLOW FROM OPERATING ACTIVITIES

Cash earnings, which consist of income and expenses associated with the loss for the year, corrected for cash-neutral depreciation on tangible assets and an intangible fixed assets and other items impacting cash, were € – 43.7 million in 2009 versus € 69.4 million last year. Because changes to receivables and debt almost compensated one another (balance € – 3.7 million) and inventories were actively reduced by € 47.9 million, the company was able to report a positive cash flow from operating activities of € 4.8 million in 2009. This compares to € – 61.2 million in 2008.

Cash flow from operating activities and cash flow from investments totaled € – 27.0 million compared to € –105.7 million the year prior resulted in € – 22.2 million of free cash flow. Last year, free cash flow was sharply negative at € –166.9 million because of the acquisition of € 77.1 million in receivables from a car body assembly system operation in the United States. Cash flow from financing activities in 2009 totaled € 42.0 million and was comprised of an inflow of € 27.4 million from the capital increase and higher liabilities due to banks of € 14.6 million. Last year it was € –18.7 million. In total, KUKA Group's liquid assets rose from € 41.3 million to € 61.2 million over the course of the year.

Positive cash flow of € 4.8 million from operating activities.

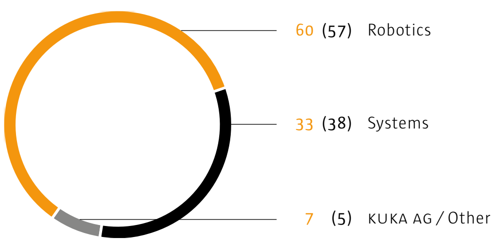
INVESTMENTS ADJUSTED FOR BUSINESS SITUATION

In financial 2009, KUKA Group invested € 27.2 million in total. This was in line with business performance and was 16.3 percent less than the € 32.5 million invested the year prior. Investments in property, plant and equipment reached € 15.8 million versus € 18.9 million in 2008. Of the funds committed, € 5.7 million were invested for technical systems and machinery, € 5.4 million for factory and office equipment, € 3.3 million for assets under construction and down payments and € 1.4 million for property and buildings. Investments in intangible assets totaled € 11.4 million versus € 13.6 million the year prior and consisted primarily of rights and assets including capitalized own development items.

Investments by division in 2009 were as follows: The Robotics division's investments totaled € 16.3 million compared to € 18.4 million last year. Aside from the capitalized development items, the investments were mainly for licenses and user rights. The Systems division invested € 8.9 million compared to € 12.2 million the year prior. Among other things, the division acquired a standard laser cell and a special friction welding machine. Investments by KUKA AG / Other came in at € 2.0 million, about the same as last year's € 1.9 million.

CAPITAL SPENDING BY DIVISION

(in %)



Previous year's value in brackets

NET WORTH

Consolidated net debt down slightly.

KUKA Group's net debt; i. e., liquid assets minus current and non-current financial liabilities went from € – 53.6 million on December 31, 2008 to € – 48.5 million on December 31, 2009, down € 5.1 million.

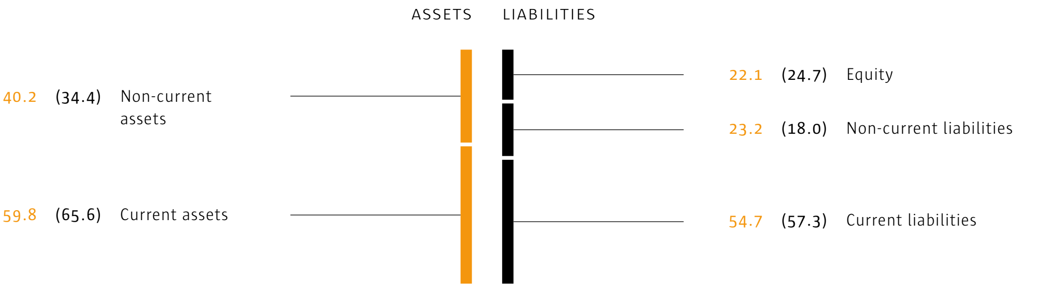
ACTIVE WORKING CAPITAL MANAGEMENT

On the asset side, non-current assets were down € 5.7 million to € 292.3 million compared to last year's closing date, mainly because of repayments of receivables from finance leasing. In parallel with lower sales revenues, trade receivables for non-current assets were down € 50.2 million, inventories shrank by € 47.7 million and receivables from manufacturing orders declined by € 42.8 million. Thanks to active working capital management, KUKA Group was able to reduce receivables and inventories especially. In total, non-current assets as of December 2009 were € 433.9 million, a drop of € 133.6 million from last year's same date. KUKA Group's total balance sheet assets were thus down € 139.3 million, or 16.1 percent, as at December 31, 2009, from the € 726.2 million reported on December 31, 2008.

On the liability side, current liabilities declined, especially trade payables. They went from a very high € 149.1 million at the end of 2008 to € 73.3 million at the end of 2009. The remaining current payables fell € 31.6 million, primarily because of payments in the personnel area. At the end of 2009, current liabilities totaled € 396.7 million compared to € 495.9 million at the end of 2008.

GROUP ASSETS AND FINANCIAL STRUCTURE

(in %)



Previous year's value in brackets

EQUITY DECLINES

The cash inflow of € 27.4 million from the capital increase had a positive impact on equity. On the other hand, the loss for the year was € 75.8 million. Overall, equity was down € 52.7 million to € 160.8 million as of December 31, 2009. The equity ratio; i. e., equity compared to total assets, went from 24.7 percent on December 31, 2008 to 22.1 percent on December 31, 2009, down 2.6 percent.

Equity ratio 22.1 percent.

CAPITAL EMPLOYED DECLINED AS AT THE BALANCE SHEET DATE

Because of the negative results, the return on capital employed (ROCE) was also negative in fiscal 2009.

Over the past two years, the development of return on capital employed had been strongly impacted by the redemption of the financing, totaling € 77.1 million, for the KTPO pay-on-production contract in the Systems division in 2008. Among other things, this caused KUKA Group's capital employed to rise € 184.1 million, from € 150.7 million at the end of 2007 to € 334.8 million on December 31, 2008. At the end of 2009, KUKA Group's capital employed was back down to € 300.1 million.

Financing for KTPO pay-on-production contract drives development of capital employed.

However, the calculation for return on capital employed is based on the average capital employed. KUKA Group's rose by € 75.2, from € 242.3 million in 2008 to € 317.5 million in 2009 following the high starting basis as of December 31, 2008. The development in the Systems division was similar, where it rose € 65.9 million, from € 132.7 million in 2008 to € 198.6 million in 2009. In comparison, the Robotics division's average capital employed rose only slightly in 2009. It was up € 7.6 million to € 120.5 million.

KUKA AG does not have an official rating.

SUPPLEMENTARY REPORT

On March 10, 2010 KUKA AG released the following ad hoc announcement:

"KUKA Aktiengesellschaft ("KUKA AG") has reached an agreement with a bank consortium on extending and increasing the existing Syndicated Senior Facilities According to the agreement, the banks will provide KUKA with credit facilities totaling € 336 million until March 31, 2012. This amount consists of revolving cash facilities in the amount of € 146 million and credit facilities for letters of credit in the amount of € 190 million. The Kreditanstalt für Wiederaufbau (KfW) joined the consortium as a new partner and will contribute € 31 million to the cash facility.

As part of the agreement with the banking consortium KUKA AG agreed to raise equity by at least € 23 million by the end of June 2010, either by the way of a capital increase or subordinated debt. The agreed credit lines will only become available in full in the future upon the raising of the afore-mentioned funds. KUKA AG will decide whether to raise more than € 23 million subject to market conditions. The major shareholder Grenzebach Maschinenbau GmbH has committed to provide up to € 15 million as part of the capital injection. Grenzebach Maschinenbau GmbH has also informed KUKA AG that in line with its previous communication it will not increase its shareholding in the company, or the shareholding attributable to it, to 30 percent or more in the course of a capital increase.

The extension of the bank financing beyond August 31, 2011 is also conditional upon securing a refinancing of the convertible bond issued by KUKA Finance B.V. and guaranteed by KUKA AG, which falls due in November 2011, by no later than August 31, 2011. The company further undertook vis-à-vis the banking consortium not to distribute any dividends to its shareholders during the term of the financing agreement. The amended terms of the bank financing will lead to higher financing costs and an increased negative financial result in comparison to 2009.

In addition, KUKA AG's Supervisory Board has asked Dr. Till Reuter to continue in his position of acting CEO in accordance with section 105, para. 2 of the German Stock Corporation Act, until September 2010. After successfully completing the financing negotiations, Dr. Reuter informed the Supervisory Board that he would remain in the position until such date, in particular to further develop the company's long-term strategic direction. Accordingly, the staffing of the CEO-position from October 2010 onwards will be appointed later."

RESEARCH AND DEVELOPMENT

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

- develop highly functional and efficient, user-friendly products and solutions,
- aim for scalable solutions that add significant customer value using appropriate control systems and mechatronics,
- maximize product life cycle oriented attributes such as quality, durability and energy efficiency and
- minimize the time to market using IT technologies.

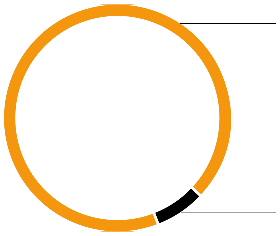
R&D SPENDING AGAIN INCREASED

Research and development expenditure € 35.6 million.

Despite the difficult market situation, KUKA Group further increased its spending on research and development. The total spent on research and development during the financial year was € 35.6 million, up 5.6 percent from 2008's € 33.7 million. Because of the decline in sales revenues, KUKA Group's R&D spending ratio rose substantially: from 2.7 percent last year to 3.9 percent in fiscal 2009. The capitalization ratio; i.e., the share of R&D costs capitalized as in-house developed software or product development costs was 6.9 percent in 2009 compared to 22 percent the year prior.

R&D EXPENDITURES BY DIVISION (CONDENSED)

(in %)



Previous year's value in brackets

By far the largest share of R&D expenses are attributable to the Robotics division. During the financial year, this business unit spent € 33.5 million versus the prior year's € 31.0 million. This includes € 0.4 million the Robotics division spent on work for the Systems division and other companies. Last year the equivalent amount was € 0.5 million. Because of declining sales revenues, the Robotics division's R&D spending ratio this year was 10.1 percent, compared to 6.5 percent in 2008. The majority of the Systems division's development projects are carried out in conjunction with customer orders. As a result, the division only spent € 2.5 million on research and development during the financial year just ended compared to € 3.2 million in 2008. In total, 70 percent of the overall budget is allocated for new products and applications and 30 percent for basic research.

Laser welding.

KUKA Group's research and development is mainly financed from cash flow. In addition, the department has access to public funding and collaborates with research centers, universities, colleges and other companies. The share of third-party services for the financial year was 20 percent.

ROBOTICS DIVISION

In fiscal 2009, the division had 232 employees working in the research and development department compared to 249 the year prior. The majority of the employees have university degrees. Of the total, 50 percent of the employees work in software development and electronics and 50 percent in mechanics and mechatronics.

KUKA Robotics' development performance continues to be high. During the financial year, the division submitted 106 patent applications and was awarded 48 patents.

NEW GENERATION OF INDUSTRIAL ROBOTS FOR THE AUTOMOTIVE MARKET

New generation of industrial robots, also for future markets.

In 2009, the division's research and development program was tightened to focus on completing the development of a new, mechatronically optimized family of controllers and robots. The features and user interface of this new generation of industrial robots were developed in close cooperation with our customers and will offer them significant value added. An initial model for the automotive target market was already delivered for beta testing at some customers' facilities during the second half of the year. These robots form the cornerstone of a new, flexible technology platform, which can also be applied in future markets.

GRAPHIC PROCESS – PROGRAMMING USING "VISUALPROCESS"

"VisualProcess" is part of KUKA's new "WorkVisual" program. It offers graphics-based off-line programming for process applications using 3-D CAD data. "VisualProcess" was used for the first time in the automotive industry for a gluing application in fiscal 2009. The main advantages for customers include a direct link between the graphic path and the graphic process programming in an off-line environment, in the intuitive user interface and the direct interface to KUKA's own engineering packages.

NEW ROBOTS FOR PALLETIZING TASKS

As part of an in-house marketing campaign (www.die-hohe-kunst-der-ordnung.de), three new palletizing robots were presented at the leading international forest and wood industry trade show LIGNA in May 2009. The KR 700 PA robot has a 4-axis kinematic system for fast production – 15 cycles per minute at a payload of 700 kg, a work envelope of 3,320 mm and a palletizing reach of 400 / 2,000 / 400 mm. The KR 700 PA is thus the fastest palletizing robot in its payload class and sets a market benchmark.

Widest selection of palletizing robots in the world.

Two additional robots developed on the basis of KUKA's high-performance, proven technology were presented at LIGNA, featuring a 5-axis kinematic system for payloads of 300 kg and 470 kg. The KR 300 PA is designed for rapid tasks at high payload, and thanks to its compact design, the KR 470 PA is easy to integrate into existing systems.

KUKA Robotics also developed new process modules for palletizing and depalletizing. They enable the division's systems partners to design high-performance applications in the growing logistics market. KUKA's layer gripper, which has six servo axes, can handle loads of up to 200 kg and depalletize or palletize them layer-by-layer to a height of up to three layers. Another software module for mixed palletizing opens the door to new high-performance order-picking applications.

KR 700 PA's world premier at LIGNA in Hanover.

INERT GAS WELDING PRODUCTS

Two new robots were developed for the welding robot product family. The KR 16 arc HW can handle a payload of up to 16 kg and is especially suited for large components; e. g., heavy metal plates. The KR 16 L8 arc HW is designed to reach 2,015 mm. The mechanics feature hollow shaft construction (hollow wrist HW) with a 50 mm diameter opening. The special design of the arm and hand enables the energy supply to be optimally integrated into the robot. This allows even hard-to-reach complex components to be optimally welded.

The Multi CR ArcTech Digital and SeamTech Tracking software packages were also developed for this purpose. Multi CR ArcTech Digital enables optimized arc welding programming in conjunction with the KUKA Systems Program RoboTeam. For example, SeamTech Tracking enables sensor-controlled multi-layer welding of thick metal sheets. A live demo featuring the two KR 16 arc HW and KR 16 L8 arc HW welding robots with the new software packages were exhibited at Germany's "Schweißen & Schneiden" (welding and cutting) trade show in September 2009.

OMNIMOVE NOW ALSO WITH ELECTRIC DRIVE OPTION

A new drive system was developed for the mobile Omnimove platform, which features high mobility in all horizontal planes plus rotation around its own axis. Besides the proven hydraulic drive system, a purely electromechanical drive system was implemented for the first time. The electric drive is designed to meet the strict specifications of the aircraft and rail vehicle manufacturing industries. The new electric Omnimove platforms will be used in the French, British, German and Spanish Airbus factories to manufacture wing and fuselage segments.

KUKA LIGHTWEIGHT ROBOT R&D PROJECT

The goal of current development efforts is to take the lightweight robot already being used as a research product to the stage of serialized, industrially usable readiness. Concrete specifications, which are now being used to quickly develop an industrial version, were generated based on comprehensive, application-specific tests. The end product will be a modular lightweight robot family, which will be a core component of a large variety of applications for industrial and health care environments. The application-specific tests using the evaluation models have since been incorporated into concrete project plans for the future industrial version.

Referred to its own weight, the lightweight robot will be able to handle about twice the payload of its industrial robot cousins. A technically mature sensor system enables it to optimize, or sometimes even make possible, assembly and joining tasks using haptic feedback. This is comparable, for example, to a human trying to insert a plug into a socket without looking. The same sensor system enables the robot to interact with humans; for example, to be guided by an operator, or vice versa, to guide a human through complex motion sequences. KUKA's lightweight robot thus has an extremely flexible actuator and sensor capable of movement in all six degrees of freedom.

An optimized control interface for use in research was developed for KUKA's lightweight robot in cooperation with the company's partner DLR and with funding from the EU BRICS project. This Fast Research Interface is designed to meet the specifications of this group of customers and makes it easy to integrate the robot into research applications.

Modular family of lightweight robots.

The European robot manufacturers, together with the European Union, have launched a project called ECHORD (European Clearing House for Open Robotics Development). With the help of ECHORD, research institutes and facilities are able to operate their developments using the latest industrial hardware. This program also supports the acquisition of KUKA's lightweight robot for service robotics application research. The Munich University of Applied Science, University of Naples Federico II / Italy, and University of Coimbra / Portugal, coordinate the ECHORD program (www.echord.info).

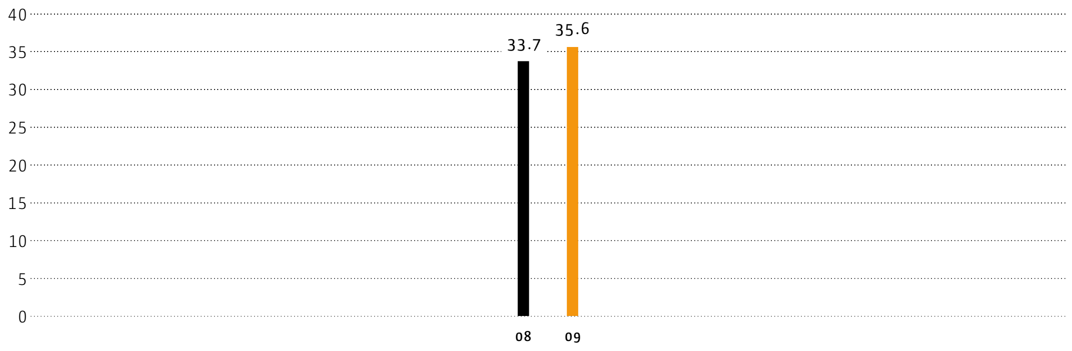
LEADING EUROPEAN ROBOTICS

KUKA Robotics has now been leading European robotics via the European technology platform EUROP, (European Robotics Technology Platform) for two-and-a-half years. EUROP's objective is to further strengthen Europe's leading role in robotics. To accomplish this, a strategic road map was developed together with over 130 organizations, which has now become a reference for European robotics. It was presented on July 7, 2009. European and German specifications for publicly funded research projects are now based on it, and are thus more closely aligned with the key requirements of the robot industry. The goal over the next few years will be to work even more closely with scientists so that technology transfers can be accelerated.

For years, KUKA has played a pioneering role in technology transfers. This is proven by the successfully completed research collaborations and the transfer of relevant results into products. As a result, under the leadership and with the help of KUKA Robotics, a number of German and European research projects were again completed successfully last year. This included developing processes and technologies for future robot products that will be used for both industry and service applications.

KUKA GROUP R&D EXPENSES

(in € millions)



KUKA plays pioneering role in technology transfers.

The SMErobot and RoboTOOL projects focused on the requirements of small and medium-size production operations that primarily deal with small lots and a large number of variants. In order to enable robotics technology to be cost-effectively implemented in this sector, KUKA developed processes and technologies that will in future make it possible for users to more quickly and easily generate robotic software programs. Technologies such as programming by demonstration, off-line programming and intuitive graphic and icon-based user interfaces play a key role here. The robot becomes the worker’s assistant and can provide support for hazardous, health damaging or routine work.

Significant progress regarding human safety when closely interacting with robots was demonstrated by the PHRIENDS project. In addition to new knowledge that can be applied to future standards, which KUKA will thus be able to significantly influence, KUKA’s lightweight robot will play a key role in future human-robot cooperation scenarios. Its sensitivity enables new safety concepts to be developed, which will make inflexible and expensive protection zones a thing of the past.

The objective of the DESIRE project was to develop a new control system for service robotics. Unlike today's industrial robots, future service robots will no longer work in a precisely defined environment and have precisely defined tasks. They will therefore require more degrees of freedom and sensors and have to be more intelligent than today's industrial robots. The DESIRE team used a joint technology platform equipped with two KUKA lightweight arms to demonstrate what the future information processing and controls for these robots will look like. Other KUKA demonstrators showed that the way to service robotics will be via industrial production. An omnidirectional mobile platform equipped with a KUKA lightweight arm and a two-finger gripper was used to conduct the first successful fetch and carry task experiments in an industrial environment.

The Lynkeus and Genesys projects were also successfully completed. A key objective here was to recognize three-dimensional objects and plan collision free paths, either for detecting and extracting components from a box or from a baggage container. KUKA worked closely with Grenzebach Maschinenbau GmbH on this project. Grenzebach will use such systems to improve logistics at airports.

SYSTEMS DIVISION

KUKA Systems received the distinguished JEC Award 2009 for an innovative welding process for fiber plastic composites (FPC). The prize is awarded annually for the world's best developments in the composite materials sector. The division also received an innovation prize from the Network of Automotive Excellence in the "CO_2 reduction, lightweight construction and new materials" category for this process. FPC components are increasingly replacing metal components. Manufacturing integral structures using fiber plastic composites is currently very expensive and time-consuming. KUKA Systems is thus developing innovative joining processes that use inductive heating to make welding FPC parts much more flexible and less expensive. Furthermore, the products can easily be taken apart again and disposed of in an environmentally sound manner at the end of the product life cycle.

JEC Award 2009 for world's best composite materials development.

ROBOSPIN FOR WELDING ALUMINUM

A number of years ago, KUKA Systems developed the Robospin process for resistance spot welding, the most widely used joining technology for car body assembly. The industrial robot moves toward the next weld already during the welding sequence, which makes the process faster, more accurate and cheaper. Robospin also improves the weldability of hard-to-weld or unweldable materials. This includes especially aluminum. The newly patented process thus promotes more extensive use of aluminum to reduce the weight of cars.

KS Robospin revolutionizes spot welding.

Another process for working with lighter materials for moving parts such as axes and drive shafts is magnetic arc welding. A pressure welding process is used to precisely and permanently join asymmetrical components and dissimilar materials such as cast components and steel. KUKA Systems has now developed a magnetic arc welding machine that operates in the ideal vertical position to complement the conventional horizontal version.

In 2009, KUKA Systems developed other standard robotic automation systems and components for use in automotive assembly lines. Whenever technical specifications repeat regularly, the systems and components are standardized to provide greater flexibility and cut costs. At the same time, they can be transferred to new business areas, and for example, used to produce solar modules.

FAST WAFER LOADING AND UNLOADING

KUKA Systems has developed a fast robotic system for loading and unloading wafer carriers for coating systems. A robot uses grippers made from FPC materials to pick randomly positioned wafers 180 µm thick from their cassettes and position them precisely every three seconds. A vision-based system is used to survey the cassettes. One or more robots are used for this system, depending on cycle time.

KS Solartec for the solar industry.

LASERS FOR THERMAL SOLAR SYSTEMS

Relying on 25 years of experience in robotic laser welding, KUKA systems is now applying laser technology to solar module manufacturing systems. The KS Solarthermal Lasertec welding cell optimizes process safety and features maximum uptime and flexibility for welding pipes to the absorber surface. This makes flat-plate collector assembly cheaper. The first system to be equipped with laser technology will produce 100,000 collectors of various sizes annually.

KUKA Systems has developed a hybrid weld cell, primarily for use in industrial production processes. KS Hybridtec combines the advantages of laser technology and conventional inert gas welding. This innovative combination makes it easier to speed up welding processes and reduces reworking. The process is especially suited to processing thick sheet metal; for example, to construct rail vehicles.

NEW LIGHTWEIGHT MANUFACTURING TECHNOLOGY CENTERS

KUKA Systems develops robot-based cell for automated production of carbon fiber reinforced plastics.

The German Aerospace Center (DLR) is establishing a publicly funded center for lightweight manufacturing technologies, Leichtbauproduktionstechnik Süd (ZLP Süd). It will be built near the University of Augsburg and aims to develop technologies that enable carbon fiber reinforced plastics to be manufactured automatically. The focus will be on dry bonded fabrics designed to be processed in flexible production cells. KUKA Systems is the general contractor for developing this robot-based cell, and KUKA Roboter will supply the expertise in the area of robot mechanics, and especially the robot control system. Particular challenges for the robot controller designers will be tying in a CAD / CAM system, the planned human machine interaction and cooperation of the mechanical systems. This work will be coordinated with the government-funded ZLP Nord project, which is being implemented at the same time in Stade, Niedersachsen.

PROCUREMENT

The purchasing department's key function is to provide KUKA Group with goods and services. These are sourced internationally by the business unit, and its key objectives are to ensure top quality, on-time delivery and effective costing. One of the cost reduction program's prime objectives is to achieve savings in the purchasing area.

ROBOTICS DIVISION

In 2009, the Robotics division expanded its purchasing of components from Asia. An agreement was signed at the new distribution center in Shanghai / China, for the procurement of locally required parts. The division also introduced a new web-based supplier relationship management tool. The system can be used for catalog-based C-parts purchasing, provides a platform to generate electronic requests for quotation (sourcing engine) and electronically links suppliers to enable advanced inventory management (vendor managed inventory). This not only further cuts procurement and processing costs, but also improves flexibility and delivery accuracy.

SYSTEMS DIVISION

In 2009, the two different purchasing departments were merged under one manager, which resulted in a significant reduction in the number of staff. KUKA AG's purchasing activities were also integrated as part of this reorganization. The lead buyer concept will be used from now on to jointly procure indirect materials and indirect services on behalf of all parts of the Group. It is an efficient and cost-effective way to realize synergies.

EMPLOYEES

FLEXIBLE ADAPTATION

KUKA values motivated employees who can work independently, particularly during difficult economic times. This is why the company decided to flexibly and selectively adjust personnel capacities to align with the reduced business volume. These measures help maintain a healthy age distribution within the company and reduce extraordinary charges against business results. After all, independent of the current economic situation, structural trends such as the continuous aging of society and the increasing shortage of skilled workers in all industrial nations are progressing relentlessly.

FURTHER INFORMATION
www.kuka.jobs

In 2009, KUKA took the following steps to adjust personnel capacities and cut personnel costs, primarily in Germany:

Flexible and selective adjustment of personnel capacities.

- Reduce the number of temporary workers: The number of temporary workers throughout the Group went from 1,008 in December 31, 2008 to 584 on December 31, 2009, a drop of 42 percent;
- Reduce overtime by offering time off and strictly managing work time;
- No renewal of short-term work contracts;
- Postpone wage hikes: The scheduled wage increase was postponed by half a year, from May 1, 2009 to December 1, 2009; in addition, union wages at KUKA Systems GmbH will not be adjusted until July 1, 2010;
- Salary concessions: All managers, executives and non-union salaried staff agreed to forgo 10 percent of their gross monthly salaries from June 1 to December 31, 2009;
- Reduced hours: The working hours of many employees with union wage agreements were cut by at least 20 percent. The reduced hours began in Augsburg for 436 employees on June 1, 2009, increased to 542 employees on October 1, 2009 and fell back to 357 employees at the end of 2009. The reduced hours will be continued during the current fiscal year;
- Voluntary redundancy payments: Seventy employees have accepted these agreements as of December 31, 2009.

Our service team is ready for action, anytime, any place.

FEWER EMPLOYEES

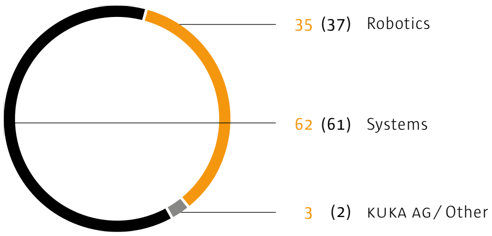
In total, KUKA Group's work force shrank by 427 persons, going from 6,171 on December 31, 2008 to 5,744 as of December 31, 2009. This represents a year-over-year decline of 6.9 percent. The Robotics division had 252 fewer employees, with the total falling from 2,261 on December 31, 2008 to 2,009 as of December 31, 2009. The Systems division reported a drop of 247, the total count going from 3,781 on December 31, 2008 to 3,534 as of December 31, 2009. Due to the transfer of central functions to the Shared Service Centers, KUKA AG added 72 employees.

The age structure remained relatively constant compared to last year. In the Robotics division, the average age was 39 and in Systems it was 42. Nor did the structure of employee qualifications change significantly during the period under review. Twenty percent have a university degree or college diploma, 72 percent have credentials in a technical or accounting field, 7 percent are trainees or apprentices and 1 percent have no skills training.

Seven employees were honored for being with the company for 40 years; 20 staff members celebrated their 25th anniversary with the organization.

