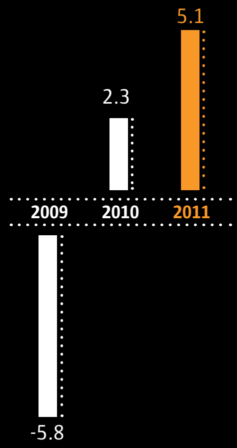
SMART TOOLS MEET SMART PEOPLE

ANNUAL REPORT 2011

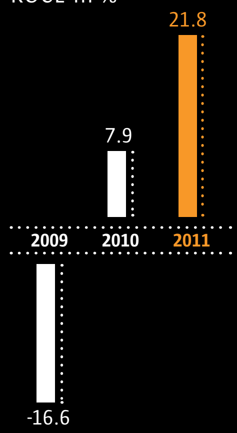
KEY FIGURES

in € millions	2010	2011	Change in %
Orders received			
Robotics	486.2	654.4	34.6
Systems	716.8	916.6	27.9
Group	1,142.3	1,553.0	36.0
Sales revenues			
Robotics	435.7	616.3	41.5
Systems	695.3	850.7	22.4
Group	1,078.6	1,435.6	33.1
Order backlog (Dec. 31)	**630.5**	**724.0**	**14.8**
EBIT			
Robotics	20.8	51.0	>100
Systems	20.0	33.7	68.5
Group	24.8	72.6	>100
EBIT in % of sales			
Robotics	4.8	8.3	72.9
Systems	2.9	4.0	37.9
Group	2.3	5.1	>100
Earnings after taxes	**-8.6**	**29.9**	**–**
Financial situation			
Free cash flow	-37.3	6.5	–
Capital employed (annual average)	312.5	332.9	6.5
ROCE (EBIT in % of capital employed)	7.9	21.8	>100
Capital expenditure	15.4	30.3	96.8
Employees (Dec. 31)	5,990	6,589	10.0
Net worth			
Balance sheet total	984.7	1,078.0	9.5
Equity	198.1	252.4	27.4
in % of balance sheet total	20.1	23.4	16.4
Share			
Weighted average number of shares outstanding (in millions of shares)	30.3	33.4	10.2
Earnings per share (in €)	-0.28	0.89	–
Market capitalization (Dec. 31)	548.0	472.0	-13.9

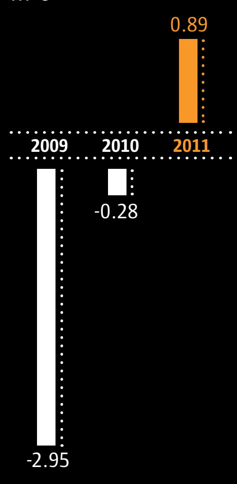
EBIT-MARGIN in %



ROCE in %



EARNINGS PER SHARE in €



AUTOMATION BECOMES EASY

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

KUKA ROBOTICS

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

KUKA SYSTEMS

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

SMART TOOLS MEET SMART PEOPLE

TECHNOLOGY

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

MARKETS

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

EMPLOYEES

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

PARTNERS

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

KUKA WORLDWIDE

EUROPE

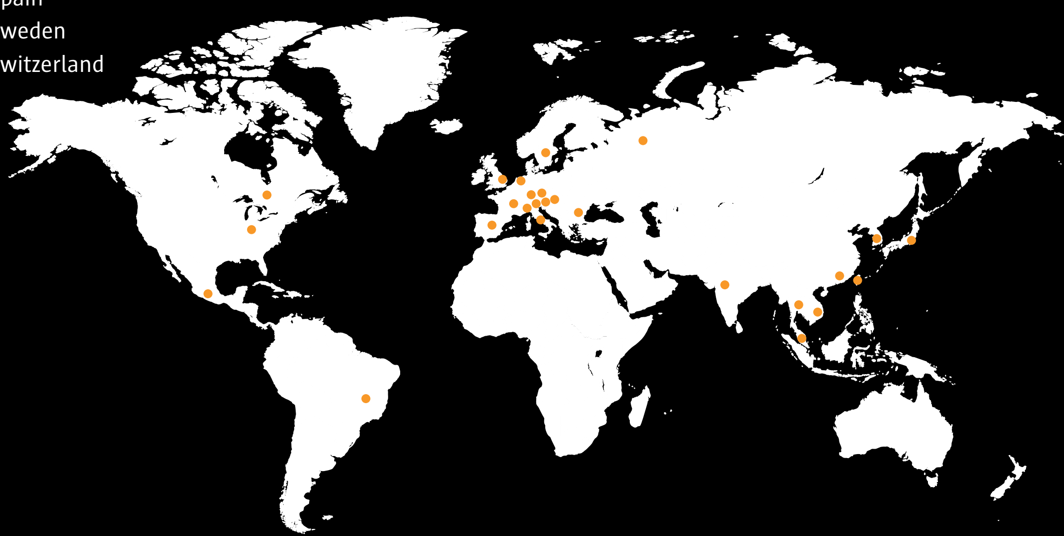
Austria	Great Britain	Russia
Belgium	Hungary	Slovakia
Czech Republic	Italy	Spain
France	Netherlands	Sweden
Germany	Romania	Switzerland

ASIA

China	South Korea
India	Taiwan
Japan	Thailand
Malaysia	Vietnam

NORTH / SOUTH AMERICA

Brazil	Mexico
Canada	USA



DR. TILL REUTER
Chief Executive Officer

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

Fiscal 2011 was the most successful year in our company's history. We reached all of our financial targets and set new records for orders received, sales and EBIT. Sales were up by one-third to € 1.44 billion and orders received, which soared 36 percent, were even higher at € 1.55 billion. EBIT grew disproportionately and almost tripled, reaching € 72.6 million, with EBIT margin improving from 2.3 to 5.1 percent. In short, our performance was outstanding. Two years ago, nobody would have thought it possible.

KUKA has established a basis for achieving lasting profitable growth

Our profitable growth strategy is bearing fruit, and we were able to take considerable advantage of the past two years' strong market growth.

We have set our company firmly back on track and established a solid base for sustainable growth by successfully interlacing our corporate strategy, business operations and financial management: long-term financing has been secured; business processes and organizational structures have been improved. Ultimately, this has significantly enhanced our efficiency and made us more profitable. Both Robotics and Systems have contributed to the success.

Long-term trends drive automation

The fact that we were able to recover so quickly is also thanks to trends that will continue to drive our business:

- Companies in the industrialized nations are facing growing competitive pressure. We offer smart automation solutions to help such companies operate more efficiently and productively and compete with fast-growing markets like China. Thanks to its extreme flexibility, robot-based automation scores particularly well here.

- In growth markets such as China, both wages and the quality demands of companies and their customers are rising – two important reasons for companies producing there to invest in robot-based automation.

- Health care is under significant pressure to control costs, and will remain so. In this field, robots can help maintain high quality, enable costs to be cut significantly and treatment times to be shortened. KUKA provides robots that assist people and contributes to solving urgent issues faced by society as a result of the aging population, which in future will become even more acute.

Our maxim: Smart Tools Meet Smart People

KUKA is permanently engaged in forward-looking initiatives and is well positioned in growth markets. Its smart technologies and committed employees make it a reliable partner and help its customers stay one step ahead of the competition. This self-concept is reflected in our corporate maxim: Smart Tools Meet Smart People. It is the outcome of an intensive thought process, during which our executive managers sought to pinpoint and formulate KUKA's identity. Looking forward, the maxim exemplifies the strength that KUKA has always had; namely, the ability to be open to new ideas and remain innovative. Our products may have changed over the course of our 110-year-plus history: The passion of KUKA's employees for engineering, innovation and quality has not.

Technology leadership driven by innovation

We target our spending toward products and engineering expertise and thus continue to build KUKA's technology leadership.

We have set new industry benchmarks with the introduction of our QUANTEC generation of robots with its KR C4 controller. Its launch in the automotive industry is already starting to bear fruit and spurred both sales and profitability last year. We are in the process of introducing it to other sectors – meaning general industry – and this will be a key operational focus during the current business year. We are also continuously working on even further expanding our portfolio. Countless robotics applications in industry and society will give KUKA all sorts of future business opportunities. A new series of small robots, which we will launch this year, will also play a key role here.

The lightweight robot is a fascinating product. It is being continuously enhanced and will enable us to reap the potential of highly profitable markets such as health care and even areas where robots are not yet used today. KUKA's developers continuously think about ways in which robots will be able to help people do their work in the future. Their creative ideas, concepts and experiments also provide valuable impetus for other business units within KUKA Group.

KUKA IS PERMANENTLY ENGAGED IN FORWARD-LOOKING INITIATIVES AND IS WELL POSITIONED IN GROWTH MARKETS

Our technical expertise when acting as a general contractor for turnkey automation solutions is being increasingly sought by various industries, as demonstrated by a series of major orders landed by KUKA Systems last year. This division knows how to reliably deliver sophisticated turnkey systems in the automotive industry, and to appropriately transfer the knowledge and experience gained to other sectors. KUKA has a local presence wherever there is a demand for its knowhow: We cover Europe, America and Asia with our own local offices or project teams.

Markets: Even closer to the customer
Our aim is to always stay tuned to the market. This will allow us to keep our portfolio of products and services focused on the needs of our customers. It applies to all sectors and across all regions in which we participate, which is why we will continue to expand our international activities in a targeted fashion and press ahead with existing and new customers. We see the greatest potential in the BRIC nations; that is, Brazil, Russia, India and China, and thus are especially focused on these markets. In order to better penetrate local growth markets, we will also strengthen our sales activities in the United States.

THE EXPERTISE AND CREATIVITY OF KUKA EMPLOYEES HAVE MADE THE COMPANY'S SUCCESS POSSIBLE OVER THE LAST YEAR

We will expand our robot assembly capacity in China during the current fiscal year. With the support of our headquarters in Augsburg and our Hungarian control panel assembly facility, we plan to increase the local value added in China in the medium term; for example, by purchasing components there. This will enable us to improve the efficiency and flexibility of our global logistics process and respond faster to the needs of regional customers. Our strategy is to establish an additional central assembly location governed by uniform quality standards in the strongest growth markets, to be supported by specialized KUKA locations that will provide expertise and parts. For example, by manufacturing in Asia for Asia and using resources from Germany and Romania in Europe, or serving the American market with products and / or systems from Mexico, KUKA not only gets closer to its customers, but also benefits from efficient processes and flexible structures.

Competent, creative, passionate employees
KUKA's recipe for success is to assemble the top experts from around the world to design smart automation solutions. This will be done independent of physical location and across regional and corporate boundaries.

Does this mean the headquarters in our home town, Augsburg, will become less important? By no means! This is where KUKA's heart beats: research and development, the lead facility in the future worldwide manufacturing network and the base for our business divisions and Group holding company will continue to be headquartered here. In the Augsburg business region, where mechatronics and carbon fiber compounds are being enhanced with great success, we benefit from an outstanding network and access to research institutes, customers and qualified specialists. Most of our people work here. They are privy to international development opportunities and prospects as a result of their collaboration with customers and colleagues in other countries. The employee portraits starting on page 18 provide an insight into the potential of a career at KUKA. The fact that we have for the first time put together a common vision for the entire corporation is a clear indication of how we continue to grow closer. The excellent teamwork, the passionate commitment and the expertise and creativity of KUKA employees have made the company's success possible over the last year. For this they deserve credit and our thanks.

KUKA – a reliable partner
KUKA is in an excellent position to continue its positive development. As an employer with a sense of responsibility, we offer prospects for the future. As a business partner, our aim is to be a reliable partner to our customers and suppliers and to foster long-term relationships. And as a publicly traded company, we consistently strive to improve shareholder value. An investment in KUKA is a good investment. Thank you for your trust and accompanying us on our journey.

The way forward

Last year's growth was outstanding, and it will be a challenge to maintain the same pace. Provided that the economy and market environment continue to develop accordingly, our sales in 2012 should be at least the same as the €1.44 billion we generated in 2011. We will also continue to work systematically toward improving our efficiency. We thus are forecasting that our EBIT margin will improve from the 5.1 percent achieved in 2011 to more than 5.5 percent. As far as we can foresee, sales in 2013 will continue to grow further, which should lead to a further improvement in EBIT margin.

KUKA will confidently move forward along its established path: The company is financially on sound footing and has taken the right steps to reach the next growth stage. Long-term trends are in our favor.

Sincerely,

Dr. Till Reuter
CEO

LEFT:

DR. TILL REUTER
CEO

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

RIGHT:

STEPHAN SCHULAK
CFO

Stephan Schulak (born 1968) has been CFO of KUKA AG since 2009. Prior to that, he was CFO of KUKA Roboter GmbH. He was previously Group auditor at Wacker Chemie AG and CFO of SÜSS Micro Tec AG.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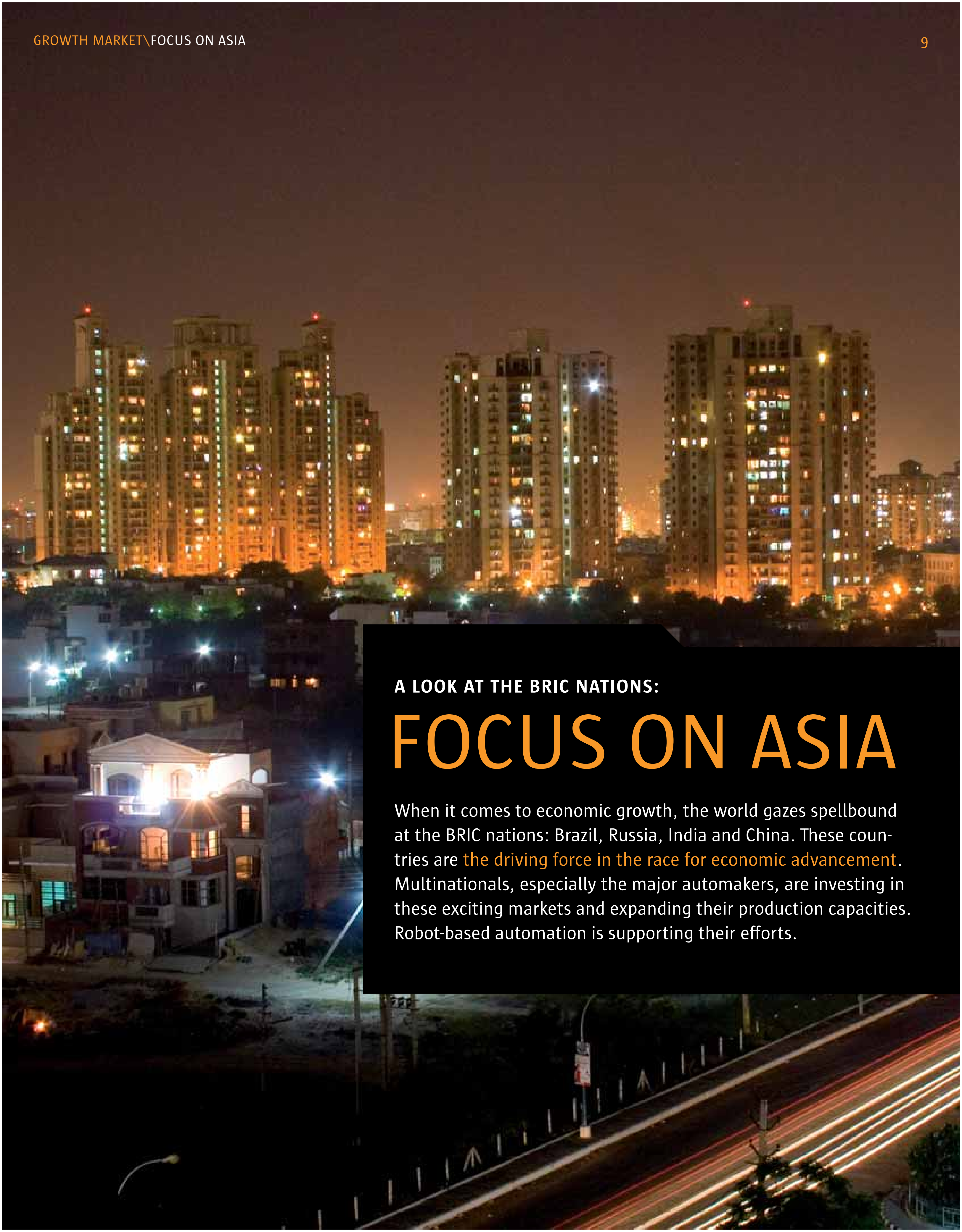
THIS PAGE: View of Shanghai skyline, China

RIGHT: Gurgaon skyline, India



A LOOK AT THE BRIC NATIONS:

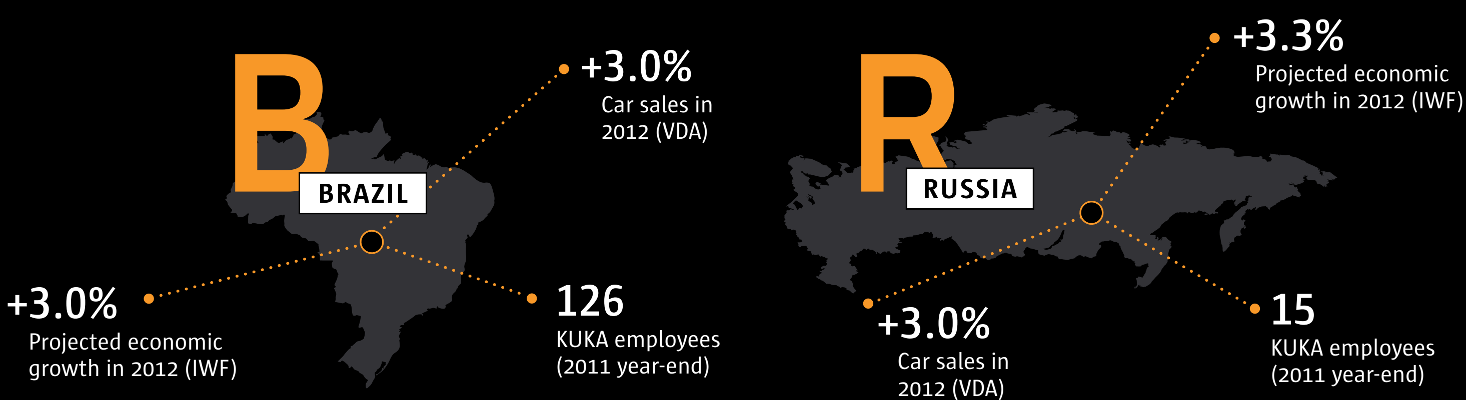
FOCUS ON ASIA

When it comes to economic growth, the world gazes spellbound at the BRIC nations: Brazil, Russia, India and China. These countries are the driving force in the race for economic advancement. Multinationals, especially the major automakers, are investing in these exciting markets and expanding their production capacities. Robot-based automation is supporting their efforts.

It has been ten years since the chief economist of Goldman Sachs coined the acronym BRIC for these four growth markets at the end of 2001. They have since than taken their place among the world's ten largest economies. With 2.8 billion people, they represent about 40 percent of the global population and already today constitute over one-fifth of global economic output. The trend line continues to point higher.

Aside from automotive companies and tier one suppliers, other sectors have long since recognized the potential and are continuously expanding their manufacturing facilities in these countries. The companies originally shifted their operations to these countries to take advantage of low wages and exported most of what they produced. They are now targeting the booming domestic markets of these nations. Rising wages improve living standards and generate demand for a better life; greater work safety also moves more sharply into focus. All of these factors are key reasons to press ahead with automation and transition work that was previously done manually to robots. Robot density in the key emerging nations still significantly lags that of industrialized countries. The need to catch up is huge and carries with it outstanding opportunities for KUKA. For example, KUKA's share of sales from the BRIC nations went from 12 percent in 2010 to about 20 percent in 2011.

MARKET NUMBERS



IN CHINA, THE ROBOT MARKET ALONE IS CURRENTLY GROWING AT AN ANNUAL RATE OF ABOUT 30%. THE MAIN DRIVER IS THE AUTOMOTIVE INDUSTRY

LEFT: Robot precisely places and automatically fastens a car windshield

RIGHT: Robot automatically loads a station and doses exactly the right amount of adhesive

China: The Middle Kingdom

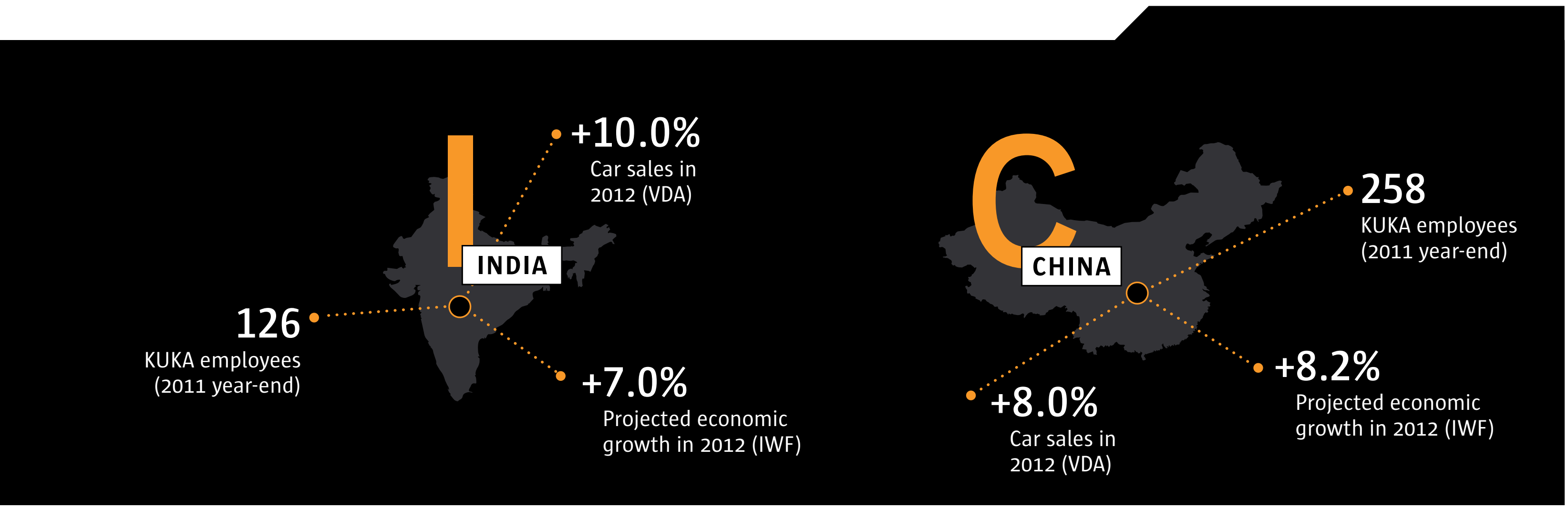
In China, the robot market alone is currently growing at an annual rate of about 30 percent. The country could take the lead and leave many industrialized nations in the dust with projected sales of 30,000 units in 2014. The main driver is the automotive industry. Going forward, it is unlikely that in the future more cars will be sold in any country in the world than in the Middle Kingdom, and the Chinese market is far from saturated. KUKA supports its customers from Shanghai. The company has founded subsidiaries for both systems and robotics.

One of the largest contracts KUKA Systems was awarded last fiscal year from China came from the market leader, Volkswagen. The order comprises a manufacturing line for car bodies at a new factory in Shanghai. KUKA will modernize a complete assembly line for another international premium carmaker as part of another important order. These large projects are being processed by project teams consisting of members based right across the globe. The teams are drawing on experience gained from previous projects with colleagues from Germany and the United States. The strategic goal is to continue to grow local value added in the future.

KUKA plans to expand its robot assembly facilities in China for the same reason. Capacity is to be increased to 5,000 units before the end of 2012. Support will be provided from Augsburg headquarters and the Hungarian control cabinet assembly facility. In addition to Shanghai, four subsidiaries with sales and service departments were established in an effort to get closer to the customer and be able to better penetrate the Chinese market. The launch of the new QUANTEC / KR C4 generation of robots was met with great enthusiasm. It was presented in China during a road show that toured four Chinese cities and at 14 Asian automation trade shows at which KUKA had its own booth. This included the world's largest robot exhibition iREX, which was held in November 2011 in the Japanese capital Tokyo with KUKA in attendance.

India: Development services for other KUKA companies

More than 600 KUKA industrial robots are being used in India, with over 100 installed in general industry applications. KUKA first entered the market in 2006, at which time the subsidiary began building systems for robot-supported manufacturing at Tata Motors. More than 300 KUKA industrial robots are installed on manufacturing stations for building various types of the Tata X1 model at this domestic carmaker's facility alone. Projects for Volkswagen's, Daimler's, Navistar's and General Motors' Indian companies followed. KUKA now has representatives at three sites and was able to expand its local value added share from ten to almost 90 percent. Although initially, most of the products and services were supplied from Germany, the Indian subsidiary is now increasingly executing complete projects independently, from design to assembly right through to training. And that's not all! The colleagues in India are starting to provide engineering services for other KUKA companies in addition to handling projects in their own country.



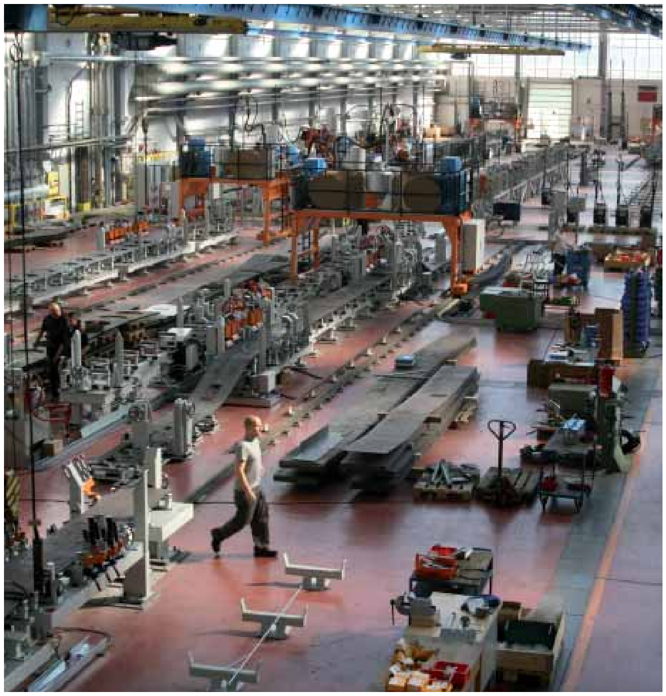
RUSSIA

AUTOMATION MAKES TRACKS

LEFT: Automated welding station for railcar side walls

RIGHT: Geostations and welding lines for the components, which are up to 25 meters long

One of the largest and most modern rail vehicle factories in the world was recently built in record time in Tikhvin, Russia. In the near future, a complete freight car will roll off the plant's assembly line every 24 minutes with the help of KUKA technology.



TVSZ, a Russian rail vehicle manufacturer, expects up to 13,000 cars a year to hit the rails once the new plant reaches full production capacity. This can only be achieved thanks to a highly automated manufacturing system that bends sheet steel and welds vehicle components, which was delivered by KUKA as a complete turnkey system. About 100 truckloads were required to ship the complete package of equipment, including 64 robots, from Augsburg to Tikhvin, 2,500 kilometers away. The historic Hanseatic city is about 200 kilometers east of St. Petersburg and is one of the region's key transportation hubs and industrial locations.

A whole new dimension

The assembled system covers an area of 7,500 square meters, about the size of a soccer field. It includes a bending line and three large welding lines, each of which measure 160 x 15 meters. Here is where the side walls, front walls, side and center supports of the freight cars will be welded together. The components are huge and are extremely heavy.

Inert gas welding: long seams, heavy plates

The center support alone is 24.5 meters in length and weighs 7.5 tonnes. The two side supports weigh 1.1 tonnes each are 25 meters long. They consist of 15 subassemblies, the individual parts of which are prefabricated in a series of cells and subsequently joined at a framing station, before they are automatically welded together. This required a smart technology mix: For this system, KUKA Systems for the first time combined robot technology with inert gas welding, a joining process particularly suitable for long seams and heavy sheet metal. To ensure the supports do not warp from the heat generated by the welding process, the four robots employed are centered and move synchronously in pairs toward the outside when forming the four weld seams to a total of 100 meters.

Considerable ingenuity required

For the 750-kilogram side panels, twelve robots work on a single component in parallel in a very tight cycle. Considerable programming ingenuity is required to ensure they do not interfere with one another. The fact that welding must be done on both sides of the workpiece presents a further challenge: The entire assembly – which weighs about ten tonnes – plus the workpiece, must be turned. The flexibility of the system is demonstrated by the fact it can be used to manufacture four different types of cars: a flat car to transport containers and three cars with side walls of various heights to transport bulk goods. It takes only two hours to reconfigure the entire welding line from one car type to another.

New benchmark for rail vehicle manufacturing

The new system enables TVSZ to go from manual to highly automated manufacturing. With the help of KUKA, the company successfully developed a standard that was not even available, neither in Russia nor in the global rail vehicle manufacturing sector. The Augsburg-based automation specialists examined all of the existing manufacturing processes and adapted them to suit robot-based production.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TECHNOLOGY. TEAMWORK. DREAM JOB.

WELCOME TO KUKA'S SMART PEOPLE

Over 6,500 KUKA employees worldwide passionately apply their expertise to developing creative solutions for smart robotics and automation and always keep KUKA's customers one step ahead of their competitors. In return, the company provides an attractive work environment and offers motivating prospects for the future. Finding the best talents worldwide, fostering them and participating in their personal development is very important to KUKA.

Robotics ambassadors
KUKA promotes technical careers among the general public and strives to boost the acceptance of robotics. A standard program includes company tours, information seminars for students and a Girls' Day. One of last year's highlights was the first European Robot Week, a Europewide project that KUKA helped shape. More than 240 events and promotions, 15 of which were organized by KUKA, were held to explain the important role robotics plays in society and to encourage people to make friends with robots.

LEFT: KUKA apprentices: a complicated task – solved by teamwork
RIGHT: Trainer and apprentices at KUKA during an exchange

Prospects for university graduates
KUKA maintains close contact with universities and technical schools, especially in southern Germany. The company participates in numerous job fairs to address potential recruits. The company gives them the opportunity to gather work experience as interns and working students. Often, this lays the groundwork for many years of working together. The Group developed a mechatronics trainee program to train recruits for its Chinese subsidiaries. To supplement their studies in their home country, the graduates participate in a practical training course in Germany before going back to Shanghai to work for KUKA.

At KUKA, a solid education is a top priority. The technical professions also welcome women.

Solid training and continuing education
Every year, several hundred young people are infected by enthusiasm for cutting edge technologies in "taster courses" and during internships. Quite a few stay or come back. The training is based on the dual education system, where theoretical instruction is provided by vocational schools and cooperative universities, and operational practice by the corporate world.

The students alternate between the two and thereby round out their knowledge. The Group also bases its training in India on this methodology.

A comprehensive continuing education program that enables employees to keep pace with growing job demands is available to employees at KUKA Academy. Although KUKA College, with branches in China, India and the United States, is primarily for customers, it is also accessible to students and apprentices. Foreign assignments to the company's international sites strengthen cooperation and sharpen its employees' personal skills.

Balancing career, family and time off
KUKA's corporate culture recognizes the importance of family. The company aims to create a working environment that enables its employees to balance their career interests with their private lives over the long term. To achieve this, KUKA offers flexible work and meeting times

KUKA ACADEMY OFFERS EMPLOYEES A WIDE RANGE OF CONTINUING EDUCATION COURSES

that are considerate of family needs, opportunities to work part-time or from home and help with childcare and caring for family members. These family-oriented programs are continually being expanded and enhanced. In May 2010, KUKA received a "Career and Family" certification from the Hertie foundation for the first time for its efforts.

KUKA holds many events to promote solidarity among its people. The company greets new employees with a welcome package. In a one-day introductory work-

"The company aims to create a working environment that enables its employees to balance their career interests with their private lives over the long term."

shop, they receive the key facts they need to quickly establish a foothold, start to build a network and identify with KUKA. New apprentices collectively prepare for their careers at KUKA at a training center in Violau near KUKA headquarters in Augsburg. A regulars' table has been set up for interns. At the family day event in summer 2011, 4,000 employees and their families took the opportunity to explore the company's site in Augsburg. In December, about 2,500 colleagues from various Group companies met for a joint Christmas celebration. The Group also maintains contact with former employees. Just under 700 KUKA retirees visited KUKA in December for a reunion and to see how their former workplaces had changed.

Fit for KUKA

As part of the "Fit for KUKA" initiative, the company addresses issues surrounding health, exercise and prevention at events staged every two to three months. This service aims to help employees take ownership of their own well being outside of work. A lot of positive feedback was received for the first Health Day, which was held in September 2011 and in which 500 employees participated.

Top employer recognition

A number of awards confirm that KUKA is on the right track. For example, this includes a "Fair Company" award for its sense of responsibility toward dealing with interns. In addition, KUKA qualified as one of 23 TOP automotive employers in 2011 / 12. This makes the company one of the German automotive industry's best and most future-oriented employers. KUKA is particularly pleased with the appreciation expressed by students. They placed the automation specialist in the "TOP 100 in the Universe" and "Top 100 in Engineering" categories in the "trendence graduate barometer 2011" survey.

A COMPANY FOR THE ENTIRE FAMILY

SCHOGER FAMILY
The entire Schoger family under one roof; from left to right: Rosina, Helmut, Andreas and Natalie

Working for KUKA is a Schoger family tradition: The fact that all four members of two generations of the family work for the same company speaks for itself. Not many employers are blessed with such trust.

Michael Helmut, the father, has worked for the company for 26 years, the longest of the four. The 47-year-old is the head of manufacturing systems maintenance. He and his team ensure that the uptimes of the machines and systems used for mechanical production continue to rise. He worked his way up from shop mechanic to master metalworker, with a number of intermediate steps, before being assigned to this important position. He is thankful that he was given the opportunity to continually expand his knowledge. At the same time, he was able to watch the rapid technological developments and the impact of globalization on the company, both of which increased the demands on employees and products.