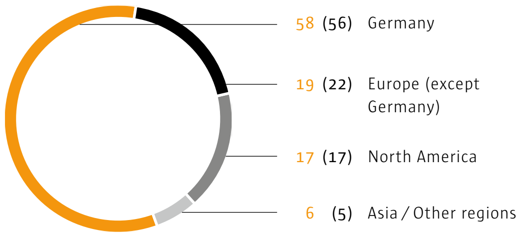
EMPLOYEES BY DIVISION *

(in %)



EMPLOYEES BY REGION *

(in %)



* record date Dec. 31
Previous year's value in brackets

TRAINING A STRATEGIC SUCCESS FACTOR

A forward-looking staffing policy is a key tool for securing the future. That is why KUKA offers a wide variety of technical and accounting apprenticeships at its German locations in Augsburg, Bremen and Schwarzenberg / Erzgebirge: industrial accountant, computer specialist, mechatronics technician, machinist, industrial mechanic and electronics technician for automation technology. Tool and die makers are also trained at the Schwarzenberg location. The average three-and-a-half year apprenticeship targets primarily qualifying secondary school graduates. At the end of 2009, a total of 193 young people were serving apprenticeships at one of KUKA's companies, which represents an apprenticeship ratio of 5.6 percent. 61 new employees started their apprenticeships during the financial year.

193 young employees are serving as apprentices at KUKA companies.

NEW TRAINING CENTER OPENED

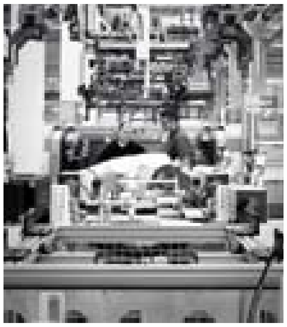
The inauguration of a new training center, the opening of which was celebrated in Augsburg on April 30, 2009, underscored the importance of vocational training at KUKA. This is where apprentices in the mechanical and electrical fields will receive their practical basic training. The practical skills will be supplemented by theoretical training. Internal training in areas such as environmental and noise protection round out the curriculum. The new center adds 200 square meters of space to the existing facilities, which enabled the company to increase its apprentice capacity by 25 to 30 per year. In conjunction with the cooperative training program, this capacity is also available to apprentices from other companies in the area and to mechatronics students at Fachhochschule Augsburg (college). The new KUKA training center in Augsburg offers all of them solid vocational training based upon the latest methods and concepts.

The new training center offers schools in the region a variety of opportunities to learn about the working world.

In addition, this training center offers schools in the region a wide variety of opportunities to learn about the working world. Students from all types of schools can enroll in a weeklong “taster course”. Company tours are offered to school classes, as are courses on how to apply for a job. A new target group is young girls, who can gain insight into a technical career during the so-called Girls Day. In addition, KUKA sponsors a secondary technical school and high school in Augsburg. Young people without an apprenticeship can also receive basic training under the terms of a government jobs initiative, which helps them improve their chances of success when they pursue other employment opportunities. In addition, KUKA takes part in the annual “Fit for Job” training fair, which attracts about 15,000 persons to Augsburg.

10 YEARS OF INTERNATIONAL INTERNSHIPS

KUKA gives apprentices who perform well an opportunity to complete a four- to six-week work term at a foreign subsidiary as part of their apprenticeship. Internships are offered by our companies in Belgium, Great Britain, Spain, Hungary, the United States and China. In total, 60 apprentices have taken advantage of this opportunity since 1998. During this period, the program has been expanded step-by-step to cover Europe, North America and finally China.



Pre-assembling a Magnetarc system at KUKA Systems.

EXTENSIVE USE OF UNIVERSITY AND JOB FAIRS

Despite the difficult market environment, KUKA continues to work closely with universities and colleges. As part of this initiative, KUKA offered 80 internships in 2009. In addition, 30 students wrote their thesis at KUKA. The company also made corporate presentations at 14 universities and job fairs.

EMPLOYEE SHARES VERY POPULAR

Another important human resources policy is to increase company shareholdership among employees. KUKA therefore supports the employee share program (MAP) by offering bonus shares. After holding their shares either one, three or five years, employees receive bonus shares. A total of 272,547 shares were ordered by the 544 employees who participated in the seventh MAP employee share program, MAP 2009. Including the associated bonus shares, this corresponded to an order volume of € 2.2 million.

RISK REPORT

GENERAL PRINCIPLES

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

Risk management

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

The risk summary lists the top ten risks.

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

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

MARKET AND BUSINESS RISKS

KUKA is exposed to the cyclic investment behaviour of its regular customers in the various market subsectors, particularly the automotive sector with its oligopolistic structures and ongoing price pressure. The industry represents a major share of the Systems and Robotics divisions' business volumes. It is further exposed to country risks, such as patent and brand protection in Asia, exchange rate fluctuations, financial and technical risks and the risk of substantial price increases of key raw materials.

In 2009, KUKA was particularly hard hit by the effects of the international financial crisis and the worldwide sales slump in the automotive industry, as well as the mechanical and plant engineering sector. Orders received dropped 29.4 percent and sales 28.7 percent compared to 2008. As a result of these developments, the company was unable to comply with certain financial covenants in fiscal 2009. Please refer also to the discussion on fiscal risks.

KUKA robots working as sculptors.

Furthermore, most carmakers' financial situation deteriorated significantly in 2009, particularly that of the major American carmakers. As a result, Chrysler and GM were forced to file for Chapter 11 bankruptcy protection. Thanks to systematic management of the risks associated with these companies, Chrysler's and GM's bankruptcy proceedings did not have a negative impact. After Chrysler and GM successfully completed their Chapter 11 bankruptcy proceedings, all original contracts, including KUKA Toledo Production Operations' (KTPO) pay-on-production contract, were reinstated.

Economic risks that could also affect business performance after 2009 include:

- tightened credit by banks
- euro appreciation and thus a further negative impact on exports in the euro zone
- expiry of the government incentive programs
- further increase in the number of Asian competitors resulting in increased cost pressure
- continuation of the financial crisis

PERFORMANCE RISKS

KUKA Robotics

Customer base expands to general industry.

The key challenges for the product portfolio are the continuing cost sensitivity of customers around the world and their demands for continuous product innovation. This applies particularly to the automotive industry and its subsuppliers. The result is permanent price pressure and potentially longer life cycles for the robots used in the currently served markets.

KUKA Robotics counters such trends by continually developing new products and applications that offer customers in existing markets quantifiable financial advantages driven by very short paybacks. In addition, the division targets and penetrates new markets; for example, new applications in the health care sector and other consumer related areas. In fiscal 2009, KUKA Group invested € 35.6 million in research and development, the majority of which was for robotics.

A key component of the corporate strategy is to develop new markets outside the automotive industry by expanding the customer base into general industry. In fiscal 2009, total orders from such customers accounted for over 40 percent of the Robotics division's orders received. In addition, the company continues to press ahead with efforts to expand its business in the United States and Asia.

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

KUKA Systems

In 2009, KUKA felt the effects of the international financial market crisis on orders received, as well as on customers' capital spending and payment behavior. For example, projects planned for 2009 were postponed. In addition, carmakers' cost reduction programs have a positive impact on the business on the one hand because of greater demands for better efficiency and more flexible production lines. On the other hand, they impact negatively because of the reduced capital spending overall. The long duration of the project management phase and the infrequency of the orders received, as well as price and competitive pressures, can expose the company to sales and profit risks. Exposure of our American subsidiaries in particular to the risk associated with the major US carmakers is reduced through a strict project and receivables management program. Due to the project nature of the business, there are also the additional risks of cost estimation errors and contractual penalties as well as postponements. These are continuously monitored and accrued for.

Regional diversification of activities across Europe and North America.

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

Pay-on-production contracts such as the one entered into by KUKA Toledo Productions Operations (KTPO) offer additional opportunities and risks. Compared to all other American cars, the Jeep Wrangler brand is demonstrating above-average growth opportunities, in which KUKA participated again in 2009. There are risks associated with the stronger dependencies on car sales and production volumes in the American car market.

After conducting a fundamental general industry market analysis, KUKA Systems is now to exploit long-term business potential also outside the automotive industry. Current examples are the aircraft and solar industry, as well as the rail vehicle manufacturing sector, where the first orders have been received.

CORPORATE STRATEGY RISKS

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

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

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

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

PERSONNEL RISKS

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

Training and continuing education for employees ensure they remain technically qualified.

Centralized and decentralized training and continuing education programs for employees at all levels ensure that the Group's people have the indispensable expert skills they require. The in-house and international trainee program offers recruits the opportunity to get to know various business areas and foreign companies. The 193 apprentices to be trained by KUKA Group by year-end will be quickly integrated into the company and subsequently offered a permanent position if possible.

A key task is to prepare KUKA Group for the future with regard to the demographic shift. Entrepreneurial thinking and management styles are also encouraged by offering managers attractive remuneration packages. This is supported by an employee share program.

INFORMATION SYSTEMS RISKS

IT is a strategic tool used to achieve cost-related business goals. Standardization and integration are key prerequisites for generating a strategic competitive advantage based on IT. Over the course of 2009, considerable progress was made in harmonizing the accounting IT systems and aligning them with the general strategic direction of the Group. The IT systems used also align with KUKA Group's security and uptime requirements.

KS RoboScan – state-of-the-art laser technology.

By regularly reviewing and optimizing the IT systems in use, as well as the relative guidelines and organizational structures associated with effective IT security and IT service continuity management, the company ensures that the risks posed by the increasing potential threats from external sources and the dependencies resulting from the increased digitization of business processes are minimized. IT is also permanently integrated into KUKA Group's risk management process. An annual IT audit and spot checks regarding adherence to legal requirements are conducted by external auditors.

FINANCIAL RISKS

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

Due to the difficult economic situation in fiscal 2009, the company was unable to comply with all clauses stipulated in the syndicated loan agreement (debt ratio). As a result, KUKA Group had to renegotiate its financing. Agreement on extending the Syndicated Senior Facilities Agreement totaling € 336 million (of which € 146 million is a cash credit line and € 190 million a credit line for LCs) was reached in March 2010, after the December 31, 2009 closing date. It includes various constraints and conditions, such as successfully implementing KUKA Group's restructuring, which also comprises further increasing equity via share issues or subordinated debts, refinancing the existing convertible bond and honoring various financial and non-financial covenants. Accordingly, no dividends will be paid to shareholders during the term of the Syndicated Senior Facilities Agreement.

Syndicated Senior Facilities Agreement extended to March 31, 2012.

Systematic implementation of the restructuring measures according to plan is thus decisive for the company's future solvency and securing the continuation of its business activities. Key covenants relate to minimum earnings before interest, taxes and depreciation (EBITDA), the degree of indebtedness and equity. As part of this agreement with the consortium banking partners, KUKA AG is obligated to ensure that it adds € 23 million either as equity or subordinated loan by the end of June 2010. Concerning this, the company has a guarantee in the amount of € 15 million. A provision of the credit line agreements with the banks, is that these will only be available in full in future if the corresponding cash injection has taken place. The agreed contractual term of the Syndicated Senior Facilities Agreement and the ABS program (regular sale of receivables) totaling up to € 25 million extends to March 31, 2012. Bilateral credit line agreements with banks and credit insurance companies supplement the Group's financing portfolio.

The € 69 million convertible bond issued on May 9, 2006 is due to be repaid on November 9, 2011. At the present time, the Executive Board expects the necessary refinancing to be successful. Successful refinancing of the convertible bond by August 2011 is also a key covenant of the new Syndicated Senior Facilities Agreement. KUKA Group will thus be exposed to a refinancing risk, if the operational situation of the company or the capacity of financial markets to absorb the placement is inadequate.

Interest rates are analyzed regularly to control these risks and the results are an important part of our risk management system. A change in the interest rate of 1 percent referred to the period end would alter KUKA Group's interest income by € 0.2 million.

Convertible bond to be refinanced by August 2011.

Transaction-related currency exchange risks are hedged using forward foreign exchange contracts. The goal is to hedge the currency exchange risk to approximately 60 percent per financial year on a rolling basis. Details of the central currency management process are provided under Financial instruments on pages 108 to 110 of the Group notes. As a basic principle, all KUKA Group companies must secure their foreign currency positions as soon as they arise. Translation risks; that is, valuation risks associated with balance sheet items whose value has been converted from a foreign currency, are not hedged, 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 are used to control the trading and use of derivatives. Associated risks are continuously monitored internally.

The impact of the international financial market crisis has sent the global real economy into a slump, which also had a negative impact on the Group's cash flow from operating activities. The developments in the real economy have generally hampered access to the money and capital markets and there is a risk that refinancing costs could increase further.

COMPLIANCE RISKS

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

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

OTHER RISKS

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

No known environmental risks from operating activities.

The shareholder structure is regularly analyzed to assess a possible 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 financial administration rules. There is a risk that countries could implement duties should the company fail to properly observe laws and other regulations. Tax audits in particular could have a negative impact on the Group. Should the auditors find compliance issues, the company could be liable for payment of interest charges, penalties and tax back payments. Appropriate precautions based on experience are taken for such tax risks.

Stacking stamped parts in the automotive sector.

SUMMARY

Considering the risks from an overall perspective, it is clear that KUKA Group is primarily exposed to business performance and financial risks. This includes in particular the effects of the international financial market crisis, which have worsened the economic downturn. There is also the issue of dependency on major customers in the automotive sector, particularly in the case of our American subsidiaries.

As outlined under financial risks, the agreement on extension of the financing could threaten the existence of the company. However, overall we consider KUKA Group's risks to be manageable and transparent.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

GENERAL PRINCIPLES

Since the parent company KUKA Aktiengesellschaft is a capital market oriented corporation in terms of article 264d of the German Commercial Code (HGB), the key characteristics of the internal controlling and risk management system as they relate to the Group's accounting process, which also includes the accounting processes of the companies included in the consolidated financial statements, shall be described as per articles 289 para. 5 and 315 para. 2, clause 5 of the German Commercial Code.

The relationship between the internal controlling and risk management system and the accounting process is not legally defined. We regard the internal controlling and risk management system as a comprehensive system and use the accounting system related internal control system (IDW PS 261 item 19 ff.) and risk management system (IDW PS 340, item 4) definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf. An internal controlling system is thus the embodiment of the principles, processes and measures introduced by management, which are geared toward implementing management decisions throughout the organization:

- to ensure that the business activities are effective and efficient (including preservation of assets, and preventing and uncovering fraud),
- to ensure that the internal and external accounting systems are proper and reliable as well as
- to ensure that the company complies with applicable laws.

The risk management system comprises all organizational rules and measures related to recognizing risk and procedures for dealing with entrepreneurial risks.

STRUCTURES AND PROCESSES

The following structures and processes have been implemented by KUKA Group in regards to the accounting process:

The Group's Executive Board bears full responsibility for the internal controlling and risk management system as it applies to the accounting process. All companies that are part of the consolidated financial statements are included via a clearly defined management and reporting organization. Accounting, Human Resources and IT Shared Service Center are in place at KUKA AG for KUKA Group's German companies. Other departments with group wide responsibilities, such as Treasury, Legal Services and Taxes also provide services centrally at KUKA AG using processes that are standard throughout the Group.

This is done by defining the principles, organizational structures and processes, and the Group accounting related internal controlling and risk management system processes in Group guidelines and organizational procedures, and regularly adjusting them to external and internal developments.

CHARACTERISTICS OF THE INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM

We regard characteristics of the internal controlling and risk management system related to the accounting process as significant, if they can have a material influence on the balance sheet and overall conclusion of the consolidated financial statements including the Group management report. This includes primarily in the KUKA Group:

- Identifying the main areas of risk and controlling areas (see risk report p. 49) that affect the Group accounting process;
- Quality controls to monitor the Group accounting process and the accounting results at the Group Executive Board and management company levels and at the level of the individual reporting units included in the consolidated financial statements;
- Preventive control measures for the Group's finance and accounting systems and for the companies included in the consolidated financial statements, as well as for operative business performance processes that generate key information for preparing the consolidated financial statements, including the Group management report, and including a separation of functions and of predefined approval processes in relevant areas;
- Measures to ensure that Group accounting related facts and data are administered via proper IT processes. For example, this includes centralized control of access rights and automated plausibility checks when inputting data to the SAP SEM BCS-System;
- Measures to ensure that the departments implement the accounting related internal controlling and risk management systems and that the internal audit department monitors same by systematically verifying adherence to the internal control system.

SUMMARY

The company ensures that KUKA Aktiengesellschaft's and KUKA Group's accounting system is implemented uniformly and in accordance with legal requirements, the principles of proper bookkeeping, international accounting standards and internal Group guidelines using the structures, processes and characteristics of the internal controlling and risk management system presented here. The company also ensures that business transactions are uniformly and appropriately recorded and evaluated and that relevant and reliable information is thereby made available to the internal and external accountants who process the information.

DISCLOSURE ACCORDING TO ARTICLE 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATION THEREOF

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

Composition of subscribed capital

As of December 31, 2009 the total share capital of KUKA Aktiengesellschaft is valued at € 76,075,974 and consists of 29,259,990 no-par value shares issued to the bearer. Each bearer share represents a notional holding of € 2.60 of the share capital. Total share capital is fully paid up. All shares have equal rights and each share guarantees its holder one vote at the Annual General Meeting.

Shareholders do not have the right to demand issuance of share certificates for their shares (article 4, para. 1 of the articles of association). When new shares are issued, the record date fixed as the starting date for profit-sharing can deviate from that outlined in article 60, para. 2 of the German Stock Corporation Act (article 4, para. 3 of the articles of association).

Restrictions affecting voting rights or transfer of shares

KUKA Aktiengesellschaft regularly grants Executive Board members of the company and other selected managers of Group companies the right to participate in so-called “phantom share programs”; i. e. virtual share programs, as per the terms of their individual employee contracts. The phantom share programs are a component of the performance-based compensation system for managers and are aimed at continuously improving shareholder value. The respective programs have a term of three years. At the end of the term, managers are paid an amount that depends on the share price at that time and on the development of shareholder value. At the end of the respective phantom share program term, managers entitled to participating must apply 25 percent of the gross sum paid out toward the purchase of KUKA shares, until they reach a fixed holding target, the value of which for current programs is 50 percent of their respective total annual remuneration. Shares purchased outside the phantom share program also count toward the holding target. The holding obligation does not end until the participant leaves KUKA Group.

Again in 2009, KUKA Aktiengesellschaft implemented a so-called employee share program (MAP). Employees were able to purchase KUKA shares in their own name and at their own expense, the cost of which was covered by deductions from their wages at source. To the extent that employees took advantage of the option to distribute the cost over several payment periods to December 2009, they were restricted from selling the purchased KUKA shares before December 31, 2009.

The Executive Board is not aware of any other restrictions that would effect 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 through the purchase or sale or by other means acquires a stake that exceeds or is less than the voting right threshold as per article 21 of the German Securities Trading Act (WpHG) is obliged to report the same to the company and the German Federal Financial Supervisory Authority (BAFin). On June 10, 2009, the following persons and companies reported their shareholdings to KUKA Aktiengesellschaft as indicated. The shareholdings that exceeded 10 percent of the voting rights at that point in time were as follows:

1. Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim / Germany	29.22 %	27.31 % held directly 1.90 % allocated as per article 22 para. 2 of the WpHG
2. Grenzebach GmbH & Co. KG, Asbach-Bäumenheim / Germany	29.22 %	27.31 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 1.90 % allocated as per article 22 para. 2 of the WpHG
3. Grenzebach Verwaltungs-GmbH, Asbach-Bäumenheim / Germany	29.22 %	27.31 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 1.90 % allocated as per article 22 para. 2 of the WpHG
4. Rudolf Grenzebach / Germany	29.22 %	27.31 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 1.90 % allocated as per article 22 para. 2 of the WpHG
5. Rinvest AG, Pfäffikon / Switzerland	29.22 %	1.90 % held directly 27.31 % allocated as per article 22 para. 2 of the WpHG
6. Dr. Till Reuter / Switzerland	29.22 %	1.90 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 27.31 % allocated as per article 22 para. 2 of the WpHG

In November 2009, the company launched a capital increase under exclusion of subscription rights. As far as KUKA Aktiengesellschaft is aware, the aforementioned persons and companies did not acquire any new shares during the course of this capital increase. Neither is KUKA Aktiengesellschaft aware of any other changes in the total number of shares held by the aforementioned persons and companies. Based on these premises, the shareholder distribution as of December 31, 2009 was as follows:

1. Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim / Germany	26.56 %	24.83 % held directly 1.73 % allocated as per article 22 para. 2 of the WpHG
2. Grenzebach GmbH & Co. KG, Asbach-Bäumenheim / Germany	26.56 %	24.83 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 1.73 % allocated as per article 22 para. 2 of the WpHG
3. Grenzebach Verwaltungs-GmbH, Asbach-Bäumenheim / Germany	26.56 %	24.83 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 1.73 % allocated as per article 22 para. 2 of the WpHG
4. Rudolf Grenzebach / Germany	26.56 %	24.83 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 1.73 % allocated as per article 22 para. 2 of the WpHG
5. Rinvest AG, Pfäffikon / Switzerland	26.56 %	1.73 % held directly 24.83 % allocated as per article 22 para. 2 of the WpHG
6. Dr. Till Reuter / Switzerland	26.56 %	1.73 % allocated as per article 22 para. 1 clause 1 item 1 of the WpHG 24.83 % allocated as per article 22 para. 2 of the WpHG

Shares with special rights that impart controlling authority

Shares with special rights that would impart controlling authority do not exist.

Method of voting rights control when employees own shares in the company and do not directly exercise their voting rights

There is no participation by employees in the sense of article 315, paragraph 4, item 5, of the German Commercial Code (HGB).

Legal stipulations and articles of association provisions regarding the appointment and dismissal of Executive Board members and regarding articles of association amendments

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

HOQ-Hemming – high quality hemming for folding doors.

Article 119, para. 1, clause 5 and article 179 para. 1 of the Stock Corporation Act (AktG) stipulates that any amendments to the company's articles of association require a resolution by the shareholders at the Annual General Meeting. Article 22, para. 1 of the company's articles of association states that a simple majority of the holders of total share capital attending the Annual General Meeting is sufficient, provided that the articles of association do not make a greater majority mandatory. The latter is required especially for resolutions concerning changes to the company's business purpose, reduction in capital stock and changes to the form of incorporation. Article 11, para. 3 of the company's articles of association states that the Supervisory Board is authorized to amend the company's articles of association that only affect the wording. Furthermore, as per a resolution passed at the Annual General Meeting on April 29, 2009, the Supervisory Board is authorized to amend the wording of article 4 of the company's articles of association after exercising (partially) its authority to increase capitalization upon utilizing Approved Capital II and, in the event the latter has not been (fully) utilized by April 28, 2014, after expiry of the authorization.

Executive Board authorization to issue and buy back shares

On April 29, 2009, shareholders at the Annual General Meeting of KUKA Aktiengesellschaft passed a resolution that canceled the approved capital to that point in time and authorized new approved capital (Approved Capital II) and the associated required amendments to the articles of association.

As per a resolution at the Annual General Meeting, the Executive Board is authorized to amend article 4, para. 5 of the articles of association, registered in the Commercial Registry on May 18, 2009, to increase the company's share capital, subject to approval by the Supervisory Board, until April 28, 2014 by up to € 34,500,000 by issuing on one or several occasions new shares in the name of the bearer against cash contributions or contributions in kind. In the event this authorization is exercised, shareholders shall unconditionally 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. Subject to approval by the Supervisory Board, the Executive Board is further authorized to exclude shareholder subscription rights upon utilization of the Approved Capital II, once or several times, in an amount that does not exceed 10 percent of existing total share capital at the time of coming into force and at the time at which this authorization is exercised, so that the new shares can be issued in exchange for cash contributions 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. Shares acquired as a result of the authorization by shareholders at the Annual General Meeting of April 29, 2009 and sold pursuant to article 71, paragraph 1, item 8, clause 5 of the AktG (German Stock Corporation Act) in conjunction with article 186, paragraph 3, clause 4 of the AktG count towards the aforementioned 10 percent threshold. The Executive Board, subject to approval by the Supervisory Board, is also authorized to exclude subscription rights in the case of capital contributions in kind for the purpose of acquiring companies, parts of companies or an interest in companies or other assets. The Executive Board is further authorized, subject to approval by the Supervisory Board, to exclude shareholder subscription rights to the extent required in order to grant subscription rights for new shares to holders of warrants or conversion rights or holders of convertible bonds issued by the KUKA Aktiengesellschaft or its subsidiaries, to the extent to which such holders would be entitled upon exercising their warrants or conversion rights or upon fulfilling their warrant or conversion obligations. The Executive Board is authorized, subject to approval by the Supervisory Board, to stipulate other details regarding the recapitalization and its execution, in particular with respect to share rights and the terms and conditions related to the share issue.

On November 6, 2009, the Executive Board, with approval of the Supervisory Board, partially exercised its authority to increase capital and launched a capital increase excluding shareholder rights, the execution of which was entered into the Commercial Registry on November 10, 2009. Under the terms of this capital increase, 2,659,990 new shares with a pro rata amount of share capital of € 2.60 each were issued and total share capital was nominally increased by € 6,915,974. As a result of this capital increase, Approved Capital II currently stands at € 27,584,026. The authorization to exclude shareholder rights when increasing capital in exchange for cash contributions and the issue of new shares at an issue price that is not substantially less than the market price of the currently listed shares of the company was utilized with the exception of a balance of € 26.

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

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

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

As per the resolution passed at the Annual General Meeting of KUKA Aktiengesellschaft on April 24, 2009, the company is authorized, up until September 30, 2010, to buy back its own shares up to a total of 10 percent of the total share capital at the time the resolution was passed through the stock market or in form of a public purchase offer by the company to all shareholders, whereby the treasury shares already reacquired (4.54 percent of total share capital) must be taken into consideration. In doing so, the purchase price (without acquisition costs) cannot be more than 10 percent higher or lower than the average market price defined in detail in the resolution.

As per this resolution, the Executive Board is also authorized, subject to approval by the Supervisory Board, to handle the treasury shares acquired under exclusion of shareholder subscription rights as a result of this and earlier authorizations as follows:

(i) sell the shares to third parties in the course of company mergers or the acquisition of companies or parts of companies or shares of companies,
(ii) sell the shares in other ways than through the stock exchange or by way of an offer to all shareholders, if these shares are sold in exchange for cash at a price not substantially less than the market price of company shares of the same endowment at the moment of sale, if and as far as the shares sold under exclusion of shareholder rights do not exceed 10 percent of total share capital, neither at the time of the effective date nor the time of the execution of the authorization. This limitation

includes such shares that were issued under exclusion of shareholder rights for the service of bonds with conversion or option rights and / or exercising an authorization to issue new shares from approved capital according to article 186, para. 3, clause 4 of the German Stock Corporation Act (AkG),

(iii) to use the shares for the purposes of listing on foreign stock exchanges on which the company shares had previously not been approved for trading and

(iv) to offer the shares in lieu of payment of variable incentives and / or payment of the "thirteenth month salary" to KUKA Group employees for the 2009 financial year in 2009 and 2010. This applies to the following employees: (i) Executive Board members of the company; (ii) executive managers of companies associated with the company; (iii) company employees; (iv) employees of companies associated with the company. In offering treasury shares in this connection, the following conditions apply: (i) the shares must be purchased at a price that is not substantially less than the market price of the shares of the company at the time of acceptance of the offer to purchase (ii) subject to wage agreement provisions, the term of acceptance of the respective offer to purchase must be 4 weeks; and (iii) the employees must hold the acquired shares for three years.

The world's strongest robot, the Titan, hardens maypoles.

To the extent that treasury shares are to be offered to Executive Board members of the company in lieu of payment of other remuneration components, the company's Supervisory Board is authorized to use treasury shares and to define the terms of the offer to purchase treasury shares in accordance with the aforementioned rules.

Moreover, subject to approval by the Supervisory Board, the Executive Board is authorized to withdraw the treasury shares. The purchase and the disposal authorization can be executed once or several times as well as in parts.

The acquired shares (4.54 percent of the share capital) serve as securities for the financing banks since the signing of the agreement to extend the existing syndicated loan (see notes page 141).

Material agreements by the company that are conditional upon a change of control, and the impact of these conditions

On March 10, 2010 KUKA Aktiengesellschaft and its material consolidated companies signed an agreement with a bank consortium led by UniCredit Bank AG, Commerzbank AG and Landesbank Baden-Württemberg to extend the existing syndicated loan. Under this agreement the lenders will make available an amount of up to € 336 million. This covers the material debt requirements of KUKA Group (including filing of bank guarantees). The contract includes – also in its amended version – a change of control clause that is typical in the industry under the terms of which the syndicated banks can demand repayment of the loan (i) in the event that a shareholder (or several shareholders working together) acquire(s) control of at least 30 percent of the voting rights of KUKA Aktiengesellschaft or (ii) if a future shareholder (or several shareholders working together) acquire(s) control of at least 25 percent of the voting rights of KUKA Aktiengesellschaft. If KUKA Aktiengesellschaft were unable to immediately secure refinancing from the market in such a case, it could cause the company to be unable to pay its creditors and thereby could lead to the insolvency of KUKA Aktiengesellschaft.

Compensation agreements on the part of the company for the scenario of a take-over bid with members of the Executive Board or employees

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

COMPENSATION REPORT

Handling large sheet metal parts in automotive.

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

OUTLOOK

ECONOMIC RECOVERY

After the downturn last year, experts are expecting the world economy to advance step-by-step this year from its current low levels. In the industrial nations, the economic growth could be driven by exports. The booming emerging countries of Asia, Latin America and Eastern Europe in particular could see above average growth rates. For example, the People's Republic of China is again expected to grow 8 to 9 percent in 2010, while the Western industrial nations' growth should be below average. Overall, the world economy's gross product could get back to 3 percent growth in 2010. With the recovery in exports, Germany could see its gross domestic product grow 1.6 percent during this financial year (German Bundesbank monthly review 12/09).

AUTOMOTIVE INDUSTRY EXPECTS TURNAROUND

China world's largest car market.

The automotive industry too reached the trough of the sector's decline last year and is expecting slight growth again overall in 2010. The German automotive industry association (VDA) expects a turnaround in the United States after several years of decline and has forecast an increase in car and light commercial vehicle sales of 10 percent, to 11.3 million units. VDA is also forecasting continued growth in China's automotive industry in view of the uninterrupted economic growth. With sales of 13.6 million vehicles last year, China overtook the United States as the world's largest single market. In contrast, growth in Western Europe's markets could be weaker after government scrapping incentives expire. In Germany alone, new car registrations may fall 20 percent to 3.0 million vehicles according to VDA. The association is expecting a moderate increase of 1 to 3 percent in global car sales, bringing the total to 54 million vehicles.

ROBOT MARKET TO RECOVER SHARPLY

A significant recovery is expected in the robot market during the current financial year according to the International Federation of Robotics (IFR). There is considerable pent-up demand due to the recession in regard to the uninterrupted trend to automate industrial manufacturing processes. Robots are the key to increased systems productivity and flexibility, better quality of the manufactured products and increased work safety. From 2010 to 2012, the IFR expects total demand for industrial robots to rise from its low level by 15 percent annually (World Robotics 2009).

KUKA Group has a three-pronged strategy:

- safeguard and expand the core automotive industry business; e. g., using lightweight robots
- expand the general industry business, regionally and by sector
- participate in the mega trends – further automation, sustainability and the demographic shift – through its new “Advanced Robotics” section

AUTOMOTIVE INDUSTRY IN TRANSITION

The automotive industry is in transition, accelerated by the current economic crisis. Rising demand for lower fuel consumption and emissions in the industrial nations is aligned with growing demand in the booming emerging countries. This is causing a general trend towards more fuel-efficient, cheaper vehicles, some with new drive concepts (electric vehicle/ hybrids) and respectively, specifications for new vehicle concepts and new materials (composite materials). Accordingly, the major international carmakers are increasingly investing in assembly lines in the BRIC countries, Brazil, Russia, India and China, where growth is above average. For example, VW AG is currently building new plants in Russia, China, India and the United States with KUKA’s help, while in its European factories, the company is primarily investing in replacements and refurbishment.

KUKA operates worldwide and independent of location.

As an international systems builder and robotmaker, KUKA conducts business around the world, independent of location. The company has had a business relationship with all European and North American carmakers for many years. At the same time, the company established business partnerships with the national manufacturers in the BRIC countries, Russia and China and Brazil 20 years ago, and recently also in India. This enables the company to offset the automobile industry’s shifting investment focus from the industrial countries to the emerging markets. The international reputation of the KUKA brand in the automotive industry also serves as a “door opener” for general industry in the emerging countries.

HIGH POTENTIAL FOR AUTOMATION IN GENERAL INDUSTRY

Japan, with 350 robots per 10,000 employees, is by far the manufacturing industry leader. Germany’s robot density is 236. For example, by sector, the automotive industry in Germany has a density of 1,034 robots per 10,000 employees, while general industry’s 124 is hardly more than 10 percent of this total. This demonstrates the high growth potential for robotics automation in this area (World Robotics 2009).

KUKA conducts business in general industry markets that are technologically related to the automotive industry, both as a plant engineering and construction company for robot supported automation solutions and a maker of the core component robots. The target markets are for example international aircraft and rail vehicle manufacturing, as well as the solar and agricultural machinery industries. KUKA works with systems partners specializing in certain sectors in countless other markets. Robot supported automation is increasingly used in conjunction with improving the productivity of manual or less flexible automated manufacturing processes. These developments are in their infancy, as is evident from the robot density.

ENORMOUS GROWTH POTENTIAL FOR ADVANCED ROBOTICS

Service robot market grows nearly 20 percent per annum.

In the past few years, the demand for robots outside industrial manufacturing has grown quickly. The installed base of service robots at the end of 2008 for commercial purposes was 63,000 units (source: IFR World Robotics 2009 Service Robots). However, compared with the number of industrial robots, one million units, this is still a nascent market. Experts expect the number of service robots to rise by 49,000 to 112,000 units between 2009 and 2012, a growth rate of nearly 20 percent. In general, service robots could be applied in six key areas or key functions:

- flexible manufacturing in major industrial operations (e. g., automobile final assembly)
- support in small and medium-size operations (“workers’ third hand”)
- internal logistics
- monitoring and intervention
- detecting and inspecting
- education and amusement

In spring 2010, KUKA plans to bundle its service robotics activities in a new “Advanced Robotics” section. This new activity is based on the new lightweight robot (LWR), which is significantly different from industrial robots in terms of sensitivity, usability and safety. The target markets for this new robot type, which will be designed in cooperation with customers, are above all final assembly of cars and other sectors distinguished by a high degree of manual labor, which are ripe for productivity improvements. A key goal is focused, transparent development of its markets and establishing KUKA’s lightweight robot as the new industry standard. This should make it possible to quickly win substantial market share and take advantage of pioneering profits.

OVERALL SUMMARY OF GROUP DEVELOPMENT

The current economic environment continues to be shaped by a low degree of planning certainty. Experts expect the global economy and the automotive industry to improve step-by-step in 2010, particularly in the second half of the year. The current financial year 2010 will thus be one of transition for KUKA. Further cost structure improvement and an enhanced corporate strategy will form the basis of sustainable profitable growth.

SALES

Both the Robotics division and the Systems division should see moderate sales revenue growth during the current financial year. In 2010 overall, KUKA Group's sales revenues are expected to grow percentagewise in the mid single digits compared to last year. A higher growth rate is expected in the years thereafter. The growth will be based on a general market recovery, penetration of new general industry and automotive markets and expansion of the Asian and North American businesses.

KS Hybridtec for carmaking.

OPERATING RESULT (EBIT)

KUKA Group's operating result (EBIT) for the current financial year should improve and should reach breakeven before special charges. We are expecting both divisions, Robotics and Systems, to report corresponding improvements in comparison to 2009. Restructuring costs are expected in conjunction with the ongoing cost reduction program again in 2010, but are forecast to be substantially lower than last year. The positive operating results aimed for by the two divisions are mainly dependent on the success of the cost-cutting program and actual business performance. KUKA should start to see the fruits of the cost structure it is aiming for in the years thereafter, to the extent the consolidated Group revenues reach about € 1 billion, and average profit levels return to the levels the company reported in the past.

INVESTMENTS AND RESEARCH & DEVELOPMENT

In 2010, KUKA's main investments will be to secure its long-term competitiveness. The amount invested will be diligently analyzed in conjunction with the cost reduction program and will be less than in 2009.

Research and development continues to play a key role at KUKA. Cost advantages will be generated especially by way of more efficient structures, while ensuring that the Group's key development projects continue. Overall, R&D costs should be slightly lower in 2010.

CASH FLOW

Cash management will continue to be a key element of the cost reduction program. Further improvements are to be achieved by actively managing working capital. In 2010, cash flow will be largely influenced by business performance, the refinancing measures and one-time charges resulting from the restructuring program in 2009 and 2010.

EMPLOYEES

The number of persons employed by KUKA Group during the current financial year will be flexibly adapted to the economic climate and its impact on the company. We are expecting a further decline in the total number of employees in conjunction with the ongoing voluntary early retirement program.

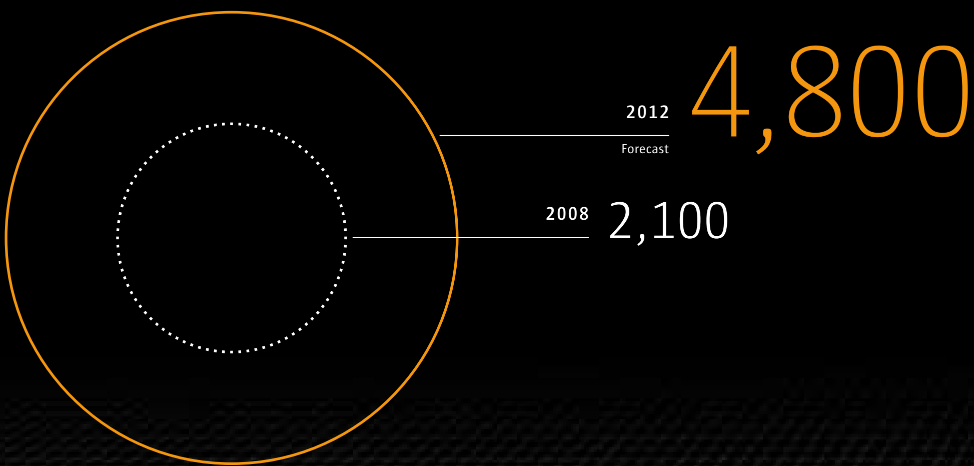

OP - Bereich
Zutritt verboten
C

MICHAEL REIMER, GLOBAL KEY ACCOUNT MANAGER, MEDICAL ROBOTICS

"KUKA supplies robotics technologies for state-of-the-art radiotherapy processes, which have already been used to treat about 100,000 patients. The technology is safe and saves lives."

“KUKA has developed the fundamental technology for the world’s first robot for angiography, opening a new chapter in universal x-ray imaging.”

APPLICATIONS FOR ROBOTICS IN HEALTH CARE TREATMENT WOLDWIDE
(in USD millions)



Source: World Robotics 2009

KUKA ROBOTICS

MANFRED GUNDEL
Manager of the Robotics division and CEO of KUKA Roboter GmbH

KUKA Robotics, an innovation and technology leader in the industrial robotics sector, was able to again expand its market share in 2009 and thus its market leadership position in a number of sectors. Despite targeting a wide variety of different markets, the division's key business numbers were down significantly from the year prior due to the economic crisis. With the launch of a new generation of industrial robots and a beta site for "sensing" robots, the division continues to expand its market share.

HIGH-TECH ROBOTS – FOR ANY APPLICATION

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

KUKA Robotics' core competence is in the development, manufacturing, sales and service of industrial robots suitable for any application and any industry sector, in addition to linear units, positioners and mobile platforms. The product portfolio includes robots with a payload of from 5 to now 1,300 kg. Highly flexible KUKA robots are now being used in over twenty general industry sectors; i. e., in all markets outside the automotive sector. Here KUKA has an international network of systems partners that offer sector-specific manufacturing lines based on KUKA Robots. KUKA and its associates work hand-in-hand to continuously expand into new fields of application and markets.

The product portfolio has a modular structure, which enables KUKA to offer customized packages, even though components are manufactured serially. In 2009, six new robots were added to the portfolio. The KR 16 arc HW (hollow shaft design) is especially suited to welding large components; e. g., heavy metal plates. The KR 16 L8 arc HW has a long reach – up to 2,015 mm. In addition, the payload of the KR Titan heavy load robot was increased by 300 kg to 1,300 kg. This version of the world's strongest industrial robot can be used for palletizing tasks. At the same time, the new palletizing robots KR 300 PA, 470 PA and 700 PA were presented at LIGNA 2009, the leading international trade fair for the forest and wood industry. KUKA Robotics thus now has the widest assortment of palletizing robots in the world. They are primarily used in internal logistics; e. g., in the food, wood, building materials, metals and electronics industries.

The new KR 16 arc HW welding robot.

WORLDWIDE SALES SLUMP

Global demand for industrial robots plummeted due to the economic crisis. The negative developments had already started in the fourth quarter of 2008. The International Federation of Robotics (IFR) determined that in 2009, the number of robots sold (units) was down 50 percent from the year prior. The automotive industry was particularly hard hit by these developments. The sector's sales plunged and spending on new manufacturing lines and industrial robots was subsequently cut back.

This is why life cycle cost considerations are becoming increasingly important with this group of customers. Not only acquisition costs, but also the costs incurred during subsequent operation are key when making an investment decision. Life cycle costs improve the competitiveness of KUKA's low maintenance, upgradable Robots, especially when they are refurbished to extend their service life. Overall, the division's orders received in 2009 from the automotive industry dropped 38.1 percent year-over-year to € 104.9 million. The new generation of industrial robots that will be launched at the end of the current financial year aims to reinforce KUKA Robotics' leading market position in the automotive sector.

FLEXIBLE CAPACITIES ENSURED OPERATING PROFIT CLOSE TO BREAKEVEN

KUKA Robotics business performance better than the overall market.

In total, the Robotics division's orders received and sales revenues were down sharply in fiscal 2009, falling 30.2 percent and 30.3 percent respectively from last year's levels because of the weak demand for capital goods caused by the economic crisis. At the same time, order backlog declined 6.3 percent, from € 100.2 million on December 31, 2008 to 93.9 million in 2009. Still, KUKA Robotics' business performance was better than the overall market because of the company's strong technological market position and its strong customer orientation. The division responded to the slump in demand by adjusting its capacity. This was done primarily by means of the flexible working time model agreed last year, introducing shortened work times and reducing the number of temporary workers. Overall, the division was thus able to report a slightly negative operating result (EBIT) of € –1.9 million before one-time expenditures. In total, the operating result (EBIT) for 2009 was € –11.5 million, which compares to last year's € 42.0 million. As a result of capacity adjustments and transfers to KUKA AG's Shared Service Center, the total number of employees was down 11.1 percent. However, the high level of research and development spending remained unchanged. Due to the decline in sales revenues, the R&D ratio rose to 10.1 percent.

FACTORY RESTRUCTURING IN HUNGARY

In 2009, the number of Hungarian factories was cut from four to two to reduce fixed production costs. Series control cabinets production is now concentrated in Füzesgyarmat on the Romanian border and custom products are made in Taksony near Budapest. This resulted in a substantial drop in the total cost of wages and facilities leasing for control cabinet assembly.

NEW DISTRIBUTION CENTER IN CHINA

New distribution center for Asia opened in Shanghai.

The Robotics division continued to implement its growth strategy in the emerging nations of Asia, Latin America and Eastern Europe despite the tough business situation. The focus of the expansion in sales related activities was on the Republic of China and Eastern Europe. In January 2009, a new distribution center for Asia was opened in Shanghai. This enabled the company to shorten lead times in the steadily expanding Asian markets and improved its ability to adjust to market needs. At the same time, a new office was opened in the Czech Republic. The division now has sales organizations and manufacturing facilities in Hungary, the Czech Republic, Poland and Russia, all part of its targeted Eastern European region. A sales organization was also added in Canada in 2009. KUKA is thus represented by its own subsidiaries in the countries in which about 95 percent of the world's industrial robots are installed. The remaining countries are served via partners.

KUKA ROBOTICS – KEY FIGURES

(in € millions)

	2008	2009	Change in %
Orders received	464.4	324.3	– 30.2
Sales revenues	474.4	330.5	– 30.3
Operating result (EBIT)	42.0	– 11.5	–
Operating result (EBIT) excluding special expenditures	42.0	– 1.9	–
% of sales	8.9	– 3.5	–
% of capital employed (ROCE)	37.2	– 9.5	–
Capital employed	112.9	120.5	6.3
Employees (Dec. 31)	2,261	2,009	– 11.1

SERVICE INCREASINGLY IMPORTANT

KUKA Robotics' broadly based international service network is another indicator of its customer orientation. General and automotive industry customers around the world are served by 500 employees in 25 countries. The Service business unit covers not only training, maintenance, repairs and spare parts for robots, but also robotics-related engineering services. KUKA also benefits from the trend in the automotive industry to retool existing automated assembly lines equipped with robots. Overall, total orders received by the service business unit in 2009 thus declined at a less than average 23.2 percent compared to last year and fell to € 77.3 million.

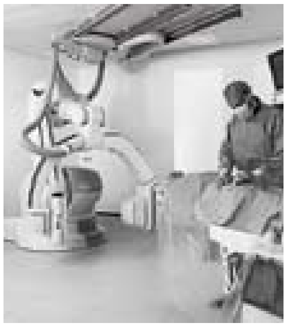
RESTRAINED GENERAL INDUSTRY BUSINESS

The general industry markets were characterized by restrained capital spending due to the tightened financing conditions. KUKA Robotics further expanded its general industry market share, particularly in the food and health care markets, which are less affected by economic swings. Nevertheless, overall general industry orders received in 2009 were down 26.9 percent year-over-year, falling from € 194.3 million last year to € 142.1 million, while this market segment's share of the division's total orders received rose two percent and went from 41.8 percent in 2008 to 43.8 percent in 2009.

PIONEERING WORK IN HEALTH CARE

KUKA Robotics is the world's first manufacturer to offer medical robotics technology for angiographic x-raying, which is used for human blood vessel imaging. A combined x-ray C-arm and modified KUKA robot offers doctors completely new x-raying options. The robot gives the doctor previously unattainable flexibility for taking x-rays at high speed. The quality of the images generated approaches that of computer tomography. Robot supported x-ray systems are therefore increasingly also used for operations.

KUKA Robotics world's first manufacturer to offer health care capable robot technology.



KUKA robots in health care.

On November 2, 2009, Baden-Württemberg's then premier Günther H. Oettinger opened a new ion beam radiotherapy center at the Heidelberg University clinic. It is designed to provide ion-beam treatment around-the-clock for up to 1,300 patients annually. The therapy center focuses on treating brain and eye tumors in adults, as well as treating children's tumors. Here KUKA robots are used for positioning patients and for x-ray imaging. Similar installations are under construction in Marburg and in Kiel.

FOUR-DIMENSIONAL EXPERIENCE AT WALT DISNEY WORLD

Another general industry example is KUKA's RoboSim 4-D simulator, a ride at Epcot's Innoventions at the Walt Disney World Resort in Lake Buena Vista, Florida / USA. This ride gives visitors a four-dimensional experience: three-dimensional robotic movements are combined with an artificial wind. High speed, abrupt changes of direction and a variety of simulated climates give riders completely new sensations. KUKA RoboSim 4-D simulators can be used by the entire entertainment industry; e. g., in amusement parks, science centers or theme parks.

KUKA's lightweight robot assembling rear axle differentials for cars.

BETA SITE FOR "SENSING" ROBOT

Together with the German Aerospace Center (DLR), KUKA Robotics is developing an entirely new type of robot, which will complement KUKA's existing product portfolio. This sensitive KUKA lightweight robot has cognitive automation capabilities; i. e., it can operate relatively independently beyond what it is programmed to do. This is particularly useful in production applications that to date were strictly manual, or that could only be automated using very technically complex methods. The new robot is designed to share the workspace with humans. This will open the door to completely new fields of application for robots in the future. Despite the fact that the sensitive KUKA robot is programmed to perform automatically, it approaches objects carefully using integrated sensors and adjusts to changed conditions. For example, if a work piece is not optimally positioned, the sensitive robot adjusts its motion sequence accordingly. In contrast, a conventional industrial robot that operates precisely, according to what it has been programmed to do, would have to be corrected by an operator in such situations.

On November 30, 2009, Daimler AG presented two such sensitive KUKA lightweight robots installed at its Untertürkheim, Mettingen factory to the trade press. Since March 2009, the machines had completed more than 15,000 rear-axle differentials on an assembly line as part of a pilot project. The customer expressed great satisfaction with the performance to date, because with these new robots, Daimler was for the first time able to automate assembly tasks that had previously been impossible to automate, or that could only be automated at a very high cost.

NEW GENERATION OF INDUSTRIAL ROBOTS AT AUTOMATICA 2010

KUKA Robotics will present the new generation of industrial robots it will market as of the end of the year at the world's largest robotics trade fair, AUTOMATICA, which will be held in June 2010 in Munich. With this product family, which has the same modular design as its predecessors, the controls and mechanics of the existing range of robots have been significantly enhanced.

KUKA SYSTEMS

LAWRENCE A. DRAKE
Manager of the Systems division and CEO of KUKA Systems GmbH

KUKA Systems GmbH, a plant engineering and construction company mainly geared toward the automotive industry, also saw its business volume decline due to the economic crisis. The key business figures for 2009 were thus down sharply in comparison to the year prior. The division restructured its business and a new management team was installed. Accelerated expansion of general industry activities will proceed in parallel.

ROBOT-BASED AUTOMATION SOLUTIONS

KUKA Systems offers its customers in the automotive industry and other sectors (general industry) robot-based automation solutions. As general contractor, the division designs and builds customized production lines for the automotive industry. In general industry, the division serves related sectors such as aircraft and rail vehicle manufacturing, solar and agricultural machinery industries. The division has core competencies in processes such as welding, gluing, sealing, converting, assembling, testing and handling of metals, glass and other materials. KUKA Systems' market share is almost 20 percent, making it number one worldwide in car body production for the automotive industry.

FURTHER INFORMATION
www.kuka-systems.com

The division has three regional engineering centers: in Augsburg for Germany and Europe, in greater Detroit, Michigan, for the North American business and in Shanghai / China, for the Asian market. 24 subsidiaries support these centers and independently process small orders.

Spot welding in automotive.

BUSINESS PERFORMANCE TRACKS NEGATIVE MARKET DEVELOPMENTS

International automotive markets were particularly hard hit by the fallout from the global economic crisis. As a result of their significantly declining sales numbers and profits, carmakers scaled back their capital spending. This led to significant price pressure and stiff competition among suppliers. KUKA Systems was unable to escape this difficult market situation. Orders received were thus down 28 percent, declining from € 854.9 million in 2008 to € 615.4 million in 2009. KUKA Systems experienced strong declines, especially in the major European industrial regions (excluding Germany) and in North America.

Lower orders received led to a significant drop of 27.7 percent in the division's sales revenues. They went from € 837.5 million in 2008 to € 605.5 million in 2009. Overall, order backlog as of December 31 rose € 9.9 million, from € 450.3 million in 2008 to € 460.2 million in 2009. The order backlog notionally secures capacity utilization for 6.5 months, unchanged from the previous year.

Operating result (EBIT) only slightly negative excluding one-time charges.

Declining sales revenues and lower capacity utilization drove the Systems division's operating result (EBIT) down from € 26.8 million in 2008 to € – 29.1 million in 2009. These figures include one-time expenditures of € 23.8 million, primarily at foreign subsidiaries and for redundancy payments. Without one-time charges of € 23.8 million, the division's operating result (EBIT) was € – 5.3 million, also only slightly negative. The workforce shrank 6.5 percent over the course of the year. It went from 3,781 as of December 31, 2008 to 3,534 on December 31, 2009.

LOCATIONS IN FRANCE SOLD OR CLOSED

The French business was reorganized as a result of the difficult business situation and KUKA Systems France's Montigny near Paris location was closed. In total, 144 employees were affected by these steps. KUKA has been able to sell the Tours location, which employed eighty people, to a strategic investor. A severance package was negotiated with the remaining employees in greater Paris. Since then, French customers are being served by French employees from Germany.

Laser welding in automotive.

DIVISION'S MANAGEMENT TEAM REPLACED

On November 16, 2009, a new management team took over the Systems division. Lawrence A. Drake, who has headed up the division's North American business for about ten years, became the CEO of KUKA Systems GmbH in Augsburg. Lutz Berneke stayed on as CFO of KUKA Systems GmbH. Three other former executives left the executive management team, but remained associated with the company in key managerial functions.

WEAK AUTOMOTIVE BUSINESS

The automotive industry's worldwide investments in car body manufacturing were down about 15 percent in comparison to the prior year's relatively high level. In Europe, major orders were often split into smaller individual projects and orders were increasingly placed to revamp existing production lines. The North American market is currently in a consolidation phase after two of the big three domestic carmakers underwent bankruptcy proceedings. In contrast, the Asian markets, particularly China, continued to grow.

SYSTEMS DIVISION – KEY FIGURES

(in € millions)

	2008	2009	Change in %
Orders received	854.9	615.4	– 28.0
Sales revenues	837.5	605.5	– 27.7
Operating result (EBIT)	26.8	– 29.1	–
Operating result (EBIT) excluding special expenditures	26.8	– 5.3	–
% of sales	3.2	– 4.8	–
% of capital employed (ROCE)	20.2	– 14.7	–
Capital employed	132.7	198.6	49.7
Employees (Dec. 31)	3,781	3,534	– 6.5

Systems offers its customers a comprehensive portfolio of engineering services and products that cover the key segments of the carmaking process: product development, tool making, car body manufacturing, assembly lines and test stands, and final assembly systems. The company's core competence is in the construction of highly flexible manufacturing systems that can be used to produce several models or variants of a vehicle model.

STEADY DEMAND FOR JEEP WRANGLER

KUKA Systems operates a Jeep Wrangler car body manufacturing facility at Chrysler's factory site in Toledo, Ohio / USA. Despite the 21 percent slump in the overall market, sales of this model continue to be satisfactory and were down only slightly in comparison to last year (– 3 percent). The manufacturing facilities were shut down in May and June of 2009 in conjunction with Chrysler's bankruptcy proceedings. However, the order backlog had been eliminated by the end of the year. The new owner FIAT will continue to build the Jeep Wrangler in the foreseeable future.

Jeep Wrangler sales continue to be satisfactory.

PRESS TOOL MANUFACTURING IN GOOD SHAPE

KUKA Systems' press tool manufacturing unit benefited from the capacity adjustments that had already been made over the past number of years. The unit builds cutting and forming tools for producing large volumes of sheet metal parts. The manufacturing facilities are located in Schwarzenberg / Erzgebirge, and Dubnica / Slovakia. The machine tool business unit supplies products to carmakers in Germany and the European Union, and increasingly also to customers in India and China.

ASSEMBLY AND TEST EQUIPMENT RESTRUCTURED

On February 25, 2009, the division's assembly and test equipment business unit was reorganized. LSW Maschinenfabrik GmbH, Bremen, was merged with KUKA Systems GmbH, Augsburg. The new Assembly & Test Group has business locations in Bremen and greater Detroit. The portfolio, comprised of automated assembly lines and test stands for engines and transmissions, can now be sold worldwide more efficiently.

MAJOR ORDERS STRENGTHEN GENERAL INDUSTRY EXPANSION

Expertise systematically applied to penetrating and expanding into technologically related markets.

For several years, KUKA Systems has been continuously expanding its systems business by targeting sectors outside the automotive industry. The division applies its outstanding automotive manufacturing expertise and process engineering knowledge to systematically establish and expand into markets with related processes. The target markets include the aircraft and rail vehicle manufacturing industries, the solar industry and the agricultural machinery sector.

KUKA Systems supplies the solar industry with complete systems for manufacturing solar modules. KUKA has already designed and started up several highly automated manufacturing systems in Germany and abroad over the past number of years. The industry is particularly receptive to KUKA's integration expertise and the many years of experience the company has in serial manufacturing and its strict specifications regarding system uptime, output and product quality.

In May 2009, KUKA Systems received a major order from Solarwatt AG for a highly automated crystal solar module manufacturing system. The order includes systems that use a number of automated KUKA processes: depalletizing glass, applying film, laying up and testing strings, cross-tie soldering, trimming, taping, framing, sorting and packaging, including in-line quality control. In total, 29 KUKA robots are used. The system has a production capacity of 150 MWp and will be started up during the first half of 2010.

COLLABORATION WITH ALEMA INC.

International aircraft manufacturing is another key market KUKA Systems is targeting as it expands its general industry business. In October 2009, KUKA Systems North America signed a cooperation agreement with ALEMA Automation Inc., USA, a leading manufacturer of end effectors (tools attached to the end of a robotic arm) for use in aircraft manufacturing. The company has over 15 years' experience developing and manufacturing robotic end effectors for either metal or CFRP component drilling, riveting and fastening applications. Together with ALEMA, KUKA Systems can now offer the North American aircraft industry completely automated assembly systems.

In May 2009, aircraftmaker Airbus placed a frame contract with KUKA Systems for the supply of logistics equipment to assemble the A 350. The order extends to 2015 and includes conveying equipment plus hoisting and assembly systems, among other things for the upper and lower wing shell. The systems will be used at the Airbus factories in Stade / Germany in Nantes / France, and Illescas / Spain. Airbus had already ordered forty-one omnimove platforms in December 2008, which are also used in A 350 assembly.

Jet nozzle welding for aerospace industry.

Also in May 2009, KUKA Systems landed a major North American aviation industry contract: Northrop Grumman Corp. ordered the first completely integrated, automated aircraft assembly line. In total, it has 78 tool spaces and over 500 tools for assembling the midsection of the F-35 fighter plane fuselage. The manufacturer will be able to produce one aircraft per day and will have spent over USD 100 million by 2014. The completely automated assembly line considerably speeds up the process and aircraft throughput and substantially improves quality.