The first person anyone who has an appointment at KUKA often meets is his wife, Rosina Schoger. A receptionist, she has been the first point of contact for visitors, guests and business partners for 14 years. She returned to work after taking a break to start a family, which includes her twenty-three-year-old daughter Natalie and nineteen-year-old son Andreas. Back then, her new employer had given her the opportunity to work part time.

The siblings grew up with KUKA. At Christmastime, everyone delighted in the packages of goodies the company used to send home to their employees. The most fascinating thing for them at the 100th anniversary celebrations in 1998 and at various company and employee events, which the family still enjoys participating in today, were the robots. Natalie also remembers well the "taster course" she had in eighth grade. Following in her parents' footsteps seemed only natural. After completing her apprenticeship in industrial accounting, she worked for the purchasing department and then for KUKA Systems in materials planning. During this time she continued her studies in business administration outside of work. She then added an MBA from IHK Augsburg, which she attended full-time for half a year. But thereafter she was drawn back to the company, this time to a spare parts sales position in the robotics segment.

"AT HOME, WE OFTEN TALK ABOUT KUKA AND THE PEOPLE WORKING THERE. AFTER ALL, EVERYONE KNOWS EVERYONE, JUST LIKE MEMBERS OF A LARGE FAMILY."

Her brother helped her make the decision. He was introduced to the department during an internship and his many experiences with customers and colleagues were very positive. They were also the reason he decided to start his career at KUKA. Another reason is the trendsetting products he has known since childhood. So last fall, after receiving his diploma, he started as an apprentice in industrial business management at KUKA Roboter.

Even at home, the family often talks about KUKA and the people working there. After all, everyone knows everyone, just like members of a large family.

A CAREER DEDICATED TO ROBOTS

Leonhard Berger is a KUKA employee, through and through. He was right there when robots achieved their industry breakthrough. When he was hired as a service engineer in his mid-twenties in 1982, the company had just started to focus on expanding internationally. Today, he has global responsibility for the robotics business with key automotive industry customers and looks back on an exciting 30 years of service.

During this time, computers and software were defining a new era and the interaction between mechanics, software and controls progressed continuously. Such a dynamic environment keeps a person young. As Leo – as he is known to everyone – sits at his desk and manages robotics sales by telephone, smartphone and notebook, he notices a relic from the early days of office communications: a Princess 300. He used this mechanical typewriter, also a KUKA product, for correspondence when he first started working for the company. He remembers well doing customer presentations using overhead slides.

His career path within the company is as diverse as the technological progress he has seen. From field service, he went to customer training, and on the side, distinguished himself by preparing the technical documentation for operating and programming a robot controller. He then went into order processing, a key interface between electric and mechanical design, as well as manufacturing and production planning. Then he took over as head of purchasing for a number of years and while there, charted a course for obtaining new orders prior to the launch of the first industrial robot with PC-based controller. But Leo Berger's passion is sales, which for him is the "best job in the world". No other position is as close to the customer. Together with his 20-person team, he maintains close contact with the major international carmakers. Augsburg is a good location from which to do this work, because he can quickly reach the company headquarters of Germany's major players by car, as well as the airport in Munich. At least two days a week, he is on the road somewhere in the world. He and his colleagues visit customers and explain KUKA products and show buyers how to optimize their automation systems. He considers it very important to gear his visit precisely to the needs of the particular customer and the specific culture in the various countries and companies.

"KUKA PRODUCTS CHANGE. BUT OUR PASSION FOR TECHNOLOGY AND OUR CUSTOMERS STAYS CONSTANT."

What he likes about his job is that he is empowered to act as an entrepreneur and can achieve a lot as a result. Robotics sales are a door opener in the automotive market. They generate pull for field service and training, prepare the ground in new markets and penetrate new industries – also for the systems business. This is why he wants to continue his unbridled quest according to the slogan he has hung on his office wall: "full speed ahead"!

LEONHARD BERGER

is manager of global key accounts for automotive and keeps in close touch with international carmakers

STEPHANIE BÖCK

is an advisor in the Group and is responsible for the financial statements of various subsidiaries

FROM INTERN TO PERMANENT EMPLOYEE

"AT KUKA, YOU HAVE TO WORK INDEPENDENTLY RIGHT FROM THE START. I WAS GIVEN A LOT OF RESPONSIBILITY VERY EARLY ON."

Stephanie Böck did it! By the time she wrote her final exams for her bachelor's degree in early January 2012, an offer of permanent employment at KUKA was already in the bag. Mission accomplished. The 25-year-old former bank teller with experience as a customer consultant now has a degree in business administration. She always knew she wanted to do more.

She first encountered KUKA during a marketing lecture, then again at a university job fair, and promptly decided to do her internship at the company. She was given considerable responsibility very early on during her three-and-one-half month internship, which began in October 2010, and was sent to the company's Sterling Heights facility in the United States for two weeks. There she participated in rolling out a reporting tool that integrates foreign subsidiary's financial data into the corporation's SAP system. Her American colleagues were very hospitable, inviting her to dinner and to watch hockey.

After returning to Augsburg, she seamlessly went back to her internship assignments for 20 hours per week. For Ms Böck, maintaining the financial independence she achieved during her first work term is key. She finds it fair that KUKA acknowledges and rewards her experience. As a student, she had had a complete misconception of what accounting is all about. She was positively surprised at how diverse and international it can be, and how much she had to communicate with other people. Her network of contacts within the company grew. She dealt with subsidiaries all over the world, trained her colleagues in these locations and helped them when they had questions about the reporting system. She was a fast learner. Together with other students, interns and apprentices, she was invited to visit BMW's Munich factory, where KUKA robots are at work on the assembly lines. All of the young people, regardless of career path, met regularly in the cafeteria.

When an experienced member of the team retired and had to be replaced, Stephanie seized the opportunity. The team shared the excess workload for half a year while the favored candidate completed her studies. Prior to writing her finals for her bachelor's degree, Stephanie had to prepare a thesis. Her chosen topic was how to determine and report the intrinsic value of intangible assets using a lightweight robot from KUKA Laboratories as an example. Upon graduation, she was permanently hired by KUKA as a corporate advisor, starting January 2011. She is responsible for the subsidiaries in North America, Brazil, Mexico and Russia and was immediately needed for the company's annual report.

What she really likes is the openness toward learning. What she considers most important now is to gather more practical experience and focus on her work. But she already has firm plans to get her master's degree and is hoping that KUKA will also support these plans.

BETWEEN KUKA AND DAYCARE

Susanne Schumann knows what she wants. After completing an accounting apprenticeship, she earned her entrance qualifications for higher education via Germany's alternate education path, then studied industrial engineering, majoring in logistics and manufacturing systems. She joins KUKA Systems in 2004. Here she is able to apply both her technical and accounting skills in the purchasing department, as well as demonstrate her negotiating talents. She took over as team leader after only two years.

After she was established in her role, Jan was born. When her son came along on December 2, 2008, her plans were thrown into confusion – initially. Because Ms Schumann was sure she wanted to go back to her management job after a year. She thoroughly enjoyed her maternity leave. During that time, she felt it was important to keep in regular contact with her colleagues. She took Jan along when she visited the department; they met in summer to play mini golf and in winter at the Christmas market. Her companion, 34-year-old Marc Lütze, a KUKA Systems project manager, who coordinates the construction of assembly lines, kept her abreast of internal developments.

"THE BALANCING ACT BETWEEN CAREER, FAMILY AND TIME OFF IS A CHALLENGE FOR EVERYONE INVOLVED, BE IT THE FAMILY OR THE EMPLOYER. BUT THERE'S NO QUESTION THAT IT IS DOABLE."

At the end of 2009, the two switched roles. The child's father now went on paternity leave for two months and was there to help their son adjust to daycare. The parents know that the three-year-old is in good hands there during the day. Full of energy and looking forward to getting back to work, Susanne Schuman rejoined KUKA Systems and reassumed her role as team leader. She went right back to a 40-hour week but found being a mother while working full time to be a huge challenge. When the father's paternity leave ended, she quickly realized that she was bumping up against her personal limits and reached an agreement with her supervisor, who reduced her work week to 35 hours and gave her the opportunity to work from home when necessary. This considerably reduced her stress, especially whenever Jan was ill, because the child's grandparents live too far away to help spontaneously when that happens. In addition, Marc's job often requires that he be at customers' sites for lengthy periods. When this happens it is even more important for Susanne to be able to juggle her appointments as flexibly as possible. As a manager, she always had a Blackberry and notebook, and now she is also linked from home to all the systems she needs, such as SAP. The fact that balancing her work and family life works so well is also thanks to her understanding colleagues, who normally plan meetings so that she is able to participate.

Still, 36-year-old Susanne is constantly challenged as she tries to reconcile her various roles with her own needs. When she shared her experiences at a KUKA Systems workshop for balancing career and family, she was asked: If you had one wish, what would it be? Her answer: that there be more hours in a day. A jogger in her spare time, it would allow her to better prepare for her first half marathon.

SUSANNE SCHUMANN AND JAN,
a fantastic team in every respect

CAPTION BELOW: KUKA Systems' picking and palletizing solutions assemble customized bundles of goods

REJUVENATING BEVERAGE COMPANIES

EVERYTHING NEATLY PALLETIZED!

Sorted, stacked, palletized and ready to ship: KUKA supplies an automated handling and picking system to breath life into an American beverage company's distribution logistics.

Vibrant soft drinks, colas, iced tea and energy drinks: The sweet, carbonated beverages roll off the production line on conveyors. The next step is to prepare the ordered items for shipping to dealers – a job for the Augsburg-based palletizing professionals. Every few seconds, a robot grabs the correct bundle from the various types of drinks and sets it down with the others. It quickly and precisely places the goods, one layer at a time. Shortly after the first drinks were set down on the palette, the colorful blend of products has been consolidated and is ready to ship. The system, developed and installed for a leading beverage company by KUKA Systems, can deliver up to 5,000 beverage crates per hour.

Greater productivity

The system was installed at a large regional logistics center in Tampa, Florida, from which the beverage company distributes its products to retailers. Being able to ship directly, without rerouting, is a major step forward for

KUKA's customer. Previously, the goods were laboriously hand picked and sent to smaller intermediate local distribution centers, a very time-consuming process. Now, about 65 percent of the drinks that leave the factory are processed by the robot-based KUKA system. Productivity has risen sharply.

Automated logistics solutions offer numerous advantages

More and more beverage companies are rejuvenating their logistics systems in a similar fashion. They are betting on large regional distribution centers that supply individual retailers with customer-specific pallets, which are increasingly

HANDLING ORDERS MORE ACCURATELY IMPROVES PROCESS RELIABILITY AND PRODUCTIVITY assembled using automated picking and handling systems. The advantages of automated handling are obvious: The companies can better deal with large quantities or volumes, can process orders more accurately and benefit from greater process reliability and higher productivity. Furthermore, an automated system is safer for workers, since lifting is eliminated and fewer forklifts are needed. These were often the cause of work-related accidents. The bottom line for these companies: enormous savings.

General contractor for turnkey systems
KUKA was the general contractor for the American project, with turnkey responsibility for the complete system. It was started up last year and is the first project of this type for KUKA in the food and beverage industry. The Systems division's experience and a number of handling and logistics solutions that had already been proven in numerous applications in this sector came in handy for this project. For example, layer-picking and layer-forming systems developed by KUKA were used to accurately and quickly assemble the ordered products in layers. A mixed palletizing robot cell, which looks after picking pallets of various products and preparing them for shipment, is also being used. A unique technical feature is the layer pick head installed at the end of the robot arm. It lifts precisely picked and layered cases and packages from underneath and places them on a shipping pallet. This solution, patented by KUKA, ensures that robots handle and package products very gently, unlike mechanical grippers, clamps or vacuum systems, which grip from above or laterally.

THIS SOLUTION, PATENTED BY KUKA, ENSURES THAT ROBOTS HANDLE AND PACKAGE PRODUCTS VERY GENTLY

SOLUTIONS FOR THE FOOD AND BEVERAGE INDUSTRY

KUKA has been developing solutions for the food and beverage industry for many years. Fierce competition and strong price pressure, together with extremely strict quality and hygiene specifications, continually spur demand for automation in this sector. More and more goods are being produced, packed, sealed and stored with the help of robots. These challenging automated tasks must often be carried out under extreme temperature conditions; for example, cutting pork sides in a freezer.

Palletizing is one application for which there is increasing demand, and for which KUKA offers an unrivaled broad spectrum. For example, KUKA systems are available to layer boxes of Nespresso capsules on euro-pallets, as well as to sort, stack and package desserts, milk and milk drinks in Tetrapaks. For banana boxes, KUKA has developed a solution that ensures the delicate fruit is gently picked up and placed, without tipping or tilting the cases. The specifications for stacking baskets of baked goods are similar. KUKA robots are already being used by a number of breweries and beverage companies to take bottles from boxes, sort empties and load and unload pallets of beverage crates and barrels.

LAWRENCE A. DRAKE
CEO KUKA Systems Corporation North America and KUKA Systems Group

"Systems received a turnkey order to develop, install and start up an automated picking system, which selects items from a wide variety of beverage containers and packages and very quickly assembles ready-to-ship palettes. The innovative system cuts costs and improves supply chain efficiency."

Roll seam welding is a process used to make continuous leak-proof seams for metal products. KUKA has been mastering this process since the 1980s and knows it inside out. In fact, Augsburg-based automation specialist KUKA Systems recently supplied an assembly line for welding the rear wall of a dishwasher and integrated it into the existing manufacturing systems of a well known domestic appliances manufacturer.

The process involves applying electricity and pressure to ensure that the sheet metal components are perfectly joined. An electric current is impressed onto the surfaces to be joined in a concentrated fashion via two stacked copper rolls, which are guided along the metal parts by a robot.

KUKA HAS BEEN MASTERING THIS PROCESS SINCE THE 1980s AND KNOWS IT INSIDE OUT

At the same time, high pressure is applied to squeeze the two metal parts together at the weld seam. The ensuing countless tiny weld spots create a continuous, watertight seam.

The process is used mainly by the car and metal processing industries to join sheet metal components. It not only ensures dishwashers don't leak, but also gas tanks, bogie girders, mufflers and radiators, as well as beverage tins.

CAPTION: Roll seam welding in the domestic appliances sector

ROLL SEAM WELDING

KUKA SEALES TIGHT

Welding is by no means alchemy. Still, companies seem to keep the various processes used in industrial manufacturing close to the vest. Solutions supplied to business customers are demanding and highly sophisticated. The average person is often not aware of their existence, or that many day-to-day products involve KUKA technologies; for example, when a tight seal is important.

FUTURE KNOWHOW

GENERATING ENTHUSIASM FOR ROBOTICS – THE YOUBOT PHILOSOPHY

Partnerships with universities and project funding are key innovation drivers – both for KUKA and the European robotics industry

LEFT: Petra Härle with the youBot. Ms Härle supervises and coordinates projects sponsored by KUKA Labs.

Getting people excited about our technology is easy for KUKA employees. After all, one of the company's greatest strengths is its people's passion for what they do. And they love to talk about it.

During the "European Robotics Week", initiated by KUKA together with the Eunited Robotics Association, they were given a forum in which to generate awareness and acceptance of robotics in everyday life. Robot manufacturers, research institutes and universities sponsored events all over Europe that were meant to bring people and robotics closer together. KUKA employees throughout the corporation enthusiastically took part in the campaign. They taught "robot classes" and gave presentations geared toward children in elementary schools and kindergartens. Students from secondary schools around Augsburg visited the factory to gain insight into robot manufacturing and learn about KUKA technologies. Developers from KUKA Laboratories' incubator provided information on "Robots for the future".

Europe's robotics must stay competitive

KUKA has taken ownership of and coordinates EUROP (European Robotics Technology Platform), a consortium working on an all-encompassing vision of the future of robotics and aiming to establish favorable conditions for robotics and applications research. "European robotics faces fierce competition," says Bernd Liepert, KUKA's Chief Technology Officer. Also president of EUROP, he fights hard for European advanced technology .

DR.-ING. E. H. BERND LIEPERT

CTO KUKA Aktiengesellschaft

"KUKA develops high-tech robotics solutions. The company has pioneered technological innovations such as robot-robot cooperation and safety systems that enable humans and machines to collaborate. Such developments will constantly shape our future."

For some time now, KUKA has been developing solutions in which robots actively assist humans – and not only in industrial surroundings. The EUROP association debates challenging trends faced by our society, such as an aging population, climate change, security and environmentally-sound manufacturing, and seeks to identify robot-based solutions and concepts that will address these issues. During the "European Robotics Week", employees had to be very proactive to make the broader public aware of these discussions and proposed solutions. Even a radio station took part in the campaign. Augsburg's Hitradio RT.1 beamed out information about automation on "Robot Monday". Especially KUKA's youBot clearly conquered the hearts and minds of listeners.

ONE OF THE COMPANY'S GREATEST STRENGTHS IS ITS PEOPLE'S PASSION FOR WHAT THEY DO

Fit for the future

Normally, the youBot is used at universities, research institutes and schools for the purpose of teaching about and conducting research on industrial and service robotics. Students use a Linux-based open-source system connected to the youBot's open drive interfaces to create their own applications.

For example, students enrolled in an elite course of studies at the University of Augsburg developed an algorithm that enables small research robots to be controlled via a Nintendo Wii joystick. Other budding developers conduct research on new algorithms in the areas of real-world cognition and trajectory planning. And during youBot hackathons, students and youBots in various disciplines go all out. A hackathon is a type of programmer's marathon, at the end of which there is often a competition to develop a new application. The youBot thus automatically becomes the subject of tech blogs and expert discussions in Internet forums.

The youBot philosophy – promoting collaboration between science and education

KUKA's youBot is a reflection of KUKA's philosophy of working very closely with scientists and educators. The company's aim is to strengthen cooperation between industry and the research community and to promote technology transfers. But it is also about safeguarding the company's technology leadership. Tomorrow's technologies can only be recognized by companies that know what developers are working on today. Only companies working with tomorrow's developers today can generate enthusiasm among them for their own organization.

TOMORROW'S TECHNOLOGIES CAN ONLY BE RECOGNIZED BY COMPANIES THAT KNOW WHAT DEVELOPERS ARE WORKING ON TODAY

"The KUKA youBot story is similar to many other stories about innovative developments. It starts with a thought that becomes an idea that won't let go."

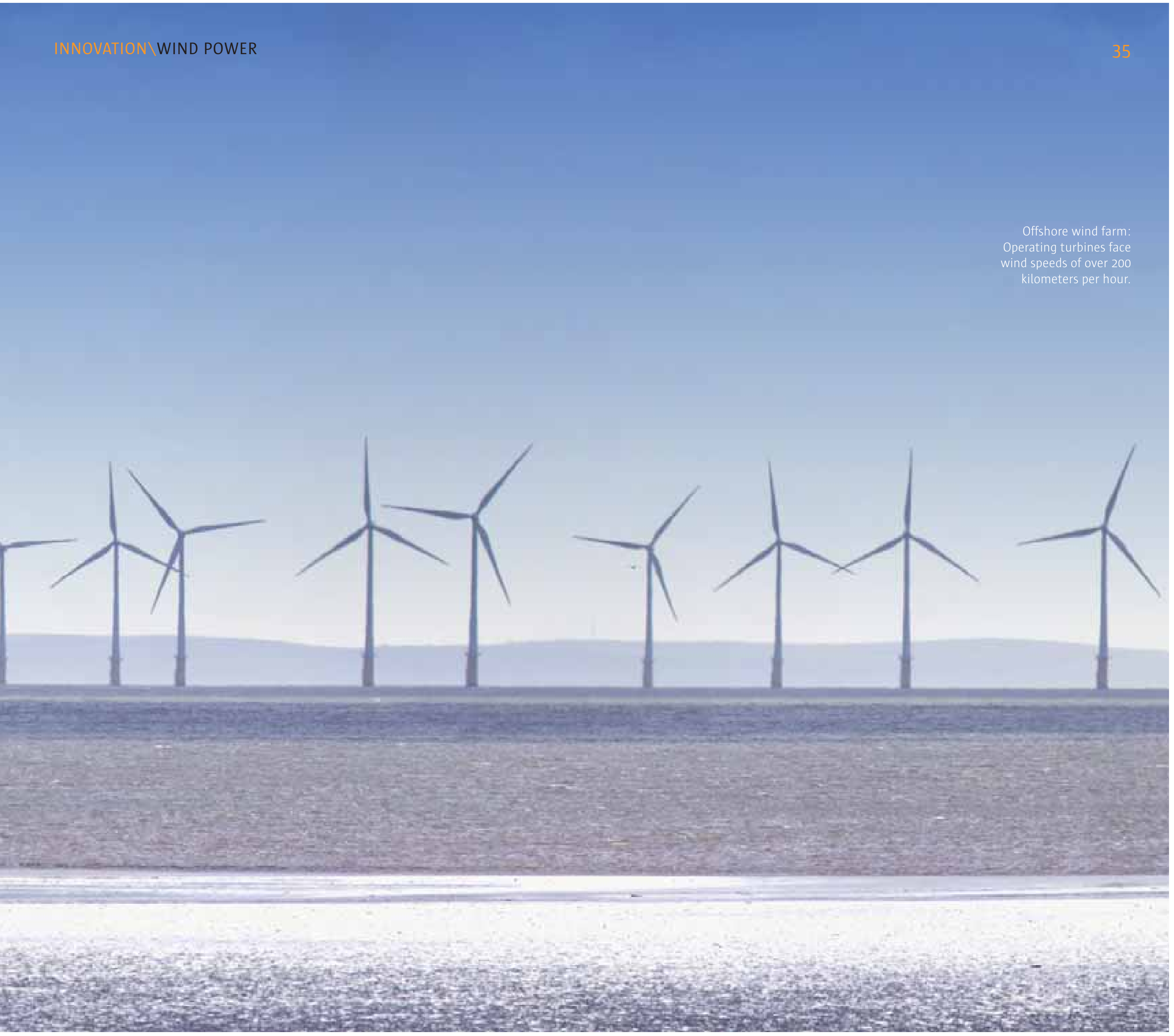
The KUKA youBot story is similar to many other stories about innovative developments. It starts with a thought that becomes an idea that won't let go. "There should be a low-cost robot that students can easily play with, develop their own control algorithms and applications and integrate sensors via appropriate interfaces." This may have been how the idea of a robot for research and development manifested itself in the heads of robot developers. After all, a robot with no proprietary controller but equipped with a high-performance PC board and an EtherCat interface for the drive electronics could bring the research community closer together, which could lead to completely new robot developments. The overarching aim is to develop mobile handling algorithms, which in turn will create a lucrative future market and new fields of application.

Another example of how KUKA promotes discussions with the scientific community is the "Fast Research Interface". This is an interface that enables scientists to develop very specialized applications for KUKA's lightweight robot that will enable it to be used in new ways. The interface gives researchers access to the lowest level control algorithms in milliseconds, which is a prerequisite for developing new algorithms for new applications. The research results are thus very exciting for the scientific community as well as industry.

This type of collaboration leads to long-term research partnerships and strategic cooperation. A frequently mentioned partner in this connection is the Institute for Robotics and Mechatronics at the German Aerospace Center (DLR) in Oberpfaffenhofen near Munich, as well as RWTH Aachen.

NEW LIGHTWEIGHT PROCESSES

FRESH BREEZE FOR RENEWABLE ENERGIES



Offshore wind farm: Operating turbines face wind speeds of over 200 kilometers per hour.

Our society is facing huge challenges, such as the threat of climate change, expanding energy demand, scarce resources and rising energy costs. The Fukushima catastrophe triggered considerable rethinking throughout the world. It made Germany decide to completely phase out nuclear power generation. The demand is to be met by renewable energies, and plans call for a faster and more systematic rollout. This is an opportunity for wind power, a promising business sector for which KUKA can supply both robotics and systems solutions.

New lightweight manufacturing processes are used to construct high-performance wind turbines. For instance, the rotor blades are increasingly made of carbon fiber reinforced materials such as fiberglass, carbon fibers or renewable, natural fibers. The unique characteristics of these innovative composites are exceptional rigidity and strength in spite of low weight, properties that stimulate new product development and will revolutionize entire industry sectors.

New materials demand new automation technologies

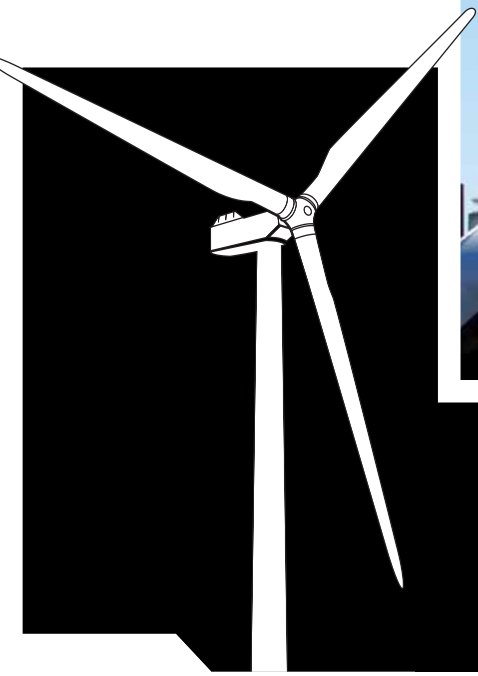
The textile-like weave of these materials is especially challenging for existing industrial treatment and machining processes, as well as handling and assembly. KUKA has experience in this field thanks to its work in the aerospace and automotive industries and has mastered the entire process chain – a core competency for the manufacturing systems of the future. The expertise encompasses core technologies such as cutting, braiding, tying, weaving, sewing, seaming, placing and clamping, applying adhesives and sealers, painting, milling, riveting, stamping, welding, grinding and testing. The myriad specifications that apply to the finished parts have an enormous impact on the manufacturing systems: These processes and the robots involved in the process chain merge and become multifunctional entities. KUKA applies its automation expertise to exploiting the potential benefits of carbon fiber composites and at the same time cut manufacturing costs.

Augsburg Center of Expertise

Augsburg plays an important role here. Countless other companies and institutions in the region aside from KUKA are involved in application-specific carbon fiber materials research, and all are spurring its industrial use. For example, in 2011, the German Aerospace Center (DLR) chose Augsburg as the official site for its material research institute. KUKA has closely partnered with DLR for many years. The local Carbon Composites (e.V.) Association has 120 members and is responsible for broad-based information exchange and technology transfer. KUKA has established a tight network of contacts beyond these with other players involved in lightweight manufacturing process development.

Flexible automation for wind turbine manufacturing systems

KUKA offers a variety of standard or custom solutions for manufacturing wind turbines. One of these is for handling and transporting rotor blades. Flexible, mobile processing cells replace the conventional inspection and work platform. They precisely position the workpieces, which are over 37 meters



ABOVE: Wind power from turbines at sea is becoming ever more important. Last year, 235 new wind turbines were brought online.

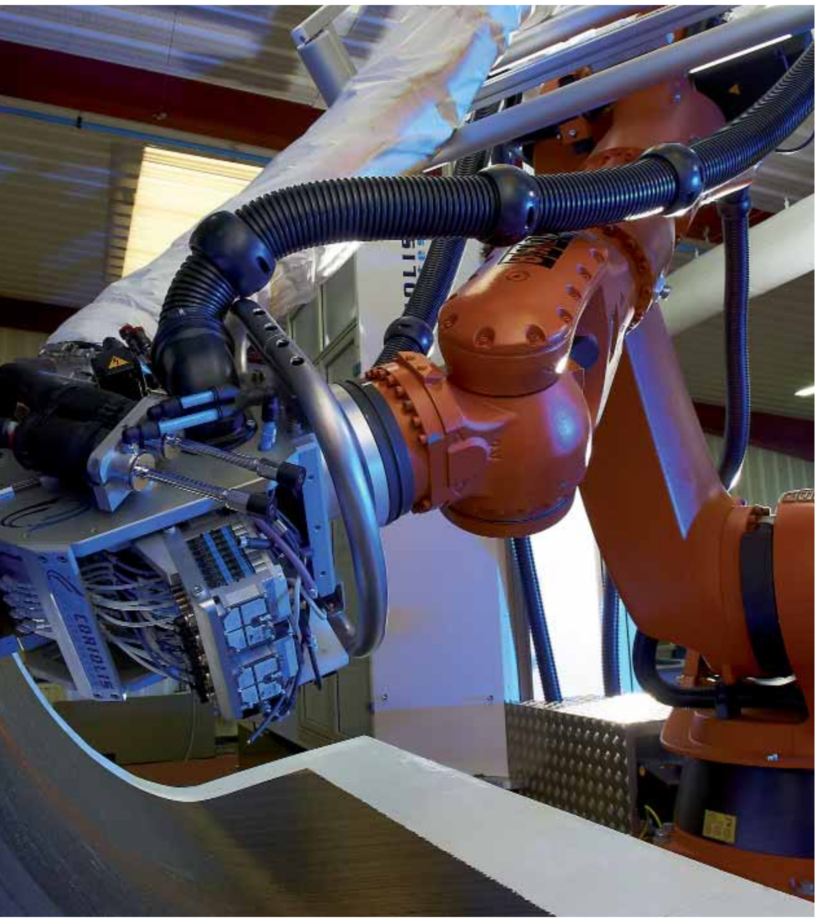
RIGHT: KUKA industrial robots place CFRP fibers, even on complex shapes. The process is used in both the shipbuilding and wind turbine manufacturing industries.

long, and ensure that tools and forms can be quickly set up. Mobile omniMove platforms allow unrestricted maneuvering of the large, heavy parts in tight spaces.

KUKA offers a system solution for milling and drilling the gigantic hub to which the rotor blades are attached, as well as installing the bolts. A closed cell equipped with a Type KR 500 MT industrial robot is available to machine blade hubs of any diameter and shape.

Wave compensation robot makes accessing offshore wind turbine platforms safe

Many are pinning their hopes on renewable energy from wind farms on the open seas. Plans call for the installation of 40 offshore wind farms comprising about 10,000 turbines off Germany's North and Baltic Sea coasts alone. The conditions for generating power in this region are ideal. At sea, winds blow considerably stronger and steadier than on shore. However, rough seas make building wind power systems a challenge, not to mention maintenance and service. Special ships, which can be precisely positioned at the fixed platforms even in rough seas, are a must. Standard equipment could soon include robot-assisted "momac Offshore Access Systems (MOTS)". The systems are designed to compensate ship movements and enable people and materials to be safely transferred to wind turbine platforms. Once again, a KUKA type KR 500 industrial robot forms the heart of these open transfer systems. Much like a lifting platform, a personnel basket is raised through the air to the wind turbine station to set down or pick passengers. The solution is based on the KUKA Robocoaster, a ride approved for transporting people. A prototype of this new wave compensation robot has already been successfully tested twice on the high seas. Preparations are underway for a long-term field installation, which will serve to gather additional experience and reveal potential improvements.



MANFRED GUNDEL
CEO KUKA Roboter GmbH

"High-performance hybrid materials are increasingly being used in the aerospace, automotive and wind power industries. Completely new production and automation processes are needed to handle and utilize such materials. Industrial robots can play a key role here in all of these industries, and the potential for sales of new units going forward is enormous."

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

the Supervisory Board fulfilled its mandate during the company's very successful 2011 business year.

The Supervisory Board carried out its duties primarily at regular meetings of the plenum and its subcommittees during the reporting year, but teleconferencing was also required to reach some decisions. The key topics of the discussions were the Group's financing and corporate strategy. The Supervisory Board offered the Executive Board what it considered constructive criticism. It carried out its monitoring function by holding timely meetings with the Executive Board to discuss in detail the company's business and financial situations. During these meetings, the board reviewed the company's key indicators such as orders received, sales, EBIT and head count. The committee was updated weekly on deliveries from Japan following the tsunami and nuclear incident at the Fukushima nuclear power station. Members of the Supervisory Board, especially the chairman and the chairs of the committees, also held bilateral sessions with Executive Board members, during which they advised them on key issues.

Here we highlight the meetings and decisions made regarding the 2010 financial statements, the 2012 budget and the medium-range plan to 2014. The Executive Board explained to the Supervisory Board deviations in business performance from the 2011 corporate plan and budget. The Supervisory Board reviewed and understood these explanations.

Risk and compliance management were especially important to the Supervisory Board. The panel also had to deal with the businesses subject to reporting as per the rules of procedure. It reached decisions about all issues associated with Executive Board compensation in accordance with legislative requirements.

At all times while fulfilling its monitoring obligations as a controlling body, the Supervisory Board considered whether the Executive Board was fulfilling its duties as managers of the company properly, legally and efficiently.

BERND MINNING
Chairman of the
Supervisory Board

CHANGES TO THE EXECUTIVE BOARD AND SUPERVISORY BOARD

During the fiscal year just ended, there were no personnel changes at the Supervisory and Executive Board levels.

There were no conflicts of interest at either the Executive Board or Supervisory Board level during the reporting period (see also below).

MEETINGS OF THE SUPERVISORY BOARD AND ITS SUBCOMMITTEES

During 2011, the Supervisory Board held five ordinary plenary meetings. One decision was reached during a telephone conference and another by exchanging written correspondence.

During a telephone conference on February 9, 2011, the Supervisory Board approved the sale of 1,327,340 treasury shares of the company.

The financial statements meeting was held on March 14, 2011. The Supervisory Board approved KUKA Aktiengesellschaft's financial statements for the 2010 financial year as prepared by the Executive Board, and they were thus adopted. It further approved the consolidated statements for 2010. A special agenda item during this financial statements meeting was to recommend to the Annual General Meeting KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, as the new auditor of the financial statements and consolidated financial statements for the 2011 financial year. The Supervisory Board dealt with the pending Annual General Meeting and approved the Executive Board's meeting agenda and resolutions.

As has been the tradition, the Supervisory Board met before and after the Annual General Meeting on May 26, 2011. Among other things, the Supervisory Board was presented with reports regarding variable compensation at the next management level, the status of implementing the four-pillar strategy, risk management and the standard rules of procedure / business activities subject to approval. The Supervisory Board subsequently revised its own rules of procedure. The strategic discussions provided an opportunity to intensively examine issues related to the manufacturing concept.