KUKA INVESTS IN CHINESE GROWTH MARKET

KUKA well positioned for above average growth in Chinese market.

China was the only major industrial nation to enjoy continued strong growth last year, despite the worldwide economic crisis. Thanks to government incentives, car sales in particular rose steeply compared to last year and should continue to grow in the next few years. But key general industry target markets have also developed very satisfactorily in China over the past number of years. The country is now the world’s largest manufacturer of solar modules and third-largest aircraft manufacturer.

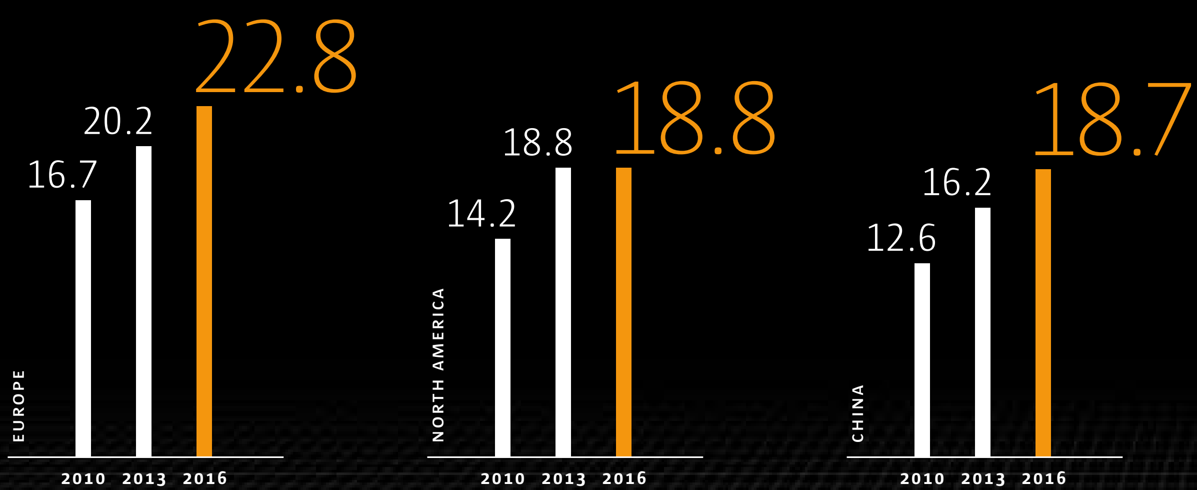
KUKA is well positioned for the above average growth expected in the Chinese market in the next few years. After several years of rapid growth, KUKA Shanghai moved into new, significantly larger premises in January 2009. The factory floor space nearly doubled. The Robotics division’s new distribution center for Asia is also located at the new site. KUKA China has 150 employees who build, sell and service products and systems for the Systems and Robotics divisions in this growth market.

CURT BERGMANN, DIPL. ING., PROJECT MANAGER AUTOMOTIVE AND INDUSTRIAL SOLUTIONS, KUKA SYSTEMS

"An increasing variety of models, flexible manufacturing and complex assembly processes are not exclusively a car making phenomenon. We also migrate our innovative solutions and specialized expertise to other sectors, day after day."

“Implementing the most complex pre- and final assembly processes is only one part of our innovation strength. We are driven by the satisfaction of offering our customers the best solution.”

GLOBAL DEMAND FOR CARS
(in millions of units)



Source: csm worldwide


KUKA

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 cooperation between the Executive Board and the Supervisory Board.

DECLARATION OF COMPLIANCE

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

The identical declarations of the Executive Board dated March 2, 2010 and of the Supervisory Board dated March 5, 2010 in accordance with article 161, para. 1, clause 1 of the German Stock Corporation Act (AktG) and the German Corporate Governance Code read as follows:

"1. KUKA Aktiengesellschaft deviated from the recommendation in section 3.8, clause 4 of the old version of the CGC and from the reproduced legal stipulation in section 3.8, clause 4 of the CGC for the Executive Board members in office until the close of September 30, 2009, insofar as the D&O insurance for these members included only a small deductible. KUKA Aktiengesellschaft considered this deductible sufficient to ensure that Executive Board members would conscientiously carry out their duties in the interests of the company. The employment contracts of new members of the Executive Board, who took office on October 1, 2009 or later, took into consideration the legal requirements regarding deductibles stipulated by article 93, para. 2, clause 3 of the new version of the German Stock Corporation Act (AktG). However, these Executive Board members are still covered by the D&O group policy concluded prior to the amendment to article 93, para. 2, clause 3 of the AktG, which only includes a small deductible. As per the transitional regulation in article 23, para. 1, clause 1 of the Introductory Law for the German Stock Corp. Act (EGAktG), this group policy will be amended on July 1, 2010.

2. KUKA Aktiengesellschaft's policy for the Supervisory Board deviates from the recommendation outlined in section 3.8, clause 4 of the old version of the CGC and section 3.8, clause 5 of the new version of the CGC. The deductible outlined in the Directors' and Officers' group liability insurance (D&O insurance) for Supervisory Board members is canceled effective January 1, 2010. In KUKA Aktiengesellschaft's view, the deductible for Supervisor Board members is not required to ensure they properly fulfill their monitoring role.

3. Contrary to section 4.2.3, clause 3 of the new version of the CGC, Executive Board member Dr. Bickel will receive a fixed salary only, with no variable compensation component. The company considers it unnecessary to pay a variable component, since the initial term of Dr. Bickel's appointment to the Executive Board is one year. In KUKA Aktiengesellschaft's view, a variable compensation component for an assignment of such short duration will not produce any meaningful long-term incentive.

4. The Executive Board contracts for current Executive Board members do not contain any limitation clauses regarding premature termination of Executive Board duties without material cause (section 4.2.3, clause 11, new version). In view of the short duration of the Executive Board contracts, the company considered an agreement on a severance cap to be unnecessary. Mr. Schulak's Executive Board contract has a term of three years and the Executive Board contracts of the remaining Executive Board members are each valid for one year.

5. The compensation received by members of the Supervisory Board is entirely fixed (section 5.4.6, clause 4, CGC). After examining different variable compensation models and consulting extensively with both internal and external experts, the Supervisory Board is firmly convinced that, in consideration of its independence and all essential aspects, in particular the Supervisory Board's statutory duties, its members' terms of office and the ongoing legal uncertainty, fixed compensation is a reasonable compensation structure while respecting Corporate Governance.

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

The identical declarations of the Executive Board and Supervisory Board have been available on the company's website at www.kuka-ag.de since March 10, 2010.

MANAGEMENT AND COMPANY 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.

Similarities between the business divisions regarding market and production areas, clients 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 consisted of two persons on January 1, 2009; namely, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). KUKA Aktiengesellschaft's articles of association expressly state that the Executive Board may consist of two persons (article 6, paragraph 1 of the company's articles of association). On November 16, 2009, the Supervisory Board resolved to expand the Executive Board by one function; namely, that of Chief Operating Officer (COO) responsible for restructuring and organization. Dr. Bickel was appointed to this position and became a member of the Executive Board on November 17, 2009.

The reorganization is tied to refining and implementing the cost efficiency program.

RESPONSIBLE COOPERATION OF 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 Supervisor Board. The Executive Board reports to the Supervisory Board regularly, in a timely manner, and comprehensively regarding all planning questions, business development, risk assessment, risk management and any actions taken in this regard. In the process, the Executive Board also addresses changes in the business development from established plans and goals and explains the reasons leading to such changes. The reporting of the Executive Board to the Supervisory Board also includes the topic of Corporate Compliance. Articles of association and standard rules of procedure have provisions ensuring that important business transactions are subject to agreement by the Supervisory Board. Details about the cooperation of Executive Board and Supervisory Board can be found in the report of the Supervisory Board on pages 8 to 15.

In the financial year 2009, there were no consulting or other services or work contracts in place between Supervisory Board members and the company.

There were no conflicts of interest between Executive Board and Supervisory Board members that would require immediate disclosure

Dr. Bickel is a member of the company's Executive Board and is also a member of the management team of consulting company Alvarez & Marsal Deutschland GmbH, which is under contract to the company. The terms and conditions related to the appointment of Dr. Bickel and signing of his Executive Board contract, as well as the contract between the company and consultants Alvarez & Marsal Deutschland GmbH, were meticulously scrutinized beforehand by the Personnel Committee and the Supervisory Board. In the event of a conflict of interest, Dr. Bickel is obliged to give priority to the interests of KUKA Aktiengesellschaft. Dr. Bickel cannot participate in any decisions as manager of Alvarez & Marsal Deutschland GmbH that involve KUKA Aktiengesellschaft.

EXECUTIVE BOARD

In financial 2009, the Executive Board consisted of two members until November 17, 2009, at which time a third member was added. The following changes took place at the Executive Board level:

Dr. Horst J. Kayser resigned from his position as CEO and Labor Director of KUKA Aktiengesellschaft effective September 30, 2009. Up until the date of his resignation from the Executive Board, Dr. Kayser was in particular responsible for the strategic development of the company, public relations, senior managers of the Group, as well as the personnel and legal departments.

Dr. Till Reuter was appointed Chairman of the Executive Board of KUKA Aktiengesellschaft effective October 1, 2009. As Dr. Kayser's successor, he took over his duties, with the exception of the Personnel department and position of Labor Director, effective October 1, 2009. Dr. Reuter is also responsible for the Investor Relations department.

Dr. Matthias J. Rapp resigned from his position as member of the Executive Board responsible for Finance and Controlling effective September 30, 2009. Until the time of his resignation from the Executive Board, he was in particular responsible for Finance and Controlling and Investor Relations.

Mr. Stephan Schulak was appointed as KUKA Aktiengesellschaft's CFO effective October 1, 2009 and Director of Labor on October 21, 2009. As Dr. Rapp's successor, he took over his responsibilities with exception of the Investor Relations department, effective October 1, 2009. Mr. Schulak was also named Director of Labor and is responsible for the Personnel department.

Dr. Walter Bickel was appointed to the Executive Board as COO effective November 17, 2009. He assumed responsibility for the "Restructuring and Organization" (COO) area of responsibility. In this function, Dr. Bickel is responsible for the "Risk Management", "Organization", "Purchasing", "IT", and "Facility Management" departments.

As a rule, the Executive Board members convene at least every 14 days, and they also keep in constant close contact at other times. The Executive Board avoids conflicts of interest. The members of the Executive Board had no conflicts of interests during the financial year.

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

The term of office of the employee representatives on the Supervisory Board began immediately after the adjournment of the Annual General Meeting on May 15, 2008 and will end after the adjournment of the Annual General Meeting in 2013.

Mssrs Pepyn René Dinandt and Helmut Gierse resigned from their position on the Supervisory Board of the company effective as of the adjournment of the Annual General Meeting of the company on April 29, 2009. At the Annual General Meeting of the company on April 29, 2009, Mr. Bernd Minning and Dr. Till Reuter were elected as members of the Supervisory Board in place of Mr. Dinandt and Mr. Gierse.

Mr. Minning's and Dr. Reuter's terms of office end as of the adjournment of the Annual General Meeting in 2013.

Dr. Rolf Bartke, Dr. Reiner Beutel, Dr. Herbert Meyer and Dr. Helmut Leube resigned from their positions as members of the Supervisory Board effective September 18, 2009 and stepped down from the panel.

As per the resolution by the Augsburg magistrates court dated September 18, 2009, Prof. Dr. Dirk Abel, Prof. Dr. Uwe Loos, Dr. Uwe Ganzer and Mr. Guy Wyser-Pratte were appointed to the Supervisory Board. The terms of office of Prof. Dr. Abel, Prof. Dr. Loos, Dr. Ganzer and Mr. Wyser-Pratte will end as of the adjournment of the Annual General Meeting in 2010 as per the resolution of the magistrates court.

Dr. Till Reuter was elected as Chairman of the Supervisory Board in the Supervisory Board meeting of September 21, 2009.

Because of Dr. Till Reuter's appointment as Chairman of the Executive Board of the company in compliance with the stipulations of article 105, paragraph 2 of the German Stock Corporation Act, Dr. Reuter resigned from his position of Chairman of the Supervisory Board effective September 29, 2009. His mandate as a member of the Supervisory Board has been suspended since then.

Mr. Bernd Minning was elected as the new Chairman of the Supervisory Board, replacing Dr. Till Reuter, in the Supervisory Board meeting of September 29, 2009.

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

In the opinion of the Supervisory Board, it has an adequate number of independent members to ensure that the Supervisory Board is able to independently advise and monitor the Executive Board. The independence criteria as per section 5.4.2 are thus fulfilled. Dr. Ganzer, an independent member of the Supervisory Board and its Audit Committee, is a specialist in the fields of accounting and auditing.

During the financial year, members of the Supervisory Board had no conflicts of interest. Six committees consisting of Supervisory Board members were formed by the Supervisory Board. These are:

(i) the arbitration panel as per article 27, paragraph 3 of the MitbestG (German Act on Co. Co-determination),
(ii) the Personnel Committee,
(iii) the Audit Committee (section 5.3.2 CGC),
(iv) the Nomination Committee (section 5.3.3 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 that arise in the course of the audit of the annual financial statements. Finally, it is also 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, 2009.

In the past year, the Supervisory Board again reviewed the efficiency of its activities (section 5.6 CGC) pursuant to the regulations of the Corporate Governance Code. The Supervisory Board had resolved to involve the University of Witten/Herdecke to academically monitor the review of the Board's efficiency. The academic monitoring covers a period from 2008 to 2010 within the scope of the research project "High-Performance Boards – Quality and Efficiency in the Supervisory Board Committee" led by the Institute for Corporate Governance at the University of Witten / Herdecke. The Supervisory Board heard a report on the results of this review in its meeting on April 29, 2009.

Compensation of the Supervisory Board

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

Shareholding

Dr. Till Reuter has been allocated a total of 1.73 percent of the shares issued by KUKA Aktiengesellschaft. Details hereto can be found in the Management Report p. 59. Other members of the Executive Board do not own shares issued by KUKA. Mr. Guy Wyser-Pratte has been allocated a total of 8.8 percent of the shares issued by KUKA AG. Altogether, the remaining members of the Supervisory Board hold less than 1 percent of the issued shares.

Corporate Compliance

Essential targets are strict obedience to the law and value-oriented behavior. These form the basis of the Corporate Compliance Program passed by the Executive Board in November 2007 and approved by the Supervisory Board in December 2007, which took effect throughout the corporation on February 1, 2008. The Corporate Compliance Program is currently embodied in a manual and a total of 15 guidelines, which deal with the fields of law and business activities relevant to the Group. According to the resolution of the Executive Board, the Chairman of the Board is the highest competence for this program. The Corporate Compliance Program is led, implemented, monitored and further developed by a Compliance Committee, consisting of Group employees. A Compliance Officer has been appointed at each of the management companies, KUKA Roboter GmbH and KUKA Systems GmbH. The position of an external ombudsman has also been established. Training for managers and employees was enhanced and continued again in 2009.

Annual General Meeting

The ordinary Annual General Meeting 2010 will take place in Augsburg on April 29, 2010.

Each share has one vote. Unit shares are distributed and global certificates are created. The shares are bearer shares. The Executive Board makes it easier for the shareholders to exercise their voting rights by offering them the right to issue powers of attorney to proxies who are appointed by the company and 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 the meeting. It is also possible to issue powers of attorney to financial institutions, shareholder associations and other third parties.

Accounting and Audit of the Annual Financial Statements

Since 2004, the annual financial statements for KUKA Group have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as adopted by the European Union. The audit of the annual financial statements and of the Group consolidated financial statements is performed by an independent auditor, elected by the Annual General Meeting. Per proposal of the Supervisory Board, the Annual General Meeting 2009 elected Pricewater-houseCoopers Aktiengesellschaft, auditors, Frankfurt / Main, as auditor for the annual accounts and group auditor for fiscal 2009 as well as for a potential review of the midyear report of fiscal 2009. The midyear report for fiscal 2009 was reviewed by the auditor based on the aforementioned resolution.

The review of the independence of the auditing firm, the issuing of the audit assignment to it, the determination of audit focuses and the agreement on the fee were undertaken by the Audit Committee of the Supervisory Aboard in accordance with the provisions of the Corporate Governance Code.

OPPORTUNITIES AND RISK MANAGEMENT AND CONTROLLING

A detailed description of the opportunities including controlling and risk management at KUKA Group is included in the chapter on risk management of the annual report on pages 49 to 55. 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 2009. The adaptation of opportunity and risk management to changes in the business environment is an ongoing task of the Executive Board.

FINANCIAL REPORTING

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

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

COMPENSATION REPORT

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

COMPENSATION OF THE EXECUTIVE BOARD

The Chairman of the Executive Board, Dr. Till Reuter, who as a member of the Supervisory Board was appointed to the Executive Board for a duration of a maximum of one year as per article 105, para. 2 of the Stock Corporation Act (AktG), will be paid a fixed salary and a purely discretionary bonus.

Dr. Walter Bickel was also appointed to the Executive Board for only one year and thus also only has a short-term Executive Board employment contract, which ends on November 16, 2010. The employment contract is based on a purely fixed salary.

KUKA's practice has for many years been to standardize its remuneration structure for Executive Board members, consisting of a fixed component and several variable compensation elements. Because of the short term of their contracts, the remuneration for the Executive Board members appointed as of October 1, 2009, with the exception of Executive Board member Stefan Schulak, deviates from this practice. The contracts are based on fixed salaries, and in the case of Dr. Reuter, a discretionary bonus. The salaries of Executive Board members Dr. Horst J. Kayser and Dr. Matthias J. Rapp, who were in office until the end of September 30, 2009, and that of Mr. Schulak, consisted of the components described in the following. The amounts for these remuneration components were also taken into consideration in the severance paid to Dr. Kayser and Dr. Rapp when their employment contracts were prematurely terminated on September 30, 2009.

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

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

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

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

The term of each phase of the program is three calendar years. It was rolled out for the first time for the period from 2006 – 2008. The program established as a compensation element for fiscal 2009 applies to the years 2009 – 2011. At the beginning of the three-year period, the Supervisory Board establishes the amount to be allocated. This amount is divided by KUKA's current share price, which establishes the preliminary number of phantom shares. Also at the beginning of the three-year performance period, the Supervisory Board establishes an EVA (economic value added) for continuing operations (before taxes) based on the operative plan for the three reference years, which is based on the budget for the first financial year of the three-year period and the plan for the two subsequent financial years. The programs for 2006 – 2008 and for 2007 – 2009 have an interest rate of 11 percent. The program for 2008 – 2010 has an interest rate of 9 percent. To determine a success factor, the cumulative EVA of the three-year performance period is divided by the EVA of continuing operations as per the operating budget for the three years covered by the agreement. The success factor can vary between 0 and 2.0. The final number of phantom shares depends on the degree of achievement of the success factor, which is multiplied by the preliminary number of phantom shares. At the upper limit, the number of phantom shares is doubled (this occurs when the success factor 2.0 is achieved). Payment is based on the final number of phantom shares at the closing share price (average price of KUKA shares between January 1 of the year following the three reference years (following year) and the day of the first meeting of the Supervisory Board in the following year).

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

The starting value for the phantom share program is defined as the average price of KUKA's stock between January 1 and the day of the first meeting of the company's Supervisory Board Personnel Committee in the following year. The value was € 21.25 for the 2006 – 2008 phantom share program, € 21.91 for 2007 – 2009 program and € 21.65 for the 2008 – 2010 program.

The Supervisory Board (formerly its Personnel Committee) decides anew each year whether or not to grant the Executive Board share-price-oriented compensation. The repeated granting of such compensation in the past does not constitute a right to being granted such or comparable compensation in the future.

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

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

COMPENSATION FOR 2009

Executive Board members' remuneration during financial 2009, including severance payments to the Executive Board members who left on September 30, 2009, totaled € 4,058,000. This total includes payments to Mr. Wiedemann, which came due in 2009, but were associated with his former Executive Board duties. The aforementioned total does not include any discretionary bonuses.

The remuneration for financial 2009 includes fixed salary, payments in kind, variable target achievement and performance-based compensation and compensation in accordance with the phantom share program. This total includes all amounts that were paid out in 2009, or for which accruals were formed in the financial statements dated December 31, 2009, minus the amounts already accrued for as of December 31, 2008. The severance payments for Executive Board members Dr. Kayser and Dr. Rapp, whose employment contracts were terminated as of the end of September 30, 2009, are also included in the remuneration for financial 2009.

The variable performance-related annual incentive payment has three equally weighted components related to achievement of target EBIT, capital employed and cash flow during the 2009 business year.

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

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

In € thousands	Fixed salary including payments in kind*	Bonus for fiscal 2009	Phantom share program 2009 – 2011 Allocated total (fair value at the time of allocation)	Total
Dr. Horst J. Kayser (to Sept. 30, 2009)	298	0	0	1,898 (incl. severance payment of 1,600)
Dr. Till Reuter (from Oct. 1, 2009)	96	Bonus at Supervisory Board's discretion not to exceed 200	The employment contract does not include any phantom shares.	96
Dr. Matthias J. Rapp (to Sept. 30, 2009)	222	0	0	1,360 (incl. severance payment of 1,100 and bonus for 2008 of 38)
Stephan Schulak (from Oct. 1, 2009)	73	(pro rata) 150 + Bonus at Supervisory Board's discretion not to exceed 200	0 (basically approved, exact program not yet signed off)	223
Dr. Walter Bickel (from Nov. 17, 2009)	89	The employment contract does not include any bonus.	The employment contract does not include any phantom shares.	89
				3,666

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

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 2009 for current pensions and expected pension benefits totals € 9,392,000 (German Commercial Code), which compares with € 9,080,000 in 2008.

COMPENSATION OF THE SUPERVISORY BOARD

Compensation structure

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

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

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

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

Compensation for 2008 and 2009

The principles outlined for compensation of the members of the Supervisory Board were already applicable to the compensation for the 2008 financial year due in 2009. In this context it should be pointed out, that the members of the Supervisory Board voluntarily gave up 10 percent of their compensation in fiscal 2009. The following table compares the compensation of the members of the Supervisory Board for the 2008 and 2009 financial years:

in € thousands	Payment for 2009 (compensation for 2008)	Accrual in 2009 (compensation for 2009)
Dr. Rolf Bartke Chairman of the Supervisory Board and Chairman of the Personnel Committee (to Sept. 18, 2009)	165	106
Dr. Till Reuter (from Apr. 29, 2009 to Sept. 29, 2009) Chairman of the Supervisory Board and Chairman of the Personnel Committee (from Sept. 18 to Sept. 29, 2009)	0	25
Bernd Minning (from Apr. 29, 2009) Chairman of the Supervisory Board (from Sept. 29, 2009) Chairman of the Personnel Committee (from Sept. 29, 2009)	0	50
Jürgen Kerner Deputy Chairman of the Supervisory Board	68	81
Prof. Dr. Dirk Abel (from Sept. 18, 2009)	0	15
Dr. Uwe Ganzer (from Sept. 18, 2009) Chairman of the Audit Committee (from Sept. 20, 2009)	0	19
Walter Prues (to June 30, 2009)	60	27
Dr. Reiner Beutel (to Sept. 18, 2009)	60	39
Prof. Dr. Uwe Loos (from Sept. 18, 2009)	0	19
Dr. Herbert Meyer (to Sept. 18, 2009) Chairman of the Audit Committee	86	48
Pepyn René Dinandt (to Apr. 29, 2009)	30	9
Carola Leitmeir (from Jul. 01, 2009)	0	27
Dr. Helmut Leube (to Sept. 18, 2009)	30	19
Fritz Seifert	30	45
Mirko Geiger (to May 15, 2008)	33	0
Prof. Dr.-Ing. Gerd Hirzinger (to May 15, 2008)	11	0
Wilhelm Steinhart (to May 15, 2008)	11	0
Helmut Gierse (to Apr. 29, 2009)	19	9
Wilfried Eberhardt	19	27
Siegfried Greulich	19	45
Thomas Knabel	19	45
Guy Wyser-Pratte (from Sept. 18, 2009)	0	15

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GROUP INCOME STATEMENT

of KUKA Aktiengesellschaft for the period January 1 – December 31, 2009

in € thousands	NOTES	2008	2009
SALES REVENUE	1	**1,266,115**	**902,068**
Costs of sales	2	– 1,005,329	– 742,832
GROSS INCOME		**260,786**	**159,236**
Selling expenses	2	– 91,678	– 84,759
Research and development costs	2	– 33,711	– 35,565
Gerneral and administrative expenses	2	– 81,867	– 77,685
Other operating income	3	28,089	25,051
Other operating expenses	3	– 29,602	– 39,178
EARNINGS FROM OPERATING ACTIVITIES		**52,017**	**– 52,900**
Write-off of financial assets	4	0	– 388
Interest income	5	9,679	10,290
Interest expense	5	– 14,696	– 21,381
FINANCIAL RESULTS		**– 5,017**	**– 11,479**
EARNINGS BEFORE TAX		**47,000**	**– 64,379**
Taxes on income	6	– 16,448	– 11,433
EARNING AFTER TAXES		**30,552**	**–75,812**
of which: attributable to minority interests		61	– 71
of which: attributable to shareholders of KUKA AG		30,491	– 75,741
Earnings per share (diluted / undiluted)	7	1.18	– 2.95

STATEMENT OF COMPREHENSIVE INCOME

of KUKA Aktiengesellschaft for the period January 1 – December 31, 2009

in € thousands	NOTES	2008	2009
EARNINGS AFTER TAXES		**30,552**	**– 75,812**
Translation adjustments		– 355	– 1,414
Changes of actuarial gains and losses		3,403	– 4,209
Deferred taxes on changes of acturial gains and losses		– 1,028	1,335
OTHER COMPREHENSIVE INCOME		**2,020**	**– 4,288**
COMPREHENSIVE INCOME		**32,572**	**– 80,100**
of which: attributable to minority interests		61	– 71
of which: attributable to shareholders of KUKA AG		32,511	– 80,029

CASH FLOW STATEMENT*

of KUKA Aktiengesellschaft for the financial year 2009

in € millions	2008*	2009
NET INCOME / LOSS FOR THE YEAR	**30.6**	**– 75.8**
Depreciation of intangible assets	8.9	6.9
Depreciation of tangible assets	17.1	16.2
Other non-payment related expenses	15.7	12.5
Other non-payment related income	– 2.9	– 3.5
CASH EARNINGS	**69.4**	**– 43.7**
Result on the disposal of assets	– 2.0	0.6
Changes in provisions	– 47.9	3.7
Changes in current assets and liabilities:		
Changes in inventories	0.2	47.9
Changes in receivables and deferred charges	– 80.3	109.7
Changes in liabilities and deferred income (excl. financial debt)	– 0.6	– 113.4
CASH FLOW FROM OPERATING ACTIVITIES	**– 61.2**	**4.8**
Payments from disposals of fixed assets	3.9	2.5
Payments for capital expenditures on intangible assets	– 13.6	– 11.4
Payments for capital expenditures on tangible assets	– 18.9	– 15.8
Payments for investments in financial assets	0.0	– 1.1
Payments for the acquisition of consolidated companies and other business units	0.0	– 1.2
Payments for the acquisition of finance lease receivables	– 77.1	0.0
CASH FLOW FROM INVESTING ACTIVITIES	**– 105.7**	**– 27.0**
FREE CASH FLOW	**– 166.9**	**– 22.2**
Proceeds from capital increase	0.0	27.4
Cash paid for the purchase of treasury shares	– 27.9	0.0
Dividends paid	– 26.1	0.0
Payments for repaying liabilities due to banks and liabilities similar to bonds	35.3	14.6
CASH FLOW FROM FINANCING ACTIVITIES	**– 18.7**	**42.0**
PAYMENT-RELATED CHANGES IN CASH AND CASH EQUIVALENTS	**– 185.6**	**19.8**
Exchange rate-related and other changes in cash and cash equivalents	3.7	0.1
CHANGES IN CASH AND CASH EQUIVALENTS	**– 181.9**	**19.9**
Cash and cash equivalents at the beginning of the period	223.2	41.3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**	**41.3**	**61.2**

* See notes page 154 for further disclosures on the cash flow statement.
** Funds on hand correspond to the item "Cash and cash equivalents" on the balance sheet.

GROUP BALANCE SHEET

of KUKA Aktiengesellschaft as at December 31, 2009

ASSETS

in € thousands	NOTES	Dec. 31, 2008	Dec. 31, 2009
NON-CURRENT ASSETS			
Fixed assets	8		
Intangible assets	9	74,200	79,216
Property, plant and equipment	10	93,062	90,251
Financial investments	11	366	965
		167,628	**170,432**
Finance lease receivables	12	**81,996**	**75,761**
Tax receivables		**11,603**	**10,350**
Other receivables and other assets		**10,226**	**9,956**
Deferred taxes	6	**26,554**	**25,784**
		298,007	**292,283**
CURRENT ASSETS			
Inventories	13	**151,454**	**103,816**
Receivables and other assets			
Trade receivables	14	164,414	114,245
Receivables from construction contracts	14	167,101	124,279
Receivables from affiliated companies	14	367	0
Finance lease receivables	12	3,267	3,452
Income tax receivables		22,809	9,836
Other assets, prepaid expenses and deferred charges	15	16,710	17,082
		374,668	**268,894**
Cash and cash equivalents	16	**41,349**	**61,228**
		567,471	**433,938**
		865,478	**726,221**

EQUITY AND LIABILITIES

in € thousands	NOTES	Dec. 31, 2008	Dec. 31, 2009
EQUITY	17		
Subscribed capital	18	69,160	76,076
Capital reserve	19	26,581	47,061
Treasury shares	20	– 27,926	– 27,926
Revenue reserves	21	144,225	64,196
Minority interests	22	1,494	1,418
		213,534	**160,825**
NON-CURRENT LIABILITIES, PROVISIONS AND ACCRUALS			
Non-current financial liabilities	28	61,332	63,823
Other non-current liabilities	29	13,174	16,030
Pensions and similar obligations	24	68,458	70,049
Deferred taxes	6	13,082	18,815
		156,046	**168,717**
CURRENT LIABILITIES			
Current financial liabilities	28	33,629	45,877
Trade payables		149,062	73,331
Advances received		36,744	27,084
Liabilities from construction contracts	14	54,603	54,592
Accounts payable to affiliated companies		203	82
Other current liabilities and deferred income	29	102,891	71,287
Provision for taxes	25	11,293	13,326
Other provisions	26	107,473	111,100
		495,898	**396,679**
		865,478	**726,221**

DEVELOPMENT OF GROUP EQUITY

of KUKA Aktiengesellschaft for the financial year 2009

NOTES		18	19	20
	Number of shares outstanding	Subscribed capital in € millions	Capital reserve in € millions	Share buy-back in € millions
Jan. 1, 2008	**26,600,000**	**69.2**	**26.5**	**0.0**
Comprehensive income	–	–	–	–
KUKA AG dividend	–	–	–	–
Capital increase	–	–	–	–
Purchase of treasury stocks within the share buy-back program	– 1,327,340	–	–	– 27.9
Employee share program	–	–	–	–
Other changes and changes in ownership	–	–	–	–
Dec. 31, 2008	**25,272,660**	**69.2**	**26.5**	**– 27.9**
Comprehensive income	–	–	–	–
KUKA AG dividend	–	–	–	–
Capital increase	2,659,990	6.9	20.5	
Purchase of treasury stocks within the share buy-back program	–	–	–	–
Employee share program	–	–	–	–
Other changes and changes in ownership	–	–	–	–
Dec. 31, 2009	**27,932,650**	**76.1**	**47.0**	**– 27.9**

		21		22	
Revenue reserves					
Translation gains / losses in € millions	Actuarial gains and losses in € millions	Anual net profit and other revenue reserves in € millions	Equity to shareholders in € millions	Minority interests in € millions	Total in € millions
– 8.2	**2.6**	**142.0**	**232.1**	**1.4**	**233.5**
– 0.3	2.4	30.5	32.6	0.1	32.7
–	–	– 26.1	– 26.1	–	– 26.1
–	–	–	0.0	–	0.0
–	–	–	– 27.9	–	– 27.9
–	–	0.3	0.3	–	0.3
–	–	1.0	1.0	–	1.0
– 8.5	**5.0**	**147.7**	**212.0**	**1.5**	**213.5**
– 1.4	– 2.9	– 75.7	– 80.0	– 0.1	– 80.1
–	–	–	0.0	–	0.0
–	–	–	27.4	–	27.4
–	–	–	0.0	–	0.0
–	–	0.1	0.1	–	0.1
–	–	– 0.1	– 0.1	–	– 0.1
– 9.9	**2.1**	**72.0**	**159.4**	**1.4**	**160.8**

GROUP NOTES

of KUKA Aktiengesellschaft for the financial year 2009

GROUP SEGMENT REPORTING *

	Robotics		Systems	
in € millions	**2008**	**2009**	**2008**	**2009**
Group external sales revenue	430.6	299.5	834.6	**602.0**
as a % of Group sales revenue	34.0	33.2	65.9	66.7
Intra-Group sales	43.8	31.0	2.9	3.5
SALES REVENUE BY DIVISION	**474.4**	**330.5**	**837.5**	**605.5**
EBIT	**42.0**	**– 11.5**	**26.8**	**– 29.1**
as a % of sales revenues of the division	8.9	– 3.5	3.2	– 4.8
as a % of Group external sales revenue	9.8	– 3.8	3.2	– 4.8
as a % of capital employed (ROCE)	37.2	– 9.5	20.2	– 14.7
Capital Employed (annual average) *	112.9	120.5	132.7	198.6
Capital Employed (end of fiscal year)	121.9	119.0	213.6	183.5
Assets	255.4	199.9	532.6	436.3
Liabilities	138.8	90.4	319.3	266.6
Capital expenditure	18.4	16.3	12.2	8.9
Deprecation / amortization of intangible and tangible assets	12.9	10.5	10.7	10.3
Impairment losses on intangible and tangible assets	–	0.1	–	–
Payroll (annual average)	2,164	2,119	3,688	3,675

* See notes page 155 for more information on Group segment reporting.

	KUKA Aktiengesellschaft and other Companies		Reconciliation and Consolidation		Group	
	2008	2009	2008	2009	2008	2009
	0.9	0.6	–	–	1,266.1	902.1
	0.1	0.1	–	–	100.0	100.0
	10.8	9.0	– 57.5	– 43.5	–	–
	11.7	**9.6**	**– 57.5**	**– 43.5**	**1,266.1**	**902.1**
	– 16.8	**– 22.2**	**–**	**9.9**	**52.0**	**– 52.9**
	–	–	–	–	4.1	– 5.9
	–	–	–	–	4.1	– 5.9
	–	–	–	–	21.5	– 16.7
	– 2.5	– 0.6	– 0.8	– 1.0	242.3	317.5
	0.1	– 1.2	– 0.8	– 1.2	334.8	300.1
	178.1	170.2	– 180.6	– 177.5	785.5	628.9
	93.7	82.3	– 19.3	– 15.8	532.5	423.5
	1.9	2.0	–	–	32.5	27.2
	2.4	2.3	–	–	26.0	23.1
	–	–	–	–	–	0.1
	133	186	–	–	5,985	5,980

GENERAL COMMENTS

ACCOUNTING PRINCIPLES

KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, has prepared its Group consolidated financial statements for the period ending December 31, 2009 according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretation Committee (SIC) as well as the International Financial Reporting Interpretation Committee (IFRIC). The applied accounting principles were applicable and approved by the European Union as of the balance sheet date and were supplemented by the guidelines stipulated in Article 315a, paragraph 1 of the German Commercial Code (HGB). The statements comply with all standards (IFRS / IAS) and interpretations (IFRICs) for which application is mandatory for the 2009 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 2009 financial year. The newly applied standards and interpretations are listed under "Changes in accounting policies".

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

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

The Executive Board authorized the consolidated financial statements for publication on March 10, 2009.

CONSOLIDATION PRINCIPLES

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

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

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

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

SCOPE OF CONSOLIDATION

A total of 44 companies are included in the Group consolidated financial statements. This is two companies less than in 2008. In addition to KUKA Aktiengesellschaft, six companies registered inside Germany and 37 firms domiciled outside Germany are included for which KUKA Aktiengesellschaft either directly or indirectly holds majority voting rights.

The following changes to the scope of consolidation compared to December 31, 2008 occurred exclusively in the Systems division:

Dissolution of companies

- D.V. Automation Ltd., Halesowen / Great Britain
- KUKA Welding Systems + Robot Ltd., Halesowen / Great Britain
- LSW UK Ltd., Harlow / Great Britain

Merger

- LSW Maschinenfabrik GmbH, Bremen into KUKA Systems GmbH, Augsburg

Start-ups

- Hung Viet International Company Limited, Ho Chi Minh City / Vietnam

Acquisitions

During the reporting period the business segment with silicon saws was purchased from a Czech company for € 1.1 million. The assets were included in the shell company KUKA S-BASE s.r.o., Roznov p.R. / Czech Republic, which was purchased for CZK 0.2 million on August 27, 2009 by KUKA Systems GmbH, Augsburg (90.0 percent share) and KUKA Roboter GmbH, Augsburg (10.0 percent share). Based on preliminary figures the acquired company will be consolidated and, if applicable, adjusted in accordance with IFRS 3.62 within twelve months to the final values.

The purchase price was paid in full in cash. Cash and cash equivalents or additional shares in fully consolidated companies were not acquired.

Sales of € 0.0 million and a net loss for the year of € 0.1 million are attributable to the acquisition. Had the business already been purchased at the beginning of the year the values would not have been materially different with regard to sales and profit, i.e. loss.

The initial inclusion of the company does not undermine the comparability with the previous year.

The following table shows the carrying amounts assumed as a result of the purchase of the division immediately prior to the acquisition as well as the opening balance sheet at fair value.

in € millions	Carrying amounts assumed	Opening balance sheet at fair value
Intangible assets	0.0	0.4
Tangible assets	0.4	0.4
Inventories	0.3	0.3
TOTAL	**0.7**	**1.1**

In principle, the assets assumed comprise finished silicon saws or silicon saws under construction, spare parts and the related drawings. Liabilities and contingent liabilities were not assumed. The fair values were used in the tax balance sheet of KUKA S-BASE s.r.o. so that there were no deferred taxes to be accounted for. Goodwill was not assessed at the time of the transaction.

Associated companies

In fiscal 2009 no companies were measured at equity because the participations are not material for the assessment of the financial position of the Group.

Discontinued operations

IFRS 5 requires a separate disclosure of assets (companies) that are no longer intended to remain as part of continuing operations but are intended for disposal. Disclosures of this type were not necessary in 2008 or 2009.

Currency translation

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

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

Accordingly, all assets and liabilities are translated at the rate effective on the balance sheet date. Goodwill and equity are translated using historical rates. Income and expenses are translated using average rates for the year. The translation of annual profits or losses on the income statement is also done at average rates for the year. Differences arising from the translation of assets and liabilities denominated in foreign currencies compared to their translation in the prior year, as well as translation differences between the income statement and the balance sheet are recognized in the revenue reserves. 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, 2008	Dec. 31, 2009	2008	2009
Brazil	BRL	3.2436	2.5113	2.6745	2.7706
Canada	CAD	1.6998	1.5128	1.5593	1.5852
Switzerland	CHF	1.4850	1.4836	1.5871	1.5099
China	CYN	9.4956	9.8350	10.2247	9.5174
Czech Republic	CZK	26.8750	26.4730	24.9590	26.4548
United Kingdom	GBP	0.9525	0.8881	0.7965	0.8911
Hungary	HUF	0.2667	0.2704	0.2517	0.2805
India	INR	68.4500	67.0400	64.0166	67.3080
Japan	JPY	126.1400	133.1600	152.3308	130.2333
Korea	KWN	1.8391	1.6670	1.6059	1.7728
Mexico	MXN	19.2333	18.9223	16.2967	18.7841
Malaysia	MYR	4.8048	4.9326	4.8879	4.9040
Russia	RUB	41.2830	43.1540	36.4231	44.1391
Sweden	SEK	10.8700	10.2520	9.6169	10.6200
Slovakia*	SKK	30.1260	–	31.2723	–
Taiwan	TWD	46.1700	46.1570	46.5097	45.9748
USA	USD	1.3917	1.4406	1.4706	1.3933
Vietnam	VND	24.6300	26.4220	24.3950	24.8590

* SKK was converted to euros on December 31, 2008 at 30.126.

ACCOUNTING AND VALUATION

Goodwill

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

The impairment test is performed for the defined cash generating units as per IAS 36 rules, using the discounted cash flow method. The data from the detail planning phase from the business plan for the next three years was used as the underlying data for this purpose, assuming in subsequent years that the annual cash flows will generally equal those in year three. For the sake of 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 9.

Self-developed software and other development costs

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

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

Other intangible assets

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

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

Property, plant and equipment

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

In addition to directly attributable costs, the costs of production for internally generated assets also include a proportionate share of overhead costs in accordance with IFRS. 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 twelve 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.

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

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

Impairment charges of intangible and tangible assets are recorded in accordance with IAS 36 if the recoverable amount of the asset is less than its carrying amount. In this context, the recoverable amount is the higher of the net 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 (for instance investment subsidies and allowances) are deducted from the acquisition or production costs of the relevant asset. Grants related to income are recognized in the income statement.

Finance and operating lease

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

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

To the extent that the KUKA Group has entered into operating leasing according to IAS 17, lease or rent payments are directly recognized as an expense in the income statement and distributed using the straight-line method over the term of the leasing agreement, unless a different systematic basis more closely corresponds with the utilization period. Relevant total future costs are reported in item 10.

Financial instruments

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

Derivative financial instruments are financial contracts whose value is derived from the price of an underlying asset (for instance, stocks, bonds, money market instruments or commodities) or a reference rate (such as currencies, indices or interest rates). They require little or no initial investment and are settled at a future date. Examples of derivative financial instruments include options, forward contracts and interest rate swap transactions. The KUKA Group uses derivatives 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 noted, financial instruments are recognized at fair value. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

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

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

Derivatives with a positive fair value that are not part of a hedging relationship 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 in hand, checks and cash balances with financial institutions, provided that they are available within three months.

Liabilities

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

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

Derivatives with a negative fair value that are not part of a hedging relationship are recognized under other liabilities.

Derivatives

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

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. Provided they are material, borrowing costs are capitalized for qualifying assets. 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 and when the circumstances that previously caused the inventories to be written down no longer exist, the amount of the write-down is reversed.

Construction contracts

Construction contracts that meet the criteria of IAS 11 are recognized according to the percentage of completion method (POC method). As a rule, the percentage of completion to be recognized by contract is determined by the cost of work to date as a percentage of the estimated total costs (cost-to-cost method). The corresponding earnings from the contract are recognized on the basis of the percentage of completion thus determined. These contracts are presented as receivables, i. e. liabilities from contracts. To the extent that services performed to date exceed advances received, the contracts are recorded on the balance sheet as receivables arising from construction contracts. If there is a negative balance after deduction of advances, this is recognized as liabilities from construction contracts. In accordance with IAS 23, borrowing costs are considered for construction contracts started in 2009. If necessary, provisions are recognized for impending losses.

Current and deferred taxes

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

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

Pension provisions and similar obligations

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

Other provisions

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

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

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

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

Liabilities for outstanding vendor invoices are recognized under trade payables.

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

Share-based compensation

As part of an employee stock ownership program it was possible for KUKA employees of German companies to purchase KUKA shares. Arranged according to a holding period of one, three and five years, employees receive an additional share as a bonus for every ten KUKA shares acquired. A 50 percent incentive was granted in addition to the subscribed shares. KUKA employees acquired a total of 272,547 shares.

Revenue recognition

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

Cost of sales

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

Research and development costs

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

ASSUMPTIONS AND ESTIMATES

The preparation of the Group consolidated financial statements requires the management to make assumptions and estimates that affect the recognition and amount of assets and liabilities on the balance sheet, revenues and expenses, as well as the disclosure of contingent liabilities. Actual amounts may differ from these assumptions and estimates on a case-by-case basis. In the application of accounting 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 determining the amounts to be recognized as assets, the management must make assumptions concerning the expected future cash flows from assets, the applicable discount rates and the timing of the inflow of expected future cash flows that the assets will generate.

Goodwill impairments

The Group tests assets recognized as goodwill at least once a year for impairment. This requires an estimate of the value in use less costs of disposal of the respective cash-generating units to which the goodwill has been allocated. To determine the value in use, management must estimate the future cash flows of the respective cash generating units and further select an appropriate discount rate for calculating the present value of these cash flows. For details about the carrying amounts of the assets recognized as goodwill and the performance of the impairment tests please refer to the discussion under item 9.

Deferred tax assets

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

Receivables and liabilities from construction contracts

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

Pensions and other post-employment benefits

Expenditures under defined-benefit plans and other post-employment medical benefits are determined on the basis of actuarial calculations. The actuarial calculations are prepared on the basis of assumptions with respect to discount rates, expected returns on plan assets, future increases in wages and salaries, mortality rates and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainties. A change to the discounting factor of + / – 0.25 percent would lead to a higher / lower defined benefit obligation of € + / – 1.8 million. Please see item 24 for further details on pension provisions.

CHANGES IN ACCOUNTING POLICIES

For increased transparency compared to the 2008 consolidated financial statements the classification of the income statement has been changed so that the item “Other operating income and expenses”, which was still combined at the end of the previous year, is now presented separately. The prior year numbers have been adjusted accordingly. This also applies to the grouping and presentation of the individual tables for the financial instruments according to IFRS 7.

Starting this financial year hedges will no longer be recognized under hedge accounting. This does not undermine comparability with the previous year.

Overall, KUKA Aktiengesellschaft’s consolidated financial statements were not significantly affected by changes in accounting policies in fiscal 2009.

The following revised standards were applied for the first time in the 2009 financial year:

Amendments to IFRS 7 – Enhanced Disclosures about Financial Instruments

The amendments require enhanced disclosures about fair value measurement of financial instruments and liquidity risks. In particular, a three-level fair value hierarchy has been introduced from which the extent of additional disclosures is dependent on. No comparison of prior year figures is required on the initial application of these amendments.

This amendment only results in an expansion of disclosures. As such, it does not affect profits.

IFRS 8 Operating Segments

External segment reporting corresponds with internal reporting (management approach) and is solely determined by the financial information decision makers within the company use for internal management of the company as well as to make decisions about the allocation of resources and to assess performance.

Due to the internal reporting and organizational structure there is no difference in the segmentation of KUKA compared to previous reporting. Significant financial data is determined for both the KUKA Robotics and KUKA Systems segments. Operating profit (EBIT) is used as a key figure for controlling segment results. The major components of segment reporting are included in the management report in the sections covering the Robotics and Systems operating divisions. Additional information is found in the notes on pages 102 and 155.

IAS 1 – Presentation of Financial Statements (revised)

The new version of the Standard includes significant changes to the presentation and disclosure of financial information in the annual financial statements. The innovations include, in particular, the introduction of a statement of comprehensive income comprising both the net profit / loss generated during a period as well as unrealized gains and losses that have, to date, been recognized directly in equity, and that replaces the income statement in its previous form. Furthermore, it is now necessary to prepare a balance sheet as of the beginning of the comparison period in addition to the balance sheet as of the balance sheet reporting date and the balance sheet as of the prior reporting date, if and when the entity applies accounting policies retrospectively, corrects an error or reclassifies a line item in the annual financial statements.

IAS 23 – Borrowing Costs (revised)

Borrowing costs used in financing the acquisition or production process for qualifying assets must now be included in the cost of conversion at the beginning of the financial year, if the acquisition or production began after January 1, 2009.

A portion of construction contracts is affected by this new financial reporting requirement in this reporting year. Because of the application of the cost-to-cost method in determining the percentage of completion for long-term construction contracts, there is shift between the items cost of sales and interest expense in the income statement totaling € 0.3 million.

In addition, the following standards and interpretations likewise already adopted into EU law will be applied for the first time in the 2009 financial year:

- Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation
- Improvements to IFRSs (2008)*
- Amendments to IFRIC 9 and IAS 39 – Embedded Derivatives
- IFRIC 11 – IFRS 2 – Group Cash-settled Share-based Payment Transactions
- IFRIC 13 – Customer Loyalty Programs
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

* The following standards are affected by this: IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 7, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41

IFRS standards and interpretations that are not yet mandatory

The following new and amended standards and interpretations had been adopted by the preparation date of the Group consolidated financial statements. However, 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 Group consolidated financial statements of KUKA Aktiengesellschaft has not yet been completely analyzed. Consequently, the anticipated effects only represent a first estimate.

IFRS 3 (rev. 2008) – Business Combinations and IAS 27 (rev. 2008) – Consolidated and Separate Financial Statements

The amendments to IFRS 3 specifically affect how cost of purchase is measured (incidental acquisition costs are recognized as an expense), the accounting of goodwill, the illustration of successive acquisitions, and in certain areas the recognition and measurement of identifiable assets and liabilities.

In particular, the amendments to IAS 27 lead to changes relating to transactions with minority interests as well as the losses attributable to the minorities in the consolidated financial statements.

Both standards are to be applied prospectively for acquisitions with acquisition dates in financial years starting on or after July 1, 2009.

IAS 24 (rev. 2009) – Related Party Disclosures

The amendment to IAS 24 led to a fundamental revision of the definition of related parties in particular, and adjustments regarding the definition of transactions (with a disclosure requirement).

Adoption of the revised standard is mandatory for financial years starting on or after January 1, 2011. The application of the new requirements must take place retrospectively.

The following standards and interpretations have likewise already been approved and in part already adopted into EU law. This is expected to have little or no effect on KUKA AG's consolidated financial statements.

Standard / Interpretation	Effective date	Planned application by KUKA AG
IFRS 1 (rev. 2008) – First-time Adoption of IFRSs (revised)	July 1, 2009	Fiscal 2010
Amendment to IAS 32 – Classification of Rights Issues	February 1, 2010	Fiscal 2011
Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items	July 1, 2009	Fiscal 2010
Improvements to IFRSs (2008)	July 1, 2009	Fiscal 2010
IFRIC 12 – Service Concession Arrangements	March 30, 2009	Fiscal 2010
IFRIC 15 – Agreements for the Construction of Real Estate	December 31, 2009	Fiscal 2010
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	July 1, 2009	Fiscal 2010*
IFRIC 17 – Distributions of Non-cash Assets to Owners	October 31, 2009	Fiscal 2010
IFRIC 18 – Transfers of Assets from Customers	January 31, 2009	Fiscal 2010
Amendment to IFRS 1 – Additional Exemptions for First-time Adopters	January 1, 2010	Fiscal 2010*
Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions	January 1, 2010	Fiscal 2010*
IFRS 9 – Financial Instruments	January 1, 2013	Fiscal 2013*
Improvements to IFRSs (2009)**	July 1, 2009	Fiscal 2010*
Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement	January 1, 2011	Fiscal 2011*
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	Fiscal 2011*

* Pending adoption (endorsement) by the European Union.

** This affects the following standards: IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16

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 reductions to the proceeds, contract penalties and cash discounts.

The breakdown of sales revenues by business divisions and regions is shown in the Group segment reporting (cf. page 102 and 155).

In connection with construction contracts, sales revenues in the amount of € 459.7 million were recognized in the reporting year (compared to € 661.2 million in the prior year) according to the percentage of completion method.

2 SALES, SELLING EXPENSES, RESEARCH & DEVELOPMENT AND GENERAL ADMINISTRATION COSTS

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

	Cost of sales		Selling expenses		Research and development expenses		General and administrative expenses		Total	
in € millions	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Cost of materials	702.1	476.3	2.0	1.4	0.9	9.4	1.3	0.2	706.3	487.3
Personnel expense	248.2	218.1	47.2	45.7	23.5	20.4	39.1	35.6	358.0	319.8
Amortization	14.0	13.5	0.7	0.8	5.7	3.8	5.6	5.1	26.0	23.2
Other expenses and income	41.0	34.9	41.8	36.9	3.6	2.0	35.9	36.8	122.3	110.6
TOTAL	**1,005.3**	**742.8**	**91.7**	**84.8**	**33.7**	**35.6**	**81.9**	**77.7**	**1,212.6**	**940.9**

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

in € millions	**2008**	**2009**
Wages and salaries	301.0	266.3
Social security payments and contributions for retirement benefits and provident fund	57.0	53.5
(of that for retirement benefits)	(2.7)	(3.2)
	358.0	**319.8**

In 2009, the German companies within the KUKA Group received subsidies as part of short-time work from the German Federal Labor Office totaling € 0.5 million, which were deducted directly from personnel expenses.

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

Employees by functional categories	Annual average		Balance sheet date			
	Total 2008	Total 2009	Total 2008	Total 2009	of that, Germany	of that, abroad
Manufacturing	4,422	4,425	4,580	4,217	2,298	1,919
Sales	559	578	580	564	328	236
Administration	543	531	534	499	270	229
Research and development	291	277	287	271	264	7
	5,815	**5,811**	**5,981**	**5,551**	**3,160**	**2,391**
Trainees / apprentices	170	169	190	193	190	3
TOTAL	**5,985**	**5,980**	**6,171**	**5,744**	**3,350**	**2,394**

3 OTHER OPERATING INCOME AND EXPENSES

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

in € millions	2008	2009
Income from foreign currency transactions	21.4	20.3
Reimbursements from damages claims	0.8	0.1
Income from the disposal of assets	0.3	0.0
Other income	5.6	4.7
OTHER OPERATING INCOME	**28.1**	**25.1**
Expenses for foreign currency transactions	23.3	19.9
Donations	0.3	0.2
Other taxes	2.6	3.0
Other expenses	3.4	16.1
OTHER OPERATING EXPENSE	**29.6**	**39.2**
OTHER OPERATING INCOME AND EXPENSES	**– 1.5**	**– 14.1**

A reason for the increase in other expenses in the other operating expenses is the sale of the location in Tours / France in particular. An appropriate allocation to the individual functional areas would not have been possible without impractical expenditures.

4 WRITE-OFF OF FINANCIAL ASSETS

KP Köln GmbH Konstruktion und Planung, Cologne was founded in the fourth quarter of 2009. Within the scope of a transfer of operations, 24 employees went from KUKA Systems GmbH, Augsburg to the new company, which was funded with equity and had acquired the operation. On December 31, 2009 the company was sold as part of a management buy-out. For this reason an amount of € 0.4 million was written off.

5 INTEREST INCOME / EXPENSE

in € millions	2008	2009
Other interest and similar income	9.7	10.3
Interest and similar expenses	14.7	21.4
NET INTEREST INCOME / EXPENSE	**– 5.0**	**– 11.1**

Other interest and similar income includes an amount of € 0.2 million (prior year: € 0.2 million) for expected returns on pension plan assets. The remaining interest income represents returns on bank deposits as well as from finance leasing in connection with the financing of a factory building for the production of bodies for the Jeep Wrangler in Toledo / USA (cf. item 12).

Interest and similar expenses include the interest portion of additions to the provision for pensions in the amount of € 4.2 million (prior year: € 4.0 million). In addition, this item includes LC and commitment fees, refinancing costs and interest on loans received. The convertible bond added € 5.1 million (prior year: € 4.9 million) to the net interest expense for the financial year. Costs related to the violation of credit terms from the syndicated loan agreement and the conclusion of a new financing agreement totaling € 3.1 million have also been included in the interest cost (cf. item 28 Syndicated loan).

6 TAXES ON INCOME / DEFERRED TAXES

Tax expense

Income tax expense breaks down by origin as follows:

in € millions	2008	2009
Current taxes	5.2	3.0
(of that relating to other periods)	(– 4.0)	(– 3.9)
Deferred taxes		
from temporary differences	12.5	6.5
from loss carry-forwards	– 1.3	1.9
	16.4	**11.4**

Of the current expenses for tax on earnings, € – 2.3 million is attributable to domestic expenditure compared to € 1.4 million in the previous year, whereas € 5.3 million is attributable to foreign expenditure compared to € 3.8 million last year.

Deferred tax expenses of € 6.0 million are attributable to domestic operations (prior year: € 2.1 million); € 2.4 million to foreign (prior year: € 9.1 million).

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

in € millions	2008	2009
EARNINGS BEFORE TAX	**47.0**	**– 64.3**
EXPECTED TAX EXPENSE	**14.1**	**– 19.3**
Tax rate-related differences	3.1	1.4
Tax reductions due to tax-exempt income	– 1.2	– 1.0
Tax increases due to non-deductible expenses	2.8	3.5
Tax credits received (–) for prior years	– 4.8	– 3.9
Changes to allowance on deferred taxes	2.3	32.1
Changes in tax rates due to the German Business Tax Reform in Germany	0.0	0.1
Other differences	0.1	– 1.5
TAXES ON INCOME (ACTUAL TAX EXPENSE)	**16.4**	**11.4**

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

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

In addition to an existing corporate income tax credit, an amount equal to € 10.3 million (prior year: € 11.6 million) results after discounting as a non-current tax receivable effective December 31, 2009, and an amount of € 1.8 million (prior year: € 1.8 million) as a current tax receivable.

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

Tax revenues of € 3.9 million resulted in the current financial year largely due to domestic adjustment declarations for the years 2002 to 2006 (prior year: € 4.0 million).