The meeting on September 29, 2011 was dominated by Group strategy discussions. The Board discussed Group strategy as well as the individual strategies of the Systems, Industrial Robotics and Advanced Robotics business units. The outlook for the lightweight robot dominated discussions dealing with Advanced Robotics. The Supervisory Board was also informed about the introduction of an upper management level reporting to the Executive Board. The board approved the introduction of a Phantom Share Program for managers at this level.

In its planning meeting on December 15, 2011, the Supervisory Board approved the budget for 2012 and the mid-range plan to 2014. During this meeting, the various committees tabled reports. A key agenda topic was also machine tool manufacturing at KUKA Systems GmbH in Schwarzenberg.

All members of the Supervisory Board participated in at least half the Supervisory Board meetings during 2011 (section 5.4.7 of the Corporate Governance Code). For further comments about corporate governance, please refer to the Corporate Governance section, which forms part of this annual report.

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

The Personnel Committee convened twice in 2011. The topics on the agenda were mainly Executive Board compensation and the associated contractual policies.

The Audit Committee met five times. The main agenda topics were the financial statements; for example, KUKA Aktiengesellschaft's and the consolidated year-end results for 2010 on March 11, 2011, as well as risk and compliance management.

The Strategy and Development Committee had an especially heavy workload and met five times. For example, key engineering issues related to technology integration required it to regularly attend meetings about associated organizational changes within the Group. The committee was informed about current and planned projects and partnerships relating to medical systems and followed closely the progress being made on the lightweight robot and its application engineering. At a higher level, the committee discussed the general Group strategy and strategies of the individual divisions, as well as the research and development projects road map.

The Technology and Production Committee convened six times and worked diligently on cost-reduction measures and process issues.

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

INDEPENDENCE AND DECLARATION OF COMPLIANCE

The Supervisory Board members complied with and continue to comply with the arms-length provisions outlined in section 5.4.2 of the Corporate Governance Code. There were no conflicts of interest as defined in section 5.5 of the Corporate Governance Code. At the Supervisory Board meeting of December 15, 2011, CEO Dr. Reuter and Supervisory Board chairman Mr. Minning outlined the business relationships between KUKA Group's companies and Grenzebach Group.

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 16, 2011 by the Executive Board and on March 1, 2011 by the Supervisory Board. The declaration of compliance was made permanently available to shareholders at the company's web site.

WORK WITH THE AUDITORS

The annual financial statements of KUKA Aktiengesellschaft and consolidated financial statements of KUKA Group as of December 31, 2011, as well as the consolidated management report of KUKA Aktiengesellschaft and KUKA Group, including the bookkeeping, were audited by auditors KPMG Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin, who issued an unqualified audit opinion on them on March 2, 2012. KUKA Group's risk management system was also audited, as required by law. KUKA Group's mid-year report dated June 30, 2011 was also reviewed by the auditors. KUKA Aktiengesellschaft's consolidated statements were prepared in accordance with article 315a of the German Commercial Code (HGB) based on the International Accounting Standards (IFRS) as adopted by the European Union.

The Audit Committee appointed the external auditors, KPMG, as per the resolution at the Annual General Meeting of May 26, 2011. Prior to appointing the auditors of the financial statements of the company and the Group, the chair of the Audit Committee and the chairman of the Supervisory Board conducted an in-depth review with the auditors regarding key audit issues, scope and fees. The auditors agreed to immediately inform the chairman of the Audit Committee about any disqualification or bias issues encountered during the audit, provided such disqualification or bias issues could not immediately be resolved. The auditor also agreed to report on an ongoing basis during the audit all material findings and developments arising during the audit that were within the scope of the Supervisory Board's responsibilities. Furthermore, the auditors were instructed to inform the Supervisory Board, or make a note in the audit report, if information was encountered during the audit that is contrary to the declarations released by the Executive and Supervisory Boards as per article 161, section 1, clause 1 of the German Stock Corporation Act (AktG).

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

As in previous years, each year with different topics, the company asked the auditor to focus especially on a number of items during the annual review of the 2011 financial year, such as valuation of financial obligations of Group companies toward KUKA Aktiengesellschaft, and the administration and valuation of the order backlog, the approach and valuation of deferred taxes and reporting of guarantee, warranty and service expenses in KUKA Group's income statement. The auditor found no major issues with regard to these items.

In December 2011, the auditor gave the Audit Committee chair a detailed explanation of the preliminary audit results.

Because they had been contracted to review the June 30, 2011 mid-year financial report, the auditors attended the August 2, 2011 Audit Committee meeting.

In a joint meeting with the auditor on March 13, 2012, the Audit Committee reviewed the two financial statements, taking into consideration the auditor's reports. The Executive Board and the auditor presented the highlights of the financial reports to the panel. The Audit Committee members reviewed, discussed and checked in detail the documentation relating to the financial statements and discussed the audit report in depth with the auditor. The auditor answered the questions posed by the Audit Committee members. The Audit Committee reported to the Supervisory Board on the results of its discussions during the board's meeting on March 27, 2012 and recommended that the board approve KUKA Aktiengesellschaft's annual financial statements and KUKA Group's consolidated annual financial statements.

The Supervisory Board reviewed the draft annual financial statements submitted by the Executive Board on March 27, 2012. Because KUKA Aktiengesellschaft's net profit was applied to the loss carryforward, there was no need to make a recommendation to shareholders at the Annual General Meeting regarding the distribution of net profit. The auditor, KPMG, attended the Supervisory Board meeting in order to report on material findings in the audit and to provide additional information. All members of the Supervisory Board were in possession of the audit reports provided by the auditor. KPMG explained in detail the asset, financial and earnings situation of the company and the Group. The auditor also reported that there are no major weaknesses in the internal controlling system and accounting-related risk management system. The board and the auditor jointly reviewed and discussed the financial statements and KPMG answered all questions posed by the Audit Committee.

2011 FINANCIAL STATEMENTS ADOPTED

After completing its own review, and with full knowledge and consideration of the Audit Committee report, the auditor's reports and the explanations provided in the meeting of March 27, 2012, the Supervisory Board raised no objections to the results and concurred with the auditor's findings. In the opinion of the Supervisory Board, the auditor's reports comply with the legal requirements stipulated in articles 317 and 321 of the German Commercial Code (HGB).

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

At its financial statements meeting on March 27, 2012, the Supervisory Board approved KUKA Aktiengesellschaft's financial statements for the 2011 financial year as prepared by the Executive Board. The annual financial statements are thus adopted.

The Supervisory Board also approved KUKA Aktiengesellschaft's consolidated financial statements and the Corporate Governance report for the 2011 financial year as prepared by the Executive Board.

THANKS TO THE STAFF

Given the company's recent past, the 2011 financial year was one during which the company's business progressed in an orderly manner. Even though the economic situation created a favorable climate, the company's employees faced considerable challenges. Once again, they worked exceptionally hard for the company and contributed substantially to the excellent results. The employees especially share the credit for the growth of the company's shareholder value.

The Supervisory Board thanks all KUKA Group employees, members of the Executive Board, managers of the Group's companies and elected employee representatives for their strong commitment. All have helped to advance KUKA's technology leadership and their performance has made an outstanding contribution to the financial health of the company, its customers and shareholders.

Augsburg, March 27, 2012

The Supervisory Board

Bernd Minning
Chairman

CORPORATE GOVERNANCE REPORT

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

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

DECLARATION OF COMPLIANCE

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

The identical declarations of the Executive Board dated February 15, 2012 and of the Supervisory Board dated February 17, 2012 in accordance with article 161, section 1, clause 1 of the German Stock Corporation Act (AktG) and the German Corporate Governance Code read as follows:

“Since issuing the latest declarations of compliance of the Executive Board (February 16, 2011) and of the Supervisory Board (March 1, 2011), KUKA Aktiengesellschaft has complied with, and continues to comply with, the recommendations of the Government Commission on the German Corporate Governance Code as amended on May 26, 2010, which were published in the electronic edition of the Bundesanzeiger (German Federal Gazette) dated July 2, 2010, subject to the following exceptions:

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

2. Contrary to section 5.4.6, clause 4 of the CGC, the members of the Supervisory Board only receive a fixed compensation. After examining various compensation models, the Supervisory Board members unanimously agreed that only a fixed compensation model is appropriate for the Supervisory Board if it is to be ensured that it properly executes its monitoring duties and maintains the necessary independence and neutrality thereof.

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

As of February 21, 2012, the identical declarations of the Executive Board and the Supervisory Board have been available on the company’s website at www.kuka-ag.de.

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. This legal structure also comprises KUKA Laboratories GmbH, a wholly-owned subsidiary of KUKA Roboter GmbH, into which the “Advanced Robotics” business unit is concentrated. Its key financial performance is managed by considering the Robotics Division’s overall performance. Nevertheless, KUKA Aktiengesellschaft directly manages KUKA Laboratories GmbH’s business activities, especially R & D and projects.

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

From January 1, 2011 onwards the Executive Board of KUKA Aktiengesellschaft consists of two persons; namely, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). KUKA Aktiengesellschaft’s Articles of Association state that the Executive Board consists of at least two persons (article 6, section 1 of the Company’s Articles of Association).

RESPONSIBLE COOPERATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD

The common goal of the Executive Board and the Supervisory Board is to sustainably increase shareholder value. To this end, the Executive Board and Supervisory Board work closely together in the interest of the company. No former Executive Board members belong to the Supervisory Board. The Executive Board reports to the Supervisory Board regularly, in a timely manner, and comprehensively regarding all planning issues, business development, risk assessment, risk management, and any actions taken in this regard. In the process, the Executive Board also addresses changes in the business development from established plans and goals, and explains the reasons leading to such changes. The reporting of the Executive Board to the Supervisory Board also includes the topic of Corporate Compliance. Articles of Association and standard rules of procedure have provisions ensuring that important business transactions are subject to agreement by the Supervisory Board. Details about the cooperation of the Executive Board and Supervisory Board can be found in the report of the Supervisory Board on pages 39 to 42.

In the financial year 2011, there were no consulting or other services or work contracts in place between Supervisory Board members and the company.

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

EXECUTIVE BOARD

In the financial year 2011 the Executive Board had two members responsible for the following departments:

Dr. Till Reuter, CEO, is responsible for (i) investor relations (ii) strategic corporate development (iii) public relations (iv) top executive managers of the Group (v) audit and (vi) legal / compliance.

Mr. Stephan Schulak, CFO, is responsible for (i) finances and controlling, which includes the accounting, controlling, treasury and tax departments, (ii) risk management, (iii) facility management and (v) human resources. Mr. Schulak is also KUKA Aktiengesellschaft's director of industrial relations. In an ad hoc announcement published on January 31, 2012, the company announced that Mr. Schulak will no longer be available to fulfill his duties after September 30, 2012.

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

In accordance with the recommendations of the CGC (section 4.1.5), the Executive Board takes into consideration diversity in choosing company managers and especially strives to include an appropriate number of women. To this end, the Executive Board launched a program called "Female Inspiration", which aims to continuously increase the number of women who play a leading management role at KUKA Group.

COMPENSATION OF THE EXECUTIVE BOARD

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

SUPERVISORY BOARD

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

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

The 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.

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

In view of the requirement regarding diversity in section 5.4.1 of the CGC, the Supervisory Board had in the year 2010 already established the following targets for its future composition in 2010, which are also to be taken into account when recommending candidates to the shareholders at the Annual General Meeting:

(i) At least two Supervisory Board members are to have sector-specific experience.
(ii) At least one Supervisory Board member should have a considerable amount of foreign professional experience.
(iii) At least two Supervisory Board members should not be employees or consultants of, or members of the corporate organs of customers, suppliers, lenders or other business partners of the Company.
(iv) Normally, Supervisory Board members should be no less then 35 years old and no more than 72 years old.
(v) Appropriately qualified women are to be reviewed as candidates. Within two election periods, at least two Supervisory Board members should be female.

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

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 CGC are thus fulfilled. As an independent member of the Supervisory Board and its Audit Committee, Dr. Ganzer has expert knowledge in the area of accounting standards and corporate audits.

There was no indication of any conflicts of interest associated with members of the Supervisory Board during the financial year. Six committees consisting of Supervisory Board members were formed by the Supervisory Board. These are:

(i) the Arbitration Committee as per article 27 section 3 of the MitbestG (German Act on Co-determination),
(ii) the Personnel Committee,
(iii) the Audit Committee (section 5.3.2 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 related to the Supervisory Board's work that arise in the course of auditing the financial statements. Finally, it has also been agreed with the independent auditor that the independent auditor will inform the Supervisory Board and / or note in the audit report any finding of facts during the performance of the audit, indicating that the declarations issued by the Executive Board and the Supervisory Board with respect to the Code are in any way incorrect (section 7.2.3 CGC). As ordered, the auditor reviewed the interim report per June 30, 2011.

The Supervisory Board regularly reviews the efficiency of its activities (section 5.6 CGC). 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 covered the 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 final results of this multi-year review were given to members of the Supervisory Board in April 2011.

COMPENSATION OF THE SUPERVISORY BOARD

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

SHAREHOLDINGS

Mr. Guy Wyser-Pratte has been allocated a total of 4.74 percent of the shares issued by KUKA Aktiengesellschaft.

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

CORPORATE COMPLIANCE

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

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

For KUKA, regular training of its employees and continuous enhancement of the existing compliance system are key to embedding the company's value based standards into the minds of its employees, in order to ensure legal compliance and avoid unlawful acts. For instance, in 2011 all KUKA employees in Germany participated in online compliance training using an e-learning program developed in-house for this purpose. This online training will be rolled out to the employees of our foreign subsidiaries in 2012. Further training programs will be added in 2012.

ANNUAL GENERAL MEETING

The ordinary Annual General Meeting 2012 will take place in Augsburg on June 6, 2012.

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

ACCOUNTING AND ANNUAL AUDIT

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 public Group consolidated financial statements is performed by an independent auditor elected at the Annual General Meeting. At the recommendation of the Supervisory Board, shareholders at the Annual General Meeting 2011 elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for the annual reports and Group auditor for financial year 2011 as well as for a potential review of the mid-year report for financial year 2011. The mid-year report for financial year 2011 was reviewed by the auditor based on the aforementioned resolution.

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

OPPORTUNITY, RISK MANAGEMENT AND CONTROLLING

Opportunities including controlling and risk management at KUKA Group are described in the chapter on risk management of the annual report on pages 82 and following. 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 2011. 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, mid-year statements, the Annual Report, the financial press conference reporting on the annual financial statements and the ordinary Annual General Meeting of shareholders. In addition, it issues the Annual Document in accordance with article 10 WpPG (Securities Prospectus Act), ad-hoc releases according to article 15 WpHG (German Securities Trading Act), notices according to article 15a WpHG (Directors' Dealings) and article 26 WpHG (Disclosure of Shareholders and Owners of Certain Financial Instruments), holds 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 also an integral part of the management report.

COMPENSATION OF THE EXECUTIVE BOARD

Compensation structure

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

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

One half of the variable component is based on achievement of personal targets and the other half is dependent on the growth of key business indicators; namely, KUKA Group's EBIT and free cash flow. The associated details are established annually by mutual agreement. The variable compensation component is capped and achievement of the financial targets is coupled to business development over several years.

An additional variable compensation component for members of the Executive Board consists of annually recurring phantom share programs (hereinafter also referred to as "programs") that aim to provide a long-term incentive. It was first established 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, income from phantom shares reflects not just 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 program is three calendar years. The first program was rolled out for the period from 2006 to 2008. The program established as a compensation element for fiscal 2011 applies to the years 2011 to 2013. At the beginning of the three-year period, the Supervisory Board establishes the amount to be allocated. This amount is divided by KUKA's defined initial share price, which is the average opening price of KUKA shares (opening price in XETRA trading on the Frankfurt stock exchange) between January 1, 2011 and March 13, 2011 (the last trading day prior to the Supervisory Board's financial review meeting), to define 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 program 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.

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 operational planning for the three program years covered. 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 prior to the financial statements 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 of 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 the following year. The obligation ends with the participant's departure from the 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 initial price for the 2011 to 2013 phantom share program was set at € 17.37.

The Supervisory Board will decide 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.

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

Compensation for 2011

Payments to members of the Executive Board during the 2011 business year totaled € 3,171,000. The following table outlines the compensation of the individual Executive Board members as well as the entire Executive Board.

in € thousands	Fixed salary including payments in kind*	Variable compensation for financial 2011**	Phantom share programs***	Total
Dr. Till Reuter	519	705	603	1,827
Stephan Schulak	390	525	429	1,344
Total	**909**	**1,230**	**1,032**	**3,171**

* Payments in kind consist of the use of company cars and accident insurance premiums, depending on the contractual agreement with the individual Executive Board members.

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.

** The variable compensation of the Executive Board can only be preliminarily determined. The Supervisory Board will finally determine in its meeting on March 27, 2012 the Executive Board members' variable compensation based on the achievements of their personal targets. With regard to the sustainable corporate performance requirements, the Supervisory Board will decide on the achievement of business targets in the year 2013.

*** Accumulated value for all programs as per accruals dated December 31, 2011.

PHANTOM SHARE PROGRAM 2010 – 2012

	Volume granted in € thousands*	KUKA initial share price in €	Preliminary number of phantom shares	Accrual (fair value) as of Dec. 31, 2011 in € thousands
Dr. Till Reuter	200	11.50	17,392	325
Stephan Schulak	150	11.50	13,044	243

* Fair value at the time of allocation

PHANTOM SHARE PROGRAM 2011 – 2013

	Volume granted in € thousands*	KUKA initial share price in €	Preliminary number of phantom shares	Accrual (fair value) as of Dec. 31, 2011 in € thousands
Dr. Till Reuter	300	17.37	17,272	278
Stephan Schulak	200	17.37	11,515	186

* Fair value at the time of allocation

With a few exceptions, former Executive Board members were granted benefits from the company pension scheme, which include old-age, vocational and employment disability, widows' and orphans' pensions. The amount of accruals included for this group of persons in 2011 for current pensions and expected pension benefits totals € 9,848,000 (German Commercial Code), which compares with € 10,095,000 in 2010.

COMPENSATION OF THE SUPERVISORY BOARD

Compensation Structure

A resolution was passed at the Annual General Meeting of the company on June 1, 2006, which revised 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 chair of the Supervisory Board will be paid four times that amount, and the deputy chair'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. Committee chairs will be paid at most 1 1/2 times the annual remuneration, even if they chair several committees or are members of another committee; this does not apply to the committee as per article 27 section 3 of the MitbestG (German Act on Co-determination).

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 meeting plus applicable value added tax.

Compensation for the years 2010 and 2011

Note that for financial 2010, the Supervisory Board members volunteered to forego 10 percent of their compensation. Mr. Bernd Minning also voluntarily forfeited a further 50 percent of the special payments to which he was entitled as Chairman of the Supervisory Board for fiscal 2010.

The following table compares the compensation of the members of the Supervisory Board for the 2010 and 2011 business years:

in € thousands	Payment in 2011 for 2010	Payment in 2012 for 2011
Bernd Minning Chairman of the Supervisory Board and Chairman of the Personnel Committee, Strategy Committee, Mediation Committee and Nomination Committee	113	165*
Jürgen Kerner Deputy Chairman of the Supervisory Board	81	90
Prof. Dr. Dirk Abel	54	60
Dr. Uwe F. Ganzer Chairman of the Audit Committee	68	75
Dr. Michael Proeller	37	60
Prof. Dr. Uwe Loos Chairman of the Technology and Production Committee	68	75
Carola Leitmeir	54	60
Fritz Seifert	54	60
Wilfried Eberhardt	27	30
Siegfried Greulich	54	60
Thomas Knabel	54	60
Guy Wyser-Pratte	54	60

* Mr. Minning has indicated that he will donate one-half of the remuneration he is entitled to for 2011 for his chairmanship of the Supervisory Board (€ 45,000) to the non-profit organization "Orange Care e.V.", which is currently being established. This donation should be seen in conjunction with Mr. Minning's declaration at the 2011 Annual General Meeting regarding voluntary forfeiture of his pay.

KUKA AND THE CAPITAL MARKET

KUKA's market capitalization is about € 470 million (end of 2011) and the average daily trading volume of its shares is 132,000 (2011 overall). The company has been listed on the MDAX, the German index for medium-sized companies, since September 2011. The company reports in conformance with the rules of the Prime Standard segment and regularly stages road shows and investor conferences, both at home and abroad.

EUROPEAN DEBT CRISIS WEIGHS ON FINANCIAL MARKETS

Stock markets were very volatile in 2011. Periodic turbulence in world politics led to uncertainty in the markets and resulted in strong fluctuations in share prices despite positive business development. During the first seven months of the year, good economic news drove the markets, with only a short interruption due to the severe nuclear incident in Japan in March 2011. During this time, the DAX, the index of the thirty largest German companies, remained steady, above the 7000 mark. In the second half of the year, the debt crisis in a number of European countries weighed on the financial markets and led to an economic slowdown, mainly in southern Europe. During this time, the DAX remained below 6000. Accordingly, the markets were all down sharply for 2011 overall: the DAX lost 14.7 percent, the MDAX 12.1 percent and SDAX 14.5 percent.

KUKA SHARE PRICE PERFORMANCE

In parallel with the company's satisfactory business performance, KUKA's share price significantly outperformed the market indices in the first seven months of the year. Around the time the financial report was being prepared during the first quarter of 2011, at which time the overall sales target for the year was increased, the stock reached its absolute high for the year and traded at € 22.35. Nevertheless, KUKA's shares were unable to avoid the downturn in the markets during the second half of the year and lost significant ground, the same as all other listed companies. The share price was down 14.8 percent between January 1 and December 31, 2011, thus performing similarly to the MDAX.

However, compared to other mechanical and plant engineering companies listed on the MDAX and SDAX, KUKA's shares were remarkably stable. The share prices of the majority of its peers were down, anywhere from 21.7 percent and 43.1 percent over the course of the fiscal period.

KUKA SHARES UPGRADED TO MDAX

During its regularly scheduled review of the composition of the stock indices at the beginning of September 2011, Deutsche Börse decided to transfer KUKA shares to the MDAX (index of German medium-size listed companies). The shares were thus moved from the SDAX, the German index of small listed companies, to the MDAX on September 19, 2011.

KUKA SHARES – KEY FIGURES

		2007	2008	2009	2010	2011
Weighted average number of shares outstanding	millions of shares	26.60	25.82	25.67	30.33	33.43
Earnings per share	€	4.43	1.18	-2.95	-0.28	0.89
Dividend per share	€	1.00	–	–	–	–
Dividend yield (Dec. 31)	%	3.85	–	–	–	–
High for the year (closing price)	€	31.5	26.01	12.67	16.93	20.00
Low for the year (closing price)	€	18.58	10.07	9.02	9.87	12.50
Closing price for the year (closing price)	€	26.01	12.67	11.95	16.6	14.14
Change compared to prior year	%	34.3	-51.3	-5.7	38.9	-14.8
Market capitalization (Dec. 31)	€ millions	692	337	350	548	472
Average daily volume	No. of shares	232,000	234,000	98,300	113,000	132,000

TREASURY SHARES SOLD

In the spring 2011, KUKA AG's Executive Board decided to sell about 1.3 million treasury shares, which had been bought back as part of a share buyback program in 2008 (see ad hoc announcement dated May 11, 2011). The shares were sold at an average price of € 18.60 each and the company received about € 24.7 million before deduction of the usual commissions charged by the banks. This income was used to further strengthen the company's equitiy position.

HIGH FREE FLOAT

A large number of KUKA shares continue to be free-floating. At the end of 2011, the free float including shares owned by institutional investors was 75.6 percent. According to the mandatory disclosures submitted to the company, the following investors' stake in the company is over 3 percent: Oppenheim Asset Management Services S.a.r.l., 5.2 percent, Wyser-Pratte, 4.7 percent, Allianz Global Investors, 4.0 percent and Franklin Mutual Advisors 3.0 percent (since February 22, 2012). As of the record date, the fixed holdings of Asbach-Bäumenheim based Grenzebach Group totaled 24.4 percent. Following the expiry of the pooling contract in September 2011, the voting rights of Rinvest-Group (1.8 percent) are no longer allocated to Grenzebach Group.

NUMBER OF MEETINGS WITH INVESTORS UP FIFTY PERCENT

As the world economy continued to gather steam, the interest of investors in German technology companies also rose. KUKA took advantage of this favorable market environment and expanded its investor relations activities in specific areas. The target regions were the financial centers in Western Europe and North America, as well as Germany. The Executive Board and / or the investor relations manager gave presentations about the company several times in Frankfurt, Düsseldorf, Munich and Baden-Baden. The focus of the activities in Western Europe was on the financial centers of London, Paris and Zurich. There were also a number of road shows to Luxembourg, Geneva and Vienna, as well as Milan and Scandinavia. Several investor meetings were also held in New York, Boston and San Francisco. The number of meetings with investors was thus up more than fifty percent; from 207 in 2010 to 313 in 2011. Thirty investor conferences and roadshows were completed, similar to the prior year's high twenty-nine. KUKA Group's financial statements were presented at the DVFA Analysts' Conference in Frankfurt / Main on March 16, 2011.

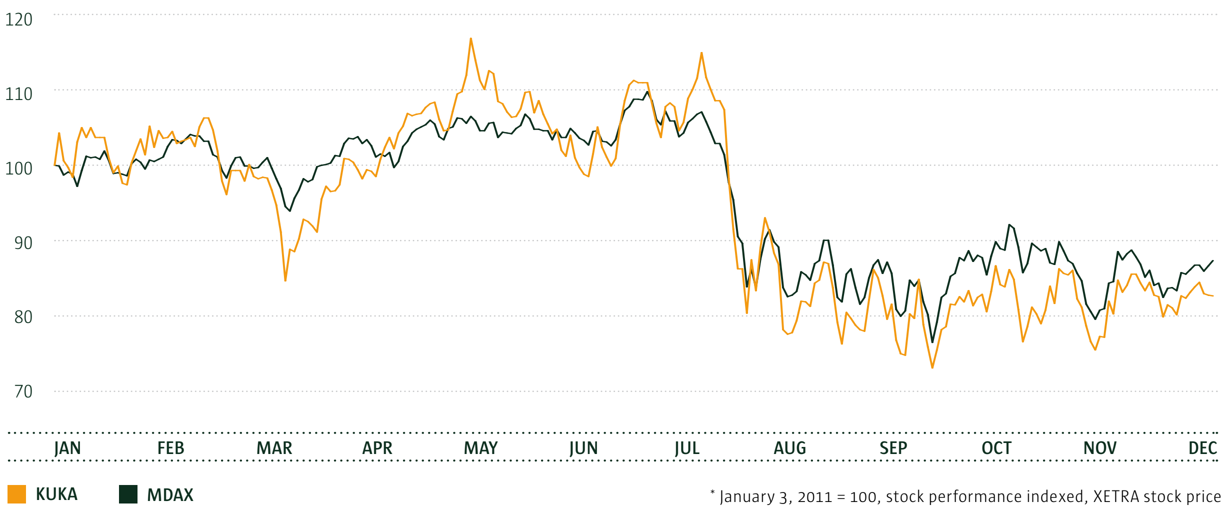
FOCUS ON CORPORATE BOND

As part of its marketing efforts, KUKA participated in a conference for bond investors in London in June 2011. The company had placed its first corporate bond, which has a face value of € 202 million and matures in 2017, in November 2010. The bond is traded on the Euro MTF segment of the Luxembourg Stock exchange, and on December 31, 2011 was quoted at 101.00 percent. The bond was used, among other things, to settle the € 69 million convertible bond that was issued in 2006 and matured in November 2011 and to pay down credit lines.

MOST ANALYSTS CONTINUE TO RECOMMEND KUKA SHARES AS A „BUY“

Thanks to the stable business prospects, most financial analysts were continuing to recommend KUKA shares as a “buy” at the end of 2011. Eleven analysts rated KUKA shares a “buy” (previous year: eight), five a “hold” (four) and one a “sell” (two). The number of banks and brokerage houses tracking the stock went from fourteen back to seventeen as a result of the move to the MDAX index. In parallel, the average price target was raised from € 16 at the end of the year prior to € 18 at the end of the fiscal year. This represents a growth potential of over twenty percent when compared to the actual closing price on December 31, 2011.

KUKA SHARE PRICE PERFORMANCE FROM JANUARY 1 – DECEMBER 31, 2011*



* January 3, 2011 = 100, stock performance indexed, XETRA stock price

CONSOLIDATED MANAGEMENT REPORT*

BUSINESS AND BUSINESS ENVIRONMENT

BUSINESS ACTIVITIES AND GROUP STRUCTURE

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

The internationally active robot and plant engineering company helps its customers improve the efficiency and quality of their production processes. The business model of the company's Systems division encompasses planning and building automated assembly lines and systems. The Robotics division manufactures industrial robots, one of the key components required to automate manufacturing processes, and also has a mandate to provide associated services to its customers.

The divisions' management executives coordinate the divisional activities. The Robotics division develops, manufactures and sells industrial robots. The Systems division designs and builds automated manufacturing lines. KUKA AG is the Group holding company and is headquartered in Augsburg. The company has subsidiaries in its most important international markets, which help the divisions sell their products and provide assembly and field service locally. The company thus has a local presence in its global markets.

ROBOTICS DIVISION

The Robotics division supplies industrial robots, one of the core components of automated manufacturing systems. The division's product portfolio is modular. This enables the business unit to offer customized solutions based on a series of standard products with payloads ranging from 5 to 1,300 kg. The industrial robots are mainly developed and assembled in Augsburg. Control cabinet assembly, which is very labor-intensive, is carried out at two Hungarian factories. There is also an assembly facility in Shanghai, China, whose main purpose is to service the Asian market.

The division unveiled a new generation of industrial robots called QUANTEC, with fundamentally improved mechanics and controllers (KR C4). Among other things, QUANTEC robots weigh significantly less, which appreciably reduces cycle times while reach and payload stay the same. The new KR C4 controller also offers enhanced motion control and sequencing, as well as software-integrated safety processes. Overall, this generation of industrial robots offers customers significantly greater value added.

In 2010, KUKA established an Advanced Robotics section within the Robotics division to expand the development of new applications and accelerate the company's entry into new markets. This business entity has been operating as an independent company, KUKA Laboratories, since January 2011. In addition to research and development for the two divisions, this business unit is responsible for developing the lightweight robot (LWR) to the stage of market readiness and to expanding the share of sales from the health care systems market. The LWR's unique combination of sensors and safety features enables it to be used in applications for which robot-based solutions were unsuitable to date for various reasons, including safety.

SYSTEMS DIVISION

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

* As of the 2011 financial year, the management reports of KUKA Aktiengesellschaft and KUKA Group are consolidated. This does not impair comparability with the previous year.

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

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

MARKETS AND COMPETITIVE POSITIONS

The automotive industry is KUKA Group's most important customer segment and generates almost two-thirds of total sales. KUKA has been developing and implementing robot-based automation solutions for this market segment for over 30 years. During this time, KUKA has become a recognized brand name for innovative technologies, because it has had to comply with the automotive industry's stringent productivity, quality and reliability specifications. KUKA is the market leader for industrial robots in Europe by its own estimates and is one of the world's three leading suppliers of the product. KUKA Systems is number two in both Europe and North America in the area of car body manufacturing for the automotive industry. Both divisions regard themselves as technology leaders.

To continuously expand its business, KUKA specifically targets sectors outside the automotive industry (general industry) in which it can take advantage of its leading automotive industry market position. KUKA Robotics has made the most progress in this regard. The division is a key global player in markets such as metal processing, mechanical engineering, plastics, food and health care. The robots for general industry are mainly sold and serviced by systems partners that target specific markets. KUKA Systems is also expanding into related segments, including vehicle manufacturing and the solar industry. It currently generates about 20 percent of its revenue in non-automotive areas.

CORPORATE STRATEGY

KUKA's strategy to grow profitably based on identified strengths such as the market leadership of the divisions, the company's innovation strength and strong customer relationships rests on three pillars:

1. Expanding KUKA's innovation and technology leadership
   For over thirty years, the KUKA brand has been associated with innovations in the area of automotive plant construction and robot technologies. The automotive industry is generally playing a pioneering role in developing innovative manufacturing technologies. In order to maintain and expand its high level of innovation, the Robotics division employs about 10 percent of its workforce in research and development at its Augsburg headquarters and invests between 6 to 8 percent of its sales revenues in this activity annually. Normally, the Systems division's R&D is conducted in conjunction with customer orders. As a result, only a minor share of spending in this area is reported as R&D. In fact, the Advanced Robotics section plays a cross-functional role within the company by taking charge of technical developments for new applications and markets targeted by the two divisions.

2. Diversifying business activities into new markets and regions
   KUKA targets markets outside the automotive industry (general industry) based on its leading market position in the carmaking sector. KUKA Systems does this by drawing on its automation expertise and applying it to related markets such as the aircraft and rail vehicle manufacturing industries, as well as the solar industry. KUKA Robotics works with sector-specific systems partners and develops new applications for industrial robots in target markets such as metal processing, mechanical engineering, plastics, food and health care. General industry markets are especially important because their profit potential is greater than that of the automotive sector. In parallel, KUKA has established sales and service capabilities in the high-growth emerging markets of Asia and South America, in order to reap sustainable profits from the increasing automation. Among others, they include the BRIC nations Brazil, Russia, India and China. The company often successfully penetrates new markets via automotive projects with existing customers. New opportunities to enter into discussions with local automobile manufacturers and general industry players arise once these footholds have been established.

3. Optimized cost structure and continuous efficiency improvement
As part of its 2009 / 10 cost-cutting program, KUKA reviewed all of its internal processes and reengineered a number of them, especially in the area of supplier management and procurement in low-cost countries. This has enabled the company to significantly reduce its breakeven point. The Robotics division's target EBIT margin is 10 percent, and the Systems division's is 5 percent. KUKA continuously works on improving its efficiency.

INTERNAL MANAGEMENT SYSTEM

The internal management system ensures that the Group's key indicators are transparent, which enables them to be systematically strengthened. KUKA Group's financial performance indicators measure factors that influence the company's enterprise value.

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

An important early indicator of business performance for mechanical and plant engineering companies is orders received. Order backlog is determined by subtracting sales revenues from orders received. This indicator is reported at the close of each period. Order backlog is an important indicator of the loading of the operational capacities in the coming months. Orders received and order backlog are determined for KUKA Group as well as the Robotics and Systems divisions.