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 taxes assets		Deferred taxes liabilities	
in € millions	**Dec. 31, 2008**	**Dec. 31, 2009**	**Dec. 31, 2008**	**Dec. 31, 2009**
Non-current assets	16.7	2.7	39.1	25.6
Current assets	28.5	29.2	43.9	40.5
Provisions	14.1	19.8	0.0	0.2
Liabilities	17.1	12.5	3.2	7.9
Subtotal	**76.4**	**64.2**	**86.2**	**74.2**
Balancing item	– 73.1	– 55.4	– 73.1	– 55.4
Valuation allowance	– 2.0	– 6.4	0.0	0.0
Deferred taxes on temporary differences	**1.3**	**2.4**	**13.1**	**18.8**
Deferred taxes on tax loss carry-forwards	25.3	23.4	0.0	0.0
TOTAL	**26.6**	**25.8**	**13.1**	**18.8**
(thereof: from items recognized in equity)			(5.4)	(4.0)

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 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 of € 182.2 million (prior year: € 179.3 million), amounts totaling € 104.8 million (prior year: € 85.9 million) are not considered in the accounting of deferred taxes.

In accordance with IAS 12, deferred tax items must be recognized for the difference between the pro-rata equity of a subsidiary recognized on the Group balance sheet on the tax balance sheet of the parent company (so-called outside basis differences) if it is likely that this difference amount will be realized. Since both KUKA Aktiengesellschaft as well as the subsidiaries in question are corporations, these differences are predominantly tax exempt under § 8b KStG upon realization and thus permanent in nature. According to IAS 12.39, no deferred tax liability should be recognized even for temporary differences (e. g., those resulting from the 5 percent flat-rate allocation under § 8b KStG) if it is not likely, given control by the Parent company, that these differences will reverse in the foreseeable future. Since no such reversal is expected, no deferred tax items had to be recognized on the balance sheet for this purpose. There are outside basis differences in the amount of € 0.6 million.

The change to the deferred tax liabilities of € 5.7 million (prior year: € 8.4 million) is largely attributable to non-current assets.

Overall, the change to deferred tax assets and liabilities of € 6.5 million (prior year: € 12.9 million) came from amounts affecting net income totaling € 8.4 million (prior year: € 11.2 million) as well as amounts not affecting net income totaling € 1.4 million (prior year: € 1.7 million) including currency effects.

Tax losses and tax loss carry-forwards

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

Due to the regulations stipulated in § 8c KStG, tax loss carry-forwards in connection with the largest acquisition of participating interests in KUKA AG in 2009 are endangered in Germany and are therefore not subject to accounting for precautionary reasons.

As at December 31, 2009, the loss carry-forwards not yet utilized amounted to € 182.2 million (prior year: € 179.3 million). German companies account for € 119.2 million of this, and the amounts do not expire. In the USA, loss carry-forwards amount to € 12.8 million and will expire in 2011.

In addition, loss carry-forwards in the total amount also include € 36.0 million for France, € 2.9 million for China, € 3.1 million for Spain and € 2.7 million for Japan. There are loss carry-forwards totaling € 5.5 million in other countries as well. In principle, the tax loss carry-forwards outside of Germany also do not expire. Otherwise, the tax loss carry-forwards in Japan of € 1.1 million and € 1.6 million are utilizable until 2015 and 2016, respectively.

7 EARNINGS PER SHARE

Undiluted / diluted earnings per share break down as follows:

in € millions	2008	2009
Net loss / -income attributable to shareholders of KUKA AG	30.5	– 75.7
Weighted average number of shares outstanding	25,819,822	25,671,659
EARNINGS PER SHARE (IN €)	**1.18**	**– 2.95**

According to IAS 33, undiluted earnings per share were calculated on the basis of Group consolidated earnings after taxes and the weighted average number of shares outstanding for the year.

As a result of the share buyback program in 2008, the average number of shares outstanding fell from 26.6 million to 25.8 million. On December 31, 2008 there were 25.3 million shares outstanding. The capital increase in November 2009 increased the average number of shares outstanding to 25.7 million.

The issuance of the convertible bond on May 9, 2006 could result in a future dilution effect since contingent capital has been increased by a maximum of currently 2,718,322 shares. Since the average share price in 2009 remained below the conversion price so that a conversion would have been unfavorable for the bond holders, there was no diluting effect in 2009.

8 FIXED ASSETS

SCHEDULE OF CHANGES IN FIXED ASSETS 2009

	Acquisition / Manufacturing Costs						
in € thousands	Status as at Jan. 1, 2009	Exchange rate differences	Changes to scope of consoli-dation*	Additions	Disposals	Reclassi-fications	Status as at Dec. 31, 2009
I. INTANGIBLE ASSETS							
1. Rights and similar assets	34,905	– 42	347	7,221	539	192	42,084
2. Self-developed software and other development costs	18,122	0	0	2,482	2,540	0	18,064
3. Goodwill	56,633	0	0	0	0	0	56,633
4. Advances paid	12	0	0	1,696	0	– 43	1,665
	109,672	**– 42**	**347**	**11,399**	**3,079**	**149**	**118,446**
II. TANGIBLE ASSETS							
1. Land, similar rights and buildings including buildings on land owned by third parties	115,235	– 336	0	1,412	2,924	358	113,745
2. Technical plant and equipment	82,983	44	436	5,680	3,379	3,694	89,458
3. Other equipment, factory and office equipment	70,188	– 17	0	5,336	4,489	680	71,698
4. Advances paid and construction in progress	3,214	160	0	3,326	17	– 4,881	1,802
	271,620	**– 149**	**436**	**15,754**	**10,809**	**– 149**	**276,703**
III. FINANCIAL INVESTMENTS							
1. Participations in affiliated companies	4,697	0	0	0	113	0	4,584
2. Participations in associated companies	0	0	0	0	0	0	0
3. Other participations	161	0	0	1,121	404	0	878
6. Other loans	514	– 15	0	0	483	0	16
	5,372	**– 15**	**0**	**1,121**	**1,000**	**0**	**5,478**
	386,664	**– 206**	**783**	**28,274**	**14,888**	**0**	**400,627**

The following amount has been capitalized under item technical plant and equipment in consequence of finance leases in which KUKA group acts as the lessee:

TECHNICAL PLANT AND EQUIPMENT	**3,846**	**–**	**–**	**684**	**–**	**–**	**4,530**

* relates to the acquisition in the financial year of KUKA S-BASE s.r.o., Roznov p.R. / Czech Republic

							Accumulated Depreciation	Net carrying amount
	Status as at Jan. 1, 2009	Exchange rate differences	Changes to scope of consolidation	Additions	Disposals	Reclassi-fications	Status as at Dec. 31, 2009	Status as at Dec. 31, 2009
	25,248	– 82	0	4,634	531	– 9	29,260	12,824
	3,228	0	0	2,286	2,540	0	2,974	15,090
	6,996	0	0	0	0	0	6,996	49,637
	0	0	0	0	0	0	0	1,665
	35,472	**– 82**	**0**	**6,920**	**3,071**	**– 9**	**39,230**	**79,216**
	61,093	– 44	0	3,372	1,658	4	62,767	50,978
	65,074	25	0	6,196	2,476	0	68,819	20,639
	52,391	–31	0	6,647	4,146	5	54,866	16,832
	0	0	0	0	0	0	0	1,802
	178,558	**– 50**	**0**	**16,215**	**8,280**	**9**	**186,452**	**90,251**
	4,519	0	0	0	10	0	4,509	75
	0	0	0	0	0	0	0	0
	34	0	0	0	34	0	0	878
	453	– 15	0	0	434	0	4	12
	5,006	**– 15**	**0**	**0**	**478**	**0**	**4,513**	**965**
	219,036	**– 147**	**0**	**23,135**	**11,829**	**0**	**230,195**	**170,432**
	2,667	**–**	**–**	**396**	**–**	**–**	**3,063**	**1,467**

SCHEDULE OF CHANGES IN FIXED ASSETS 2008

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

The following amount has been capitalized under item technical plant and equipment in consequence of finance leases in which KUKA group acts as the lessee:

TECHNICAL PLANT AND EQUIPMENT	**3,450**	**396**	–	–	–	–	**3,846**

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

	2,046	**249**	**–**	**372**	**–**	**–**	**2,667**	**1,179**

9 INTANGIBLE ASSETS

Changes to the individual items under intangible assets are disclosed in the schedule of changes in fixed assets. In the 2009 and 2008 financial years, no impairment losses were recognized on assets.

Goodwill

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

Profit center / in € millions	Dec. 31, 2008	Dec. 31, 2009
Body-in-White	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
	49.6	**49.6**

Individual profit centers represent the smallest cash-generating unit, making them the basis for the impairment test of goodwill. The customer service business in the Robotics division is proportionately allocated to the profit centers “Automotive” and “General Industry”.

The following discount rates for WACC (Weighted average cost of capital) before taxes are used in the three year detailed planning period for the goodwill impairment tests for the 2009 financial year:

in %	2008	2009
Planning period	2009 – 2011	2010 – 2012
Systems	9.5	9.4
Robotics	9.8	9.3

In this context, the cost of equity capital was determined on the basis of segment-specific peer groups. After the detailed planning period the future development of the generated cash flows is uniformly continued. As in the previous year, a growth rate of 0.5 percent is applied as perpetuity.

Material components used in determining WACC are the market risk premium of 5.0 percent (prior year: 5.2 percent) and the risk-free interest rate of 4.1 percent (prior year: 4.7 percent). The adjusted beta factor for the Systems segment was 1.016 (prior year: 1.072); and 0.974 (prior year: 1.142) for the Robotics segment.

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

The ratios for the cost of equity capital and the cost of borrowed capital that were thus determined were based on the respective peer group. The capital structure was determined based on KUKA Aktiengesellschaft. The expected average tax rate of the peer group of 33 percent (prior year: 35 percent) was chosen as the tax rate.

A 1 percent higher WACC would not influence the impairment of goodwill – just like a reduction in sales revenues over the entire planning period by 10 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 IAS, includes attributable direct costs as well as an appropriate allocation for overheads and depreciation.

Development costs are only recognized as assets in the KUKA Group by KUKA Roboter GmbH. The company is working on several projects involving performance and guidance software for robots as well as new applications in the area of medical technology. Total expenditures for research and development for the reporting period were € 35.6 million compared to € 33.7 million in 2008.

Development costs with a carrying amount of € 15.1 million from the years 2006 to 2009 compared to € 14.9 million the year prior have been capitalized according to IAS 38. Net additions for 2009 totaled € 0.2 million (prior year: € 5.0 million). Amortization is applied using a unit-based or straight-line method over the respective expected useful life of three years or less.

10 TANGIBLE ASSETS

The breakdown of the assets aggregated in the balance sheet items of the tangible assets, as well as changes over the reporting year and in 2008, are shown in section 8 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: € 0.1 million) were deducted from the cost of purchase or cost of production for tangible assets. Government grants were received, principally for research and development projects, totaling € 2.2 million (prior year: € 2.8 million) and recognized as directly income-relevant. There were no contingently repayable grants as of the balance sheet date.

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

in € millions	2008	2009
Depreciation of tangible assets		
scheduled	17.1	16.1
non-scheduled	0.0	0.1
	17.1	**16.2**

Impairment losses are largely related to the discontinuation of the KUKA Robotics Hungária Ipari Kft., Taksony / Hungary site.

The finance leases for technical plant and equipment have interest rates of 2.25 percent p. a.. The following table shows the breakdown of future payments due for finance lease agreements as well as the present values for future leasing payments. The corresponding amounts are recognized under other liabilities.

in € millions	Dec. 31, 2008 Total	Dec. 31, 2009 Total	Up to one year	between one and five years
Minimum lease payments	0.8	0.6	0.2	0.4
Present value	0.6	0.5	0.2	0.3

COMMITMENTS FROM LEASES AND RENTAL AGREEMENTS

in € millions	Dec. 31, 2008	Dec. 31, 2009
up to one year	6.3	5.7
between one and five years	20.2	16.2
more than five years	11.5	7.2
	38.0	**29.1**

Commitments in connection with leases for passenger cars, office and factory buildings include liabilities from leases and rental agreements in connection with operating leases.

Total rental expenses for the fiscal year were € 13.7 million compared to € 16.6 million in the prior year; rental income totaled € 0.4 million compared to € 0.4 million last year.

11 FINANCIAL INVESTMENTS

The addition to financial investments primarily comprises the acquisition of a 4.9 percent share in Bright Automotive Inc., Anderson / USA for USD 1.0 million.

12 FINANCE LEASE

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

Because of the existing agreement to supply car bodies to Chrysler, the acquisition of the production system assets was not included on the balance sheet as an asset acquisition, but instead categorized as a finance lease in accordance with IFRIC 4 / IAS 17 guidelines and booked as a receivable from finance leases. Leasing receivables of € 75.8 million (prior year: € 82.0 million) and a current leasing receivable of € 3.5 million (prior year: € 3.3 million) exist as of the balance sheet date. Sales revenues shown on KTPO's balance sheet will thus be reduced by the fictitious leasing rate. The interest component included in the fictitious leasing rate is booked under 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 with the gross investment. The following table shows the transition to the present value of the outstanding minimum lease payments:

in € millions	2008	2009
Future minimum lease payments / Finance lease gross investments	**146.9**	**130.6**
of that not later than one year	(10.8)	(10.4)
of that later than one year and not later than five years	(43.3)	(41.8)
of that later than five years	(92.8)	(78.4)
Unrealized financial income	– 61.6	– 51.3
PRESENT VALUE OF OUTSTANDING MINIMUM LEASE PAYMENTS	**85.3**	**79.3**
of that not later than one year	(3.3)	(3.5)
of that later than one year and not later than five years	(16.5)	(17.4)
of that later than five years	(65.5)	(58.4)

13 INVENTORIES

in € millions	Dec. 31, 2008	Dec. 31, 2009
Raw materials and supplies	50.4	33.2
Work in process	67.5	51.2
Finished goods	25.0	13.0
Advances paid	8.6	6.4
	151.5	**103.8**

The carrying amount of inventories written off in the amount of € 64.5 million compare with € 92.4 million in 2008 and have been recognized at net realizable value. The write-down, relative to gross value, was € 27.9 million versus € 30.3 million the year prior.

14 RECEIVABLES

	Dec. 31, 2008			Dec. 31, 2009		
in € millions	Total	of that up to one year	of that more than one year	Total	of that up to one year	of that more than one year
Trade receivables	164.8	164.4	0.4	114.5	114.2	0.3
Receivables from construction contracts	167.1	167.1	0.0	124.3	124.3	0.0
Receivables from affiliated companies	0.4	0.4	0.0	0.0	0.0	0.0
	332.3	**331.9**	**0.4**	**238.8**	**238.5**	**0.3**

The following table breaks down receivables by age and recoverability:

in € millions as of Dec. 31, 2009	Net carrying amount	neither impaired nor past due as at the balance sheet date	net carrying amount of impaired trade receivables	impaired trade receivables before recording of impairment losses	impairment loss	Total of past due, unimpaired receivables	not impaired as of the balance sheet date but in arrears by: less than 30 days	30 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
Trade receivables	114.5	81.4	4.5	10.7	– 6.2	28.6	10.3	5.2	4.1	3.3	5.7
Receivables from affiliated companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**114.5**	**81.4**	**4.5**	**10.7**	**– 6.2**	**28.6**	**10.3**	**5.2**	**4.1**	**3.3**	**5.7**

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

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

Trade receivables

Bad debt allowances on trade receivables developed as follows:

in € millions	2008	2009
Impairment losses / Status as at Jan. 1	7.4	6.8
Additions (Expenses related to impairment losses)	2.8	2.1
Use	– 2.1	– 1.0
Reversals	– 1.3	– 1.7
IMPAIRMENT LOSSES / STATUS AS AT DEC. 31	**6.8**	**6.2**

The total amount of additions of € 2.1 million (2008: € 2.8 million) breaks down into additions for specific bad debt allowances of € 1.7 million (2008: € 2.1 million) and lump-sum bad debt allowances in the amount of € 0.4 million (2008: € 0.7 million). Reversals reflect € 1.2 million (2008: € 1.0 million) in specific bad debt allowances that were not required to be used as well as € 0.5 million (2008: € 0.3 million) in lump sum bad debt allowances that were not required to be used.

Receivables and liabilities 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 € 544.6 million were offset against advances received in the amount of € 420.3 million. In 2008 these figures were € 726.4 million and € 559.3 million respectively. This resulted in receivables of € 124.3 million compared to € 167.1 million the year prior and liabilities of € 54.6 million versus € 54.6 million a year earlier. Advances received in connection with long-term contracts exceed the costs incurred and the earnings portion.

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

15 OTHER ASSETS, PREPAID EXPENSES AND DEFERRED CHARGES

	Dec. 31, 2008			Dec. 31, 2009		
in € millions	Total	of that up to one year	of that more than one year	Total	of that up to one year	of that more than one year
Other assets, prepaid expenses and deferred charges	26.5	16.7	9.8	26.7	17.1	9.6

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

							of which: not impaired as of the balance sheet date but in arrears by				
as of Dec. 31, 2009	Net carrying amount	of which: neither impaired nor past due as at the balance sheet date	net carrying amount of impaired trade receivables	impaired trade receivables before recording of impairment losses	impairment loss	Total of past due, unimpaired receivables	less than 30 days	30 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
Dec. 31, 2008	19.9	19.4	0.5	2.9	– 2.4	0.0	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2009	16.8	16.7	0.1	3.8	– 3.7	0.0	0.0	0.0	0.0	0.0	0.0

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

Impairment losses on other assets developed as follows:

in € millions	2008	2009
Impairment losses / Status as at Jan. 1	2.7	2.4
Additions (Expenses related to impairment losses)	0.1	1.9
Use	0.0	0.0
Reversals	– 0.4	– 0.6
IMPAIRMENT LOSSES / STATUS AS AT DEC. 31	**2.4**	**3.7**

16 CASH AND CASH EQUIVALENTS

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

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

17 EQUITY

Changes in equity, including changes without effect on profit or loss are disclosed in the Development of Group equity on page 100 and in the Group Income Statement / Statement of Comprehensive Income on page 96.

For more information on equity see the notes in the management report under “Disclosure as per Article 315 para. 4 HGB” and the “Explanatory report”.

18 SUBSCRIBED CAPITAL

In November 2009 the share capital of KUKA Aktiengesellschaft was raised under exclusion of shareholder subscription rights by means of a partial utilization of authorized capital by an amount of € 6,915,974.00 to € 76,075,974.00 (prior year: € 69,160,000.00) in exchange for cash contributions.

2,659,990 bearer shares were issued at the issue price of € 2.60 per share and at the offer price of € 10.50 per share.

The share capital is thus subclassified into 29,259,990 (prior year: 26,600,000) no-par value bearer shares. Each share is equal to one vote.

The difference between offer price and issue price is reported in the capital reserve, taking into account commissions and taxes.

19 CAPITAL RESERVE

The capital reserve applies to KUKA AG. The change compared to last year resulted from the capital increase in November 2009. The resulting transaction costs of € 763,357.89 of the issue volume were deducted from the capital reserve without effect on profit or loss. Taxes of € 229,007.36 were accounted for.

20 TREASURY SHARES

As authorized by the Annual General Meeting of May 16, 2007, treasury shares were bought back on the open market in the period from March 25, 2008 to August 29, 2008. Under the terms of this authorization, KUKA Aktiengesellschaft bought back a total of 1,327,340 KUKA shares valued at € 27,898,339.58. Together with the capital increase in November 2009 there were 27,932,650 shares outstanding as of December 31, 2009.

21 REVENUE RESERVES

The revenue reserves include:

- The accumulated retained earnings of KUKA Aktiengesellschaft and its consolidated subsidiaries
- Consolidation and currency translation 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 € 4.0 million (prior year: € 5.4 million) from transactions not recognized in profit or loss are included in equity. € 3.4 million (prior year: € 3.4 million) is attributable to the convertible bond and € 0.6 million (prior year: € 2.0 million) to actuarial gains and losses from pensions.

22 MINORITY INTERESTS

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

23 MANAGEMENT OF CAPITAL

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

This requires sufficient shareholders' equity (Leverage ratio as the key indicator), liquidity (Net liquidity as the key indicator), and a sufficient return on capital employed (ROCE as the key indicator). Management and controlling of the business divisions therefore takes place based on these key indicators.

		2008	2009
Equity	in € millions	213.5	160.8
/ Total quity	in € millions	865.5	726.2
EQUITY RATIO	%	**24.7**	**22.1**
EBIT	in € millions	52.0	– 52.9
/ Capital Employed (annual average)	in € millions	242.3	317.5
ROCE	%	**21.5**	**– 16.7**
Cash and cash equivalents	in € millions	41.3	61.2
– non-current finance liabilities	in € millions	– 61.3	– 63.8
– current finance liabilities	in € millions	– 33.6	– 45.9
NET CASH POSITION / NET DEBT	%	**– 53.6**	**– 48.5**

24 PENSION PROVISIONS AND SIMILAR OBLIGATIONS

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

Accordingly, provisions for pensions developed as follows in the financial year 2009:

in € millions	Status as at Jan. 1	Changes to the scope of consolidation, exchange rate differences, Other	Consumption	Reduction	Additions	Actuarial gains and losses (directly in equity)	Status as at Dec. 31
2008	73.9	0.0	5.9	0.0	3.9	– 3.4	68.5
2009	68.5	– 0.2	6.2	0.7	4.4	4.2	70.0

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 such retirement benefit systems are in place, that are, as a rule, based on employees' length of service and compensation.

Since they are in the nature of a retirement benefit, liabilities of the US Group company 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 obligations similar to pensions, calculated according to the rules of IAS 19, represent € 0.6 million compared to € 1.0 million in 2008. Liabilities for health insurance coverage in the current financial year generated a gain of € 0.4 million compared to a gain of € 0.4 million as a result of plan curtailments the year prior. The possible effects of an increase / reduction of 1 percent of the expected cost development in the field of medicine are 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 € 19.2 million compared to € 21.0 million in 2008 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:

	Germany		USA		Others	
Dec. 31	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Demographic assumptions	RT 2005 G	RT 2005 G	RP 2000	RP 2000	IPS55 (I); TV88/90 (F)	IPS55 (I); TV88/90 (F)
Discount factor	6.25 %	5.40 %	6.00 %	5.75%	5.60 %	5.60 %
Expected rate of return on assets	N/A	N/A	8.00 %	8.00%	N/A	N/A
Wage dynamics	0.00 – 2.50 %	0.00 – 2.50 %	N/A	N/A	0.00 – 1.50 %	0.00 – 1.50 %
Pension dynamics	2.00 – 2.50 %	2.00 – 2.50 %	N/A	N/A	0.00 – 2.00 %	0.00 – 2.00 %
Changes in cost of medical services	N/A	N/A	5.00 – 8.00 %	5.00 – 7.00 %	N/A	N/A

The discounting factor is determined on the financial reporting date 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 experienced data, 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 obligations, an asset is recognized according to IAS 19 and disclosed under other assets. To the extent that the fund assets do not cover the commitment, the net obligation is recognized as a liability under pension provisions.

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

FUNDING STATUS OF DEFINED BENEFIT PENSION OBLIGATIONS

	Germany		USA		Others		Total	
in € millions	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Present value of pension benefits covered by provisions	64.8	67.9	0.9	0.6	1.2	0.5	66.9	69.0
Present value of funded pension benefits	0.0	0.0	4.0	4.1	0.0	0.0	4.0	4.1
Defined benefit obligation	64.8	67.9	4.9	4.7	1.2	0.5	70.9	73.1
Fair value of plan assets	0.0	0.0	2.4	3.1	0.0	0.0	2.4	3.1
NET OBLIGATION AS OF DEC. 31*	**64.8**	**67.9**	**2.5**	**1.6**	**1.2**	**0.5**	**68.5**	**70.0**

* Is the same as the pension provision because in both the reporting year as well as in the previous year there was no overfunding 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 defined benefit obligations for the financial year are shown in the following summary:

CHANGES IN DEFINED BENEFIT OBLIGATIONS

	Germany		USA		Others		Total	
in € millions	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Net obligations as of Jan. 1	70.6	64.8	5.3	4.9	1.1	1.2	77.0	70.9
(of which funded in a separate fund)	(–)	(–)	(3.6)	(4.0)	(0.0)	(0.0)	(3.6)	(4.0)
(of which funded by provisions)	(70.6)	(64.8)	(1.7)	(0.9)	(1.1)	(1.2)	(73.4)	(66.9)
Current service costs	0.4	0.3	0.1	0.1	0.1	0.0	0.6	0.4
Interest expense	3.7	3.9	0.3	0.3	0.0	0.0	4.0	4.2
Plan changes	0.0	0.0	– 0.5	– 0.4	0.0	– 0.3	– 0.5	– 0.7
Payments	– 5.6	– 5.6	– 0.2	– 0.2	– 0.1	– 0.2	– 5.9	– 6.0
Acturial gains (–) / and losses (+)	– 4.3	4.5	– 0.4	0.2	0.1	0.0	– 4.6	4.7
Currency translation	0.0	0.0	0.3	– 0.2	0.0	0.0	0.3	– 0.2
Other changes	0.0	0.0	0.0	0.0	0.0	– 0.2	0.0	– 0.2
NET OBLIGATIONS AS OF DEC. 31	**64.8**	**67.9**	**4.9**	**4.7**	**1.2**	**0.5**	**70.9**	**73.1**
(of which funded in a separate fund)	(–)	(–)	(4.0)	(4.1)	(0.0)	(0.0)	(4.0)	(4.1)
(of which funded by provisions)	(64.8)	(67.9)	(0.9)	(0.6)	(1.2)	(0.5)	(66.9)	(69.0)

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.

Current service costs and interest expenses totaling € 4.6 million (prior year: € 4.6 million) compare to benefit payments of € 6.0 million during the financial year (prior year: € 5.9 million). The increase of the defined benefit obligation results mainly in actuarial losses of € 4.7 million accrued during the financial year, compared to gains of € 4.6 million in 2008.

Other changes are related to the transfer of employees along with their pension claims in conjunction with the sale of the Tours location of KUKA Systems France S.A. / France.

PENSION EXPENSE FOR DEFINED BENEFIT PLANS

	Germany		USA		Others		Total	
in € millions	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Current service costs	0.4	0.3	0.1	0.1	0.1	0.0	0.6	0.4
Interest expense	3.7	3.9	0.3	0.3	0.0	0.0	4.0	4.2
Expected return on plan assets	0.0	0.0	– 0.2	– 0.2	0.0	0.0	– 0.2	– 0.2
Plan curtailments	0.0	0.0	– 0.5	– 0.4	0.0	– 0.3	– 0.5	– 0.7
PENSION EXPENSES FROM DEFINED BENEFIT COMMITMENTS	**4.1**	**4.2**	**– 0.3**	**– 0.2**	**0.1**	**– 0.3**	**3.9**	**3.7**

Pension expense for defined benefit plans decreased by € 0.2 million to € 3.7 million from the previous year's € 3.9 million. This is mainly due to reductions in medical care coverage of KUKA Assembly and Test Corp., Saginaw / USA of € 0.4 million as well as the loss of claims due to restructuring at KUKA Systems France S.A., Montigny / France in the amount of € 0.3 million.

The actuarial gains and losses recognized in Group equity includes the following amounts:

in € millions	2006	2007	2008	2009
Cumulative gains (+) and losses (–) recognized directly in equity as at Jan. 1	– 9.5	– 6.3	3.5	6.9
Actuarial gains (+) and losses (–) of the financial year	3.2	9.8	3.4	– 4.2
CUMULATIVE GAINS (+) AND LOSSES (–) RECOGNIZED DIRECTLY IN EQUITY AS AT DEC. 31	**– 6.3**	**3.5**	**6.9**	**2.7**

DEVELOPMENT OF PLAN ASSETS IN THE FINANCIAL YEAR

in € millions	2008	2009
Fair value as at Jan. 1	3.1	2.4
Expected returns on plan assets	0.2	0.2
Acturial gains / losses	– 1.2	0.5
Currency translation	0.2	– 0.1
Employer contributions	0.2	0.2
Payments	– 0.1	**– 0.1**
FAIR VALUE AS AT DEC. 31	**2.4**	**3.1**

The actual gains from external pension funds were € 0.7 million (prior year expenses: € 1.1 million).

As of December 31, 2009 the plan assets of € 3.1 million (prior year: € 2.4 million) broke down into shares in stock funds equal to 79 percent (prior year: 75 percent), with the remaining 21 percent comprising fixed-interest securities and cash funds. Debentures were no longer held in 2009 (Prior year: 25 percent).

Employer payments into the fund assets of € 0.3 million are expected in the 2010 financial year.