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

2011 TARGETS ACHIEVED

At its financial results press conference on March 16, 2011, the Executive Board presented its outlook for the 2011 financial year. In it, the Board stated that it expected the company to generate significantly rising sales revenues as the global economy continued to recover and that operating profit (EBIT) would rise disproportionately after completion of the cost-cutting program. The initial overall sales target was at least € 1.15 billion and EBIT margin was expected to be greater than 5 percent. The expected higher profits were to be driven by higher capacity utilization, the introduction of the new QUANTEC industrial robots and the lowering of the operational breakeven point. In addition, Group net earnings were projected to be positive again.

Because orders received over the course of the year came in higher than had been expected, the Executive Board was able to confirm KUKA Group's sales targets for 2011 when it presented the interim financial statements at the end of each quarter. The following were the forecasts:

First quarter 2011:	at least € 1.2 billion
Second quarter 2011:	at least € 1.2 billion; € 1.3 billion expected
Third quarter 2011:	at least € 1.2 billion; € 1.35 billion expected

Target for EBIT margin of greater than 5 percent remained unchanged.

The strong global demand for robot-based automation from the automotive sector and general industry ensured that KUKA Group was able to achieve its sales and profit targets for the financial year. Overall sales revenues for 2011 came in at € 1.44 billion. Earnings before interest and taxes (EBIT) also rose from quarter to quarter and at the end of 2011 reached 5.1 percent.

GUIDANCE 2011

	Plan	Actual
Sales revenues	€ 1.35 billion	€ 1.44 billion
EBIT margin	> 5.0%	5.1%

ECONOMIC ENVIRONMENT

In the first half of 2011, the general economic trend was influenced by strong growth in the leading national economies. However, as the year progressed, the debt crisis in Europe and in the United States, together with political upheavals in some North African countries, caused uncertainty in the capital markets and led to a slowdown in economic growth. Overall, the eurozone's GDP for 2011 overall is still expected to increase 1.6 percent year-on-year according to the Organization for Economic Cooperation and Development (OECD). According to preliminary numbers supplied by the German Federal Statistical Office (Statistisches Bundesamt), Germany was again very strong driving this trend, with 3.0 percent growth, thanks especially to its strength in exports to the emerging markets of Asia and South America.

AUTOMOTIVE INDUSTRY POSTS RECORD NUMBERS FOR 2011

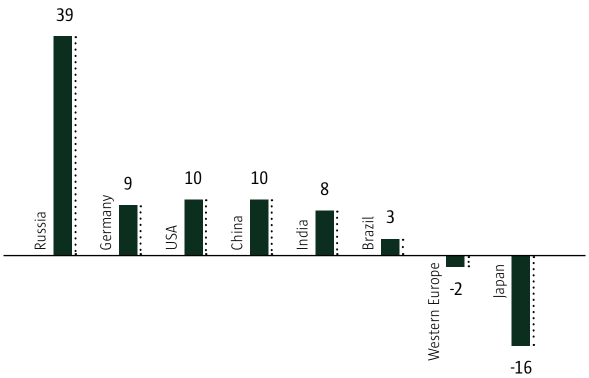
The German automotive industry posted record numbers for exports and for car production during the past fiscal year according to information provided by its professional association, VDA. German premium manufacturers especially managed to grow twice as fast as the market in the largest markets, China and the United States. In total, exports and production of German vehicles were both up 7 percent year-on-year; in absolute numbers, this is about one-third higher than the 2009 results. This trend had a particularly positive effect on the capacity utilization of automotive plants, which rose 5 percentage points to approximately 90 percent.

The tendency of automotive manufacturers to expand capacities abroad and rapidly expand the number of vehicles produced there is proving to be a long-term trend. The demand for cars, especially in the emerging markets of Asia and South America, is once again growing at an above average rate. The foreign output of German automotive manufacturers thus increased 15 percent year-on-year, once again significantly exceeding domestic output. The world's largest markets, China and the United States, barely recorded double-digit growth at 10 percent each, while demand in Western Europe fell slightly. Here it shrank 2 percent, due to the expiry of government scrapping incentives that were available in previous years. Sales of cars and light commercial vehicles increased worldwide in 2011 by 6 percent to 65.4 million vehicles according to information provided by VDA.

CAR SALES 2011 BY REGION / COUNTRY

Change year-on-year (in %)

Source: VDA



MECHANICAL AND PLANT ENGINEERING SECTOR GROWTH EVEN STRONGER

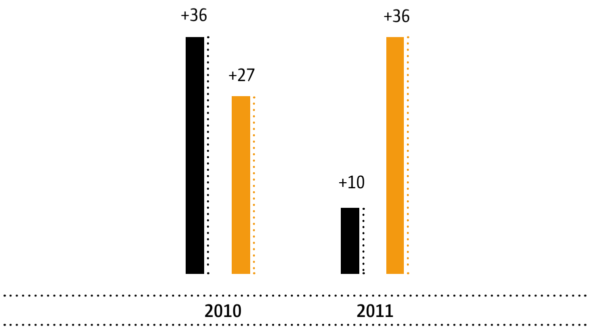
The German mechanical and plant engineering sector's growth was even stronger than the automotive industry's in fiscal 2011 according to information supplied by VDMA, the industry's professional association. The industry benefited from the high level of capital spending driven by economic fundamentals in the developed countries of Europe and the United States, but also in the fast-growing regions of Asia and South America. Orders received price adjusted rose in 2011 by 10 percent year-on-year. Due to longer order lead times, output growth was even higher at 12 percent. German mechanical and plant engineering companies were posted a high utilization rate at the end of 2011, with an average capacity utilization of 89 percent (long-term average: 86 percent). Order backlog provided coverage of just over six months.

Growth in the "Robotics and Automation" subsegment of the German mechanical and plant engineering sector was even stronger than in the industry as a whole. Orders received price adjusted in 2011 rose 23 percent year-on-year, twice as much as the overall German mechanical and plant engineering sector.

ORDERS RECEIVED, MECHANICAL AND PLANT ENGINEERING SECTOR

VDMA Indexed numbers, base year 2005 = 100
Change year-on-year

VDMA
KUKA



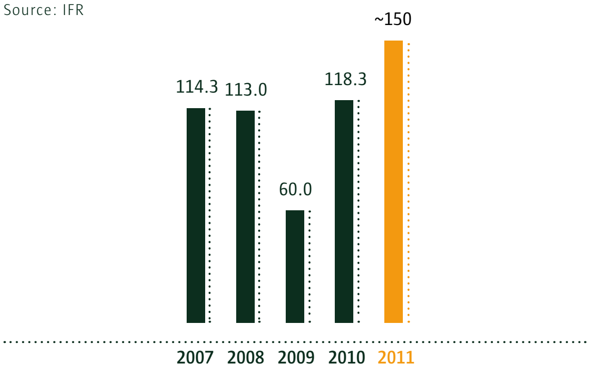
GLOBAL ROBOTICS MARKET GROWTH STRONG

The international robotics industry continued on its strong growth path during the year under review. In its latest study for 2011, the International Federation of Robotics (IFR) estimates that worldwide industrial robot sales have grown 27 percent to approximately 150,000 units.

This growth is being driven mainly by the international automotive industry, which is investing in new manufacturing technologies, manufacturing capacities and modernizing its production facilities. But sectors outside the automotive industry are also increasingly relying on robot technology to increase the efficiency of their production plants and the quality of their products. According to IFR, the main markets for industrial robots last year were Japan (26,000), Korea (24,500), North America (21,000), China (19,500) and Germany (15,500). Growth in China (+30 percent) and North America (+28 percent) was especially strong.

WORLDWIDE SALES OF INDUSTRIAL ROBOTS in thousands of units

Source: IFR



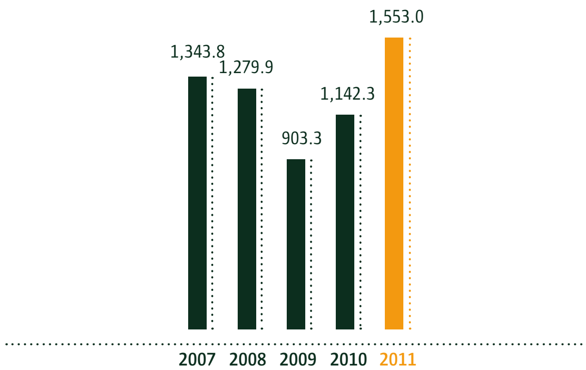
BUSINESS PERFORMANCE

Driven by the strong global demand for robot-based automation, KUKA Group's results for the financial year just ended set new records. Orders received, sales and EBIT all hit new highs. We were thus clearly able to meet our target values from Guidance 2011 (approximately € 1.35 million in sales revenues and a consolidated EBIT margin of more than 5 percent).

ORDERS RECEIVED HIT RECORD HIGH

Orders received reached € 1553.0 million for the year just ended, an increase of 36.0 percent compared to the € 1,142.3 posted in 2011. Robotics' orders rose 34.6 percent to € 654.4 million, which compares to € 486.2 million a year earlier. Similarly strong growth came from both the automotive and general industry sectors. Systems was able to win numerous major automotive industry orders, especially for car body and assembly systems, but also general industry orders. Year-over-year, orders received were up 27.9 percent. The division's orders received totaled € 916.6 million, compared with € 716.8 million in 2010.

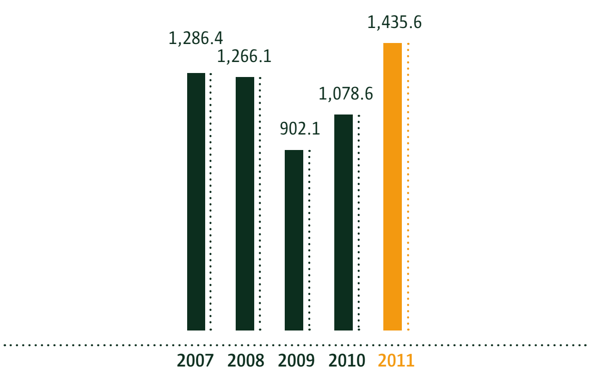
KUKA GROUP ORDERS RECEIVED in € millions



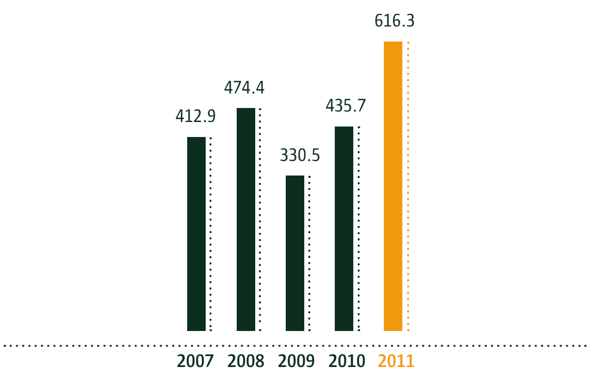
SALES REVENUES SIGNIFICANTLY HIGHER

KUKA Group's sales revenues for the financial year also reached a new high of € 1,435.6 million, up 33.1 percent from the € 1,078.6 million achieved in 2010. KUKA was thus able to steadily grow sales in each quarter, and driven by multiple systems project orders, brought in € 403.2 million in Q4, the highest for the entire financial year. Robotics' sales revenues in 2011 reached € 616.3 million, up 41.5 percent from the prior year's € 435.7 million. Systems' sales revenues rose 22.4 percent, to € 850.7 million from € 695.3 million in 2010. The book-to-bill ratio was again at 1.08, clearly above 1, and also higher year-on-year than the 1.06 ratio in 2010.

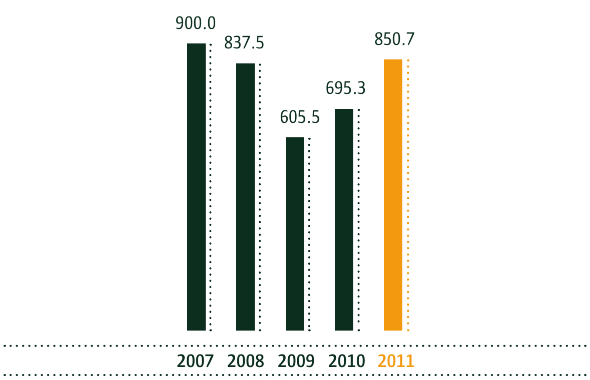
KUKA GROUP SALES REVENUES in € millions



KUKA ROBOTICS SALES REVENUES in € millions



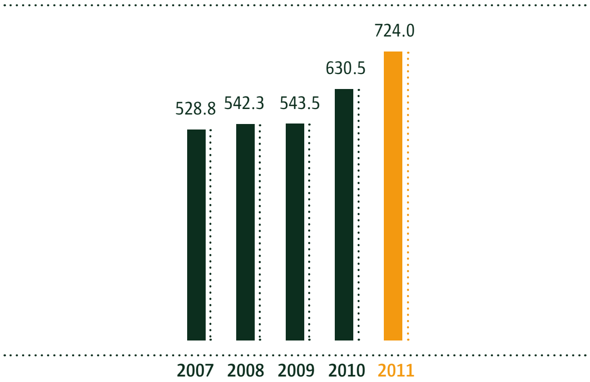
KUKA SYSTEMS SALES REVENUES in € millions



ORDER BACKLOG RISES AGAIN

At the same time, KUKA Group's order backlog rose anew and reached € 724.0 million at the end of the 2011 financial year. This represents an increase of 14.8 percent from the € 630.5 million reported on the December 31, 2010 record date. Robotics' order backlog to the end of 2011 was € 184.4 million, up 23.8 percent year-over-year, while Systems had € 545.0 on hand, an increase of 9.0 percent over the year prior. The order backlog coverage for Systems is six to eight months, and for Robotics it is three to four months. KUKA Group thus has a high degree of visibility in the current financial year.

KUKA GROUP ORDER BACKLOG in € millions



TARGETED HIRING IN GROWTH MARKETS

Driven by higher business volume, KUKA Group engaged in targeted hiring of new employees and used contract workers to cover temporary order peaks. Overall, the workforce expanded by 10 percent to 6,589, which compares to 5,990 on December 31, 2010. The number of contract workers increased during the same year-over-year period from 843 on December 31, 2010 to 1,078 on December 31, 2011. Of the 599 new full-time employees hired by KUKA Group, Robotics accounted for 406 and the System division 187. On a percentage basis, the increases were 17.3 percent and 5.4 percent respectively. Other companies accounted for an additional six persons. On a regional basis, most of the hiring was done by foreign subsidiaries in the growth markets of the United States, Brazil, China, Hungary and India. In Germany, new hires were attributable mainly to Robotics. The division added technical staff in research and development, as well as manufacturing in Augsburg.

EBIT ALMOST TRIPLED

KUKA Group's earnings before interest and taxes (EBIT) rose in each quarter of the year under review and almost tripled for the financial year overall, ending at € 72.6 million, a new record in KUKA's history. Last year the company reported a final EBIT of € 24.8 million. EBIT margin too was significantly better, going from 2.3 percent in 2010 to 5.1 percent in 2011. The margin improvement was driven by economies of scale due to higher volumes on the one hand, and the introduction of the new QUANTEC generation of robots by Robotics on the other. In addition, the savings from the cost reduction program from years 2009 and 2010 had a positive impact on the company's earnings for the whole financial year.

Both divisions contributed to this very satisfactory development. Robotics was able to more than double its contribution to Group EBIT, reporting € 51.0 million in 2011 versus € 20.8 million in 2010. At the same time, the division's EBIT margin rose during the same comparable period, to 8.3 percent from 4.8 percent. Better capacity utilization enabled Systems to improve its EBIT from € 20.0 million in 2010 to € 33.7 million in 2011. EBIT margin rose from 2.9 percent in 2010 to 4.0 percent in 2011. At the same time, the holding costs of KUKA Group after completing its restructuring went down from € 16.0 million in 2010 to € 11.6 million in 2011.

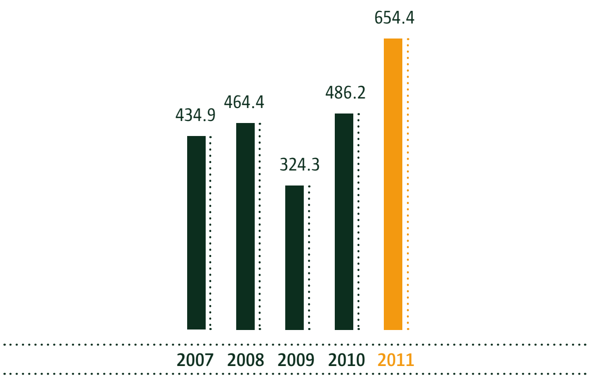
THE DIVISIONS

ROBOTICS DIVISION

Orders received at record high

During the 2011 financial year, capital spending by customers on efficiency improvements, raising production output and improving quality continued unabated. The Robotics division benefited accordingly and reported strong business growth rates, driven by both general industry and automotive. During the financial year, the division received several major blanket orders from European carmakers, which enabled it to report record orders received of € 183.1 million and € 183.2 million in the first and second quarters respectively. At the same time, demand from general industry continued to accelerate during the reporting period, and the growth rate of orders from this market segment slightly outpaced that of the automotive industry. The Robotics division reported record overall orders received for 2011. They rose 34.6 percent to € 654.4 million from 2010's € 486.2 million.

KUKA ROBOTICS ORDERS RECEIVED in € millions



Robotics launches new QUANTEC generation of industrial robots

Robotics unveiled its new QUANTEC generation of robots including the new KR C4 controller at the Automatica trade show in May 2010. Following the introductory phase in the second half of fiscal 2010, the division initially began selling the new generation of robots to automotive customers. They were introduced to general industry during the current financial year. The QUANTEC / KR C4 has impressive features. It is compact, keeps energy consumption low, boasts improved performance and is based on a holistic design approach.

The Robotics division had already been able to nearly double its orders from the automotive industry the year prior – admittedly coming from a low level the year before – and this financial year orders received from this market segment again rose dramatically. For example, two of the major orders included 800 industrial robots for China and 500 units destined for Belgium and Spain. In addition, Robotics received a blanket order from a major German premium carmaker for the supply of 3,000 robots. Overall orders from the automotive industry in 2011 jumped 36.7 percent, to € 275.0 million from € 201.2 million in 2010.

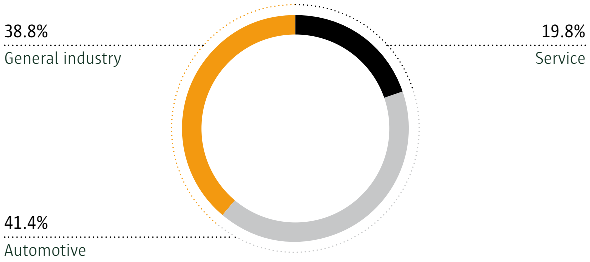
General industry growth rates outpace automotive

The economic recovery in the capital goods industry spilled over into general industry. Regionally, demand was concentrated in Europe and especially Asia. The division also focused on expanding the range of applications for which KUKA robots could be used. For example, at the EMO 2011 trade show, new solutions were presented for automating machine tools, which improve customers' flexibility while meeting specified safety requirements. In the first quarter of 2011, the Advanced Robotics division received its largest order to date from the health care segment. Siemens Healthcare purchased a large number of medical robots for use in modern x-ray imaging systems. Overall, general industry orders were up 36.8 percent in 2011, rising to € 257.9 million from € 188.5 million in 2010. The service business also benefited from the strong demand in both market segments. Here orders received rose 25.9 percent to € 121.5 million from € 96.5 million the year prior.

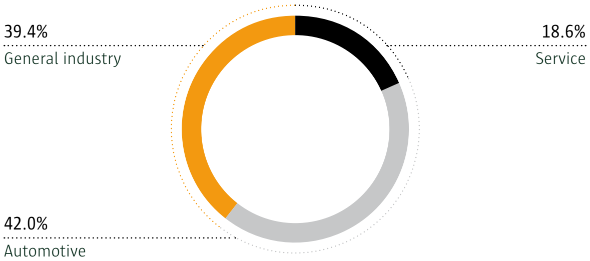
KUKA lightweight robot wins euRobotics Award

In May 2011, KUKA's lightweight robot won the euRobotics Award. This prize is handed out annually for the most successful collaboration between science and industry. The euRobotics Award is the European robotics industry's most coveted prize. KUKA's lightweight robot is the first robot to allow close collaboration between humans and machines thanks to innovative sensors that enable it to be used without protective barriers. This represents a milestone in the ongoing development of modern robotics.

ORDERS RECEIVED BY MARKET SEGMENT



2010



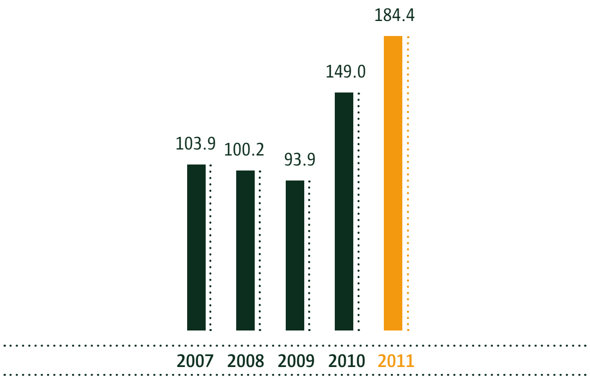
2011

The strong orders received drove the Robotics division's sales revenues sharply higher. They jumped 41.5 percent in 2011 and ended at € 616.3 million, compared to € 435.7 million in 2010. The book-to-bill ratio continued to be greater than one, coming in at 1.06 versus 1.12 in 2010.

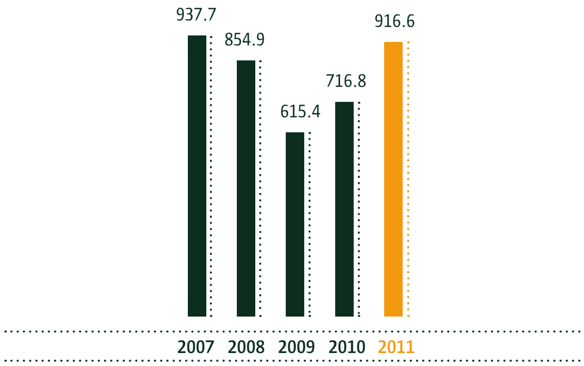
Order backlog higher at the start of the current financial year

Because orders received in financial 2011 were greater than sales revenues, the Robotics division's order backlog continued to rise and reached € 184.4 million as of the end of the 2011 financial year, up 23.8 percent from the € 149.0 million reported on December 31, 2010. This high order backlog along with the blanket orders from the automotive industry gives Robotics a relatively high capacity utilization factor for the 2012 financial year.

KUKA ROBOTICS ORDER BACKLOG in € millions



KUKA SYSTEMS ORDERS RECEIVED in € millions



Profit contribution more than doubled

This very satisfactory business growth enabled Robotics to more than double its earnings before interest and taxes (EBIT) in 2011. Profits were up primarily thanks to better economies of scale resulting from the higher capacity utilization and cost advantages of the new QUANTEC generation of robots. EBIT rose from € 20.8 million in 2010 to € 51.0 million in 2011. The division's EBIT margin also rose, from 4.8 percent in 2010 to 8.3 percent in 2011. The Robotics division's strategic EBIT margin target is 10 percent.

SYSTEMS DIVISION

Large orders from automotive

Rising capital spending by the automotive industry on manufacturing systems in Germany and abroad also drove the Systems division's business volume sharply higher. The division's orders received in fiscal 2010 were up 27.9 percent to € 916.6 million from € 716.8 million in 2010. This result was only slightly less than the previous record of € 937.7 million set in 2007. This very satisfactory growth was driven by numerous major orders the division received from automotive industry customers, especially in Europe, North America and China. The body-in-white and assembly systems business units were the primary benefactors. At the same time, Systems landed some orders for especially ambitious projects in the fields of specialty welding and lightweight manufacturing. The division was also successful outside the car industry and among others, received orders from solar industry customers in North America and China.

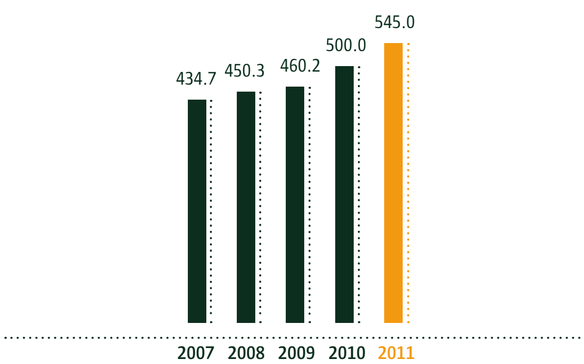
Substantially higher sales

In parallel with the growing orders received, Systems was able to generate significantly higher sales revenues. They were up 22.4 percent in total to € 850.7 million from € 695.3 million in 2010. The book-to-bill ratio thus continued to be greater than one, coming in at 1.08 versus 1.03 in 2010.

Excellent order backlog for the current financial year

Because orders received outpaced sales revenues, the Systems division's order backlog rose further and reached € 545.0 million at the end of the financial year, up 9.0 percent from the € 500.0 million reported on December 31, 2010. This means that the order pipeline is full for six to eight months, and the division's capacity is fully utilized until well into the current financial year.

KUKA SYTEMS ORDER BACKLOG in € millions



Profit contribution sharply higher

In fiscal 2011, the Systems division's earnings before interest and taxes (EBIT) came in at € 33.7 million versus € 20.0 million in 2010. This increase was driven especially by improved capacity utilization. As a result, the division's EBIT margin rose from 2.9 percent in 2010 to 4.0 percent in 2011. The Systems division's strategic EBIT margin target is 5 percent.

EARNINGS, FINANCIAL POSITIONS AND NET WORTH

EARNINGS

Summary

2011 was a very successful year for KUKA. The Group increased both its orders received and its sales revenues by more than 30 percent year-on-year, and thus substantially beat its 2008 numbers. As a result of the expanded business volume and the resulting economies of scale, as well as on the basis of the permanent cost cuts from previous years, the Group achieved earnings before interest and taxes (EBIT) of € 72.6 million, up € 47.8 million from the previous year. This very satisfactory growth is also reflected in earnings before taxes, which is positive again for the first time since 2008 and totals € 29.9 million.

KEY FIGURES KUKA GROUP

in € millions	2007	2008	2009	2010	2011
Orders received	1,343.8	1,279.9	903.3	1,142.3	1,553.0
Sales revenues	1,286.4	1,266.1	902.1	1,078.6	1,435.6
EBIT	70.4	52.0	-52.6	24.8	72.6
in % from revenues	5.5	4.1	-5.8	2.3	5.1
% from capital employed (ROCE)	41.6	21.5	-16.6	7.9	21.8
Capital employed	169.4	242.3	317.5	312.5	332.9
Employees (Dec. 31)	5,732	6,171	5,744	5,990	6,589

The Robotics division's sales revenues had already risen sharply, by 31.8 percent to € 435.7 million, in 2010. Sales rose once again in 2011. They were up 41.5 percent to their current € 616.3 million, a high for the year for the segment. KUKA's Chinese robotics company, newly established during the financial year, also made a significant contribution. The company has already reported sales revenues in the mid-double-digit millions of euro. The division posted a total order backlog of € 184.4 million to the end of the year.

The Systems division also reported excellent sales growth. Sales rose from € 695.3 million in 2010 to € 850.7 million in 2011, an increase of 22.4 percent. The division's orders received were also up nicely; in 2011, they were over € 200 million in each quarter, and were thus also above the year-over-year period in each quarter. KUKA's order backlog at the end of the year was worth € 545.0 million, compared to € 500.0 million the previous year. The backlog will have an impact in 2012 and partly in 2013 due to the delayed sales in the project business.

KUKA Group's consolidated sales revenues for the financial year came in at € 1,435.6 million, up 33.1 percent from the € 1,078.6 million reported last year.

Earnings and costs continue to improve

KUKA Group's gross earnings from sales rose € 77.7 million, from € 204.0 million in 2010 to € 281.7 million in 2011. The main reason for the increase in absolute terms was the € 357.0 million increase in sales revenues. The positive gross margin trend is noteworthy in this regard (that is, the ratio of consolidated gross earnings to sales revenues). It went from 18.9 percent to 19.6 percent.

The Robotics division contributed € 60.3 million to the increase in gross earnings. At the same time, gross margin was back to 29.6 percent after a decline to 28.1 percent in 2010. This is all the more satisfactory because the share of sales from major automotive industry customers, where margins tend to be lower, increased year-over-year.

KEY FIGURES KUKA ROBOTICS

in € millions	2007	2008	2009	2010	2011
Orders received	434.9	464.4	324.3	486.2	654.4
Sales revenues	412.9	474.4	330.5	435.7	616.3
EBIT	33.6	42.0	-11.5	20.8	51.0
in % from revenues	8.1	8.9	-3.5	4.8	8.3
% from capital employed (ROCE)	34.6	37.2	-9.5	16.1	38.3
Capital employed	97.1	112.9	120.5	129.1	133.2
Employees (Dec. 31)	2,023	2,261	2,009	2,347	2,753

The Systems division contributed € 14.9 million to the higher gross earnings, an increase of 20.2 percent year-on-year. At 10.4 percent, gross margin was just below the previous year's level of 10.6 percent, but considerably higher than 2009's 9.0 percent. Adjusted for the interest expenses included in manufacturing costs, the margin was 11.4 percent versus 11.6 percent the previous year. Thanks to the ongoing positive market situation and the associated better price realization on orders, project risks were also significantly lower.

KEY FIGURES KUKA SYSTEMS

in € millions	2007	2008	2009	2010	2011
Orders received	937.7	854.9	615.4	716.8	916.6
Sales revenues	900.0	837.5	605.5	695.3	850.7
EBIT	37.2	26.8	-28.8	20.0	33.7
in % from revenues	4.1	3.2	-4.8	2.9	4.0
% from capital employed (ROCE)	51.0	20.2	-14.5	10.4	16.1
Capital employed	73.0	132.7	198.6	192.4	209.6
Employees (Dec. 31)	3,582	3,781	3,534	3,456	3,643

In view of the business expansion, operating costs; that is, KUKA Group's administration, sales and R & D costs, rose year-on-year from € 192.7 million in 2010 to € 216.1 million in 2011. However, percentage-wise, this increase is less than sales revenue growth. One place this can be seen is in operating expenses, which rose 14.5 percent, whereas sales revenues rose 33.1 percent. Spending on research and development rose sharply, going up by € 8.2 million to € 37.7 million. The increase in expenses reflects both the consistent engineering orientation of the Group with its associated higher investment in trendsetting technologies, and in the budgeted depreciation and amortization (which will now be recognized in full) for major projects completed in previous years for the new generation of robots. The Group's administrative expenses are just slightly higher than last year.

Other income and expenses relate mainly to expenses and income associated with currency transactions, which generated a negative balance of € 1.8 million. Last year's balance was positive at € 3.8 million.

Strong rise in earnings before interest and taxes

KUKA was able to turn around its earnings before interest and taxes (EBIT) in 2010. The situation continued to improve during the fiscal year. KUKA's higher gross earnings were the main reason EBIT went from € 47.8 million to € 72.6 million. KUKA Group's consolidated EBIT margin improved in each quarter of 2011 and now stands at 5.1 percent for the financial year versus 2.3 percent last year.

The increase in earnings before interest and taxes is attributable to both segments. The Robotics division generated an EBIT of € 51.0 million in 2011, an increase over the € 20.8 million generated in the previous year, bringing EBIT margin to 8.3 percent. In Q4 2011, EBIT margin was already 9.0 percent and is thus approaching the target margin of 10.0 percent. The Systems division's EBIT was also up in 2011 and came in at € 33.7 million, compared to € 20.0 million the year prior. The division's EBIT margin was 4.0 percent. The division thus also closed in on its target EBIT margin of 5.0 percent this fiscal year.

EBITDA (earnings before interest, taxes, depreciation and amortization) came in at € 98.7 million, more than twice the € 47.0 million achieved during the same period the year prior. Total depreciation and amortization during the reporting period was € 26.1 million versus € 22.2 million at the same time last year. Of this total, the Robotics division's share was € 13.5 million, which compares to € 9.6 million a year earlier. The Systems division accounted for € 9.3 million, versus € 9.5 million the year prior, and others' share was € 3.3 million, as opposed to € 3.1 million the year prior.

KUKA's earnings from financing activities improved € 3.9 million year-on-year to € -18.2 million. KUKA's refinancing, the most recent of which took place in November 2010, had an impact on earnings from financing activities. More favorable guarantee conditions resulted in a reduction of € 1.8 million in guarantee fees year-on-year, despite having made greater use of the credit lines (up € 41.8 million from December 31, 2010 to December 31, 2011) as a result of the booming business. Interest expenses include € 18.7 million for the interest on the corporate bond placed in November 2010, versus € 2.3 million the year prior, and € 4.7 million for the convertible bond redeemed in November 2011 compared to € 5.3 million the previous year. Interest income was up from € 9.1 million the year prior to € 9.9 million and includes primarily income from investments at banks, income related to the financing lease and income from pension funds. Accounting-related reclassification of financing charges into operating profit had a positive impact on the net interest result, which came in at € 8.4 million compared to € 7.2 million the previous year. A write-down on a holding in the amount of € 0.8 million was also recognized in KUKA's earnings from financing activities during the financial year along with the net interest income of € -17.4 million.

KUKA Group's tax expense totaled € 16.1 million in 2011, compared to € 4.1 million the previous year. This increase was driven especially by current tax expenses in the United States and the budgeted reduction of tax loss carryforwards that were recognized as assets in previous years among the German consolidated companies. The tax rate is 35.0 percent.

Turnaround for earnings after taxes

In total, KUKA Group's earnings after taxes went from € -8.6 million last year to € 29.9 million in 2011. The Group was thus able to generate a positive net result for the year for the first time since 2008. Earnings per share improved accordingly, going from € -0.28 in 2010 to € +0.89 in 2011. Because of the capital increase in 2010 and the sale of treasury shares in 2011, the weighted average number of shares in circulation rose from 30.3 million in 2010 to 33.4 million in 2011.

CONSOLIDATED INCOME STATEMENT (CONDENSED)

in € millions	2007	2008	2009	2010	2011
Sales revenues	1,286.4	1,266.1	902.1	1,078.6	1,435.6
EBIT	70.4	52.0	-52.6	24.8	72.6
EBITDA	97.3	78.0	-29.5	47.0	98.7
Earnings from financing activities	-8.0	-5.0	-11.5	-22.1	-18.2
Taxes on income	-13.6	-16.4	-11.4	-4.1	-16.1
Net result for the year	117.9	30.6	-75.8	-8.6	29.9

FINANCIAL POSITION

Financial management goals and principles

KUKA Group's financial management is run centrally by KUKA AG. KUKA AG bundles most of its companies' financial requirements and manages them at KUKA AG. In performing these tasks, KUKA AG evaluates risks related to credit, liquidity, interest and exchange rates on the basis of a standard reporting system and secures them to the extent possible. Risks are hedged exclusively on a transaction by transaction basis or for anticipated orders using standard derivatives. KUKA has issued a standard set of guidelines to all Group companies for managing financial risks. These guidelines were also continually reviewed and optimized during the financial year to ensure they were current.

Group financing and working capital management

The aim of the financing policy is to secure sufficient liquidity and guaranteed credit lines at all times to satisfy the operating and strategic financial needs of the Group's companies. This policy is based on a multiyear financial budget and a rolling monthly liquidity plan, each of which encompasses all consolidated Group companies. Working capital guarantees play a significant part in financing for ordinary business operations in the course of project business, especially in the Systems division.

Revenue streams from the business operations of the Group's companies 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 debt 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 bond issued in November 2010 (further information can be found in the Group notes, section 26).

FINANCING STRUCTURE AS OF 2010

During the past fiscal year, KUKA worked diligently on restructuring the Group's finances. In March 2010, a Syndicated Senior Facilities Agreement worth € 336.0 million, which had existed since 2007 (€ 146.0 million bank line of credit and € 190 million working capital guarantee) was extended. In November 2010, the company realigned the way it was financed: KUKA signed a new Syndicated Senior Facilities Agreement worth € 200.0 million with a consortium of banks and successfully placed a corporate bond valued at € 202.0 million. € 69.0 million was set aside from the bond income and used to repay the convertible bond in November 2011.

In conjunction with the bond issue, KUKA AG received initial ratings in November 2010 from Standard & Poor's and Moody's. The former rated the company B (stable) and the latter B2 (stable). Standard & Poor's rated the bond itself B- and Moody's gave it B3. The rating has remained unchanged since November 2010.

The new Syndicated Senior Facilities Agreement is valued at € 200 million, of which € 50.0 million is a cash credit line and € 150.0 million a working capital guarantee, and runs until March 2014.

Existing working capital guarantees increased

To increase working capital beyond the guarantees in the Syndicated Senior Facilities Agreement so that it could support its operations during the financial year, the company secured additional working capital guarantees through bilateral agreements with various surety companies. As of December 31, 2011, working capital guarantees of € 52.0 million have been available from credit insurance companies, compared to € 10 million the previous year. € 36.3 million of the working capital guarantees were utilized versus € 5.6 million the year prior.

Due to the Group's improved financial position, KUKA AG's finance department was able to replace bank guarantees with group guarantees through intensive negotiations with customers, in addition to increasing external working capital guarantees. KUKA AG acts as guarantor for these guarantees.

In total, external working capital guarantees of € 202.0 million were available on December 31, 2011, compared to € 160 million the previous year, of which 81.7 percent were utilized. Last year the number was 77.0 percent.

Second ABS program completed

KUKA AG's finance department also helps other KUKA Group business units with their financing structure. For example, a second ABS program of about the same magnitude as the existing one was added in June 2011. The maximum volume is now € 50.0 million (for more details, see Appendix 26 / ABS Program).

KUKA Group's Executive Board considers the company's financing to be appropriate and secured for the long-term after having undertaken the restructuring.

CONSOLIDATED CASH FLOW (CONDENSED)

in € millions	2007	2008	2009	2010	2011
Cash Earnings	81.2	69.4	-43.7	23.4	65.9
Cash flow from operating acitivities	62.3	-61.2	4.8	-24.8	36.4
Cash flow from investment activities	161.3	-105.7	-27.0	-12.5	-29.9
Free cash flow	223.6	-166.9	-22.2	-37.3	6.5

Cash Earnings again up sharply

Cash earnings, consisting of earnings before taxes corrected for cash-neutral depreciation on property, plant and equipment and intangible assets and other non-cash income and expenses were again up sharply. In fiscal 2009, they were still at € -43.7 million, by 2010 they had already reached € 23.4 million, and are now at a very satisfactory € 65.9 million. This achievement is directly attributable to the continuous improvement in earnings before taxes, which went from € -75.8 million in 2009, to € -8.6 million in 2010 and to € 29.9 million in 2011.

The positive business trend is reflected in cash flow from operating activities. Trade working capital at the end of the reporting year was posted as follows:

TRADE WORKING CAPITAL

in € millions	2007	2008	2009	2010	2011
Inventories	150.0	151.5	103.8	158.0	195.4
Trade receivables and receivables from construction contracts	271.9	331.5	238.5	291.8	339.8
Trade payables and liabilities from construction contracts	221.3	203.7	127.9	188.2	260.6
Trade working capital	**200.6**	**279.3**	**214.4**	**261.6**	**274.6**

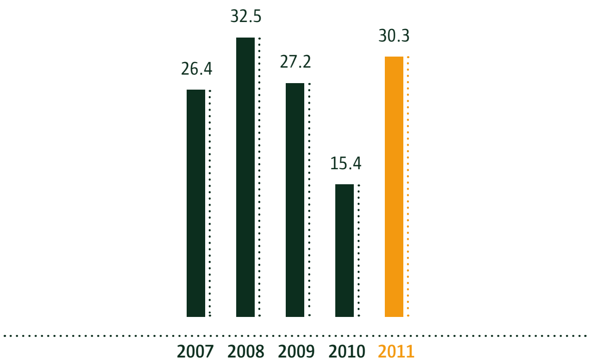
The increase in trade receivables, as well as receivables from manufacturing orders (€ +48.0 million) and inventories (€ +37.4 million), were largely offset by an increase in trade payables and liabilities from manufacturing orders (€ +72.4 million). In total, trade working capital increased year-on-year by € 13.0 million to € 274.6 million.

KUKA Group's cash flow from operating activities as of the balance sheet date increased from € -24.8 million in 2010 to € 36.4 million in 2011.

Positive free cash flow despite higher capital spending

KUKA invested € 30.3 million during the financial year. Last year, investments totaled € 15.4 million. This reflects the increased spending on research and development and the associated increase in the share of investments attributable to intangible assets. These are now at 41.9 percent compared to 31.2 percent the previous year. € 8.2 million was capitalized for proprietary development activities during the reporting year, most which was reported by the Robotics segment. Last year the number was € 2.0 million. Development was focused on the lightweight robot and rounding out the new QUANTEC robot generation (see the "Research and development" section).

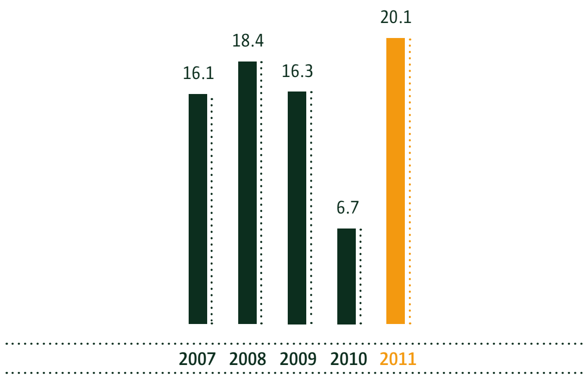
KUKA GROUP CAPITAL EXPENDITURES in € millions



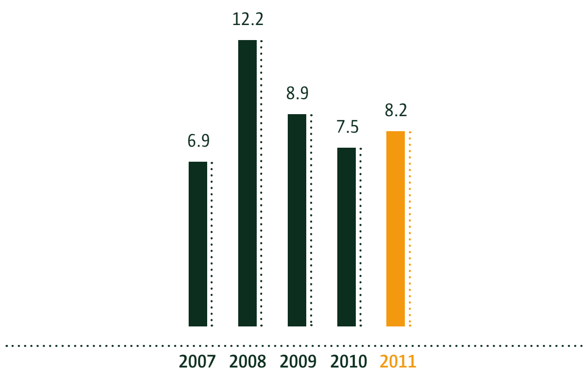
Investments in property, plant and equipment totaled € 17.6 million compared to € 10.6 million last year. Technical systems and machinery accounted for € 5.0 million, the major share of the investment, versus € 3.9 million the year prior. Spending on other systems / factory and office equipment totaled € 8.8 million compared to € 4.9 million the previous year.

Investments by division in 2011 were as follows: The Robotics divisions spent € 20.1 million versus € 6.7 million the year prior. Besides the capitalized development activities described above, investments were primarily made in technical systems and machinery, such as an assembly cell for the QUANTEC robot's central hand. The Systems division reported investments of € 8.2 million compared to € 7.5 million the year prior. The spending was mainly on technical systems, such as engraving machines, friction welding machines and CNC machines, as well as factory and office equipment. KUKA AG's investments categorized as "Other" totaled € 2.0 million, which compares to last year's € 1.2 million. Other investments went toward initiatives such as enhancing software and hardware components.

KUKA ROBOTICS CAPITAL EXPENDITURES in € millions



KUKA SYSTEMS CAPITAL EXPENDITURES in € millions



Due to the higher capital spending, cash flow from investment activities is now € -29.9 million, compared to € -12.5 million the previous year.

The cash flow from investment activities together with the cash flow from operating activities resulted in a free cash flow of € 6.5 million. Last year, KUKA's free cash flow totaled € -37.3 million. KUKA Group was thus able to generate a positive free cash flow again for the first time since 2007.

Unrestricted liquidity substantially higher

The cash flow from financing activities was driven mainly by two events in 2011: The first was an outflow of cash caused by the repayment of the convertible bond in the amount of € 69.0 million; the second was an inflow of cash to KUKA from the sale of treasury shares in May of € 23.7 million.

Inflows of cash in the previous year were the result of the capital increase in June 2010 of € 42.8 million and the € 198.2 million bond placed in November 2010. Among other things, these funds were used to repay bank liabilities in the amount of € 63.9 million. In addition, € 69.0 million in cash was deposited into a trust account to repay the convertible bond. It was thus not unrestricted for KUKA.

As of December 31, 2011, KUKA Group had unrestricted liquid assets totaling € 168.8 million. This represents an increase of € 34.4 million over the unrestricted liquid assets available on the previous year's balance sheet date.

KUKA Group's net debt; that is, liquid assets minus current and noncurrent financial liabilities was € -32.6 million as of December 31, 2011, up € 27.7 million from the € -60.3 million on the previous year's record date, December 31, 2010. The Group's financing structure has thus continued to improve. The share of short-term financial liabilities (€ 7.4 million) of total financial liabilities (€ 201.4 million) is now only 3.7 percent, versus 26.9 percent the year prior.

NET WORTH

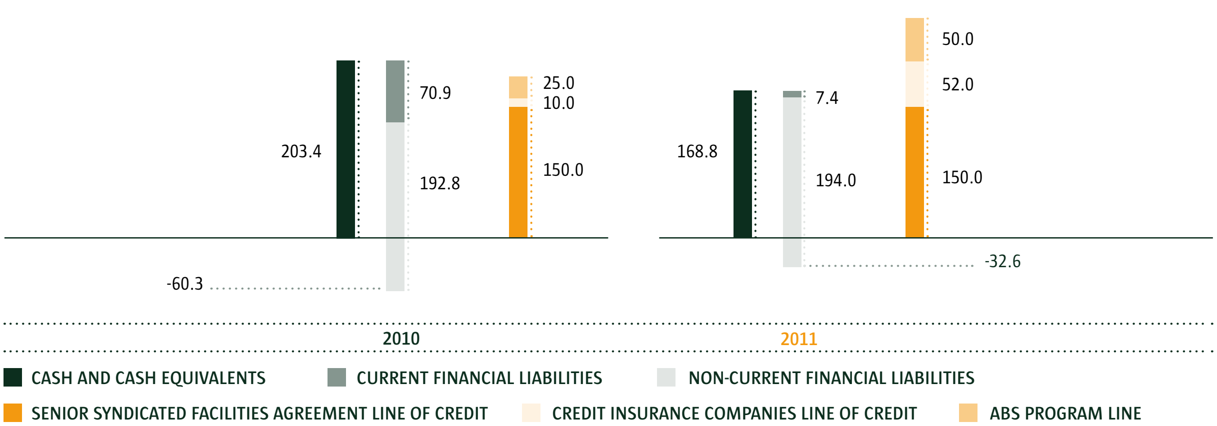
Total assets higher driven by business situation

Long-term assets were virtually unchanged from the previous year's record date, coming in at € 297.0 million versus € 296.6 million in 2010. Due to the increased investment activities, KUKA's fixed assets rose € 3.3 million, while receivables from finance leasing from the earlier redemption of KTPO's financing and income tax receivables due to budgeted incoming payments were down € 2.1 million and € 1.4 million respectively. Deferred tax assets were used as loss carryforwards due to a positive tax balance, especially among the German consolidated companies. In contrast, deferred tax assets had to be formed out of valuation differences in KUKA Group so that the total for deferred tax assets of € 35.0 million would be closer to the previous year's € 34.5 million.

NET WORTH

in € millions	2007	2008	2009	2010	2011
Balance sheet total	888.2	865.5	726.2	984.7	1,078.0
Equity	233.5	213.5	160.8	198.1	252.4
in % of balance sheet total	26.3	24.7	22.1	20.1	23.4
Net liquidity / debt	163.6	-53.6	-48.5	-60.3	-32.6

CONSOLIDATED NET DEBT in € millions



Current assets were up because of sharply higher receivables from contracts and inventories. Further details in this regard are provided in the financial position discussions. The increase in other assets and deferred charges was driven mainly by higher value added tax receivables and prepaid import taxes related to large international projects. Cash and cash equivalents totaled € 168.8 million as of the record date. In total, current assets as of the record date were € 781.0 million, € 92.9 million higher than reported at the close of last year.

The business growth is also reflected in KUKA Group's total balance sheet assets, which rose € 93.3 million, or 9.5 percent, from € 984.7 million on December 31, 2010 to € 1,078.0 million on December 31, 2011.

Equity substantially higher

Total equity was higher, driven especially by the positive net result for the year of € 29.9 million, versus € -8.6 million the year prior, and the cash inflow from the sale of treasury shares worth € 23.7 million. Exchange rate differences of € 2.8 million also contributed to the increase in equity. This was offset by the actuarial result related to pension accounting of € 1.5 million. Overall, equity was up € 54.3 million to € 252.4 million as of December 31, 2011. As a result, the equity ratio, the ratio of equity to total assets, was 3.3 percent higher as of the balance sheet date: 20.1 percent compared to 23.4 percent.

Non-current financial liabilities as of the balance sheet date were about the same as last year at € 194.0 million and comprise mainly the corporate bond. The convertible bond was included under short-term financial liabilities the previous year. The line item this reporting year relates primarily to the use of cash credit lines by two foreign subsidiaries.

In conjunction with the expansion of business activities and larger advance payments from customers, both advance payments received (up € 18.1 million to € 67.1 million) and liabilities from manufacturing orders (up € 53.8 million to € 93.4 million) were higher. The very satisfactory order situation is also reflected in other liabilities, especially personnel liabilities; for example, liabilities for flexible work time, vacation entitlements and variable remuneration components are up sharply year-on-year. At the end of 2011, current liabilities totaled € 527.9 million compared to € 491.7 million the year prior

Working Capital and Capital Employed

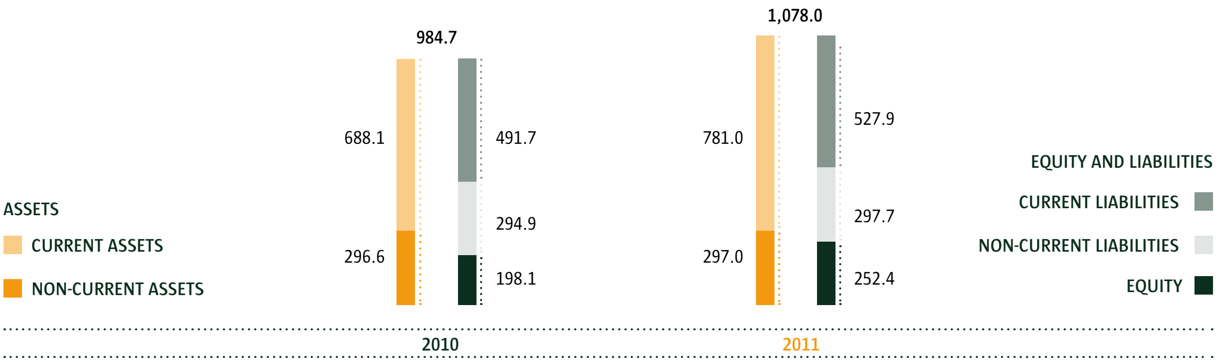
During the financial year, working capital rose € 14.2 million to € 98.9 million due to the expanding business volume.

One of KUKA Group's key indicators is return on capital employed, or ROCE. The average capital employed is measured at the beginning and at the end of the financial year. On average, KUKA Group's capital employed for 2010 and 2011 was € 312.5 million and € 332.9 million respectively, up slightly year-over-year. Return on capital employed was positive thanks to the EBIT of € 72.6 million and ended at 21.8 percent, versus 7.9 percent the year prior.

The Robotics division's average capital employed came in at € 133.2 million versus € 129.1 million the year prior. The division generated a return (ROCE) of 38.3 percent compared to 16.1 percent the year prior. The Systems division, with average capital employed of € 209.6 million, posted a return (ROCE) of 16.1 percent. In the previous year the numbers were € 192.4 million and 10.4 percent respectively.

GROUP ASSETS AND FINANCIAL STRUCTURE

in € millions



NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF KUKA AKTIENGESELLSCHAFT

KUKA Aktiengesellschaft acts as a management holding company with central management responsibilities such as accounting and controlling, finance, HR, legal and financial communications. Its business performance is primarily determined by the activities of its subsidiaries. KUKA Roboter GmbH and KUKA Systems GmbH, the management companies of the Robotics and Systems divisions, report directly to KUKA AG.

KUKA AG prepares its annual financial reports in accordance with the standards of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetzbuch- AktG). The standards of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) were applied for the first time last year.

The electronic version of KUKA AG's financial statements will be published in the Bundesanzeiger (German Federal Gazette) and will be available on our website at www.kuka.com.

KUKA AKTIENGESELLSCHAFT: INCOME STATEMENT (HGB)

in € millions	2010	2011
Other company-produced and capitalized assets	0.0	0.5
Other operating income	30.2	40.0
Personnel expense	-17.4	-18.5
Depreciation and amortization of tangible and intangible assets	-3.0	-3.2
Other operating expense	-47.7	-36.8
Income from participations	46.6	34.2
Other interest and similar income	16.3	23.4
Interest and similar expenses	-33.7	-26.2
Income from ordinary activities	**-8.7**	**13.4**
Extraordinary result	-1.0	0.0
Taxes on income	6.0	1.2
Net profit (previous year: net loss)	**-3.7**	**14.6**
Loss carryforward from previous year	-72.0	-75.7
Balance sheet loss	**-75.7**	**-61.1**

KUKA AKTIENGESELLSCHAFT: BALANCE SHEET (HGB)

ASSETS

in € millions	2010	2011
Non-current assets		
Intangible assets	2.6	2.3
Property, plant and equipment	15.8	15.5
Financial investments	174.3	174.3
	192.7	**192.1**
Current assets		
Inventories	0.0	0.1
Receivables from affiliated companies	171.8	171.5
Other receivables and assets	11.3	13.1
	183.1	**184.7**
Cash and cash equivalents	**163.2**	**130.1**
	346.3	**314.8**
Prepaid expenses	**1.5**	**1.7**
	540.5	**508.6**

EQUITY AND LIABILITIES

in € millions	2010	2011
Equity		
Subscribed capital	88.2	88.2
Nominal value of treasury shares	-3.5	0.0
	84.7	**88.2**
Capital reserve	**73.0**	**73.0**
Other retained earnings	**3.5**	**24.4**
Balance sheet loss	**-75.7**	**-61.1**
	85.5	**124.5**
Provisions		
Pension provisions	12.5	11.9
Provision for taxes	1.5	0.0
Other provisions	29.4	19.4
	43.4	**31.3**
Liabilities		
Bond	202.0	202.0
Liabilities due to banks	2.2	2.4
Trade payables	6.1	2.5
Accounts payable to affiliated companies	194.8	137.6
Liabilities to provident funds	2.4	2.5
Other liabilities	4.1	5.8
	411.6	**352.8**
	540.5	**508.6**

KUKA AKTIENGESELLSCHAFT: EARNINGS

KUKA Aktiengesellschaft's earnings are determined primarily by the results of its subsidiaries and its financing activities. KUKA AG's result from ordinary business activities rose € 22.1 million to € 13.4 million, from € -8.7 million the previous year.

KUKA Aktiengesellschaft took over the tasks of KUKA Dienstleistungs-GmbH, such as facility management, during the financial year. Other operating income, as well as the offsetting personnel expenses, thus rose. Other operating expenses fell € 10.9 million to € 36.8 million. Last year's expenses related mainly to the capital increase, the Syndicated Senior Facilities Agreement and other consultation costs, which all weighed on other operating expenses.

Net income from investments came in at € 34.2 million, below the previous year's € 46.6 million. Note that the previous year's number includes a distribution by KUKA AG's American subsidiary of € 30.2 million. The net result of income from profit transfers and the cost of loss absorption increased significantly, from € 16.4 million to € 34.2 million.

The restructuring of the Company's financing in November 2010, which resulted in lower interest expenses, helped improve net interest income by € 14.6 million to € -2.8 million, as did higher net interest income from affiliated companies.

KUKA Aktiengesellschaft's net result for the year, including tax income of € 1.2 million that was primarily the result of tax charges from consolidated companies, was € 14.6 million. It was € -3.7 million the year prior.

KUKA AKTIENGESELLSCHAFT: FINANCIAL POSITION

One of KUKA Aktiengesellschaft's most important tasks is to provide funds and guarantees for its subsidiaries' operations. In November 2010 KUKA Aktiengesellschaft obtained external financing by placing a corporate bond, which is shown in the balance sheet line item "Bond". KUKA AG placed a convertible bond with a face value of € 69 million in 2006 via its Netherlands-based subsidiary KUKA Finance B.V. This was repaid as planned in November 2011. In addition, KUKA Aktiengesellschaft entered into a Syndicated Senior Facilities Agreement with a consortium of banks in November 2010 (for more details, see Financial Position KUKA Group and Appendix (26)).

KUKA AG's financing role is reflected in the receivables from and liabilities toward affiliated companies. These receivables and liabilities are primarily a result of the cash pooling accounts with subsidiaries and the loans provided. The current balance shows a receivable of € 33.9 million, compared to a liability of € 23.0 million the previous year. The turnaround in the subsidiaries' liquidity needs was driven by two factors: The subsidiaries that participate in cash pooling expanded their working capital and profits were transferred during the financial year. In total, KUKA AG's liquid assets thus declined from € 163.2 million to € 130.1 million.

KUKA AG's financial liabilities are thus € 204.4 million, which compares to € 204.2 million in 2010.

KUKA AKTIENGESELLSCHAFT: NET WORTH

KUKA AG's net worth is driven by its management of its holdings and its management of the Group companies. For information on receivables from and liabilities to affiliated companies, please refer to remarks in the section on the KUKA Aktiengesellschaft's financial position.

Investments in intangible fixed assets and property, plant and equipment, especially factory and office equipment, totaled € 2.2 million and were offset by depreciations, amortizations and write-downs of € 3.2 million. The direct holdings of KUKA AG in its subsidiaries are shown under the financial assets line item.

The change in equity reflects the sale of treasury shares in May 2011 and the financial year's net result (see also the remarks on the financial position of KUKA Group on Page 66). KUKA AG's equity ratio was 24.5 percent as of December 31, 2011, versus 15.8 percent the year prior.

The net result of these items on KUKA AG's total balance sheet assets was a reduction of € 31.9 million to € 508.6 million.

EVENTS AFTER THE BALANCE SHEET DATE

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

Please refer also to the ad hoc announcement dated January 31, 2012:

"Today, Mr. Stephan Schulak, member of the Executive Board of KUKA Aktiengesellschaft (CFO), informed the Chairman of KUKA Aktiengesellschaft's Supervisory Board, Mr. Bernd Minning, that he will not be available for another term of office beyond September 30, 2012. Mr. Schulak will continue his office until September 30, 2012.

KUKA Aktiengesellschaft will timely inform about the successor in office of Mr. Schulak."

RESEARCH AND DEVELOPMENT

R&D SPENDING BOOSTED AGAIN

To advance its technology leadership, KUKA Group, especially the Robotics division, continued to invest in research and development on new products and applications during the financial year. As a result, capital spending rose from € 29.5 million in 2010 to € 37.7 million in 2011. Still, at 2.6 percent, KUKA Group's research and development ratio; that is, R & D expenditures over sales revenues, remained close to the prior year's 2.7 percent due to the sharply higher business volume in the KUKA Group. The capitalization ratio; that is, the share of R & D costs capitalized was 20 percent in 2011 versus 6.6 percent the year prior.

The majority of KUKA Group's research and development is conducted by the Robotics division, which sells products. During the reporting period, the division accounted for € 35.4 million, or 93.9 percent of the total reported R & D expenditures. This compares to € 28.2 million or 95.6 percent the year prior. Here too, the R & D ratio declined due to the sharply higher sales volume, coming in at 6.2 percent in 2011 versus 6.8 percent in 2010. In addition, the division spent € 2.1 million on development services for the Systems division and other companies. The Systems division's development work relates almost exclusively to that required to complete customer-specific projects.

GROUP RESEARCH AND DEVELOPMENT COSTS

	2007	2008	2009	2010	2011
Total expenditure in € millions	30.8	33.7	35.6	29.5	37.7
of which KUKA Robotics in € millions	28.3	31.0	33.1	28.2	35.4
KUKA Robotics share in %	91.9	92.0	93.0	95.6	93.9
KUKA Robotics' R&D-ratio in % of sales	6.9	6.5	10.1	6.8	6.2

ROBOTICS DIVISION

At the end of fiscal 2011, the Robotics division's research and development department employed 258 persons, compared to 212 last year. This represents an increase of 46 persons or 22 percent over the course of the fiscal year, a considerably higher growth rate than the average at KUKA Group overall. Half of these employees work on software and hardware development and half work on mechanical design and mechatronics. The majority have a university degree. The Robotics division applied for 79 patents and received 90 patents during the fiscal year. Last year the numbers were 137 and 98 respectively.

New QUANTEC generation of robots now completed

KUKA's new QUANTEC generation of robots was first unveiled at the Automatica trade show in Munich in 2010. The new series is compact, has a low tare weight and dynamic performance is exceptional. It saves valuable manufacturing floor space, cuts energy consumption and shortens cycle times. The QUANTEC series was completed during the fiscal year with the release of the QUANTEC Foundry model at the international casting tradeshow GIFA 2011 in Düsseldorf and the QUANTEC palletizing robot at the IREX 2011 international robot exhibition in Tokyo.

The foundry models include a heat-resistant central hand that can be submerged and are designed to withstand the extremely harsh conditions in a foundry, such as heat, sand, high-pressure water sprays and continuous high humidity. For example, foundry robots can be used to transport heavy workpieces between machines and presses or for forging and deburring.

The QUANTEC palletizing robot is available in three payload classes ranging from 120 kg to 240 kg. It features a hollow-shaft design that houses and protects hose assemblies. This makes off-line programming easier and extends the service life of the hose assemblies. Their high dynamics make the new QUANTEC palletizing robots ideally suited to applications in the food and beverage industry and the logistics sector.

Industrial robots used as milling machines

Thanks to their extreme flexibility, not only can industrial robots be used for material handling and welding, but also to machine workpieces. Such machining equipment is usually programmed using CAD / CAM systems. To date, existing CNC programs could not be directly interpreted by robot controllers and had to be translated into the robot programming language. On the new KUKA.CNC product, which was presented at the EMO 2011 machine tool exhibition in Hanover, the CNC kernel is directly integrated into the robot controller, which enables the robot to directly interpret CNC programs, thus eliminating the need for translation, as well as the associated loss of information. As a result, the ancillary advantages of an industrial robot (large work envelope, six-axis machining, low capital cost) are combined with the advantages of a conventional CNC controller (CNC programming, workpiece radius compensation, intuitive machine tool management and CNC user interface). It also expands the application range of industrial robots; for example, for milling and polishing shaped components or coating, seaming and trimming or laser, plasma and water-jet cutting complex parts.

Easy to integrate: KUKA robots in the world of machine tools

A further example of integrating KUKA industrial robots into the machine tool world was presented together with Siemens Drive Technologies, also at the EMO 2011 machine tool exhibition. The mxAutomation product enables robots to be operated and configured via Siemens' Sinumerik machine tool control system. This gives machine operators a common interface to both the machine tool on the robot. No special robot programming language knowledge is required. This integration optimizes the interaction of the two machines: the robot handles loading and unloading tasks and positions the workpiece and the machine tool does the actual machining.

KUKA LABORATORIES (ADVANCED ROBOTICS)

KUKA Laboratories' (Labs') core research and development project centers on sensitive robot assistants that can be used in the manufacturing and services sectors; for example, health care and medical systems.

Drive systems for service robotics

A new drive and sensor system based on the KR C4 control architecture has been developed for KUKA's next generation of service robots. KUKA is thus expanding its core competency to include developing its own drive and power electronics and is establishing the conditions that will enable it to offer new technologies in the field of highly integrated robotics based on its own expertise.

Autonomous navigation

The algorithms that enable mobile robots to navigate autonomously have been enhanced. Robots that use these algorithms can navigate independently in very large production plants without relying on floor or other markings. KUKA's navigation system independently recognizes changes in the surroundings, which are necessary in a flexible manufacturing environment, and processes them in its lifelong learning module. Autonomous route planning was also enhanced to enable energy-optimized navigation on virtual tracks.

The algorithms were validated at KUKA's manufacturing plant and on omniRob and omniMove platforms at automotive and aerospace industry production facilities.

Mobile manipulation

A prototype of a mobile KUKA omniRob equipped with a lightweight robotic system has been installed on pilot installations at customer sites in various industries. The aim is to test mobile manipulation on material handling, assembly, machining and automated testing applications. Feedback from these installations will flow into serially manufactured standard products.

KUKA youBot

During the fiscal year just ended, KUKA launched a production-ready youBot, a mobile robot equipped with a gripper. The youBot chassis is equipped with four Mecanum wheels similar those used on KUKA's omniRob and omniMove products. That youBot was designed to be used as a research and learning platform and part of its development was funded by the EU BRICS project. An open source software application based on a real-time Linux system is also being used on the BRICS project. Sales, software distribution and communication with the youBot community are handled by a Web 2.0 platform at youbot-store.com. The youBot robot gives KUKA a product platform that enables it to address the research and education communities via Open Innovation and test new business models, as well as new sales and communications channels.

The youBot has already been tested and integrated into robotics lectures given by student interns at MIT in the United States and at the University of Hanover.

EU-funded SoftRobot project

Software engineering has advanced radically. The major paradigm shifts are the transition from procedural to object-oriented programming and the introduction of service-oriented architectures. During this process, tools were created to industrialize software design. As a result, complex applications can now be created at a fraction of the cost and effort.

The main objective of the SoftRobot project is to transition these two concepts to robotics. A new software architecture for controlling robots is thus being developed. New approaches to integrating robotics into the IT world can be developed by considering complex real-time requirements while using modern software engineering methods.

EU-funded ACTIVE project

A European consortium is examining the use of lightweight robots in the field of neurosurgery under the auspices of the ACTIVE project. KUKA Labs is preparing the specifications for critical medical applications for this project and conducting the necessary risk analyses from a robotics perspective.

SYSTEMS DIVISION

During the financial year, KUKA Systems aligned its research and development structure with the new organizational configuration, which splits the systems and cell businesses. A product management unit was formed at the same time, which is responsible for speeding up the standardization of the components used in the systems business and developing new products for the cell business. Various products were developed or enhanced in 2011. The Systems division applied for 19 patents and received 21 patents during the fiscal year. Last year the numbers were 15 and 48 respectively.

FlexibleCube split into two series

FlexibleCube is a modular system for laser and inert gas welding applications, which the division unveiled for the first time at the Euroblech 2010 trade show in Hanover. During the financial reporting period, the modular system was split into two separate families. Three different compact cells plus a flexible configurable modular series will be available as of mid-2012. The compact cells are portable and are true "Plug & Produce" entities that can be started up at site with minimal effort. The modular system's modern design underscores FlexibleCube's high quality standards, while further reducing manufacturing costs.

Orbital turntable

The plant engineering and assembly business unit further enhanced the proven Turnflex concept and created a universal orbital turntable. The turntable is squared and measures 3.90 meters across the diagonal. A tool can be bolted to each of its four sides. One of its many benefits is that workpieces can be crimped on both the inside and the outside on a system that has a considerably smaller footprint. KUKA Systems already supplied two manufacturing cells in 2011 that use the new turntable.

New product family for automating bending machines

Belgian-based KUKA Automatisering + Robots has developed a modular concept for automating bending machines. The product family consists of standard components, which sharply reduces the cost of engineering such systems. The standardization especially impacts loading and unloading stations, turning stations, positioners and grippers. An off-line software application developed together with an external partner facilitates integrating new components into the system. The software enables process parameters and robots to be configured together.

High-speed milling machine developed

Together with the Fraunhofer Institute and a respected German manufacturer of cutting tools, KUKA Werkzeugbau developed a high-speed milling machine to machine long, vertical castings. This innovative milling machine is equipped with cutting tools made from cubic boron nitride and features a two-stage adjustment, which allows vertical surfaces over 600 mm long to be very finely sanded in a very short time. The feed capability of this tool is twice that of other milling machines available on the market, which cuts surface preprocessing to one operation. This eliminates the manual reworking that has typically been required up until now. The potential to enhance the basic concept of this high-speed milling machine and develop a universal tool system is considerable.