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

in € millions	2005	2006	2007	2008	2009
Defined Benefit Obligation	222.2	213.2	77.0	70.9	73.1
Plan Assets	72.5	74.9	3.1	2.4	3.1
FUNDED STATUS	**149.7**	**138.3**	**73.9**	**68.5**	**70.0**

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

in %	2007	2008	2009
Experience-based increase (+) / decrease (–) of pension obligations	– 3.0	0.8	1.0
Experience-based increase (+) / decrease (–) of plan assets	0.0	– 53.1	15.6

25 PROVISION FOR TAXES

in € millions	Status as at Jan. 1, 2009	Exchange rate differences	Use	Reversals	Additions	Status as at Dec. 31, 2009
PROVISION FOR TAXES	**11.3**	**– 0.1**	**4.6**	**2.6**	**9.3**	**13.3**

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

26 OTHER PROVISIONS AND ACCRUALS

in € millions	Status as at Jan. 1, 2009	Exchange rate differences	Use	Reversals	Additions	Status as at Dec. 31, 2009
Warranty commitments and risks from pending transactions	43.8	– 0.2	15.0	12.6	19.8	35.8
Liabilities arising from restructurings	6.4	0.0	5.4	0.0	21.7	22.7
Other provisions	57.3	– 0.4	36.1	1.1	32.9	52.6
	107.5	**– 0.6**	**56.5**	**13.7**	**74.4**	**111.1**

Other provisions and accruals for warranty commitments and risks from pending transactions include provisions for impending losses from pending transactions of € 22.5 million (prior year: € 20.5 million) and warranty risk of € 13.3 million (prior year: € 23.3 million). Of the reversals, € 5.5 million is attributable to provisions for impending losses and € 7.1 to warranty risk.

In addition to provisions made for personnel measures, restructuring obligations also include provisions for material measures. The company has put together, announced and in part already begun to implement an extensive restructuring plan that will affect the entire Group. Provisions totaling roughly € 21.7 million were made in the reporting year for the expected restructuring measures. At year end restructuring obligations totaled € 22.7 million; € 17.8 million for the Systems division, and € 4.0 million for the Robotics division. There was a provision of € 7.6 million as of the key date related to the restructuring in France. Net assets of € 3.1 million were deducted from the KUKA Group owing to the sale of the Tours location. 80 employees have left the company as a result.

Of the other provisions, € 22.0 million (prior year: € 27.6 million) relate among other items to costs still to be incurred for orders already invoiced and litigation risk of € 5.2 million (prior year: € 4.1 million).

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

27 LIABILITIES

2009

in € millions	up to one year	between one and five years	more than five years	Dec. 31, 2009 total
	Remaining maturity			
Liabilities due to banks	45.5	0.0	0.0	45.5
Convertible bond	0.4	63.8	0.0	64.2
Financial liabilities	**45.9**	**63.8**	**0.0**	**109.7**
Liabilities from construction contracts	54.6	–	–	54.6
Advances received	27.1	–	–	27.1
Trade payables	73.3	–	–	73.3
Accounts payable to affiliated companies	0.1	0.0	0.0	0.1
Other liabilities and deferred income	71.3	14.8	1.2	87.3
(of that for taxes)	(10.7)	(0.0)	(0.0)	(10.7)
(of that for social security payments)	(1.2)	(0.0)	(0.0)	(1.2)
(of that, liabilities relating to personnel)	(38.1)	(7.0)	(0.5)	(45.6)
(of that for leases)	(0.2)	(0.5)	(0.0)	(0.7)
(of that fair values of foreign exchange and interest rate contracts)	(1.6)	(2.2)	(0.0)	(3.8)
	272.3	**78.6**	**1.2**	**352.1**

2008

in € millions	up to one year	between one and five years	more than five years	Dec. 31, 2009 total
	Remaining maturity			
Liabilities due to banks	33.2	0.0	0.0	33.2
Convertible bond	0.4	61.3	0.0	61.7
Financial liabilities	**33.6**	**61.3**	**0.0**	**94.9**
Liabilities from construction contracts	54.6	–	–	54.6
Advances received	36.7	–	–	36.7
Trade payables	149.1	–	–	149.1
Accounts payable to affiliated companies	0.2	0.0	0.0	0.2
Other liabilities and deferred income	102.9	12.1	1.1	116.1
(of that for taxes)	(18.5)	(0.0)	(0.0)	(18.5)
(of that for social security payments)	(1.8)	(0.0)	(0.0)	(1.8)
(of that, liabilities relating to personnel)	(54.2)	(7.0)	(0.7)	(61.9)
(of that for leases)	(0.0)	(0.0)	(0.0)	(0.0)
(of that fair values of foreign exchange and interest rate contracts)	(11.2)	(4.8)	(0.0)	(16.0)
	377.1	**73.4**	**1.1**	**451.6**

28 FINANCIAL LIABILITIES / FINANCING

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

FIXED INTEREST RATE AGREEMENTS

	Net carrying amount		Fair value			
in € millions	2008	2009	2008	2009	Original maturity	Notional interest rate
Convertible bond	61.7	64.2	50.2	55.9	2006 – 2011	3.75 % p. a.

The market value of the convertible bond was determined using the closing price in floor trading at the Frankfurt Stock Exchange on December 31, 2009.

VARIABLE INTEREST RATE LIABILITIES TO BANKS (2009)

Financial instrument / in millions	Net carrying amount		avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	44,1 EUR	44,1 EUR	4.93 % p. a.	2010
Liabilities due to banks	1.2 GBP	1.3 EUR	2.50 % p. a.	2010

VARIABLE INTEREST RATE LIABILITIES TO BANKS (2008)

Financial instrument / in millions	Net carrying amount		avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	32,2 EUR	32,2 EUR	4.09 % p. a.	2009
Liabilities due to banks	0.7 GBP	0.7 EUR	2.00 % p. a.	2009
Liabilities due to banks	1.0 BRL	0.3 EUR	30.00 % p. a.	2009

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

Convertible bond

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

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

The convertible bond is listed on the Luxembourg exchange (ISIN DE000A0GRMC0 / WKN A0GRMC). The last price quoted for the bond on the Frankfurter stock exchange in 2009 was 81.00 percent (72.80 percent in 2008).

On the balance sheet, the convertible bond is broken down into an equity and a debt component. The market value of the debt component (€ 55.7 million) was determined on the basis of the market interest rate for a corresponding fixed-interest bond without conversion feature (7.63 percent). Including the issuing costs allocated proportionately to the equity and debt components, the effective interest rate rises to 8.25 percent. The resulting value of the equity component (€ 11.3 million) is recognized as part of the capital reserve and will not be changed until the due date or conversion. In the 2008 financial year, interest expense of € 5.1 million (prior year: € 4.9 million) was booked in connection with the bond account.

Syndicated loan

Syndicated loan until March 2010

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

Following the successful sale of the Packaging division in April of 2007, contractual adjustments to this syndicated loan became effective. Aside from the elimination of the twelve companies in this business division as parties to the contract, the term loan was repaid and the guaranteed line of credit was reduced by € 20 million.

The availability of the financing is tied to the adherence to specific covenants. This has to do with the interest coverage ratio (measured as EBITDA to adjusted net interest), the debt ratio (measured as defined net debt to EBITDA), and the absolute level of equity adjusted for minority interests. Economic conditions made it impossible to adhere to the covenant regarding the debt-equity ratio since the second quarter of 2009. This could have led to credit lines being payable in the 2009 financial year. As part of a rolling waiver process the issuing banks waived their right to early repayment. The necessary cash and credit lines for continuing operations have been made available in the respective amounts until the syndicated loan agreement is readjusted in March 2010.

At the balance sheet date the KUKA Group had € 67.0 million (prior year: € 115.0 million) at its disposal under this agreement as revolving cash lines as well as € 190.0 million (prior year: € 190.0 million) as guaranteed credit lines. The latter are particularly important for KUKA in connection with the financing of plant construction deals.

The utilization of the line of credit totaled € 110.6 million (prior year: € 108.7 million) as of the key date; the existing operating line of credit was utilized in the amount of € 40.0 million (prior year: € 30.1 million).

Syndicated loan from March 2010

Agreement on extending the Syndicated Senior Facilities Agreement totaling € 336 million (of which € 146 million is a cash credit line and € 190 million a credit line for LCs) was reached in March 2010, after the December 31, 2009 closing date. It includes various constraints and conditions, such as the successfully implementing KUKA Group's restructuring, which also comprises further increasing via equity or subordinated loans, refinancing the existing convertible bond and honoring various financial and non-financial covenants. Accordingly, no dividends will be paid to shareholders during the term of the Syndicated Senior Facilities Agreement.

Key covenants relate to minimum earnings before interest, taxes and depreciation (EBITDA), the degree of indebtedness and equity. As part of this agreement with the consortium banking partners, KUKA AG is obligated to ensure that it adds € 23 million either as equity or subordinated loans by the end of June 2010. Concerning this, the company has a guarantee in the amount of € 15 million.

The receivables of the syndicate of banks from the financing agreement are collateralized by KUKA companies. The collateral package includes a registered land charge on the industrial site in Augsburg totaling € 70.0 million, charges on business interests and KUKA's own interests, patent and trademark rights, domestic property, long-term tax receivables, as well as other assets including blanket assignments and transfers by way of securities.

Credit lines from surety companies

Guaranteed credit lines in the amount of € 5.0 million (prior year: € 50 million) have been committed by surety companies. Utilization at the end of the financial year was € 3.6 million (prior year: € 3.2 million).

Asset-backed securities program

In December 2006, an ABS program (asset-backed securities) was issued with a five year term. Under this program, trade receivables of KUKA Roboter GmbH in an amount of up to € 25 million can be sold in regular tranches to a special purpose vehicle (SPV) of BayernLB. 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 BayernLB. Covenants are also in place for this financing program that could not be upheld in 2009. In this case as well, the participating parties waived their contractual right to cancel the agreement as part of a waiver process. Consequently, the financing was available without restriction throughout the entire financial year 2009. The contractual adjustments took effect in March 2010.

At the balance sheet date € 9.5 million (prior year: € 15.7 million) was utilized from the program. The adequate credit worthiness of the receivables sold is guaranteed by a default guarantee from a credit insurer. In this connection, KUKA Roboter GmbH absorbs the first 1.15 percent of the credit risk from the sale of the receivables. A cash deposit of € 2.9 million (prior year: € 4.4 million) was established as a further security and is reported under other assets. The claims of KUKA Roboter GmbH for the management and settlement of the sold receivables are also included in this category at a present value of € 0.1 million (prior year: € 0.3 million). The continuing involvement of € 0.2 million (prior year: € 0.2 million) was completely written off as of the balance sheet date.

29 Other non-current / current liabilities and deferred income

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

30 Financial risk management and financial derivatives

a) Principles of risk management

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

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

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

b) Currency risks

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

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

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

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

Currency risks as defined by IFRS 7 arise on account of financial instruments 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 has financial instruments.

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

The currency sensitivity analysis is based on the following assumptions:

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

The following currency scenarios arise at the balance sheet date for the main foreign currencies used by the KUKA Group:

A 10 percent gain of the EUR against the USD would have had a positive effect on Group profits of plus € 1.0 million (prior year: plus € 0.7 million). A 10 percent decline of the EUR against the USD would have had a negative effect on Group profits of minus € 1.3 million (prior year: minus € 0.8 million).

A 10 percent gain of the EUR against the JPY would have had a negative effect on Group profits of minus € 0.8 million (prior year: minus € 0.1 million). A 10 percent decline of the EUR against the JPY would have had a positive effect on Group profits of plus € 0.9 million (prior year: plus € 0.1 million).

A 10 percent gain of the EUR against the HUF would have had a negative effect on Group profits of minus € 0.3 million (prior year: minus € 0.1 million). A 10 percent decline of the EUR against the HUF would have had a positive effect on Group profits of plus € 0.4 million (prior year: plus € 0.1 million).

A 10 percent gain of the EUR against the GBP would have had a negative effect on Group profits of minus € 0.1 million (prior year: minus € 0.3 million). A 10 percent decline of the EUR against the GBP would have had a positive effect on Group profits of plus € 0.1 million (prior year: plus € 0.4 million).

c) Interest rate risks

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

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

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

An increase as well as a decrease in market interest rates by 100 basis points at December 31, 2009 would have had a positive effect on results of plus € 0.2 million. In 2008, results would have been higher by € 0.1 million with an increase by 100 basis points. A decrease by 100 basis points would have lowered results in 2008 by € 0.1 million. The hypothetical effect of € 0.2 million results solely from the financial investments (credits) with variable interest rates totaling € 61.2 million (€ 45.9 million) at the balance sheet date.

d) Credit risks

The KUKA Group is exposed to credit risk from its operating activities and certain financing activities. A default can occur if individual business partners 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 a credit rating of at least A- / A1.

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

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

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

e) Liquidity risks

One of KUKA AG's primary tasks is to coordinate and control the Group's financing requirements as well as 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 2009 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.

In order to ensure the payment capability at all times and the financial flexibility of the KUKA Group, a liquidity reserve is kept in the form of credit lines and cash funds. For this, KUKA has, among other things, concluded a syndicated loan agreement with a consortium of banks. Detailed information is provided in the notes under item 28 Financial liabilities / financing in the section "Syndicated loan".

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

December 31, 2009

in € millions	Cash flows 2010	Cash flows 2011	Cash flows 2012 – 2014	Cash flows 2015 ff.
Non-current financial liabilities	2.6	71.6	0.0	0.0
Current financial liabilities	45.8	0.0	0.0	0.0
Trade payables	73.3	0.0	0.0	0.0
Accounts payable to affiliated companies	0.0	0.0	0.0	0.0
Other non-current liabilities	0.0	2.5	0.2	0.0
(of that for leases)	(0.0)	(0.3)	(0.2)	(0.0)
(of that Derivatives with a hedging relationship) (hedge accounting)	(0.0)	(0.0)	(0.0)	(0.0)
Other current liabilities	18.2	0.0	0.0	0.0
(of that for leases)	(0.2)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	(0.0)	(0.0)	(0.0)	(0.0)

December 31, 2008

in € millions	Cash flows 2009	Cash flows 2010	Cash flows 2011 – 2013	Cash flows 2014 ff.
Non-current financial liabilities	2.6	2.6	71.5	0.0
Current financial liabilities	33.6	0.0	0.0	0.0
Trade payables	149.1	0.0	0.0	0.0
Accounts payable to affiliated companies	0.2	0.0	0.0	0.0
Other non-current liabilities	0.0	1.7	3.9	0.1
(of that for leases)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship) (hedge accounting)	(0.0)	(1.4)	(3.4)	(0.0)
Other current liabilities	67.9	0.0	0.0	0.0
(of that for leases)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	(11.2)	(0.0)	(0.0)	(0.0)

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, 2009, i. e. 2008. Financial liabilities repayable at any time are always assigned to the earliest time period. The payment flows from derivatives (forward exchange transactions) are net, i. e. they are represented by balancing the inflow and outflow of funds.

f) Hedges

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

There were no fair value hedges at the reporting date. Last year fair value hedges had an effect on the result due to the carrying amount adjustment of the underlying transactions of € 2.7 million, which were included under Other operating expenses and income. The reverse developments of the market values for hedges amount to € – 2.7 million and have also been included under Other operating expenses and income.

Hedges are entered into exclusively in the form of forward exchange transactions.

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

in € millions	Abbr.	Status as at Dec. 31, 2008	Status as at Dec. 31, 2009
Available-for-Sale Financial Assets	AfS	0.2	1.0
Loans and Receivables	LaR	391.1	308.8
Financial Assets Held for Trading	FAHfT	5.1	1.3
Financial Liabilities Measured at Amortized Cost	FLAC	289.5	199.5
Financial Liabilities Held for Trading	FLHfT	16.0	3.8

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

NET CARRYING AMOUNT AND FAIR VALUES OF IAS BY MEASUREMENT CATEGORIES FOR 2009

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2009	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IFRS 7	Net carrying amount of the financial instruments / Status as at Dec. 31, 2009	Fair value / Status as at Dec. 31, 2009
ASSETS						
Financial investments		1.0	0.0	0.0	1.0	1.0
(of that loans)	LaR	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that participations)	AfS	(1.0)	(0.0)	(0.0)	(1.0)	(1.0)
Long-term finance lease receivables	n. a.	75.8	0.0	75.8	0.0	75.8
Other non-current liabilities and other assets		10.0	4.1	0.0	5.9	10.0
(of that trade receivables)	LaR	(0.3)	(0.0)	(0.0)	(0.3)	(0.3)
(of that from the category LaR)	LaR	(5.6)	(0.0)	(0.0)	(5.6)	(5.6)
(of that Other)	n. a.	(4.1)	(4.1)	(0.0)	(0.0)	(4.1)
Trade and other receivables	LaR	114.2	0.0	0.0	114.2	114.2
Receivables from construction contracts	LaR	124.3	0.0	0.0	124.3	124.3
Receivables from affiliated companies	LaR	0.0	0.0	0.0	0.0	0.0
Current finance lease receivables	n. a.	3.5	0.0	3.5	0.0	3.5
Other assets, prepaid expenses and deferred charges		17.1	12.6	0.0	4.5	17.1
of that Derivatives without a hedging relationship (held for sale))	FAHfT	(1.3)	(0.0)	(0.0)	(1.3)	(1.3)
(of that Derivatives with a hedging relationship (hedge accounting))	FAHfT	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Other from the category LaR)	LaR	(3.2)	(0.0)	(0.0)	(3.2)	(3.2)
(of that Other)	n. a.	(12.6)	(12.6)	(0.0)	(0.0)	(12.6)
Cash and cash equivalents	LaR	61.2	0.0	0.0	61.2	61.2

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2009	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IFRS 7	Net carrying amount of the financial instruments / Status as at Dec. 31, 2009	Fair value / Status as at Dec. 31, 2009
LIABILITIES						
Non-current financial liabilities	FLAC	63.8	0.0	0.0	63.8	55.9
Other non-current liabilities		16.0	13.3	0.5	2.2	16.0
(of that for leases)	n. a.	(0.5)	(0.0)	(0.5)	(0.0)	(0.5)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(2.2)	(0.0)	(0.0)	(2.2)	(2.2)
(of that Derivatives with a hedging relationship (hedge accounting))	FLHfT	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Other from the category FLAC)	FLAC	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Other)	n. a.	(13.3)	(13.3)	(0.0)	(0.0)	(13.3)
Current financial liabilities	FLAC	45.9	0.0	0.0	45.9	45.9
Trade payables	FLAC	73.3	0.0	0.0	73.3	73.3
Liabilities from construction contracts	n. a.	54.6	54.6	0.0	0.0	54.6
Accounts payable to affiliated companies	FLAC	0.1	0.0	0.0	0.1	0.1
Other current liabilities and deferred income		71.3	53.1	0.2	18.0	71.3
(of that for leases)	n. a.	(0.2)	(0.0)	(0.2)	(0.0)	(0.2)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(1.6)	(0.0)	(0.0)	(1.6)	(1.6)
(of that Derivatives with a hedging relationship (hedge accounting))	FLHfT	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Other from the category FLAC)	FLAC	(16.4)	(0.0)	(0.0)	(16.4)	(16.4)
(of that Other)	n. a.	(53.1)	(53.1)	(0.0)	(0.0)	(53.1)

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

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2008	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IFRS 7	Net carrying amount of the financial instruments / Status as at Dec. 31, 2008	Fair value / Status as at Dec. 31, 2008
ASSETS						
Financial investments		0.4	0.0	0.0	0.4	0.3
(of that loans)	LaR	(0.2)	(0.0)	(0.0)	(0.2)	(0.2)
(of that participations)	AfS	(0.2)	(0.0)	(0.0)	(0.2)	(0.1)
Long-term finance lease receivables	n. a.	82.0	0.0	82.0	0.0	82.0
Other non-current liabilities and other assets		10.3	0.0	0.0	10.3	10.3
(of that trade receivables)	LaR	(0.4)	(0.0)	(0.0)	(0.4)	(0.4)
(of that from the category LaR)	LaR	(9.9)	(0.0)	(0.0)	(9.9)	(9.9)
(of that Other)	n. a.	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Trade and other receivables	LaR	164.4	0.0	0.0	164.4	164.4
Receivables from construction contracts	LaR	167.1	0.0	0.0	167.1	167.1
Receivables from affiliated companies	LaR	0.4	0.0	0.0	0.4	0.4
Current finance lease receivables	n. a.	3.3	0.0	3.3	0.0	3.3
Other assets, prepaid expenses and deferred charges		16.7	4.2	0.0	12.5	16.7
(of that Derivatives without a hedging relationship (held for sale))	FAHfT	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	FAHfT	(5.1)	(0.0)	(0.0)	(5.1)	(5.1)
(of that Other from the category LaR)	LaR	(7.4)	(0.0)	(0.0)	(7.4)	(7.4)
(of that Other)	n. a.	(4.2)	(4.2)	(0.0)	(0.0)	(4.2)
Cash and cash equivalents	LaR	41.3	0.0	0.0	41.3	41.3

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2008	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IFRS 7	Net carrying amount of the financial instruments / Status as at Dec. 31, 2008	Fair value / Status as at Dec. 31, 2008
LIABILITIES						
Non-current financial liabilities	FLAC	61.3	0.0	0.0	61.3	50.2
Other non-current liabilities		13.2	8.2	0.0	5.0	13.2
(of that for leases)	n. a.	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	FLHfT	(4.8)	(0.0)	(0.0)	(4.8)	(4.8)
(of that Other from the category FLAC)	FLAC	(0.2)	(0.0)	(0.0)	(0.2)	(0.2)
(of that Other)	n. a.	(8.2)	(8.2)	(0.0)	(0.0)	(8.2)
Current financial liabilities	FLAC	(33.6)	(0.0)	(0.0)	(33.6)	(33.6)
Trade payables	FLAC	149.1	0.0	0.0	149.1	149.1
Liabilities from construction contracts	n. a.	54.6	54.6	0.0	0.0	54.6
Accounts payable to affiliated companies	FLAC	0.2	0.0	0.0	0.2	0.2
Other current liabilities and deferred income		102.9	46.6	0.0	56.3	102.9
(of that for leases)	n. a.	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(of that Derivatives with a hedging relationship (hedge accounting))	FLHfT	(11.2)	(0.0)	(0.0)	(11.2)	(11.2)
(of that Other from the category FLAC)	FLAC	(45.1)	(0.0)	(0.0)	(45.1)	(45.1)
(of that Other)	n. a.	(46.6)	(46.6)	(0.0)	(0.0)	(46.6)

With the exception of financial investments and leasing claims, most assets have short terms to maturity. Their carrying amounts as of the closing date therefore correspond approximately with the fair value. 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 largely reflect the market values.

Liabilities – with the exception of long-term financial liabilities and the remaining long-term liabilities – have regular, short terms to maturity. The values shown on the balance sheet approximately represent the fair values. The market value of the convertible 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 the previous year the hedge-related derivatives were exclusively in conjunction with forward exchange transactions and were recognized according to the rules of hedge accounting. This financial year the derivatives are likewise exclusively related to forward exchange transactions. However, these are no longer recognized according to the rules of hedge accounting.

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 price 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 the forward exchange transactions carried as an asset (€ 1.3 million) and those carried as a liability (€ 3.8 million). These are measured according to level 2.

Net results for the financial year listed according to valuation categories are represented as follows:

NET PROFIT / LOSS OF IAS 39 BY MEASUREMENT CATEGORIES FOR 2009

in € millions	Net gains / losses	Total interest income / expenses	Commission income / expenses
Loans and Receivables (LaR)	– 5.7	2.6	0.0
Available-for-sale Financial Assets (AfS)	– 0.4	0.0	0.0
Financial Instruments Held for Trading (FAHfT und FLHfT)	3.2	0.0	0.0
Financial Liabilities Measured at Amortized Cost (FLAC)	3.5	– 12.1	– 5.1
TOTAL	**0.6**	**– 9.5**	**– 5.1**

The following figures resulted for the financial year 2008:

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

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

Net losses (net profits in the previous year) 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. Within the scope of fair value hedges in 2008, exchange losses totaling € 0.2 million resulted from hedging transactions, which are matched in their amount by exchange gains from underlying transactions.

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

Commission expenses are recorded as the transaction costs for financial liabilities due to banks and fees for the provision of guarantees.

31 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

in € millions	2008	2009
Liabilities from guarantees	22.2	5.5
Liabilities from warranty agreements	39.8	67.7
Other commitments	25.5	14.8
(of that, discounted notes)	(3.2)	(1.6)
(of that, other financial commitments)	(22.3)	(13.2)
TOTAL	87.5	88.0

NOTES TO THE GROUP CASH FLOW STATEMENT

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

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents disclosed on the balance sheet; i. e., cash in hand, checks and cash with banks provided they are available within three months. Cash and cash equivalents are not subject to restraints on disposal.

Cash flow from operating activities is derived indirectly from the earnings after taxes on income.

Under the indirect method, the relevant changes to the balance sheet items associated with operating activities are adjusted for currency translation effects and changes to the scope of consolidation.

Payments for the acquisition of consolidated companies and other business units of € 1.2 million are largely associated with the purchase of intangible assets, tangible assets and inventories at KUKA S-Base s.r.o., Roznov p.R. / Czech Republic, which was consolidated for the first time in the financial year 2009. The following were accounted for in the previous year from initial consolidations: € 0.1 million in fixed assets, € 1.0 million in inventories, € 1.0 million in receivables and other assets, and € 1.3 million in cash and cash equivalents. In addition, provisions in the amount of € 0.1 million and liabilities of € 3.5 million were also recognized in the prior year.

Cash inflows / outflows from operating activities also include the following items: Interest paid in the amount of € 10.4 million (prior year: € 7.8 million), interest received in the amount of € 9.5 million (prior year: € 8.8 million) and reimbursed income taxes in the amount of € 1.6 million (prior year: € 30.3 million).

NOTES TO THE GROUP SEGMENT REPORTING

The data for the individual annual financial statements have been segmented by business fields and by region. The structure follows internal reporting (management approach). The segmentation is intended to create transparency with regard to the earning power and the prospects, as well as the opportunities and threats for the various business fields within the Group.

Segment reporting is designed to accommodate the new structure of the KUKA Group. The KUKA Group was engaged in the reporting years 2009 and 2008 in two major business fields:

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.

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 additional participations that are supplementary to the operating activities of the KUKA Group have been aggregated in a separate area. Cross-divisional consolidation and reconciliation items are shown in a separate column. The attribution of the Group companies to the business segments is shown in the Schedule of shareholdings.

The breakdown of sales revenues by region is based on customer / delivery location. Non-current assets (property, plant and equipment and intangible assets) are calculated by company head office.

	Revenues acc. to customer location		Non-current assets acc. to registered office of the company	
	2008	**2009**	**2008**	**2009**
Germany	514.3	297.3	87.5	91.9
Europe (excl. Germany)	306.3	235.2	22.7	21.4
North America	321.0	255.6	54.3	52.7
Asia / Other Regions	124.5	114.0	2.8	3.0
Total	**1,266.1**	**902.1**	**167.3**	**169.0**

Overall, the KUKA Group achieved more than 10 percent of total sales from two customers. These sales are attributable to both the Robotics segment and the Systems segment.

	Total 2008		Total 2009	
	in € millions	**in %**	**in € millions**	**in %**
Customer A	168.9	13.3	146.8	16.3
Customer B	130.7	10.3	120.5	13.4
Other customers	966.5	76.4	634.8	70.3
Sales revenue	**1,266.1**	**100.0**	**902.1**	**100.0**

The calculations for segment reporting rely on the following principles:

- Group external sales revenues show the divisions' respective percentage of consolidated sales revenue for the Group as presented in the income statement.
- Intra-Group sales revenues are related sales transacted between segments. In principle, transfer prices for intra-Group sales are determined at the market level.
- Sales revenues for the segments include revenues from sales to third parties as well as sales to other Group segments.
- EBIT reflects operating earnings; that is, the earnings from ordinary activities – including goodwill impairment charges, if any – before result from financing activities.
- ROCE (return on capital employed) is the ratio of operating earnings (EBIT) to capital employed, which is largely non-interest bearing. 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		2008	2009
Capital employed			
	Intangible assets	74.2	79.2
+	Tangible assets	93.1	90.3
+	Long-term finance lease receivables	82.0	75.8
+	Working capital	535.8	382.6
=	Asset items of capital employed	785.1	627.9
./.	Other provisions, excluding major provisions for restructuring	93.8	85.5
./.	Liabilities from construction contracts	54.6	54.6
./.	Advances received	36.7	27.1
./.	Trade payables	149.1	73.3
./.	Other liabilities except for liabilities similar to bonds (incl. deferred income)	116.1	87.3
=	Liability items of capital employed	450.3	327.8
=	Capital Employed	334.8	300.1
	Average capital employed	242.3	317.5
Segment assets		785.5	628.9
	Asset items of capital employed	785.1	627.9
+	Participations	0.4	1.0
Segment liabilities		532.5	423.5
	Liability items of capital employed	450.3	327.8
+	Pension provisions and similar obligations	68.5	70.0
+	Major provisions for restructuring	13.7	25.7

OTHER NOTES

RELATED PARTY DISCLOSURES

In accordance with IAS 24 persons or companies that may be influenced by or have influence on the reporting company must be disclosed, insofar as they have not already been included as consolidated companies in the financial statements.

Parties related to the KUKA Group include mainly members of the Executive and Supervisory Boards as well as non-consolidated and associated KUKA Group companies 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, and Rinvest AG, Pfäffikon / Switzerland together currently hold a 26.56 percent share in KUKA Aktiengesellschaft. In accordance with the voting rights announcement of June 10, 2009 the shares in voting rights are to be attributed mutually as per Article 22 para. 2 WpHG and therefore represent related parties for the purpose of IAS 24.