Adjustment station for axle drive

This station, available from KUKA Assembly & Test, can be used to adjust the circumferential backlash and bearing preload of the axle plug-in gear on truck rear axles. The difference in the angle between the drive pinion and bevel crown wheel in the forward and reverse direction is measured dynamically and adjustment rings used to set the circumferential backlash. The bearing preload adjustment is then set using a tactile measurement process to detect the deformation of the housing. This adjustment station can be used for many gear types and a variety of gear ratios and has already been successfully integrated into an assembly line.

PROCUREMENT

KUKA Group's divisions are each responsible for procuring the parts they need for manufacturing, but indirect materials and services are purchased on behalf of all Group entities according to the lead buyer principle. For example, KUKA Robotics' responsibility includes purchasing transportation services and energy and KUKA Systems is in charge of telecommunications, building management and the vehicle fleet.

PROCUREMENT VOLUME AGAIN UP SUBSTANTIALLY

Due to the much higher business volume, the Robotics division's procurement volume was again sharply higher than the year prior. The division addressed this situation by adding second source suppliers (dual source strategy) and more rigorously planning the delivery of critical parts such as electronics components. It was able to avoid shortages of parts that would impact manufacturing schedules by cooperating more closely with suppliers or directly with manufacturers of individual components such as semiconductors or displays. This proved to be the right policy, especially in view of the nuclear incident in Japan in March 2011.

GLOBAL SOURCING CUTS PROCUREMENT COSTS

In parallel, the Robotics division was able to further optimize its procurement channels and supplier base. As a result, Robotics has had an end-to-end supply chain extending from the supplier through its own manufacturing system to the shipment of robots since 2011. At the same time, procurement was further shifted to low-cost countries in conjunction with a global sourcing initiative. The volume of parts supplied from these countries has increased to about 20 percent. A major portion of this increase is due to expanded local buying in China, where purchased components include power supplies and castings. Volume in this growth market was twice what it was in 2010. As a result, the Robotics division was able to reduce its average procurement costs in 2011 by 5 percent, adjusted for currency and commodity price factors.

NEW PURCHASING ORGANIZATION PROVES ITS WORTH

The new purchasing organization introduced by KUKA Systems in Augsburg last year, which is grouped by merchandise category, proved its worth in view of the increasing volume of material to be procured. Because of closer cooperation with suppliers, buyers were able to anticipate bottlenecks in merchandise categories promptly and look for alternatives. Manufacturing progress was increasingly checked at the supplier's plant. This also expanded purchasing's expediting role in project schedule management. A task force of specialists also supports purchasing in difficult situations.

SUBSIDIARIES IN ROMANIA AND MEXICO MORE INTENSIVELY USED

To better utilize the cost advantages of low-wage countries, KUKA Systems founded a new company in Romania in 2011. Its main task is to assemble jigs and fixtures. The company also helps KUKA Systems in Augsburg search for and develop new suppliers. In addition, the Mexican subsidiary is being utilized more frequently to manufacturer cold-assembled tools for projects in North America and Brazil.

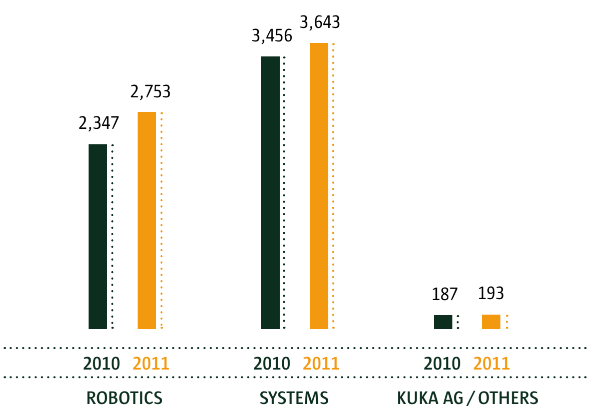
EMPLOYEES

KUKA Group's human resource programs concentrated on two main items during the 2011 financial year just ended. First, the operating business units had to add sufficient personnel capacity to handle the sharply rising business volume. However, the aim was to add personnel in the markets where the orders are being processed and in markets where wages are low, such as the emerging regions of Asia, America and Eastern Europe. Secondly, the demographic population shift in the developed countries is making it necessary to make jobs more attractive. KUKA intensified its activities at schools and colleges in Germany, expanded its vocational training and substantially improved its policies related to creating a family-friendly workplace.

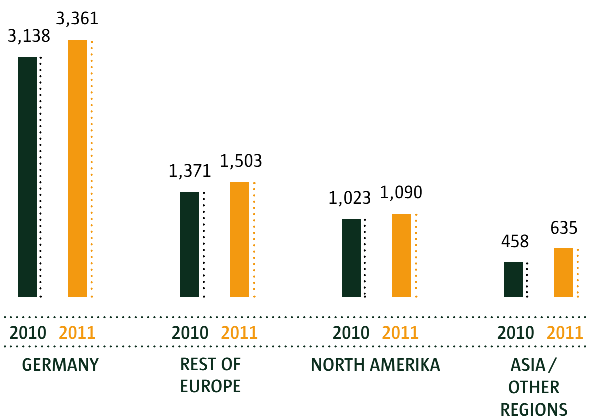
TARGETED INTERNATIONAL PERSONNEL EXPANSION

To address the sharply higher business volume, KUKA Group engaged in targeted hiring of new employees, primarily abroad. This expansion took place most of all in the growth markets of the United States, Brazil , China, Hungary and India. In Germany, new hires were attributable mainly to the Robotics division. The division added technical staff in research and development, as well as manufacturing in Augsburg. The Company's workforce thus expanded from 5,990 as of the end of 2010 to 6,589 at the end of 2011, an increase by 10.0 percent or 599 employees. The majority of the new people were added by the Robotics division, where the number of employees rose by 406 employees or +17.3 percent. The Systems division expanded its workforce by 187 or +5.4 percent. Finally, the number of persons employed by KUKA AG and other activities increased by six. To cover capacity utilization peaks, the number of contract workers increased from 843 on December 31, 2010 to 1,078 on December 31, 2011.

EMPLOYEES BY DIVISION (DEC. 31)



EMPLOYEES BY REGION (DEC. 31)



ONE-THIRD WITH UNIVERSITY DEGREE OR COLLEGE DIPLOMA

The qualifications of KUKA's employees have continually improved in recent years. Around one-third of KUKA's employees now have a university degree or college diploma, and two-thirds have credentials in a technical or accounting field. The age distribution average of 41 years remained the same as last year during the reporting year. The average age in the Robotics division was below the Group's average at 38, versus 39 the year prior. In the Systems division the average age was slightly above the Group's average at 43 versus 42 the year prior.

An increasing number of employees were able to look back on a long period of employment during the reporting year: 72 employees were honored for their 25th year anniversary on the job, in comparison to 48 the previous year, and 19 employees were honored for their 40th year anniversary on the job, in comparison to 11 the previous year.

KUKA TOP EMPLOYER 2011 / 2012

The CRF Institute presented the 2011 / 12 Top Employer in Automotive award to KUKA AG's CEO, Dr. Till Reuter, at the IAA international car show in Frankfurt in September 2011. The award distinguishes the best and most trendsetting employers in the German automotive industry, including subsuppliers. In total, twenty-three companies qualified this year through special achievements in career opportunities, primary and secondary benefits, work life balance policies, training and development as well as corporate culture.

KUKA maintained close contact with regional universities and colleges and significantly expanded training opportunities for graduates and interns during the reporting year. Addressing qualified applicants for junior specialist and management trainee positions is an important part of HR work. The company participated in eleven job fairs in 2011, including at the Technical University and University of Applied Sciences of Munich, as well as the universities of applied science in Augsburg, Aalen, Deggendorf, Kempten, Ingolstadt, Rosenheim and Ulm. Last year, the company attended twelve job fairs. At the same time, a total of 158 graduates and interns were given the opportunity to gain their first professional experience. Last year the number was 117. These activities also included participation in roundtable events such as "Engineer meets entrepreneur", "Engineers in practice" presentations and "Career days" at various colleges.

KUKA AG was also voted one of the 100 most popular employers in Germany by students in 2011 ("TOP 100 in the universe" as well as "TOP 100 in the field of Engineering" .See also the press release dated September 19, 2011 "KUKA is TOP Employer in Automotive for 2011 / 12".

APPRENTICESHIPS INCREASINGLY IMPORTANT

In light of demographic trends and fewer applicants, KUKA Group is intensifying its apprenticeship training and in recent years has continually offered more apprenticeship positions at its German plant locations. The number of apprentices thus rose from 193 at the end of 2009 to 210 at the end of 2010, and is 227 as of December 31, 2011. The apprenticeship ratio; that is, the proportion of young people working for the Group was thus 3.5 percent of the total workforce at the end of 2011, the same as last year.

KUKA offers a wide variety of technical and accounting apprenticeships at its German locations in Augsburg, Bremen and Schwarzenberg in the Erz Mountains: mechatronics engineers, industrial mechanics, machinists / lathe operators, IT specialists and automation system electronics technicians as well as industrial and logistics administrators. Tool and die makers are trained in Schwarzenberg exclusively. In addition, high-school graduates can enter a vocational degree program based on the German dual education system in mechatronics or electrical engineering at various cooperative education institutes or the Augsburg University of Applied Sciences, where they can earn a Bachelor of Engineering Degree (BA). All apprenticeship opportunities at KUKA are summarized in the brochure entitled "Technology. Teamwork. Dream job", which are available from the HR departments at each location.

To make students more interested in applying for apprenticeships at the company, KUKA is also offering high school students the opportunity to spend a week getting to know the world of work during a "taster" course; 140 school students made use of this opportunity during the reporting year (see more at www.kuka.jobs). In addition, about 20 school classes toured the company site. Some graduates received job application training. In addition, KUKA sponsors four schools at various levels and conducts joint school projects.

A relatively new target group for technical professions are young women, who are given insight into these professions once a year on a so called Girls Day. This target group is showing increasing interest in training in the industrial / technical area. The ratio of women is already at 20 percent here.

KUKA MAKES JOBS MORE FAMILY FRIENDLY

KUKA conducted a "career and family" audit last year at its Augsburg location to seeks ways to increase the attractiveness of its jobs. The existing policies for achieving a better work-life balance were evaluated from February to May 2010. Afterwards, HR defined additional goals for a family-conscious HR policy. Detailed measures for achieving a work-life balance are part of this extensive program. In the 2011 reporting year, the following measures were implemented as planned:

- Meetings are being scheduled during more family-friendly hours to take the different working hours of employees into consideration.
- Video conferences and conference calls are being used increasingly to reduce travel times to other locations.
- Furthermore, health management is being expanded. Among other actions taken to this end, a health day event was held in Augsburg and Gersthofen on September 16, 2011, where around 500 employees were informed in detail, among other things, about healthy diets and the correct way to sit at work.

Berufundfamilie gemeinnützige GmbH will review the implementation of all measures once a year to ensure that re-auditing is successful after three years. Goals and measures for KUKA on the road to becoming a family-friendly company are also explained in the brochure "Career and family - We go all-out for both", which can be picked up at the HR departments in Augsburg. At the same time, we call on all employees to enter into an active dialogue on work-life balance (berufundfamilie@kuka.com).

9. EMPLOYEE SHARE PROGRAM

Another attractive opportunity for retaining existing or potential employees in the company is employee shares. The KUKA employee share program was offered for the ninth time in 2011. A total of 320 employees participated in the program. The company again subsidized the purchase of two KUKA shares with an additional incentive share. A total of 101,820 shares thus went to KUKA employees in June 2011.

SUSTAINABILITY

KUKA has committed to the goal of conducting business sustainably. A company that is aware of its responsibility toward the environment, its employees and its shareholders must combine economy, ecology and social responsibility. We see sustainable business activity as an ongoing three-level process:

- in the organization of the business operations,
- in the conduct of employees and
- in achieving environmental goals.

INTEGRATED BUSINESS PROCESSES INTRODUCED

Holistic business processes are a prerequisite for successfully implementing all measures and achieving sustainable goals. It is therefore of key importance that KUKA Group's companies are certified to globally recognized ISO standards. All of the Group's major manufacturing companies and business units in Germany, Hungary and North America have been certified to ISO 9001 (management systems) and ISO 14001 (environmental management systems) for years. Plans call for other foreign subsidiaries to be certified to these standards in the near future. For example, efforts are being made to bring our Chinese companies into compliance in 2012.

CODE OF CONDUCT UPDATED

The second key initiative associated with achieving sustainable business activity is defining employee conduct – toward each other and toward their business partners outside the company. A prerequisite to excellent teamwork is loyalty, respect and fairness when dealing with other team members. These are some of the core values that characterize KUKA's corporate culture, and that have found their way into the new Corporate Compliance Handbook in addition to those associated with avoiding legal risks. The handbook was revised last year and has defined the standard of conduct of all company employees since April 1, 2011. In November 2011, employees were able to further expand their compliance knowledge using an online training program with case studies from practical business situations. An on line test was also available.

NEW GENERATION OF ROBOTS: GREEN AUTOMATION

The launch of the new QUANTEC industrial robot together with the new KR C4 controller was a milestone on the road to improving the environmental balance sheet. This family of products is noticeably more compact and lighter than its predecessors; accordingly, it requires fewer components and consumes less energy when operating. In detail, the QUANTEC industrial robot features

- weight reduced 12 percent: because it weighs 160 kg less, this standard robot is considerably more efficient (input power / payload).
- power consumption reduced 30 percent: thanks to fewer modules and a more passive cooling system, the new QUANTEC Robot uses 30 percent less power for the same performance.
- 50 percent fewer cables and plugs, body made of spheroidal graphite cast iron (previously aluminum), as well as water-based paints mean substantially reduced material consumption and greater environmental protection.
- 95 percent lower standby losses: the new KR C4 Robot Controller's virtual main breaker dramatically cuts power consumption when the robot is idling. Limiting hardware components were replaced by smart software functions; a basic precondition for integrating a complete safety controller into the robot and eliminate the need for conventional robot cells protected by barriers.

ENVIRONMENTALLY SOUND SYSTEMS PRODUCTS

In addition, KUKA Systems has made additional criteria for material and energy conservation part of its development and manufacturing specifications for complete systems components. These criteria aim to encourage

_ the use of lightweight construction processes
_ the reduction of production components that need to be moved
_ holding methods that do not consume energy
_ minimum downtimes and less wear and tear.

NEW ENERGY TRANSPARENCY IN AUGSBURG

On the manufacturing side, the key initiative was the implementation of a web-based energy management system (ENerGO +) at Augsburg headquarters. Since June 2011, energy consumption readings have been sent four times a day via LONWorks (Local Operating Network.) from about 250 meters installed at the company's factories and buildings. The system then prepares this data visually and makes it available to personnel responsible for cost center management. Transparency and speed thus facilitate the search for opportunities to save energy . Appropriate measures were identified quickly during joint onsite inspections. This included measures such as dimming lights during breaks, turning down heat in unoccupied areas, and turning off unneeded machines during overload periods. The company is considering extending ENerGO + to its other locations.

KEY FIGURES ECOLOGY

	2010	2011
Number of locations worldwide	**37**	**37**
with ISO 9001 certification	14	14
of which ISO 14001 certified	10	10
Consumption (Augsburg only)		
Electric power (MWh)	12,667	13,386
Gas (MWh)	17,182	14,605
Water (m^3)	18,018	19,972
Power consumption per robot manufactured (kWh)	229.8	178.3
CO_2 GHG emissions (t)	8,615.5	9,416.8

We have been participating in the Carbon Disclosure Project since 2008. This organization publishes information on the life-cycle assessments of listed companies annually and on business prospects for sustainable products. The Carbon Disclosure Project is supported by many investor groups (www.cdproject.net).

FOCUS ON HEALTH CARE MANAGEMENT

In 2011, the focus was also on health care management. Numerous courses and seminars were held during the course of the year on the subjects of nutrition, exercise, prevention and stress management. This series of campaigns culminated in a general health day on September 16. On this day, about 500 employees in Lechhausen and Gersthofen were coached in detail on topics such as a healthy diet and the correct sitting posture at the workplace.

Prior to that, KUKA's Family Day was held on July 22: 4,000 employees took part. Employees and their relatives had the opportunity to take a close look at the workplace and participate in one of the ten tours of other business units within the company that were offered. The event gives employees' families an opportunity to better understand each other and for all employees to develop a better understanding of one another.

WORK SAFETY FAR BETTER THAN INDUSTRY AVERAGE

Another of KUKA's targets that forms part of conducting business sustainably is to achieve a work accident rate that is 50 percent below the industry average. Workers in manufacturing and similar operations are exposed to increased health and safety risks. The company thus takes great care to systematically reduce these risks to the lowest possible level in its manufacturing operations. 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, was 12.7 over the past five years (2007 – 2011), while the industry average during this period was 41.4.

KEY SOCIAL FIGURES

	2010	2011
Number of employees (Dec. 31)	5,990	6,589
of which apprentices	210	227
Average length of service (years)	9.4	9.1
Sick leave ratio (in %)	2.9	2.9
Fluctuation (in %)	9.9	12.9
Accidents per 1,000 employees (Germany)	12.8	13.9

RISK AND OPPORTUNITY REPORT

PRINCIPLES

KUKA Group conducts business around the globe. Every entrepreneurial activity presents new business opportunities, but also many risks, especially technical ones. The goal of KUKA AG's Executive Board is to minimize these risks and take advantage of potential opportunities, in order to systematically and continuously improve the value of the company for all stakeholders and shareholders.

Risk management

To achieve this objective, the Executive Board implemented a comprehensive risk management system within the Group, which is used to continuously and systematically identify, evaluate, control, monitor and report internal and external risks to which its divisions and subsidiaries are exposed. Identified risks are evaluated throughout the Group for their potential impact on profits and the likelihood that they will occur. They are categorized according to worst, medium and best case scenarios, including the expected risk value. Accruals and write-downs associated with these risks are included in the financial statements in accordance with applicable accounting principles. The monthly risk report includes the top ten risks for the divisions and KUKA AG as holding company, as well as an overview of the entire Group's risk exposure. These top ten risks are a fixed part of the monthly reporting. The risk report is also reviewed during Executive and Supervisory Board meetings, especially when the audit committee convenes. The identified risks are presented and explained in more detail to the Executive Board quarterly by the risk management committee. The committee also determines whether or not initiatives to minimize the risk are adequate or whether further measures are required. This management committee also evaluates the plausibility of the reported risks and derives alternative ways to avoid similar risks in future.

The direct responsibility for early identification, control and communication of risks is defined and lies with the management of the divisions and subsidiaries. Risk managers in the central and decentralized business units ensure that the reporting process is uniform with clearly defined reporting channels and reporting thresholds that are in line with the size of the company. Whenever defined reporting thresholds are exceeded, the responsible parties are obliged to use internal ad hoc announcements. The head of the Group controlling department at KUKA AG is responsible for coordinating the risk management system. This central risk management position reports directly to KUKA AG's CFO. This ensures that risk management is an integral component of KUKA Group's overall planning, control and reporting process.

The Group's risk management system makes it possible for the Executive Board to identify material risks at an early stage and take appropriate steps to counter them as well as to monitor the mitigating measures. As part of its regular audits, the internal audit department monitors whether KUKA Group's risk management directives are being adhered to, and thus the effectiveness of the procedures and tools that have been implemented. If necessary, the internal audit involves the risk responsibles into audit scope. In addition, the internal audit department regularly audits the risk management process to ensure that it is efficient and continuously improved. Furthermore, the external auditors check that the early risk identification procedure is suitable for timely identification of risks that threaten the existence of the company.

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

KUKA Group also has an internal controlling system (p. 89, Internal control an risk management system) above and beyond the risk management system, which is used to continuously monitor the Corporation's business and accounting processes and helps to ensure that they are properly adhered to.

MARKET AND BUSINESS RISKS AND OPPORTUNITIES

KUKA is exposed to the cyclic investment plans of its customers in the various market subsectors. The automotive sector, with its oligopolitical structures and constant price pressure, represents a major share of the Systems and Robotics divisions' business volumes. Variations in the industries' capital expenditure plans are also considered in the respective strategic and operative plans by analyzing public announcements and disclosures. Due to the cyclic nature of the business, the company continuously strives to be as flexible as possible with its own capacities and its cost structure.

It is further exposed to country risks, such as inadequate patent and brand protection in Asia, exchange rate fluctuations, financial and technical risks and the risk of substantial price increases of key raw materials. To the extent possible and economically viable, value added is increasingly being localized to reduce currency exchange risks. KUKA has developed an independent strategy to safeguard its intellectual property, which is primarily secured by patents and trademark rights. New competitors in the market, particularly from Asia, increase price pressure. We counter this by maintaining strong relationships with our customers, and especially by expanding our technological skills and protecting them.

KUKA benefited from sharply higher orders received than the year prior from both the automotive industry and the general machinery and plant engineering sector, especially in the first half of 2011. Additional opportunities also arose because KUKA Group's key automotive customers enjoy an excellent competitive position in their markets. Compared to its own competitors, KUKA Group sees business growth opportunities due to its customer portfolio, particularly with respect to the development of its customers' market shares. Further opportunities arise from the general trend toward greater automation in non-industrial sectors, such as the long-term prospects associated with assisting an aging society.

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

An additional risk that could also impact business performance after 2011 is the further development of national debts around the world, but particularly in the eurozone. Increasing currency fluctuations, particularly of the American dollar, the Hungarian forint, the Japanese yen and the Chinese yuan, pose an additional risk. How KUKA manages its currency exchange risks is described in detail in the section on financial risks.

PERFORMANCE RISKS AND OPPORTUNITIES

KUKA Robotics

The key challenges for this division's product portfolio are the continuing cost sensitivity of customers around the world and their demands for continuous product innovation. This applies especially to the automotive industry and its subsuppliers. The result is permanent price pressure and potentially longer life cycles for the robots.

KUKA Robotics counters such trends by continually developing new products and applications that offer customers in existing markets quantifiable financial advantages driven by very fast paybacks. In fiscal 2011, KUKA Group spent € 37.7 million on research and development. The Robotics accounted for 93,9 percent of the expense. Over the course of the financial year, the division rolled out a new generation of robots in stages to its traditional markets. Launching new products goes hand-in-hand with risks associated with product performance and warranties, which could generate reworking costs. KUKA employs a comprehensive quality management system that includes extensive validation and test processes to manage such risks or avoid them altogether.

KUKA sees an opportunity to continuously expand its customer base into general industry. One of the corporation's key strategic thrusts is to penetrate new, non-automotive markets. This includes the health care market and other consumer related sectors in which human-machine collaboration will in future be necessary. The systems used for human-machine collaboration can operate without protective barriers or similar safety measures. One of the division's subgroups, Advance Robotics, focuses on technical development of such innovative products and applications. In addition, the company is expediting sales in the American region and the BRIC nations. Increased distribution of our own value added across various local currencies will make the profitability of the company less dependent on exchange-rate fluctuations.

KUKA Systems

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

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

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

Pay-on-production contracts such as the one entered into by KUKA Toledo Productions Operations (KTPO) offer additional opportunities, but also risks. The Jeep Wrangler brand continues to offer above average growth opportunities compared to other American car models. Again in 2011, KUKA participated in the growth. The risks herein are the strong dependence on the volume produced for the American car market.

Thorough market analyses have shown that KUKA Systems also has long-term business opportunities outside the automotive industry; namely, in general industry. Current examples are the aerospace and solar industry, from which new orders were again received in 2011. Although there is an opportunity to penetrate new markets, there are also associated risks, above all in relation to technical requirements, since customers in these sectors often have absolutely no experience with automated systems. Checking technical risks by using appropriate risk lists is therefore a major instrument in advance of applying new automation technologies.

STRATEGIC RISKS AND OPPORTUNITIES

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

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

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

PERSONNEL RISKS AND OPPORTUNITIES

The success of KUKA Group, a high-tech company, depends mainly on having qualified technical and management staff. Personnel risks arise mainly from employee turnover at key positions within the Group. Improved business and economic prospects enable the company to strengthen the loyalty of its core personnel, provide highly skilled employees with continuing education or entice new recruits to join the company. This applies to the traditional markets in Europe, but especially the United States, as well as the growth markets; e.g. the BRIC countries, in which the need for highly qualified employees is steadily growing. Last but not least, in-house continuing education programs such as those offered by KUKA Academy, or employee suggestion programs, generate opportunities resulting from the improved motivation and qualification of the workforce.

Furthermore, in Germany, there is evidence of an increasing shortage of qualified personnel, particularly 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).

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 227 apprentices to be trained by the KUKA Group by year-end will be quickly integrated into the company and mostly offered a permanent position when they have completed their training. One of the key challenges in the coming years will be to prepare KUKA Group for the future in view of the demographic shift.

KUKA Group has an attractive performance and results-driven compensation system for managers to strengthen entrepreneurial thought processes and management styles and to encourage employees to remain with the company and participate in its growth over the long term. KUKA Group's employee share program is another initiative that serves this purpose.

IT RISKS AND OPPORTUNITIES

The existing IT security and Business Continuity Management systems, as well as guidelines and organizational structures, are continuously optimized and reviewed in an effort to predict and minimize computer systems related risks such as failure of computer centers and other IT systems. This is done by continuously investing in updated hardware and software. A new storage system with the requisite processes and corresponding data and applications recovery systems was installed and started up to ensure business continuity in the event of failures. The company mitigates the risks associated with an increasing number of external threats, and dependence on ever-expanding digitization of business processes, by systematically monitoring the associated processes. Targeted investment and ongoing optimization of IT-supported processes generate long-term cost reduction opportunities and lead to continuous quality improvement.

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

FINANCIAL 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, a central department optimizes the Group's financing and limits its financial risks. The standard, 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.

Over the course of the past two-and-a-half years, KUKA Group's solvency was strengthened by way of several measures. One of these was to restructure the company's debt in terms of maturity and the type of financial instruments used. For 2009 and 2010, this included two capital increases, the issue of a corporate bond and conclusion of a new Syndicated Senior Facilities Agreement.

The rating agencies Standard and Poor's and Moody's gave KUKA AG a long-term Corporate Family Rating (CFR) of B and B2 respectively. Both ratings were assigned a stable outlook. KUKA AG's bond was given a rating of B- and B3 respectively.

The Syndicated Senior Facilities Agreement concluded in November 2010 runs until March 31, 2014. It includes the usual covenants specifying quarterly restrictions. A fundamental risk associated with this type of financing exists when business performance is significantly below plan and the resulting profit and financial situation precludes adherence to the covenants. In such cases, extension of the financing depends on the extent to which the banks involved agree to the necessary adjustments. KUKA monitors adherence to these covenants monthly. The company complied with all covenants during the course of the 2011 financial year.

In addition to the aforementioned steps, agreements on bilateral credit lines with banks and credit insurance companies supplement KUKA Group's financing portfolio. This includes, for example, the ABS program (regular sale of receivables) established in 2006 with Bayerische Landesbank in the amount of up to € 25 million, the term of which has been extended until March 31, 2013. An additional ABS program in the amount of over € 25 million has also been concluded with Landesbank Baden-Württemberg.

Transaction-related currency exchange risks are hedged using currency futures. The goal is to hedge the currency exchange risk on a rolling basis. Details of the central currency management process are provided under Financial Instruments on pages 111 f. of the notes to the financial report. 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.

COMPLIANCE RISKS

Compliance violations 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 amounts of money.

In order to make these risks transparent and controllable, a Corporate Compliance Program was introduced in early 2008. It applies to all German and international KUKA companies and all managers around the globe have been trained. A compliance committee meets at regular intervals and ad hoc and reports to KUKA AG's CEO, who in turn reports to the Supervisory Board's Audit Committee.

In spring 2011, KUKA Group's updated corporate compliance program manual, with supplementary rules regarding each employment contract, was distributed to all employees. As a logical extension to the steps taken to date, an e-learning program to educate employees at the German sites about the contents of the compliance guidelines was established in consultation with the Group's works council and has been in use since fall 2011. The next step, which is scheduled for February 2012, is to roll out the program to all the company's international locations and to include all employees who started with the company at the German sites since September 2011.

The CEO is ultimately responsible for the corporate compliance program. The program is regularly updated and subject to strict internal controls. The initiative did not uncover any substantial risks in 2011, since the company was able to actively implement countermeasures by mitigating risk at 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 to the extent possible. There is no evidence of environmental risks from operational activities, since the company does not use hazardous materials. The Group makes use of buildings and properties for its business operations, some of which it owns. As a result, the company is exposed to risks associated with any residual pollution, soil contamination or other damaging substances that may be discovered on its properties. There is currently no evidence that any situations exist which would have a negative impact on the valuation in the balance sheet. However, there is no guarantee that such situations, which could, for example, require costly cleanup operations to be undertaken, will not occur in the future.

The events in Japan on March 11, 2011 had no negative impact on KUKA Group's business results. Neither do we currently foresee any impact on the business operations going forward.

Where possible, legal risks are limited by using standard general contracts. The Group's legal department supports the business operations and thereby helps to 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. KUKA's Executive Board subsequently decides on further steps.

The shareholder structure is periodically 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 arrears. Appropriate precautions based on experience are taken for such tax risks.

SUMMARY

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

PRINCIPLES

As a capital market oriented parent company as per articles 289 section 5 and 315 section 2, item 5 of the German Commercial Code (HGB), KUKA Aktiengesellschaft is obliged to describe the key characteristics of its internal controlling and risk management system as they relate to the Group's accounting process, which includes the accounting processes of the companies discussed in the consolidated financial statements.

KUKA regards the internal controlling and risk management system as a comprehensive system and uses the definitions of accounting system related internal control systems (IDW PS 261 item 19 ff.) and risk management systems (IDW PS 340, item 4) 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
_ 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.

The key risk associated with financial reporting is that the annual and interim reports could misrepresent the actual situation, which could substantially affect decisions made by the interested parties that read them. KUKA Group therefore uses an accounting-related internal controlling system that aims to provide early warning of possible sources of errors and limit the associated risks. This provides adequate assurance that the financial statements and consolidated year-end results are prepared in accordance with legal requirements.

STRUCTURES AND PROCESSES

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

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

The principles, organizational structures and processes, and the (Group) accounting-related internal controlling and risk management system processes are defined in guidelines and organizational procedures, and adjusted to external and internal developments at regular intervals.

FEATURES 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 material, if they can have a material influence on the balance sheet and overall conclusion of consolidated financial statements and year-end closing including the consolidated management report. At KUKA Group, this includes mainly:

- identifying the main areas of risk (see Risk report, page 82ff) and controlling areas 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 consolidated financial statements and year-end closing including the consolidated management report, and including a separation of functions 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 to accounting systems and automated plausibility checks when entering data into the reporting and consolidation 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

In addition, the CFOs of all subsidiaries must provide an internal balance sheet oath in conjunction with the external reports for June 30 and December 31. KUKA AG's board members take an external balance sheet oath at the midpoint and end of the fiscal year only after they have received the ones from the subsidiaries' CFOs, and only then sign the responsibility statement of the legal representatives. This confirms that KUKA Group has complied with the specified reporting and accounting standards and that the numbers contained in the reports reflect the actual financial, assets and profit situation of the corporation.

In its meetings, the Supervisory Board's audit committee regularly reviews the effectiveness of the accounting-related internal controlling system. KUKA AG's Executive Board presents the risks associated with the financial reporting system at least once a year and outlines the controlling measures that have been implemented and monitors that they have been correctly executed.

SUMMARY

The company ensures that KUKA AG's and KUKA Group's accounting system is implemented in accordance with legal requirements, proper bookkeeping, international accounting standards and internal Group guidelines using the structures, processes and features 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 289 SECTION 4 AND ARTICLE 315 SECTION 4 OF THE GERMAN COMMERCIAL CODE, INCLUDING ACCOMPANYING EXPLANATION

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

COMPOSITION OF SHARE CAPITAL

As of December 31, 2011, the total share capital of KUKA Aktiengesellschaft amounted to € 88,180,120.60 and consisted of 33,915,431 no-par-value bearer shares. Each bearer share represents a notional holding of € 2.60 of the share capital. The share capital is fully paid in. All shares have equal rights and each share guarantees its holder one vote at the Annual General Meeting.

Shareholders do not have the right to demand issuance of share certificates for their shares (article 4, section 1 of the Articles of Association). When new shares are issued, the date fixed as the starting date for profit-sharing can deviate from that outlined in article 60, section 2 of the German Stock Corporation Act (article 4, section 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"; that is, 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 the company's 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 shareholder program term, managers entitled to participating must apply 25 percent of the gross sum paid out toward the purchase of KUKA shares, until a fixed holding target is reached, 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 2011, KUKA Aktiengesellschaft implemented an employee share program (MAP 2011). Under the terms of MAP 2011, employees were entitled to buy KUKA shares and for each share purchased, received a certain number of bonus shares as defined by MAP 2011. Employees are restricted from selling the KUKA shares purchased or bonus shares received until December 31, 2012.

The Executive Board is not aware of any further restrictions that would affect voting rights or share transfers.

SHAREHOLDINGS THAT EXCEED 10 PERCENT OF THE VOTING RIGHTS

According to the German Securities Trading Act (WpHG), any shareholder who by purchase or sale or by other means acquires a stake that reaches, exceeds or falls below the voting right thresholds as defined in article 21 of the German Securities Trading Act (WpHG) is obliged to report same to the Company and the German Federal Financial Supervisory Authority (BAFin).

On September 2, 2011 the following persons and companies advised KUKA Aktiengesellschaft of their shareholdings as follows. The shareholdings that exceeded 10 percent of the voting rights at that point in time were:

1.	Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim, Germany	24.41%	held directly
2.	Grenzebach GmbH & Co. KG, Asbach-Bäumenheim, Germany	24.41%	allocated as per article 22 section 1 item 1 item 1 of the WpHG
3.	Grenzebach Verwaltungs-GmbH, Asbach-Bäumenheim, Germany	24.41%	allocated as per article 22 section 1 item 1 item 1 of the WpHG
4.	Rudolf Grenzebach, Deutschland	24.41%	allocated as per article 22 section 1 item 1 item 1 of the WpHG

KUKA Aktiengesellschaft has no knowledge of persons and / or companies that own shares of the company and directly or indirectly control less than 10 percent of the voting rights, other than those named above.

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 289, section 4, item 5 and article 315, section 4, item 5, of the German Commercial Code (HGB).

STATUTORY LAWS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING THE APPOINTMENT AND DISMISSAL OF EXECUTIVE BOARD MEMBERS AND REGARDING AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The company's Executive Board consists of at least two persons as per article 6, section 1 of the Articles of Association. The Supervisory Board determines the number of Executive Board members as per article 6 section 2 of the Articles of Association. Executive Board members are appointed and dismissed as per the rules of articles 84 and 85 of the Stock Corporation Act (AktG), article 31 of the German Act on Company Codetermination (MitbestG) and article 6 of the Articles of Association.

Article 119, section 1, item 5 and article 179 section 1 of the Stock Corporation Act (AktG) stipulate that any changes to the Articles of Association require a resolution by the shareholders at the Annual General Meeting. Article 22, section 1 of the Articles of Association states that a simple majority of the shareholders attending the Annual General Meeting is sufficient, provided that a greater majority is not required by law. 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, section 3 of the Articles of Association states that the Supervisory Board is authorized to make changes to the Articles of Association that only affect the version. Furthermore, by resolution passed at the Annual General Meeting on May 26, 2011, the Supervisory Board is authorized to amend the wording of article 4, section 1, item 5 of the Articles of Association after exercising (also partially) its authority to increase the share capital upon utilizing Authorized Capital 2011 and, in the event the latter has not been (fully) utilized by May 25, 2016, after expiry of the authorization.

EXECUTIVE BOARD AUTHORIZATION TO ISSUE AND BUY BACK SHARES

As per the resolution passed at the Annual General Meeting dated May 26, 2011, and article 4, section 5 of the Articles of Association, which was inserted as a result of this resolution, the Executive Board, subject to approval by the Supervisory Board, is authorized to increase the Company's share capital until May 25, 2016 by up to € 44,090,059,00 by issuing new shares once or several times (authorized capital 2011). The shareholders shall be granted subscription rights. However, subject to approval by the Supervisory Board, the Executive Board is authorized to exclude fractional amounts from the shareholder's subscription rights and to exclude shareholder rights if the capital increase takes place in exchange for capital contributions in kind for the purpose of acquiring companies or parts of companies or shares in companies or other assets (including receivables of third parties vis-à-vis the Company). Subject to approval by the Supervisory Board, the Executive Board is further authorized to exclude shareholder subscription rights upon utilization of the authorized Capital 2011 to obtain cash contributions, once or several times, in an amount not to exceed 10 percent of existing 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 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 sold as a result of the authorization by shareholders at the Annual General Meeting of April 29, 2009 pursuant to article 71, section 1, item 8, item 5 of the German Stock Corporation Act (AktG) in conjunction with article 186, section 3, item 4 of the AktG during the term of the aforementioned authorization or that are to be issued to service warrant bonds or convertible bonds or a combination of these instruments count towards the aforementioned 10 percent threshold, provided these instruments were issued as a result of an authorization by shareholders at the Annual General Meeting of April 29, 2010 pursuant to the appropriate application of article 186, section 3, item 4 of the AktG during the term of said authorization. The Executive Board, with authorization of the Supervisory Board, is only permitted to use the aforementioned authorization to exclude shareholder subscription rights to the extent that the prorated sum of shares issued under exclusion of subscription rights does not exceed 30 percent of total share capital, neither at the time the authorization becomes effective nor the existing share capital at the time this authorization is exercised, should this amount the less. 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.

According to article 4, section 6 of the Articles of Association, the total share capital of the Company was conditionally increased by up to € 19,500,000 by issuing up to 7,500,000 new shares. The conditional capital increase will only be carried out to the extent that option and / or conversion rights are exercised by the holders of option and / or conversion rights 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 aforementioned required 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.. The rights of the bondholders to convert convertible bonds with a face value of €50,000 per bond into new shares of the company (conversion rights) expired as of October 18, 2011 (end of the exercise period). Since no bondholders exercised their right to conversion during the exercise period (July 8, 2006 to October 18, 2011) article 4, section 6 of the articles of incorporation becomes null and void as of the close of October 18, 2011. The convertible bond face value plus accrued interest was repaid to all of the convertible bondholders in November 2011.

According to article 4, section 7 of the Articles of Association, share capital is conditionally increased by up to €18,200,000.00, divided into up to 7,000,000 new no-par-value bearer shares (conditional capital). The conditional capital increase will only be carried out to the extent that holders or creditors of option or conversion rights or conversion or option obligations exercise their option or conversion rights in exchange for cash for options and or convertible bonds, participation rights or income bonds (or a combination of these instruments), issued or guaranteed by KUKA Aktiengesellschaft or a dependent Group company of KUKA Aktiengesellschaft as a result of the authorization granted to the Executive Board by shareholders at the Annual General Meeting of April 29, 2010 until April 28, 2015, or, to the extent they were obliged to exercise their conversion or option rights, fulfill their conversion or option obligations, or to the extent that KUKA Aktiengesellschaft exercises its option to wholly or partially grant shares of KUKA Aktiengesellschaft instead of paying the monies due, provided no cash settlement or treasury shares or shares of another listed company are used to service the bonds. Furthermore, new shares will be issued according to the conditions of the aforementioned authorization resolution at the option or conversion price to be determined respectively. The new shares shall participate in the profits as of the beginning of the financial year in which they are issued. The Executive Board is authorized, subject to approval by the Supervisory Board, to define the further details of execution of the conditional capital increase.

As per the resolution passed at the Annual General Meeting of KUKA Aktiengesellschaft on April 29, 2010, the Company is authorized, up until April 28, 2015, to buy back its own shares 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. In doing so, the purchase price (excluding acquisition costs) cannot be more than 10 percent higher or lower than the 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 treat the treasury shares acquired with exclusion of shareholder subscription rights as a result of this and earlier authorizations as follows:

(i) to dispose of the acquired treasury stock to third parties in connection with company mergers or the acquisition of companies, or parts of companies, or participations in companies, or other assets (including receivables of third parties vis-à-vis the Company);

(ii) to dispose of the acquired treasury stock by means other than the open market or tender offer to all shareholders, if the shares are sold for cash at a price that is not substantially lower than the quoted stock market price of company shares at the time of the sale. However, this authorization shall only be effective subject to the proviso that the shares sold subject to the exclusion of the subscription rights according to article 186 section 3, item 4 of the German Stock Corporation Act (AktG) may not, in total, exceed 10 percent of the share capital, and in fact do not do so either on the date that this authorization becomes effective or on the date on which it is exercised. This limit of 10 percent of share capital is to include shares (i) that were issued in order to service warrant or convertible bonds, participation rights or income bonds or a combination of these instruments, provided that these instruments were issued on the basis of an authorization granted at the Annual General Meeting of April 29, 2010 according to the appropriate application of article186, section 4, item 4 of the German Stock Corporation Act (AktG) and (ii) that are issued by exercising an authorization to issue new shares under exclusion of subscription rights using authorized capital that is in effect at the date on which this authorization becomes effective or an authorization granted at the Annual General Meeting of April 29, 2010 pursuant to article 186 section 3 item 4 of the German Stock Corporation Act (AktG);

(iii) to use the acquired treasury stock in order to introduce the Company's shares on foreign stock exchanges on which they were previously not approved for trading;

(iv) to offer shares in lieu of paying variable compensation elements and / or the 13th monthly salary of KUKA Group employees in or for the 2010 financial year in 2010 and 2011. Included are the following groups of employees: (i) Executive Board members of the Company; (ii) management board members of companies associated with the Company; (iii) employees of the Company; (iv) employees of companies associated with the Company. When offering treasury stock in this connection, it shall be ensured that (i) shares are acquired at a price not substantially lower than the quoted stock market price of Company shares at the time of accepting the offer; (ii) the acceptance period, subject to regulations concerning collective agreements, is four weeks for the respective offer; and (iii) employees who have acquired shares must hold these for a period of four years.

To the extent that members of the Executive Board are to be offered treasury stock in lieu of payment of compensation elements, the Supervisory Board of the Company shall be authorized to use the treasury stock and determine the modalities of the offer of treasury stock according to the preceding stipulations.

On the basis of this authority granted by shareholders at the Annual General Meeting of April 29, 2010, the Executive Board of KUKA Aktiengesellschaft, with approval of the Supervisory Board, resolved on May 11, 2011 to sell the 1,327,340 treasury shares purchased in 2008 (on the basis of an earlier authorization). The shares were sold in May 2011 at a price of € 18.60 each.

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.

MATERIAL AGREEMENTS BY THE COMPANY THAT ARE CONDITIONAL UPON A CHANGE OF CONTROL, AND THE IMPACT OF THESE CONDITIONS

KUKA Aktiengesellschaft and its material subsidiaries and affiliated companies signed a new syndicated loan agreement with a bank syndicate led by Deutsche Bank AG Filiale Deutschlandgeschäft Commerzbank AG, UniCredit Bank AG and Landesbank Baden-Württemberg on November 8, 2010 under the terms of which the lenders make an amount of up to € 200,000,000 million available. This covers the material debt requirements of KUKA Group (including filing of bank guarantees). The contract includes a market-standard change-of-control-item typical in the industry under the terms of which the syndicated banks can demand repayment of the loan in the event that a shareholder (or several shareholders working in concert) acquire(s) control of at least 30 percent of the voting rights of KUKA Aktiengesellschaft. The existence of KUKA Aktiengesellschaft's business could be threatened if KUKA Aktiengesellschaft were unable to immediately secure refinancing from the market in such a case.

In addition, KUKA Aktiengesellschaft, under the arrangement of Deutsche Bank AG (London Branch) and Goldman Sachs International, issued a corporate high-yield bond with a total face value of € 202 million on November 18, 2010. The corporate bond is traded on the Luxemburg exchange (Euro MTF). The bond terms and conditions include a change-of-control-item customary for high yield bonds. It states that a change-of-control has occurred when

(i) a person or several persons acting in concert acquire(s) control of more than 30 percent of the share capital or voting rights of KUKA Aktiengesellschaft,

(ii) as a result of one or several transactions, all or nearly all assets of KUKA Aktiengesellschaft and its subsidiaries defined in the bond terms and conditions as a “Restricted Subsidiary” are sold or transferred by some other means to a person who is not a “Restricted Subsidiary”,

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

(iv) KUKA Aktiengesellschaft or a subsidiary qualified as a “Restricted Subsidiary” makes a transaction defined in section 3 of the bond terms and conditions as a “Permitted Investment”. This covers material shareholdings in third parties (for example, joint ventures).

If an event occurs that qualifies as a change-of-control-item under the bond terms and conditions, every bondholder has the right to demand that KUKA Aktiengesellschaft buy back their bond notes at a price of 101 percent of face value plus interest.

If all or almost all bondholders were to exercise their right to resell their bond notes in the event of a-change-of-control, and if KUKA Aktiengesellschaft could not immediately secure alternative financing from the market, the existence of KUKA Aktiengesellschaft’s business could be threatened.

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.

The compensation report explains the basis for the establishment of the compensation for the Executive Board and Supervisory Board as well as its amount and structure. Additionally, it contains disclosures regarding the shares owned 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 that are necessary according to the regulations of the commercial code, including the disclosure of Executive Board compensation pursuant to articles 285, 289, 314 and 315 of the German Commercial Code (HGB). The audited compensation report forms part of the management report. It is included in the Corporate Governance Report.

OUTLOOK

OVERALL ECONOMIC CLIMATE

Growth in Asia and the United States

Driven by the expanding economies in Asia and the United States, the world economy should continue to grow in 2012, although at a slower rate than last year due to the fiscal and economic problems in Europe. At the start of the calendar year, the World Bank thus lowered its 2012 world economic growth forecast from 3.6 percent to 2.5 percent. Nevertheless, experts continue to forecast significant growth in emerging nations such as the BRIC nations of China, Brazil and India. Thanks to its strong export focus, Germany could also see slight growth in GDP in 2012.

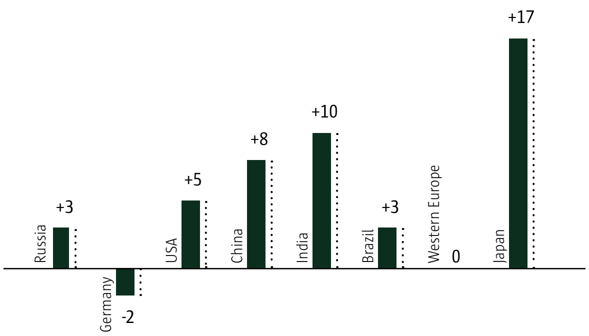
CONDITIONS BY SECTOR

Automotive markets anticipating further growth

The German automotive industry association, VDA, expects the automotive industry to continue on its growth track during the current fiscal year. However, different markets will grow at different rates. The growth will be led and driven by the BRIC nations, especially China and India, where sales growth is forecast at 8 percent and 10 percent respectively. Experts are also forecasting notable growth in the United States (+5 percent) and Brazil (+3 percent). In contrast, growth in Western Europe will likely continue to be stagnant depending on economic developments. Overall, VDA expects sales of cars and light trucks to rise slightly in 2012, increasing by 4 percent to a total of 68 million units.

CAR SALES 2012 BY REGION / COUNTRY

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



Carmakers increasing their capital spending budgets

Due to the steady growth in the BRIC nations and the United States, the European premium brands especially, including Daimler, BMW and VW, are continuing to expand their regional production capacities. Last year, they again boosted their capital spending budgets. Over the course of the next two years, Daimler will invest USD 2.4 billion in its American factory in Tuscaloosa, Alabama, among others. During the same period, BMW will spend USD 0.9 billion on expanding its facility in Spartanburg, South Carolina. Audi also announced the construction of its own manufacturing facility in the United States. Overall, Duisburg-Essen university's CAR Center Automotive Research is expecting German carmakers to expand their production capacities in the United States from the current 1.0 million vehicles per year to 1.6 million units by 2015. The share of the market held by German cars could thus rise from 7.6 percent in 2010 to 10 percent in 2015.

The second important target market for carmakers is China. In June 2011, Daimler signed a general agreement with its Chinese joint venture partner regarding the investment of €2 billion to expand the facilities in China. A month prior, BMW and its local partner had raised the amount they would invest to build a second production facility in China from €0.6 billion to €1 billion. According to newspaper reports, the company is also planning to build a new assembly facility in Brazil.

The major North American carmakers have similar plans. In June 2011, Ford doubled the amount it would invest annually, from USD 3 to USD 6 billion, to expand its range of vehicles and factories. In addition to modernizing its American factories, the company plans to build a second plant in India that will cost up to USD 1 billion.

KUKA has partnered with these carmakers for many years and expects the announced capital spending to generate additional, sharp increases in the business growth of its two divisions.

Increasing model variety

One of the ways carmakers are responding to the fierce competition in the automotive industry and the demand from car buyers for customized products, particularly in the industrialized nations, is to expand the number of different models they offer. According to a study by Duisburg-Essen university's CAR Centers Automotive Research group, this trend will continue going forward. According to the study, the number of different series and models of cars currently available in the market is 315, and could increase by about one-third to 415 by 2015 (in comparison: in 1995 it were only 227). However, expanding the model variety usually means installing new ultra-flexible production systems, which can be used to assemble two or more models or variants of a vehicle.

Using high-performance robotic systems to build new assembly lines and upgrade existing ones is one of KUKA's core competencies.

Trend toward automating manufacturing systems unabated

Generally, further automating production processes results in greater conservation of resources and improves performance, from both a quality and total output perspective. According to the latest study published by the International Federation of Robotics (IFR), "World Robotics 2011", the following development trends are evident in the markets for robot-assisted automation:

- In the automotive industry, the trend towards smaller, more environmentally sound vehicles and new materials such as carbon fiber composites (CFC) and alternative drive technologies such as hybrid or electric cars will hold steady. Changing the components produced usually goes hand-in-hand with changes to existing assembly lines and in many cases to a higher degree of automation.
- General industry (all non-automotive sectors) is considerably less automated than the automotive industry. For example, in Germany, the number of robots per 10,000 workers (called robot density) in general industry is 1 / 10 what it is in automotive. However, the demand for customized consumer goods especially is forcing manufacturers to make their production systems more flexible. Industrial robots are ideally suited for this task. But the pharmaceuticals and cosmetic industries, health care and the food and beverage industries are all under pressure to improve their efficiencies and are also continually automating their production systems;
- Advances in the precision, safety and ease of use of robotic systems are revealing completely new applications and markets for robots, particularly with respect to cooperation between humans and machines; for example, in the workshops of small and medium-size companies.
- Rising incomes in low-wage countries in Eastern Europe, Asia and South America are also causing manufacturing systems to be increasingly automated. For example, in China, wages are now rising about 20 percent per annum according to reports by German companies.
- And finally, the threat of a shortage of skilled tradespeople in the highly developed Central European countries over the next few years will trigger another push toward automation.

Robotics market growth remains steady

In its most recent study, the Federation of Robotics (IFR) thus forecasts that the robotics market will continue to grow steadily. It predicts that from 2012 to 2014, growth will be concentrated in the following regions and sectors:

- The Chinese robot market is currently growing at a rate of 30 percent per annum and could become the largest market with sales of over 30,000 units per year. China already holds the number one position for carmaking, with more and more vehicles being assembled locally.
- After the nuclear incident in March 2011, Japanese companies are aiming to diversify their manufacturing plants geographically and increasingly shift them to North America, Europe and Asian mainland regions. This too will drive new investment in highly automated manufacturing systems.
- Orders from Korea's electronics industry have risen sharply in the recent past, and the trend toward automating the country's manufacturing plants could hold steady at current levels going forward.
- North America's automotive industry is back to full strength. It is striving to catch up and the robotics business could benefit significantly in the next few years.

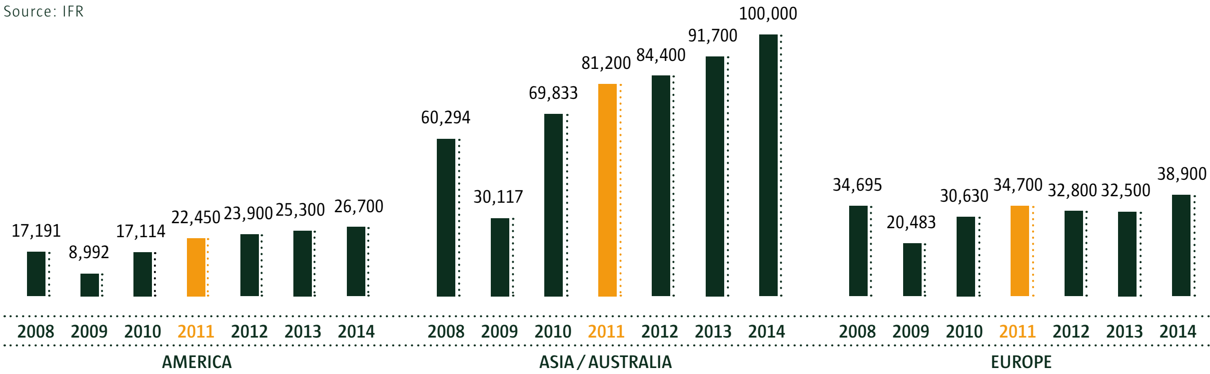
Overall, the IFR expects industrial robot sales to rise 6 percent annually to about 167,000 units between 2012 and 2014. Industrial robots sales growth in Asia is expected to be above average at 7 percent, average in the United States at 6 percent and below average in Europe at 4 percent.

Service robots sales also to rise

Service robots can be used not only by private individuals, but also in the defense and security sector and in agriculture. The number of service robots sold in the professional area in these specific segments grew only 4 percent to 13,700 units in 2010. However, the smaller market segment for medical robots, which KUKA serves, grew at an above-average rate of 14 percent. Overall, IFR expects sales of service robots for professional use to rise dramatically and to grow to 20,000 units annually from 2011 to 2014.

SALES OF INDUSTRIAL ROBOTS WORLDWIDE 2008 – 2014

Source: IFR



COMPANY-SPECIFIC OPERATING ENVIRONMENT

KUKA Group's medium-term strategy for the next two years continues to be to grow profitably. The strategy rests on the leading market positions of the Robotics and Systems divisions in their respective markets and the company's strong innovation capacity and close customer relationships.

The Robotics division's targets are as follows:

- Product launches in general industry. Following the successful launch of the QUANTEC generation of robots with KR C4 controller in the automotive sector, this new industrial robot will be introduced to general industry over the course of the current year. Together with systems partners that focus on these sectors, Robotics has developed applications that will now be marketed and sold to the metal processing industry, mechanical OEMs, as well as the plastics and food and beverage industries, among others. The division plans to further expand its general industry market share.
- Expanded product portfolio. To round out its product range, Robotics plans to introduce its own robot for smaller payloads, designed especially for application in general industry segments. This is one step toward achieving the target of growing market share in this sector.
- Advanced Robotics. KUKA Laboratories was formed two years ago within the Robotics division. Its main mandate is to develop KUKA's lightweight robot (LWR) and press ahead with health care market penetration. A unique combination of sensors and safety features enables the LWR to be used in completely new applications in the area of human / machine cooperation that to date were off-limits for industrial robots. KUKA's lightweight robot is currently being tested in several industrial pilot installations.
- Health care systems. The Advanced Robotics group's second core objective is to drive the company's expansion into health care. The business unit was able to land a large order from Siemens Healthcare at the start of 2011 and again at the beginning of 2012. Siemens will use the robots for x-ray imaging systems. KUKA's robotic systems are increasingly being used for health care applications, for both diagnostics and therapy, because robots have the advantage of being able to deliver precise, tremor-free, safe and repeatable motion for long periods without tiring. KUKA is pressing ahead with this lucrative business, and is collaborating more and more with specialized research institutes.

The Systems division will continue to focus on enhancing its organizational structure as a result of the growing internationalization of the systems business over the course of the period of this forecast. The aim is to improve efficiencies in the manufacturing and order processing departments and look for cost savings in the procurement area.

- Internationalization of the value added chain. The division started to establish regional centers for its systems business a few years ago. For example, the Augsburg location serves the markets in Germany and Europe, the office in the greater Detroit region the markets in North and South America and the location in Shanghai, China is responsible for Asia. All three centers will soon become hubs; that is, they will have their own sales and other organizational departments. The centers will thus be capable of independently and efficiently looking after sales, engineering and project management for larger systems orders.

_ Procurement from low-cost countries. The Romanian subsidiary will become a center of expertise for standard components and suppliers for the regional center in Europe. The same will be done for the subsidiaries in Mexico for North and South America and in China for Asia. These three companies will be responsible for purchasing, as well as manufacturing and assembling components. The relative procurement advantages in low-cost countries will thus benefit the entire Group. Furthermore, the Indian subsidiary will operate as a center of expertise for engineering services.

EXPECTED BUSINESS OUTLOOK

Summary

KUKA Group expects further growth, although at a slower pace, in the global economy and in its key automotive and general industry markets over the period covered by this forecast, 2012 to 2013. The problems in Europe may especially dampen demand in southern Europe. Overall the company expects further sales growth and improved earnings.

Sales and EBIT margin

Based on the high order backlog and clear signs of business growth, KUKA Group expects sales during the current 2012 fiscal year to match last year's level of €1.44 billion. EBIT margin is expected to be greater than 5.5 percent. In 2011 it was 5.1 percent.

This improvement in earnings is expected to be driven by a greater share of general industry business in the Robotics division and a greater share of sales of the new generation of QUANTEC / KR C4 robots. In addition, KUKA Group expects a further expansion of R & D activities by the Robotics division in 2012. In the Systems division, the higher price realization of the orders in the backlog are expected to improve margins in 2012. The benefits of further internationalization and efficiency improvements in the value added chain should also lead to a further improvement in profit contributions, especially in 2013.

Provided the economy continues to grow and the market situation remains positive, KUKA Group expects sales revenues and EBIT margin to continue to grow in fiscal 2013.

Net income for the year

In fiscal 2011, KUKA Group generated a net income of €29.9 million. Based on a steady increase in operating profitability (EBIT) in 2012 and 2013, net income should rise by a similar amount.

Research and development and capital expenditures

KUKA's product strengths are founded on innovation and quality. To safeguard these competitive advantages, KUKA Group plans to slightly increase spending on research and development over the period covered by this forecast. The Robotics division will direct the spending towards enhancing its applications and software and developing new products. The Systems division's spending on R & D usually takes place almost exclusively in conjunction with in-house orders. Overall, KUKA Group plans to spend €40 to 50 million in each of fiscal 2012 and 2013 on research and development.

Capital spending: KUKA Group expects capital spending to rise as a result of the expansion of the assembly capacity in China, implementation of the hub concept and higher spending on research and development. Accordingly, the capital expenditure to sales ratio over the course of the period covered by this forecast is expected to be 2.5 to 3.5 percent.

Free cash flow

KUKA Group's free cash flow is primarily generated from operating earnings and the development of its working capital in the Robotics and Systems divisions. Provided general conditions remain stable and sales also remain stable or grow slightly, KUKA Group expects its free cash flow to be positive and rising in 2012, despite a slight increase in working capital. In 2013, sales growth should also result in an increase in working capital. Still, cash flow in 2013 is also expected to be well in the black, and significantly higher than the €6.5 million reported for the 2011 fiscal year.

FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

of KUKA Aktiengesellschaft for the period January 1 – December 31, 2011

in € millions	Notes	2010	2011
Sales revenue	(1)	**1,078.6**	**1,435.6**
Cost of sales	(2)	-874.6	-1,153.9
Gross income		**204.0**	**281.7**
Selling expenses	(2)	-86.9	-99.5
Research and development costs	(2)	-29.5	-37.7
Gerneral and administrative expenses	(2)	-76.3	-78.9
Other operating income	(3)	30.2	43.0
Other operating expenses	(3)	-23.9	-44.4
Earnings from operating activities		**17.6**	**64.2**
Reconciliation to earnings before interest and taxes (EBIT)			
Financing costs included in operating results		7.2	8.4
Earnings before interest and taxes (EBIT)		**24.8**	**72.6**
Write-off of financial assets	(4)	–	-0.8
Interest income	(4)	9.0	9.9
Interest expense	(4)	-31.1	-27.3
Financial results		**-22.1**	**-18.2**
Earnings before tax		**-4.5**	**46.0**
Taxes on income	(5)	-4.1	-16.1
Earning after taxes		**-8.6**	**29.9**
of which: attributable to minority interests		0.0	0.1
of which: attributable to shareholders of KUKA AG		-8.6	29.8
Earnings per share (diluted / undiluted) in €	(6)	**-0.28**	**0.89**

STATEMENT OF COMPREHENSIVE INCOME

of KUKA Aktiengesellschaft for the period January 1 – December 31, 2011

in € millions	Notes	2010	2011
Earning after taxes		**-8.6**	**29.9**
Translation adjustments		6.9	2.8
Changes of actuarial gains and losses	(23)	-1.8	-2.1
Deferred taxes on changes of acturial gains and losses		0.3	0.6
Other comprehensive income		**5.4**	**1.3**
Comprehensive income		**-3.2**	**31.2**
of which: attributable to minority interests		0.1	0.1
of which: attributable to shareholders of KUKA AG		-3.3	31.1

CASH FLOW STATEMENT*

of KUKA Aktiengesellschaft for the financial year 2011

in € millions	2010	2011
Net income after taxes	**-8.6**	**29.9**
Depreciation of intangible assets	7.1	10.4
Depreciation of tangible assets	15.2	15.7
Depreciation of financial assets	–	0.8
Other non-payment related income	-14.0	-4.0
Other non-payment related expenses	23.7	13.1
Cash earnings	**23.4**	**65.9**
Result on the disposal of assets	-0.6	-0.1
Changes in provisions	-28.2	-22.8
Changes in current assets and liabilities		
Changes in inventories	-52.0	-36.0
Changes in receivables and deferred charges	-45.3	-83.9
Changes in liabilities and deferred income (excl. financial debt)	77.9	113.3
Cash flow from operating activities	**-24.8**	**36.4**
Payments from disposals of fixed assets	2.9	0.4
Payments for capital expenditures on intangible assets	-4.8	-12.7
Payments for capital expenditures on tangible assets	-10.6	-17.6
Cashflow from investing activities	**-12.5**	**-29.9**
Free cashflow	**-37.3**	**6.5**
Proceeds from capital increases	42.8	–
Proceeds / payments from the sale / acquisition of treasury shares	–	23.7
Dividend payments	–	-0.1
Proceeds / payments from the issuance / repayment of bonds and liabilities similar to bonds	198.2	-69.0
Proceeds from / payments for the acceptance / repayment of bank loans	-63.9	3.6
Cash flow from financing activities	**177.1**	**-41.8**
Payment-related changes in cash and cash equivalents	**139.8**	**-35.3**
Exchange rate-related and other changes in cash and cash equivalents	2.4	0.7
Changes in cash and cash equivalents	**142.2**	**-34.6**
(of which net increase / decrease in restricted cash)	(69.0)	(-69.0)
Cash and cash equivalents at the beginning of the period	61.2	134.4
Cash and cash equivalents at the end of the period	**134.4**	**168.8**
Restricted cash	69.0	–
Cash and cash equivalents acc. to balance sheet	**203.4**	**168.8**

* See notes page 149 for further disclosures on the cash flow statement

GROUP BALANCE SHEET

of KUKA Aktiengesellschaft as at December 31, 2011

ASSETS

in € millions	Notes	Dec. 31, 2010	Dec. 31, 2011
NON-CURRENT ASSETS			
Non-current assets	(7)		
Intangible assets	(8)	76.5	78.8
Property, plant and equipment	(9)	85.8	87.6
Financial investments	(10)	1.0	0.2
		163.3	**166.6**
Finance lease receivables	(11)	**77.8**	**75.7**
Income tax receivables		**9.0**	**7.6**
Other long-term receivables and other assets		**12.0**	**12.1**
Deferred taxes	(5)	**34.5**	**35.0**
		296.6	**297.0**
CURRENT ASSETS			
Inventories	(12)	**158.0**	**195.4**
Receivables and other assets			
Trade receivables	(13)	125.7	145.5
Receivables from construction contracts	(13)	166.1	194.3
Finance lease receivables	(11)	4.1	4.6
Income tax receivables		3.6	6.0
Other assets, prepaid expenses and deferred charges	(14)	27.2	66.4
		326.7	**416.8**
Cash and cash equivalents	(15)	**203.4**	**168.8**
		688.1	**781.0**
		984.7	**1,078.0**

EQUITY AND LIABILITIES

in € millions	Notes	Dec. 31, 2010	Dec. 31, 2011
EQUITY	(16)		
Subscribed capital	(17)	88.2	88.2
Capital reserve	(18)	75.4	67.5
Treasury shares	(19)	-27.9	–
Revenue reserves	(20)	60.9	95.2
Minority interests	(21)	1.5	1.5
		198.1	**252.4**
NON-CURRENT LIABILITIES, PROVISIONS AND ACCRUALS	(25)		
Financial liabilities	(26)	192.8	194.0
Other liabilities	(27)	13.6	13.3
Pensions and similar obligations	(23)	70.2	70.4
Deferred taxes	(5)	18.3	20.0
		294.9	**297.7**
CURRENT LIABILITIES	(25)		
Financial liabilities	(26)	70.9	7.4
Trade payables		148.6	167.2
Advances received		49.0	67.1
Liabilities from construction contracts	(13)	39.6	93.4
Accounts payable to affiliated companies		0.1	0.1
Income tax liabilities		14.3	6.1
Other liabilities and deferred income	(27)	80.3	109.6
Other provisions	(24)	88.9	77.0
		491.7	**527.9**
		984.7	**1,078.0**

DEVELOPMENT OF GROUP EQUITY

of KUKA Aktiengesellschaft for the financial year 2011

Notes		(17)	(18)	(19)
	Number of shares outstanding	Subscribed capital in € millions	Capital reserve in € millions	Share buy-back in € millions
Jan. 1, 2010	**27,932,650**	**76.1**	**47.0**	**-27.9**
Comprehensive income		–	–	–
Capital increase	4,655,441	12.1	28.4	–
Employee share program		–	–	–
Other changes		–	–	–
Jan. 1, 2011	**32,588,091**	**88.2**	**75.4**	**-27.9**
Comprehensive income		–	–	–
Sale of treasury shares	1,327,340	–	-	27.9
Other changes		–	-7.9	–
Dec. 31, 2011	**33,915,431**	**88.2**	**67.5**	**–**

	(20)				(21)	
	Revenue reserves					
	Translation gains / losses in € millions	Actuarial gains and losses in € millions	Annual net profit and other revenue reserves in € millions	Equity to shareholders in € millions	Minority interests in € millions	Total in € millions
	-9.9	**2.1**	**72.0**	**159.4**	**1.4**	**160.8**
	6.9	-1.6	-8.6	-3.3	0.1	-3.2
	–	–	–	40.5	–	40.5
	–	–	0.1	0.1	–	0.1
	–	1.2	-1.3	-0.1	–	-0.1
	-3.0	**1.7**	**62.2**	**196.6**	**1.5**	**198.1**
	2.8	-1.5	29.8	31.1	0.1	31.2
	–	–	-4.2	23.7	–	23.7
	–	–	7.4	-0.5	-0.1	-0.6
	-0.2	**0.2**	**95.2**	**250.9**	**1.5**	**252.4**

GROUP NOTES

of KUKA Aktiengesellschaft for the financial year 2011

GROUP SEGMENT REPORTING*

	Robotics		Systems	
in € millions	2010	**2011**	2010	**2011**
Group external sales revenue	385.5	585.9	692.2	849.2
as a % of Group sales revenue	35.7%	40.8%	64.2%	59.2%
Intra-Group sales	50.2	30.4	3.1	1.5
Sales revenue by division	**435.7**	**616.3**	**695.3**	**850.7**
Operating profit / loss	**20.8**	**50.7**	**12.8**	**25.6**
Interest included in operating profit / loss	0.0	0.3	7.2	8.1
EBIT	**20.8**	**51.0**	**20.0**	**33.7**
as a % of sales revenues of the division	4.8%	8.3%	2.9%	4.0%
as a % of Group external sales revenue	5.4%	8.7%	2.9%	4.0%
as a % of average capital employed (ROCE)	16.1%	38.3%	10.4%	16.1%
EBITDA	**30.4**	**64.5**	**29.5**	**43.0**
as a % of sales revenue of the division	7.0%	10.5%	4.2%	5.1%
as a % of Group external sales revenue	7.9%	11.0%	4.3%	5.1%
as a % of average capital employed (ROCE)	23.5%	48.4%	15.3%	20.5%
Capital Employed (annual average)*	129.1	133.2	192.4	209.6
Capital Employed (end of financial year)	139.3	127.2	201.2	217.9
Assets	249.2	284.8	504.8	581.6
Liabilities	117.4	165.2	303.6	363.3
Capital expenditure	6.7	20.1	7.5	8.2
Depreciation / amortization of intangible and tangible assets	9.6	13.2	9.5	9.3
Impairment losses on intangible and tangible assets	–	0.3	–	–
Payroll (annual average)	2,347	2,753	3,456	3,643

* See notes page 150 for more information on Group segment reporting

KUKA Aktiengesellschaft and other Companies		Reconciliation and Consolidation		Group	
2010	**2011**	2010	**2011**	2010	**2011**
0.9	0.5	–	–	1,078.6	1,435.6
0.1%	0.0%	–	–	100.0%	100.0%
9.4	10.1	-62.7	-42.0	–	–
10.3	**10.6**	**-62.7**	**-42.0**	**1,078.6**	**1,435.6**
-22.9	**-16.7**	**6.9**	**4.6**	**17.6**	**64.2**
–	–	-	–	7.2	8.4
-22.9	**-16.7**	**6.9**	**4.6**	**24.8**	**72.6**
–	–	–	–	2.3%	5.1%
–	–	–	–	2.3%	5.1%
–	–	–	–	7.9%	21.8%
-19.7	**-13.5**	**6.8**	**4.7**	**47.0**	**98.7**
–	–	–	–	4.4%	6.9%
–	–	–	–	4.4%	6.9%
–	–	–	–	15.0%	29.6%
-6.7	-7.8	-2.3	-2.1	312.5	332.9
-12.2	-3.4	-3.5	-0.7	324.8	341.0
175.8	174.5	-192.1	-174.4	737.7	866.5
91.1	76.4	-22.9	-7.8	489.2	597.1
1.2	2.2	–	-0.2	15.4	30.3
3.2	3.3	–	0.0	22.3	25.8
–	–	–	–	–	0.3
187	193	–	–	5,990	6,589

GENERAL COMMENTS

ACCOUNTING PRINCIPLES

KUKA Aktiengesellschaft, Zugspitzstraße 140, 86165 Augsburg, has prepared its Group consolidated financial statements for the period ending December 31, 2011, 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, section 1 of the German Commercial Code (HGB). The statements comply with all standards (IFRS / IAS) and interpretations (IFRIC) for which application is mandatory for the 2011 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 2011 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 (in € millions).