The following table summarizes the product and services-related business activities transacted between companies included in the KUKA Group consolidation and related companies:

	Interest	Products and services provided by the KUKA Group to related companies		Products and services provided by related companies to the KUKA Group	
in € millions	**in %**	**2008**	**2009**	**2008**	**2009**
Grenzebach-Gruppe	26.56	–	4.4	–	3.3
KUKA InnoTec GmbH, Augsburg / Germany*	0.0	0.1	0.0	0.5	0.0
	–	**0.1**	**4.4**	**0.5**	**3.3**

* the company was sold during the financial year

Intra-Group purchases and sales are transacted under the “dealing at arm’s length” principle at transfer prices that correspond to market conditions.

Services provided to related companies mainly comprise commissions and sales, primarily for products from the Robotics segment. Services provided to the Group by non-consolidated related and associated companies consist primarily of preparatory work that is subject to subsequent processing by the KUKA Group’s consolidated companies and job order production.

The following table lists the material amounts owed by related parties to fully consolidated KUKA Group companies.

	Interest	Group receivables from related companies		Group liabilities due to related companies	
in € millions	**in %**	**Dec. 31, 2008**	**Dec. 31, 2009**	**Dec. 31, 2008**	**Dec. 31, 2009**
Grenzebach-Gruppe	26.56	–	2.9	–	0.9
KUKA InnoTec GmbH, Augsburg / Germany *	0.0	0.3	0.0	–	0.0
Others less than € one million	–	0.1	0.0	0.2	0.1
	–	**0.4**	**2.9**	**0.2**	**1.0**

* the company was sold during the financial year

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.

TOTAL EMOLUMENTS OF EXECUTIVE BOARD AND SUPERVISORY BOARD MEMBERS

The total compensation paid to the Executive Board, including the severance for Executive Board members exiting on September 30, 2009 was € 4.1 million (prior year: € 3.5 million). Altogether in the financial year 2009, the Executive Board received a fixed salary including payments in kind of € 0.9 million (prior year: € 1.9 million), target achievement and performance-based compensation of € 0.3 million (prior year: € 1.0 million) as well as severance in the amount of € 2.7 million. € 0.2 million (prior year: € 3.5 million) was paid out for compensation in accordance with the phantom share program.

A provision of less than € 0.1 million was added in the financial year to pension accruals for pension warrants to a former Executive Board member.

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 2009 for current pensions and vested pension benefits totals € 9.4 million (HGB) compared to € 9.1 million in 2008.

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.

Total compensation of the Supervisory Board in fiscal 2009 was € 0.7 million (prior year: € 0.7 million).

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 report on compensation forms part of the corporate governance report and summarizes the basic principles used to establish the compensation of the Executive and Supervisory Boards of KUKA Aktiengesellschaft. The executive compensation report is an integral part of the management report.

The members of the Executive and Supervisory Boards are presented on page 160 ff.

AUDIT FEES

The fee for the auditor PricewaterhouseCoopers AG recognized as an expense in 2009 totals € 1.3 million (prior year: € 0.9 million). A total of € 1.0 million (prior year: € 0.7 million) was recognized as financial statement audit fees. The auditor performed tax advisory services in the amount of € 0.1 million (prior year: none). An amount of € 0.1 million (prior year: € 0.2 million) was recognized as expenses for certifications, valuations and other services provided by the auditor.

DECLARATION REGARDING THE CORPORATE GOVERNANCE CODE

The identically worded declarations in accordance with Article 161 German Corporation Act (AktG) that have been issued by the Executive Board (March 2, 2010) and of the Supervisory Board (March 5, 2010) are available for inspection by any interested party on the company's website at www.kuka.com.

EVENTS AFTER THE BALANCE SHEET DATE

On March 10, 2010 KUKA AG released the following ad hoc announcement:

"KUKA Aktiengesellschaft ("KUKA AG") has reached an agreement with a bank consortium on extending and increasing the existing Syndicated Senior Facilities According to the agreement, the banks will provide KUKA with credit facilities totaling € 336 million until March 31, 2012. This amount consists of revolving cash facilities in the amount of € 146 million and credit facilities for letters of credit in the amount of € 190 million. The Kreditanstalt für Wiederaufbau (KfW) joined the consortium as a new partner and will contribute € 31 million to the cash facility.

As part of the agreement with the banking consortium KUKA AG agreed to raise equity by at least € 23 million by the end of June 2010, either by the way of a capital increase or subordinated debt. The agreed credit lines will only become available in full in the future upon the raising of the afore-mentioned funds. KUKA AG will decide whether to raise more than € 23 million subject to market conditions. The major shareholder Grenzebach Maschinenbau GmbH has committed to provide up to € 15 million as part of the capital injection. Grenzebach Maschinenbau GmbH has also informed KUKA AG that in line with its previous communication it will not increase its shareholding in the company, or the shareholding attributable to it, to 30 percent or more in the course of a capital increase.

The extension of the bank financing beyond August 31, 2011 is also conditional upon securing a refinancing of the convertible bond issued by KUKA Finance B.V. and guaranteed by KUKA AG, which falls due in November 2011, by no later than August 31, 2011. The company further undertook vis-à-vis the banking consortium not to distribute any dividends to its shareholders during the term of the financing agreement. The amended terms of the bank financing will lead to higher financing costs and an increased negative financial result in comparison to 2009.

In addition, KUKA AG's Supervisory Board has asked Dr. Till Reuter to continue in his position of acting CEO in accordance with section 105, para. 2 of the German Stock Corporation Act, until September 2010. After successfully completing the financing negotiations, Dr. Reuter informed the Supervisory Board that he would remain in the position until such date, in particular to further develop the company's long-term strategic direction. Accordingly, the staffing of the CEO-position from October 2010 onwards will be appointed later."

Augsburg, March 10, 2010

KUKA Aktiengesellschaft

The Executive Board

Dr. Till Reuter Dr. Walter Bickel Stephan Schulak

CORPORATE ORGANS

SUPERVISORY BOARD

Dr. Rolf Bartke (until September 18, 2009)
Berlin, Chairman of the Supervisory Board,
Industrial engineer
EADS N.V., Amsterdam / Netherlands **
J&R Carter Partnership Foundation, Atlanta / USA **
Keiper Recaro Group, Kaiserslautern **
SAF-Holland S.A., Luxembourg / Luxembourg **
(until January 31, 2009)
SFC Smart Fuel Cell AG, Brunnthal *
SORTIMO North America Inc., Atlanta / USA **

Dr. Till Reuter (since April 29, 2009)
Pfäffikon / Switzerland,
Chairman of the Supervisory Board
(from September 18, 2009 to September 29, 2009)
Supervisory Board mandate currently postponed

Bernd Minning (since April 29, 2009)
Kaisheim, Chairman of the Supervisory Board
(since September 29, 2009)
Managing Director of Grenzebach
Maschinenbau GmbH, Asbach-Bäumenheim

Jürgen Kerner *
Königsbrunn,
Deputy Chairman of the Supervisory Board
1st Secretary of IG Metall trade union Augsburg branch
EADS Deutschland GmbH, Munich
MAN AG, Munich *
MAN Diesel SE, Augsburg *
manroland AG, Offenbach *
Eurocopter Deutschland GmbH, Donauwörth *

Prof. Dr. Dirk Abel (since September 18, 2009)
Aachen, University professor
Director of the Institute for Control Technology
at RWTH Aachen

Dr. Reiner Beutel (until September 18, 2009)
Ludwigsburg, Chief Executive Officer SAF-Holland S.A.,
Luxembourg / Luxembourg (since February 2, 2009)
Fischer-Maschinenbau GmbH & Co. KG, Gemmrigheim **
Haldex AB, Stockholm / Sweden **,
(Vice Chairman Board of Directors)
Mirror Controls International, Montfoort /
Niederlande (Vice Chairman Board of Directors) **

Pepyn René Dinandt (until April 29, 2009)
Munich, Chief Executive Officer MONIER Group
GmbH, Oberursel

Wilfried Eberhardt *
Aichach, Managing Director Sales and Marketing
KUKA Roboter GmbH, Augsburg
Authorized signatory of KUKA Roboter GmbH,
Augsburg

Dr. Uwe Ganzer (since September 18, 2009)
Hanover, Merchant,
Sole Director of VARTA AG, Hanover
expert AG, Langenhagen
Curanum AG, Munich

Helmut Gierse (until April 29, 2009)
Nuremberg, Graduate engineer,
industrial consultant
Proton Power Systems plc., Newcastle upon
Tyne / Great Britain (Non-Executive Director)

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

* Supervisory Board member of the following companies
** Membership in comparable German and foreign control bodies of business enterprises
*** Employee Representative

Carola Leitmeir (since July 1, 2009)***
Großaitingen, Chairman of the Works Council
of KUKA Roboter GmbH, Augsburg

Dr. Helmut Leube (until September 18, 2009)
Herrsching,
Chief Executive Officer DEUTZ AG, Cologne
DEUTZ Engine Company Ltd., Dalian / China
(Vice Chairman of the Board of Directors)*

Prof. Dr. Uwe Loos (since September 18, 2009)
Stuttgart, Industrial consultant
Dorma Holding GmbH + Co. KGaA, Ennepetal*
Claas KGaA mbH, Harsewinkel
(until January 31, 2010)**
Bharat Forge LTD, Pune / India**
Gildemeister AG, Bielefeld*
CDP Bharat Forge GmbH, Ennepetal**
Rodenstock GmbH, Munich**
German Eyewear GmbH, Munich**
HP Pelzer GmbH, Witten**
Adam Opel GmbH, Rüsselsheim
(until January 31, 2010)*
Kenersys GmbH, Münster**
Honorary Professor at TU Munich,
Department of Business Administration,
Management, Logistics and Production**

Dr. Herbert Meyer (since September 18, 2009)
Königstein / Taunus, Director of
Deutsche Prüfstelle für Rechnungslegung DPR e. V.
Financial Reporting Enforcement Panel
DEMAG Cranes AG, Düsseldorf*
Deutsche Beteiligungs AG, Frankfurt / Main*
Sektkellerei Schloss Wachenheim AG, Wachenheim*
WEBASTO AG, Stockdorf*
Verlag Europa-Lehrmittel GmbH, Haan
(Advisory Board)**
Goss International Corporation, Bolingbrook / USA**

Walter Prues* (until June 30, 2009)**
Augsburg,
Chairman of the KUKA Group Works Council

Fritz Seifert***
Schwarzenberg, Chairman of the Works Council
of KUKA Systems GmbH, Augsburg
Toolmaking Division, Schwarzenberg
Deputy Chairman of the Group Works Council

Guy Wyser-Pratte (since September 18, 2009)
Bedford, New York / USA
President Wyser-Pratte & Co., Inc.

Dr. jur. Wolf Hartmut Prellwitz
Karlsruhe, Honorary Chairman

EXECUTIVE BOARD

Dr. Horst J. Kayser (until September 30, 2009)
Erlangen, Chairman of the Executive Board
KENDRION N.V., Zeist / Netherlands
(since July 1, 2009)**

Dr. Till Reuter (since October 1, 2009)
Pfäffikon / Switzerland, Chief Executive Officer
Rinvest AG, Pfäffikon / Switzerland*
Dr. Steiner Holding AG*

Dr. Matthias J. Rapp (until September 30, 2009)
Frankfurt / Main, Executive Board Member,
Finance and Controlling

Dr. Walter Bickel (since November 17, 2009)
Grünwald, Executive Board Member,
Chief Operating Officer (COO)
Alvarez & Marsal Deutschland GmbH, Munich**
Albert Ziegler GmbH & Co. KG

Stephan Schulak (since October 1, 2009)
Rohrbach, Executive Board Member,
Finance and Controlling

* Supervisory Board member of the following companies
** Membership in comparable German and foreign control bodies of business enterprises
*** Employee Representative

SCHEDULE OF SHAREHOLDINGS OF KUKA AKTIENGESELLSCHAFT

As of December 31, 2009

Name and registered office of the company	Currency	Share of Equity in %	Equity in tds. in local currency	Net profit for the year in tds. in local currency	Method of Consolidation	Segment
GERMANY						
KUKA Roboter GmbH, Augsburg *	EUR	100.00	25,520	0 [1]	C	ROB
KUKA Systems GmbH, Augsburg *	EUR	100.00	30,076	0 [1]	C	SYS
HLS Ingenieurbüro GmbH, Augsburg	EUR	100.00	2,821	161	C	SYS
KUKA Dienstleistungs-GmbH, Augsburg *	EUR	100.00	2,173	0 [1]	C	SON
Bopp & Reuther Anlagen-Verwaltungsgesellschaft mbH, Mannheim [3]	EUR	100.00	33,300	– 1,523	C	SON
IWKA Packaging GmbH, Augsburg * [3]	EUR	100.00	47,492	0 [1]	C	SON
Freadix FryTec GmbH, Augsburg [3]	EUR	100.00	45	– 3	NC	SON
IWK Unterstützungseinrichtung GmbH, Karlsruhe	EUR	100.00	26	0	NC	SON
KUKA Unterstützungskasse GmbH, Augsburg	EUR	100.00	25	0	NC	SYS
Schmidt Maschinentechnik GmbH, Niederstotzingen [3]	EUR	100.00	– 6,388	0	NC	SYS
Institut für angewandte Systemtechnik Bremen GmbH, Bremen [4]	EUR	11.25	434	5	B	SYS
OTHER EUROPE						
HLS Czech s.r.o., Mlada Boleslav / Czech republic	CZK	100.00	7,766	865	C	SYS
KUKA Automatisering + Robots N.V., Houthalen / Belgium	EUR	100.00	1,092	– 935	C	SYS
KUKA Automatisme + Robotique S.A.S., Villebon-sur-Yvette / France	EUR	100.00	4,058	– 277	C	ROB
KUKA Automotive N.V., Houthalen / Belgium	EUR	100.00	512	214	C	SYS
KUKA Enco Werkzeugbau spol. s.r.o., Dubnica nad Váhom / Slovakia	EUR	65.00	2,974	159	C	SYS
KUKA Finance B.V., Rotterdam / Netherlands	EUR	100.00	846	53	C	SON
KUKA Nordic AB, Västra Frölunda / Sweden	SEK	100.00	9,332	– 3,183	C	SYS
KUKA Roboter Austria GmbH, Linz / Austria	EUR	100.00	560	91	C	ROB
KUKA Roboter Italia S.P.A., Rivoli / Italy	EUR	100.00	3,478	– 2,123	C	ROB
KUKA Roboter Schweiz AG, Dietikon / Switzerland	CHF	100.00	2,630	199	C	ROB
KUKA Robotics Hungária Ipari Kft., Taksony / Hungary	EUR	100.00	10,832	321	C	ROB
KUKA Robotics OOO, Moskau / Russia	RUB	100.00	13,681	– 184	C	ROB
KUKA Robots IBÉRICA, S.A., Vilanova i la Geltrú / Spain	EUR	100.00	718	– 1,409	C	ROB
KUKA S-BASE s.r.o., Roznov p.R. / Czech republic	CZK	100.00	4,661	– 3,039	C	SYS
KUKA Sistemy OOO, Togliatti / Russia	RUB	100.00	19,802	– 3,255	C	SYS
KUKA Systems France S.A., Montigny / France	EUR	100.00	– 15,744	– 16,445	C	SYS
Thompson Friction Welding Ltd., Halesowen / Great Britain	GBP	100.00	5,038	– 105	C	SYS
Metaalwarenfabriek 's-Hertogenbosch B.V., 's-Hertogenbosch / Netherlands [3] [5]	EUR	100.00	– 966	– 10	NC	SON
AG Novosibirsk Fleischkonservenkombinat, Novosibirsk / Russia [6]	RUB	10.00	–	–	B	SON

Name and registered office of the company	Currency	Share of Equity in %	Equity in tds. in local currency	Net profit for the year in tds. in local currency	Method of Consolidation	Segment
NORTH AMERICA						
KUKA Systems Corporation North America, Sterling Heights / USA, incl.[2]	USD	100.00	121,087	19,610	C	SYS
KUKA Assembly and Test Corp., Saginaw / USA	USD	100.00	–	–	C	SYS
KUKA Robotics Corp., Sterling Heights / USA	USD	100.00	–	–	C	ROB
KUKA Toledo Production Operations LLC, Clinton Township, Michigan / USA	USD	100.00	–	–	C	SYS
KUKA Systems de Mexico, S. de R.L. de C.V., Mexico City / Mexico	MXN	100.00	–	–	C	SYS
KUKA Recursos, S. de R.L. de C.V., Mexico City / Mexico	MXN	100.00	–	–	C	SYS
KUKA Robotics Canada Ltd., Saint John, NB / Canada	CAD	100.00	237	– 543	C	ROB
KUKA de Mexico S. de R.L. de C.V., Mexico City / Mexico	MXN	100.00	39,273	6,221	C	ROB
LATIN AMERICA						
KUKA Roboter do Brasil Ltda., São Paulo / Brazil	BRL	100.00	11	– 713	C	ROB
KUKA Systems do Brasil Ltda., São Bernardo do Campo SP / Brazil	BRL	100.00	– 314	750	C	SYS
ASIA						
HLS Autotechnik (India) Pvt. Ltd., Pune / India	INR	100.00	9,128	– 1,936	C	SYS
Hung Viet International Company Limited, Ho Chi Minh City / Vietnam	VND	75.10	544,458	– 84,312	C	SYS
KUKA Automation Equipment (India) Pvt. Ltd, Pune / India	INR	100.00	28,557	– 7,429	C	SYS
KUKA Automation Equipment (Shanghai) Co., Ltd., Shanghai / China	CYN	100.00	– 6,548	14,870	C	SYS
KUKA Flexible Manufacturing Systems (Shanghai) Co., Ltd., Shanghai / China	CYN	100.00	38,261	691	C	SYS
KUKA Robot Automation Malaysia Sdn BhD, Kuala Lumpur / Malaysia	MYR	99.99	8,245	746	C	ROB
KUKA Robot Automation Taiwan Co. Ltd., Chung-Li City / Taiwan	TWD	99.90	– 63,922	– 13,383	C	ROB
KUKA Robotics (India) Pvt. Ltd, Haryana / India	INR	100.00	29,278	– 285	C	ROB
KUKA Robotics Japan K.K., Tokio / Japan	JPY	100.00	126,105	– 202.204	C	ROB
KUKA Robotics Korea Co., Ltd., Kyunggi-Do / South Korea	KWN	100.00	2,319,503	304,985	C	ROB

* Companies that have made use of the exemption persuant to sec. 264 par. 3 or sec. 264 b of the German Commercial Code

[1] after profit / loss transfer
[2] according to Group Balance Sheet and Group Income Statement
[3] Shell company
[4] fiscal year ending Dec. 31, 2008
[5] fiscal year ending June 30, 2009
[6] not specified

Type of consolidation
C fully consolidated companies as at Dec. 31, 2009
NC non-consolidated companies as at Dec. 31, 2009
B companies, in which participations are held as at Dec. 31, 2009

Division
ROB ROBOTICS
SYS SYSTEMS
SON OTHERS

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Augsburg, March 10, 2010

KUKA Aktiengesellschaft
The Executive Board

Dr. Till Reuter | Dr. Walter Bickel | Stephan Schulak

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, 2009. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

We duly draw attention to the fact that the ability of KUKA group companies to continue as a going concern is threatened by risks which are described in the section "Risk report" of the group management report. This refers to the credit facilities agreed with the banking consortium in March 2010, which impose several obligations and conditions in connection with the successful implementation of the restructuring of KUKA group companies.

Munich, March 11, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Alexander Winter (German Public Auditor) ppa. Holger Graßnick (German Public Auditor)

BALANCE SHEET

of KUKA Aktiengesellschaft as at December 31, 2009

ASSETS

in € thousands	Dec. 31, 2008	Dec. 31, 2009
NON-CURRENT ASSETS		
Intangible assets	3,416	2,912
Property, plant and equipment	15,545	15,720
Financial investments	214,006	214,006
	232,967	**232,638**
CURRENT ASSETS		
Receivables and other assets		
Receivables from affiliated companies	147,987	107,401
Other receivables and assets	26,330	17,799
	174,317	**125,200**
Financial assets held for trading	**16,632**	**15,477**
Cash and cash equivalents	**4,082**	**34,851**
	195,031	**175,528**
PREPAID EXPENSES AND DEFERRED CHARGES	**125**	**115**
	428,123	**408,281**

EQUITY AND LIABILITIES

in € thousands	Dec. 31, 2008	Dec. 31, 2009
EQUITY		
Subscribed capital	69,160	76,076
Capital reserve	18,666	39,680
Capital redemption reserve	16,632	15,477
Net retained earnings	32,113	– 71,989
	136,571	**59,244**
PROVISIONS		
Pension provisions	12,259	12,075
Provision for taxes	4,261	6,495
Other provisions	25,757	20,991
	42,277	**39,561**
LIABILITIES		
Liabilities due to banks	30,214	40,203
Trade payables	692	633
Accounts payable to affiliated companies	209,215	263,445
Liabilities to provident funds	2,483	2,419
Other liabilities	6,671	2,776
	249,275	**309,476**
	428,123	**408,281**

INCOME STATEMENT

of KUKA Aktiengesellschaft for the period from January 1 – December 31, 2009

in € thousands	2008	2009
Other operating income	15,781	18,481
Personnel expense	– 10,170	– 12,589
Depreciation and amortization of tangible and intangible assets	– 2,201	– 2,191
Other operating expenses	– 16,703	– 31,371
Income from participations	24,455	– 65,501
Other interest and similar income	11,054	10,145
Impairments and reversal of impairments of financial assets and marketable securities	– 21,295	– 1,155
Interest and similar expenses	– 12,289	– 10,694
INCOME FROM ORDINARY ACTIVITIES	**– 11,368**	**– 94,875**
Taxes on income	12,553	– 10,382
ANNUAL NET PROFIT / LOSS	**1,185**	**– 105,257**
Profit carryforward from the previous year	47,560	32,113
Addition to / withdrawal from capital redemption reserve	– 16,632	1,155
AMOUNT OF BALANCE SHEET PROFIT / LOSS	**32,113**	**– 71,989**

The balance sheet and income statement of KUKA Aktiengesellschaft are extracts from the complete annual financial statements of KUKA Aktiengesellschaft (AG Report).

These annual financial statements were audited by PricewaterhouseCoopers AG, and were certified without reservations in an opinion dated March 11, 2010.

A copy of the complete annual financial statements of KUKA Aktiengesellschaft can be requested from KUKA Aktiengesellschaft, Investor / Public Relations, P.O. Box 43 12 69 in 86072 Augsburg / Germany.

GLOSSARY OF ACCOUNTING TERMS

ABS
Asset-backed securities. Asset-backed securities are bonds or notes that are collateralized with assets (usually receivables). Receivables of KUKA Roboter GmbH are purchased within the framework of an ABS program.

BRIC countries
Term that refers to the combination of Brazil, Russia, India and China.

Capital employed
Capital employed includes working capital as well as intangible assets and tangible fixed assets. Capital employed therefore represents the difference between operating assets and non-interest-bearing outside capital.

CAPM
The Capital Asset Pricing Model (CAPM) is a model for pricing an individual security or portfolio to determine a company's cost of equity capital (see WACC).

Cash earnings
Cash earnings are a measurement for the inflow or outflow of cash from the operating profits (EBIT). They are the resulting balance from operating profits, interest, taxes, depreciation as well as other non-payment-related expenses and income.

CGC
Corporate Governance Code: The German Government Commission's list of requirements for German companies (since 2002).

Commitments
Payment obligation from purchases.

Continuing operations
Business activities still being pursued.

Corporate governance
Common international term for responsible corporate management and control that aims at creating long-term value.

DAX
German stock index of blue chip companies. It includes the 30 largest German companies admitted to the Prime Standard in terms of market capitalization and volume of stocks traded.

Deferred taxes
Temporary differences between calculated taxes on the commercial and tax balance sheets designed to disclose the tax expense in line with the financial accounting income.

Derivatives
Financial instruments whose value is largely derived from a specified price and the price fluctuations / expectations of an underlying base value, e. g., exchange rates.

Discontinued operations
Business operations that will be or have been sold over the course of the fiscal year.

EBIT
Earnings before interest and taxes.

EBIT margin
EBIT in relation to sales revenues.

Equity ratio
Ratio of equity to total assets.

Declaration of compliance
Declaration of the Executive Board and the Supervisory Board in accordance with article 161 of the German Corporation Act (AktG) regarding the implementation of the recommendations of the Government Commission in the German Corporate Governance Code.

Earnings per share
Earnings per share are calculated on the basis of Group consolidated earnings after taxes and the average number of shares outstanding for the year.

Exposure
A key figure used to assess risk. This key figure includes all incoming payments in a 90-day period prior to the record date of the down payments, payments based on percentage of completion or compensation after acceptance of the work carried out. In addition, the key figure also comprises all customer payments made within 90 days and which have not yet been supplied with deliveries / services including the sum of unpaid invoices following delivery or service supplied to the customer, the POC receivables and any purchase commitments.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow shows the extent of the funds generated by the company in the business year.

Free float
Shares of a public company owned by diverse shareholders.

General industry
General industrial markets not including the automotive industry.

HGB
German Commercial Code.

IAS
International Accounting Standards.

IFRIC / SIC
International financial reporting interpretation committee – interpreter of the international financial reporting standards IAS and IFRS, formerly also SIC. IFRIC is the new name for the Standing 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.

WACC

Weighted average cost of capital.

$$WACC = (E/V) * Re + (D/V) * Rd * (1-Tc)$$

where:

$$V = E + D$$

Re = cost of equity
Rd = cost of debt
Tc = corporate tax rate
D = market value of debt
E = market value of equity
V = total value of the company

Working capital

Working capital consists of the inventories, trade receivables, other receivables and assets, accrued items and the balance of receivables and payables from affiliated companies, as far as these are not allocated to financial transactions, minus other provisions, trade payables, other payables with the exception of liabilities similar to bonds and deferred income.

WpHG

German Securities Trading Act.

Financial calendar

May 11, 2010	First-quarter interim report
August 3, 2010	Annual report to mid year
November 9, 2010	Interim report to the first nine months
February 2, 2011	Preliminary figures for the 2010 financial year
March 16, 2011	Financial results press conference, Munich
March 16, 2011	DVFA Analysts' Conference, Frankfurt / Main
April 29, 2011	Annual General Meeting, Augsburg
May 11, 2011	First-quarter interim report
August 3, 2011	Annual report to mid year
November 9, 2011	Interim report to the first nine months

This financial report was published on March 16, 2010 and is available in German and English from KUKA AG's investor / public relations department.
In the event of doubt, the German version applies.

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Key figures 10-year overview*

KUKA GROUP		GERMAN COMMERCIAL CODE (HGB) 2000	2001	2002	2003
Orders received	in € millions	2,189	2,280	2,361	2,304
Order backlog (Dec. 31)	in € millions	1,109	1,122	1,102	1,065
Sales revenues	in € millions	2,220	2,290	2,312	2,287
thereof abroad	%	67	65	61	61
EBIT	in € millions	50.8	68.9	73.4	81.1
% of sales	%	2.3	3.0	3.2	3.5
Net income / loss for the year	in € millions	31.0	31.2	22.5	23.4
Dividend (per share)	in €	0.66	0.66	0.66	0.66
Cash earnings	in € millions	109.2	104.3	94.1	96.2
Capital expenditures	in € millions	73.6	53.1	64.0	63.2
Depreciation	in € millions	70.6	67.6	68.4	73.9
Total assets	in € millions	1,589	1,577	1,515	1,502
Equity	in € millions	354	367	387	388
Equity ratio	%	22	23	26	26
Employees (Dec. 31)		12,859	12,823	13,089	13,231
thereof abroad	%	41	40	41	41

* Prior years were not adjusted.

IFRS

2004	2005	2006	2007	2008	2009
2,340	1,641	1,620	1,344	1,280	903
1,011	1,016	669	529	542	544
2,352	1,613	1,566	1,286	1,266	902
64	66	65	64	59	67
111.9	– 30.7	33.7	70.4	52.0	– 52.9
4.8	– 1.9	2.2	5.5	4.1	– 5.9
48.8	– 147.5	– 69.4	117.9	30.6	– 75.8
0.66	–	–	1.00	–	–
115.6	– 49.4	52.2	81.2	69.4	– 43.7
67.5	39.4	29.7	26.4	32.5	27.2
58.6	47.6	38.4	26.9	26.0	23.1
1,660	1,553	1,071	888	866	726
358	189	127	233	214	161
22	12	12	26	25	22
13,209	8,974	8,123	5,732	6,171	5,744
42	43	46	43	44	42

FURTHER INFORMATION : WWW.KUKA.COM

WWW.KUKA.COM