The Executive Board prepared the consolidated financial statements on March 2, 2012.

CONSOLIDATION PRINCIPLES

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

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

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

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

SCOPE OF CONSOLIDATION

A total of 48 companies are included in the Group consolidated financial statements. This is three companies more than in 2010. In addition to KUKA Aktiengesellschaft, six companies registered inside Germany and 41 firms domiciled outside Germany are included for which KUKA Aktiengesellschaft either directly or indirectly holds majority voting rights.

In comparison to December 31, 2010, the scope of consolidation has only changed to the extent that following newly founded companies were added:

- KUKA Robotics (China) Co. Ltd., Shanghai, China
- KUKA Robotics UK LTD, London, Great Britain
- KUKA Systems SRL, Sibiu, Romania.

The first two companies above belong to the Robotics division; the last company belongs to the Systems division. The change in the scope of consolidation does not impair comparability with the previous year.

CURRENCY TRANSLATION

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

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

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

		Balance sheet date		Average rate	
Country	Currency	Dec. 31, 2010	**Dec. 31, 2011**	2010	**2011**
Brazil	BRL	2.2177	2.4159	2.3344	2.3259
Canada	CAD	1.3322	1.3215	1.3665	1.3756
China	CNY	8.8220	8.1588	8.9805	8.9961
India	INR	59.7580	68.7130	60.6318	64.8669
Japan	JPY	108.6500	100.2000	116.4567	111.0217
Korea	KRW	1,499.0600	1,498.6900	1,532.5125	1,541.0467
Malaysia	MYR	4.0950	4.1055	4.2733	4.2553
Mexico	MXN	16.5475	18.0512	16.7532	17.2791
Romania	RON	–	4.3233	–	4.2386
Russia	RUB	40.8200	41.7650	40.2780	40.8797
Sweden	SEK	8.9655	8.9120	9.5469	9.0276
Switzerland	CHF	1.2504	1.2156	1.3823	1.2340
Taiwan	TWD	38.9163	39.1724	41.9341	41.0302
Thailand	THB	40.1700	40.9910	42.0825	42.4248
Czech Republic	CZK	25.0610	25.7870	25.2939	24.5892
Hungary	HUF	277.9500	314.5800	275.3567	279.3100
USA	USD	1.3362	1.2939	1.3268	1.3917
United Kingdom	GBP	0.8608	0.8353	0.8582	0.8678
Vietnam	VND	25,895.1540	27,347.0000	25,379.1572	28,897.6695

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 based on use values. The data from the detail planning phase from the business plan for the next three years was used as the underlying data for this purpose, assuming in subsequent years that the annual cash flows will generally equal those in year three. For the sake of simplification, the perpetuity calculation further assumes that investments equal depreciation / amortization expense and the working capital remains unchanged.

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

Self-developed software and other development costs

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

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 the straight-line method. Moreover, the value recognized for capitalized costs of development projects not yet completed is subject to annual impairment tests.

Other intangible assets

Purchased intangible assets, predominantly software, are recognized at their acquisition cost and are amortized 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. Borrowing costs are capitalized for qualifying assets.

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

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

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

Finance and operating lease

In connection with finance leases, ownership is attributed to the lessee in cases in which the 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 in the lease and the interest income is recognized in the income statement.

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

Financial instruments

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

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

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

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

Unless otherwise 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 non-consolidated companies and financial investments

In the KUKA Group, participations in continuing business units that are not material to the financial position and performance of the Group are reported under available-for-sale financial assets. They are recognized at 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 cost of purchase 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 are recognized under other assets.

Cash and cash equivalents

Cash and cash equivalents include all cash funds recognized on the balance sheet; that is cash on hand, checks and cash balances with financial institutions, together with short-term investement with a residual term of less than three months from the date of puchase and the price of which flucutates only minimally.

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.

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

Trade payables also include payments due on outstanding supplier invoices.

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

Derivatives

In accordance with IAS 39, the KUKA Group recognizes all derivatives at fair value as of the settlement date. The fair value is determined with the aid of standard financial mathematical techniques, using current market parameters such as exchange rates and counterparty credit ratings (mark-to-market method) or quoted prices. 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. Write-downs to lower net realizable value have been taken to the extent required. In addition to valuation allowing disposal at no net loss, these write-downs also cover all other inventory risk. If the reasons that led to a devaluation of inventories in the past no longer exist, impairment losses are reversed.

Construction contracts

Construction contracts that meet the criteria of IAS 11 are recognized according to the percentage of completion method (POC method). As a rule, the percentage of completion to be recognized by contract is determined by the cost of work to date as a percentage of the estimated total costs (cost-to-cost method). The corresponding earnings from the contract are recognized on the basis of the percentage of completion thus determined. These contracts are presented as receivables or liabilities from 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 or 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 balance sheet and their recognized value for tax purposes (liability method) as well as for tax loss carry-forwards. Deferred tax assets for accounting and valuation differences as well as for tax loss carry-forwards are only recognized to the extent that there is a sufficiently probable expectation that the corresponding benefit will be realized in the future. Deferred tax assets and liabilities are not discounted. Deferred tax assets are netted against deferred tax liabilities if the tax creditor is the same.

Pension provisions and similar obligations

The measurement of pension 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 “projected unit credit method”. In addition to known pensions and vested benefits as at the balance sheet date, this method also takes expected future increases in salaries and pensions into account. The calculations are based on actuarial reports that must be prepared annually and must be based on biometric data. Service costs are recognized as personnel expense; the interest portion of the addition to provisions as well as the return on the fund assets are disclosed in the financial results. Actuarial gains and losses are recognized directly in equity (“Option 3”).

Other provisions

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

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

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

Liabilities in the personnel area such as vacation pay, flex-time credits and the statutory German early retirement 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. The number of incentive shares was limited to 75,000 for all employees. KUKA employees acquired a total of 101,820 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 comprises indirect costs, including the depreciation and amortization of production plants and intangible assets, write-downs of inventories and the recognized borrowing costs. KUKA accounts for provisions for product warranties as part of the cost of sales at the time of revenue recognition. Impending losses from contracts are recognized in the reporting period in which the current estimate for total costs arising from the respective contract exceeds the expected contract revenue.

Research and development costs

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

Financing costs included in operating results

The provisions of IAS 23R require financing expenses to be accrued for qualifying assets. Due to the way the corporation is internally managed and to increase transparency, financing expenses included in operating results are eliminated in the reconciliation for the earnings before interest and taxes (EBIT).

ASSUMPTIONS AND ESTIMATES

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

Development costs

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

Goodwill impairments

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

Deferred tax assets

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

Receivables and liabilities from construction contracts

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

Pensions and other post-employment benefits

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

Provisions

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

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

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

CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies did not significantly affect the Group consolidated financial statements compared to 2010.

The following revised standards were applied for the first time in the 2011 financial year:

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). The application of the new requirements took place retrospectively. The group of related parties did not change in the KUKA Group and the company was thus not affected by the new standard.

In addition, the following standards and interpretations likewise already adopted into EU law were applied for the first time in the 2011 financial year:

- IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendment to IAS 32 – Classification of Rights Issues
- Improvements to IFRSs (2010)*
- IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

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

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 consolidated financial statements of KUKA Aktiengesellschaft has not yet been completely analyzed. Consequently, the anticipated effects only represent a first estimate.

Amendment to IAS 19 – Employee Benefits

The revision of IAS 19 eliminated the elections for the treatment of actuarial gains and losses. In the future only Option 3 (applied by KUKA) will be available, i.e. actuarial gains and losses are to be recognized in the period in which they arise in other comprehensive income. Moreover, returns on plan assets will then be recognized in profit or loss based on the returns from corporate bonds – independent of the actual portfolio structure. Past service cost due to changes to the plan will in future be recognized directly in the period in which the change occurs. In certain cases the amendment to IAS 19 may influence other long-term personnel-related provisions. Adoption of the revised standard is mandatory for financial years starting on or after January 1, 2013.

Amendment to IAS 1 – Presentation of Other Comprehensive Income

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

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces the guidance on control and consolidation provided by IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The new standard changes the definition of "control" so that the same criteria are used to determine control over all companies. Discretionary power and variable reflux are prerequisites for control. We do not expect this new standard to affect the consolidated financial statements of the KUKA Group. This standard is mandatory for financial years starting on or after January 1, 2013.

IFRS 11 – Joint Arrangements

This new standard introduces two types of joint arrangements: joint operations and joint ventures. The prior election of proportionate consolidation for jointly controlled entities has been eliminated. The equity method of accounting is now mandatory for partners in a joint venture. Currently there are no joint arrangements in the KUKA Group, so it is not expected that the standard will have any impact on the company. Initial application will take place in the 2013 financial year.

IFRS 12 – Disclosure of Interests in Other Entities

This new standard supersedes the current disclosures included in IAS 28 and determines the required disclosures for entities that report in accordance with the two new standards IFRS 10 – Consolidated Financial Statements and IFRS 11 – Joint Arrangements. The new standard is expected to increase the scope of disclosure for notes. Impacts on net income will not result. This standard is mandatory for financial years starting on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

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

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

Standard / Interpretation	Effective date	Planned application by KUKA AG
Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets	July 1, 2011	financial 2012
Amendments to IFRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011	financial 2012*
Amendment to IAS 1, Presentation of Items of Other Comprehensive Income	July 1, 2012	financial 2013*
Amendment to IAS 12, Deferred Tax: Recovery of Underlying Assets	July 1, 2012	financial 2012*
Amendments to IAS 19, Employee Benefits	January 1, 2013	financial 2013*
IFRS 10, Consolidated Financial Statements	January 1, 2013	financial 2013*
IFRS 11, Joint Arrangements	January 1, 2013	financial 2013*
IFRS 12, Disclosure of Interests in Other Entities	January 1, 2013	financial 2013*
IFRS 13, Fair Value Measurement	January 1, 2013	financial 2013*
Revision of IAS 27, Consolidated and Separate Financial Statements	January 1, 2013	financial 2013*
Revision of IAS 28, Investments in Associates and Joint Ventures	January 1, 2013	financial 2013*
IFRS 9, Financial Instruments	January 1, 2013	financial 2013*
Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities	January 1, 2013	financial 2013*
Amendments to IAS 32 – Adjustment for Offsetting Financial Assets and Financial Liabilities	January 1, 2014	financial 2014*
Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	January 1, 2015	financial 2015*
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	financial 2013*

* Pending adoption (endorsement) by the European Union.

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

1 SALES REVENUES

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

The breakdown of sales revenues by business division and region is shown in segment reporting (cf. page 106 and 107). Services account for approximately 18.6 percent of sales revenues in the Robotics division as compared to 20.8 percent last year. Services play a less significant role in the Systems division.

In connection with construction contracts, sales revenues in the amount of € 690.9 million were recognized in the reporting year (compared to € 541.6 million in the prior year) according to the percentage of completion method.

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

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

The cost of sales include under other expenditures comprises financing costs for internally-generated intangible assets and receivables related to manufacturing orders totaling € 8.4 million, which compares to € 7.2 million the year prior. These were determined on the basis of the corporate financing rate of 7.5 percent, which last year was 13.0 percent.

Personnel costs are directly allocated to the functional areas based on the cost centers. The overall distribution is thus as follows:

in € millions	2010	**2011**
Wages and salaries	284.8	316.5
Social security payments and contributions for		
retirement benefits and provident funds	54.7	59.2
(of that for retirement benefits)	(3.4)	(3.5)
Total	**339.5**	**375.7**

In 2010, KUKA Group's German companies were subsidized by the German Federal Labor Office in the amount of € 1.0 million under the terms of the reduced working hours program. The grants were deducted directly from personnel expenses. Due to the very satisfactory business performance, there was no need for reduced working hours during the 2011 financial year.

	Cost of sales		Selling expenses		Research and development expenses		General and administrative expenses		Total	
in € millions	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**
Cost of materials	592.7	867.4	1.0	1.8	4.1	4.0	0.4	1.8	598.2	875.0
Personnel expense	234.6	265.6	46.0	49.1	18.7	18.3	40.2	42.7	339.5	375.7
Amortization	13.0	12.4	1.0	1.1	3.4	7.3	4.9	5.3	22.3	26.1
Other expenses and income	34.3	8.5	38.9	47.5	3.3	8.1	30.8	29.1	107.3	93.2
Total	**874.6**	**1,153.9**	**86.9**	**99.5**	**29.5**	**37.7**	**76.3**	**78.9**	**1,067.3**	**1,370.0**

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

	Annual average		Balance sheet date			
Employees by functional categories	Total 2010	**Total 2011**	Total 2010	**Total 2011**	of that, Germany	of that, abroad
Manufacturing	4,358	4,793	4,498	4,958	2,330	2,628
Sales	528	546	532	568	287	281
Administration	503	523	508	543	265	278
Research and development	240	255	242	273	268	5
Trainees*	–	23	–	20	11	9
	5,629	**6,140**	**5,780**	**6,362**	**3,161**	**3,201**
Apprentices	185	202	210	227	199	28
Total	**5,814**	**6,342**	**5,990**	**6,589**	**3,360**	**3,229**

* Last year interns were directly allocated to the respective functional category. Starting this reporting year they are counted independently.

3 OTHER OPERATING INCOME AND EXPENSES

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

in € millions	2010	**2011**
Income from foreign currency transactions	24.0	36.4
Reimbursements from damages claims	0.1	1.7
Other income	6.1	4.9
Other operating income	**30.2**	**43.0**
Expenses for foreign currency transactions	20.2	38.2
Donations	0.1	0.1
Other taxes	2.8	3.7
Other expenses	0.8	2.4
Other operating expense	**23.9**	**44.4**
Other operating income and expenses	**6.3**	**-1.4**

4 FINANCIAL RESULT

in € millions	2010	**2011**
Depreciation of financial assets	**0.0**	**0.8**
Interest income from finance lease	7.5	6.9
Returns on pension plan assets	0.3	0.3
Remaining interest and similar income	1.2	2.7
Other interest and similar income	**9.0**	**9.9**
Interest component for allocations to pension provisions	3.8	3.5
Guarantee commission	5.6	3.8
Interest expense for the convertible bond	5.3	4.7
Interest expense for the corporate bond	2.3	18.7
Transaction costs of Syndicated Senior Facilities Agreement	15.2	1.4
Financing costs reclassified to operating results	-7.2	-8.4
Remaining interest and similar expenses	6.1	3.6
Other interest and similar expenses	**31.1**	**27.3**
Financial result	**-22.1**	**-18.2**

The depreciation of financial assets concerns a minority interest in North America acquired in 2009.

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

Transaction costs of the Syndicated Senior Facilities Agreement last year included one-time charges in connection with the former Syndicated Senior Facilities Agreement totaling €5.3 million (see note 26 – Syndicated loan).

Financing costs reclassified to operating results concern financing costs to be accrued according to IAS 23R. Remaining interest and expenses primarily include ongoing expenses for keeping cash lines open from the Syndicated Senior Facilities Agreement.

5 TAXES ON INCOME / DEFERRED TAXES

Tax expense

Income tax expense breaks down by origin as follows:

in € millions	2010	2011
Current taxes	12.1	14.8
(of that relating to other periods)	(1.1)	(-0.2)
Deferred taxes	-8.0	1.3
from temporary differences	0.4	-5.5
from loss carry-forwards	-8.4	6.8
Total	**4.1**	**16.1**

Of the current expenses for tax on earnings, €3.1 million is attributable to domestic expenditure compared to €1.6 million in the previous year, whereas €11.7 million is attributable to foreign expenditure compared to €10.5 million last year.

Deferred tax expenses of €-0.6 million are attributable to domestic operations and €1.9 million to foreign. This compares with the figures from the previous year of €-7.5 million and €-0.5 million (tax income), respectively.

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

in € millions	2010	2011
Earnings before tax expense	**-4.5**	**46.0**
Expected tax expense	**-1.4**	**13.8**
Tax rate-related differences	3.1	1.7
Tax reductions due to tax-exempt income	-0.5	-1.3
Tax increases due to non-deductible expenses	4.2	4.3
Tax arrears (+) / Tax credits received (–) for prior years	1.1	-6.5
Changes to allowance on deferred taxes	-2.8	5.7
First-time recognition of previously unrecognized deferred tax assets on tax loss carryforward	0.0	-1.5
Other differences	0.4	-0.1
Taxes on income (actual tax expense)	**4.1**	**16.1**

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

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

In addition to an existing corporate income tax credit, an amount equal to €7.6 million (prior year: €9.0 million) results after discounting as a non-current tax receivable effective December 31, 2011, and an amount of €1.8 million (prior year: unchanged) as a current tax receivable.

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

Current tax income in other accounting periods totaling €0.2 million (prior year: €-1.1 million) are primarily the result of corrections in foreign operations.

The final tax assessment based on the last domestic tax audits for the years 2002 to 2004 was carried out in the reporting year without tax effects in other accounting periods.

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

Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities	
in € millions	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**
Non-current assets	15.3	12.5	43.4	43.9
Current assets	40.6	48.2	49.1	55.9
Provisions	15.9	16.4	1.7	3.6
Liabilities	13.1	23.9	3.5	4.5
Subtotal	**84.9**	**101.0**	**97.7**	**107.9**
Balancing item	-79.4	-87.9	-79.4	-87.9
Valuation allowance	-2.8	-3.2	0.0	0.0
Subtotal	**2.7**	**9.9**	**18.3**	**20.0**
Deferred taxes on temporary differences	2.7	9.9	18.3	20.0
Deferred taxes on tax loss carry-forwards	31.8	25.1	0.0	0.0
Total	**34.5**	**35.0**	**18.3**	**20.0**
thereof: from items recognized in equity			2.6	-1.4

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

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

From the loss carry-forward and carried interest of € 233.8 million (prior year: € 265.1 million), amounts totaling € 146.8 million (prior year: € 159.6 million) are not considered in the accounting of deferred taxes.

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

In accordance with IAS 12, deferred tax items must be recognized for the difference between the proportionate equity of a subsidiary recognized on the Group balance sheet and the investment carrying amount of this subsidiary on the tax balance sheet of the parent company (so-called outside basis differences) if it is likely that this difference will be realized. Since both KUKA Aktiengesellschaft as well as the subsidiaries in question are corporations, these differences are predominantly tax exempt under Article 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 Article 8b KStG) if it is not likely, given control by the parent company, that these differences will reverse in the foreseeable future. Since no such reversal is expected, no deferred tax items had to be recognized on the balance sheet for this purpose. There are outside basis differences in the amount of € 1.7 million (prior year: € 4.0 million).

Overall, the change to deferred tax assets and liabilities of € 2.6 million (prior year: € 9.4 million) came from amounts affecting net income totaling € 1.3 million (prior year: € -8.0 million) as well as amounts not affecting net income resulting from changes to pension obligations, a convertible bond and currency exchange factors.

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

6 EARNINGS PER SHARE

Undiluted / diluted earnings per share break down as follows:

	2010	2011
Net income / loss for the year after minority interests (in € millon)	-8.6	29.8
Weighted average number of shares outstanding	30,325,029	33,428,740
Earnings per share (in €)	**-0.28**	**0.89**

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

On December 31, 2009 there were 27.9 million shares outstanding. 4.7 million shares were issued as part of the capital increase in June 2010, raising the average number of shares outstanding at the end of the preceding year to 30.3 million. On December 31, 2010 there were 32.6 million shares outstanding.

The sale of 1,327,340 treasury shares in May 2011 further increased the weighted average number of shares outstanding to 33,428,740. On December 31, 2011 there were thus 33,915,431 shares outstanding.

No dilution results in both the reporting and the previous year from the convertible bond issued in May 2006 and repaid in November 2011.

7 FIXED ASSETS

SCHEDULE OF CHANGES IN FIXED ASSETS 2011

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

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

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

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

SCHEDULE OF CHANGES IN FIXED ASSETS 2010

	Acquisition / Manufacturing Costs					
in € millions	Status as at Jan. 1, 2010	Exchange rate differences	Additions	Disposals	Reclassifications	Status as at Dec. 31, 2010
I. Intangible assets						
1. Rights and similar assets	42.1	0.6	2.8	1.9	0.0	43.6
2. Self-developed software and other development costs	18.0	0.0	2.0	1.5	–	18.5
3. Goodwill	56.6	0.0	–	–	–	56.6
4. Advances paid	1.7	0.0	–	0.5	0.0	1.2
	118.4	**0.6**	**4.8**	**3.9**	**0.0**	**119.9**
II. Tangible assets						
1. Land, similar rights and buildings including buildings on land owned by third parties	113.8	1.2	0.9	1.1	0.0	114.8
2. Technical plant and equipment	89.5	0.8	3.9	3.5	2.0	92.7
3. Other equipment, factory and office equipment	71.7	1.4	4.9	9.6	0.2	68.6
4. Advances paid and construction in progress	1.8	0.0	0.9	0.0	−2.2	0.5
	276.8	**3.4**	**10.6**	**14.2**	**0.0**	**276.6**
III. Financial investments						
1. Participations in affiliated companies	4.6	–	–	–	–	4.6
2. Other participations	0.9	–	–	–	–	0.9
3. Other loans	0.0	–	–	–	–	0.0
	5.5	**–**	**–**	**–**	**–**	**5.5**
	400.7	**4.0**	**15.4**	**18.1**	**0.0**	**402.0**

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

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

	Accumulated Depreciation					Net carrying amount
	Status as at Jan. 1, 2010	Exchange rate differences	Additions	Disposals	Status as at Dec. 31, 2010	Status as at Dec. 31, 2010
	29.3	0.3	5.2	1.8	33.0	10.6
	2.9	0.1	1.9	1.5	3.4	15.1
	7.0	–	–	–	7.0	49.6
	–	–	–	–	–	1.2
	39.2	**0.4**	**7.1**	**3.3**	**43.4**	**76.5**
	62.7	0.2	3.2	0.0	66.1	48.7
	68.9	0.4	5.3	3.0	71.6	21.1
	54.9	0.9	6.7	9.4	53.1	15.5
	–	–	–	–	–	0.5
	186.5	**1.5**	**15.2**	**12.4**	**190.8**	**85.8**
	4.5	–	–	–	4.5	0.1
	–	–	–	–	–	0.9
	0.0	–	–	–	0.0	0.0
	4.5	**–**	**–**	**–**	**4.5**	**1.0**
	230.2	**1.9**	**22.3**	**15.7**	**238.7**	**163.3**

	3.1	**–**	**0.2**	**–**	**3.3**	**1.2**

8 INTANGIBLE ASSETS

Changes to the individual items under intangible assets are disclosed in the schedule of changes in fixed assets. No impairment losses were made in the financial year under review or in the previous year.

Goodwill

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

Profit Center in € millions	Dec. 31, 2010	Dec. 31, 2011
Body-Structure and Engineering	40.7	40.7
Assembly & Test	4.7	4.7
Robotics Automotive	3.8	3.8
Others / less than €1 million	0.4	0.4
Total	**49.6**	**49.6**

Individual profit centers represent the smallest cash-generating unit, making them the basis for the impairment test of goodwill. The customer service business in the Robotics division is proportionately allocated to the profit centers "Automotive" and "General Industry". The segment management reporting structures were minimally adjusted in the Systems division in the financial year 2011. This led to the renaming of the "Body-in-White" cash-generating unit to "Body Structure and Engineering". The Brazilian Systems company was added to this cash-generating unit due to its change of focus activities. From now on the Chinese Systems companies and KUKA Systems Corporation North America will be proportionately allocated to the reporting segments "Body Structure and Engineering" and "Technology Solutions". These adjustments to segment management reporting do not impair the overall comparability with the previous year. Likewise, this does not lead to different results for the goodwill impairment test.

The impairment test is based on a three-year detailed planning period and increased steadiness in the last year of the detailed planning. As in the previous year, a perpetual growth rate of 0.5 percent is considered. The following discount rates for WACC before taxes were used in the financial year:

in %	2010	2011
Planning period	2011 – 2013	2012 – 2014
Systems	9.6	13.0
Robotics	9.3	12.7

The cost of equity capital was determined on the basis of segment-specific peer groups. The cost of borrowed capital was derived from the refinancing costs of KUKA Aktiengesellschaft.

Material components used in determining WACC are the market risk premium of 5.0 percent (prior year: unchanged) and the risk-free interest rate of 4.0 percent (prior year: 3.1 percent). The beta factor was determined as a three-year average of the respective peer group; for the Systems segment it was 1.136 (prior year: 1.288) and for the Robotics segment it was 1.269 (prior year: 1.223).

The ratios for the cost of equity capital and the cost of borrowed capital were determined by segment based on the average debt-to-equity ratios of the respective peer group for the last three years. The tax rate used was 29.37 percent (prior year: 30 percent).

A 1 percent higher WACC would only marginally influence the impairment of goodwill – as marginally as a reduction in sales revenues over the entire planning period by ten percent with a correspondingly lower cash flow.

Self-developed software and other product development costs

According to IAS 38, self-developed software and other development costs must also be capitalized. For the purpose of such capitalization, KUKA uses a definition of the costs of production which, in accordance with IAS, includes attributable direct costs as well as an appropriate allocation for overheads and depreciation. Borrowing costs are included in the production costs based on the Group capitalization rate of 7.5 percent (prior year: 13.0 percent) for qualifying assets whose development began after December 31, 2008.

Development costs are only recognized as assets in the KUKA Group at KUKA Roboter GmbH and its subsidiary KUKA Laboratories GmbH. The companies are working on several projects involving performance and guidance software for robots as well as new applications in the area of medical technology. Borrowing costs of €0.2 million (prior year: €0.1 million) were accounted for. Total expenditures for research and development for the reporting period were €37.7 million compared to €29.5 million in 2010.

Development costs with a carrying amount of € 18.3 million (prior year: € 15.1 million) from the years 2008 to 2011 have been capitalized according to IAS 38. Additions for 2011 totaled € 8.2 million (prior year: € 2.0 million). Amortization is applied using a straight-line method over the respective expected useful life of three years or less. The depreciation related to capitalized borrowing costs is recognized in the income statement initially under research and development expenses and eliminated in the reconciliation of the operating results to EBIT. An amount less than € 0.1 million was reclassified in this area in the financial year under review.

9 TANGIBLE ASSETS

The breakdown of the assets aggregated in the balance sheet items of the tangible assets, as well as changes over the reporting year and in 2010, are shown in note 7 of the annual report. The major focus of capital expenditures in the financial year is described in the management report.

Subsidies in the amount of € 0.3 million (prior year: unchanged) 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 € 2.0 million (prior year: € 2.3 million) and recognized as directly income-relevant. There were no contingently repayable grants as of the balance sheet date.

The depreciable amounts are as follows:

in € millions	2010	2011
Depreciation of tangible assets		
scheduled	15.2	15.4
non-scheduled	–	0.3
Total	**15.2**	**15.7**

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, 2010 Total	Dec. 31, 2011 Total	Up to one year	between one and five years
Minimum lease payments	0.6	0.2	0.2	–
Present value	0.5	0.2	0.2	–

Commitments from leases and rental agreements

in € millions	Dec. 31, 2010	Dec. 31, 2011
up to one year	5.7	7.9
between one and five years	13.0	15.0
more than five years	7.7	13.9
Total	**26.4**	**36.8**

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

Total rental expenses for the fiscal year were € 14.9 million compared to € 13.5 million in the prior year; rental income totaled € 0.3 million and was slightly less than the € 0.4 million in 2010.

10 FINANCIAL INVESTMENTS

Financial investments primarily resulted from loans and other investments with less than ten percent ownership. The write-off in the financial year concerns a minority interest in North America acquired in 2009.

11 FINANCE LEASE

KUKA Toledo Production Operations LLC., Toledo, Ohio, USA manufactures Jeep Wrangler bodies under the terms of a pay-on-production contract with Chrysler. The first unpainted car bodies associated with the project were delivered to Chrysler in July 2006. The project was initially financed through an operating lease agreement with a local corporation and a consortium of financing banks. In 2008 KUKA Aktiengesellschaft reached an agreement with Chrysler LLC and the financing banks regarding the settlement of the € 77.1 million financing, which resulted in the legal ownership of the buildings and production systems.

Because of the existing agreement to supply car bodies to Chrysler, the acquisition of the production system assets was not included on the balance sheet as an asset acquisition, but instead categorized as a finance lease in accordance with IFRIC 4 / IAS 17 guidelines and booked as a receivable from finance leases. A non-current lease receivable of € 75.7 million (prior year: € 77.8 million) and a current lease receivable of € 4.6 million (prior year: € 4.1 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 reconciliation to the present value of the outstanding minimum lease payments:

in € millions	2010	2011
Future minimum lease payments / Finance lease gross investments	130.7	123.4
of that not later than one year	11.3	11.7
of that later than one year and not later than five years	45.1	46.6
of that later than five years	74.3	65.1
Unrealized financial income	-48.8	-43.1
Present value of outstanding minimum lease payments	**81.9**	**80.3**
of that not later than one year	4.1	4.6
of that later than one year and not later than five years	20.5	23.2
of that later than five years	57.3	52.5

12 INVENTORIES

in € millions	Dec. 31, 2010	Dec. 31, 2011
Raw materials and supplies	44.7	43.6
Work in process	84.4	107.8
Finished goods	18.7	25.4
Advances paid	10.2	18.6
Total	**158.0**	**195.4**

The carrying amount of inventory with adjusted valuation in the amount of € 123.5 million compares with € 94.9 million in 2010 and has been recognized at net realizable value. Write-downs, relative to gross value, amounted to € 26.2 million versus € 27.6 million the year prior.

13 RECEIVABLES

in € millions	of that up to one year	of that more than one year	Dec. 31, 2010 Total	of that up to one year	of that more than one year	Dec. 31, 2011 Total
Trade receivables	125.7	0.3	126.0	145.5	–	145.5
Receivables from contruction contracts	166.1	–	166.1	194.3	–	194.3
Total	**291.8**	**0.3**	**292.1**	**339.8**	**–**	**339.8**

The following table breaks down receivables by age and recoverability.

	not impaired as of the balance sheet date but in arrears by										
in € millions	less than 30 days	30 to 60 days	61 to 90 days	91 to 180 days	more than 180 days	Total of past due, unimpaired receivables	impaired trade receivables before recording of impairment losses	impairment loss	net carrying amount of impaired trade receivables	neither impaired nor past due as at the balance sheet date	**Net carrying amount**
as of Dec. 31, 2010	13.4	5.3	3.6	3.6	2.8	28.7	7.4	-6.8	0.6	96.7	**126.0**
as of Dec. 31, 2011	21.6	6.8	3.6	4.4	1.5	37.9	6.7	-6.3	0.4	107.2	**145.5**

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

Receivables of KUKA Roboter GmbH are regularly sold as part of two ABS programs. See note 26 / Asset-backed securities program for more details.

Trade receivables

Bad debt allowances on trade receivables developed as follows:

in € millions	2010	2011
Impairment losses / Status as at Jan. 1	**6.2**	**6.8**
Additions (Expenses related to impairment losses)	3.2	2.8
Use	-1.2	-0.1
Reversals	-1.4	-3.2
Impairment losses / Status as at Dec. 31	**6.8**	**6.3**

The total amount of additions of € 2.8 million (prior year: € 3.2 million) breaks down into additions for specific bad debt allowances of € 2.6 million (prior year: € 2.7 million) and lump-sum bad debt allowances in the amount of € 0.2 million (prior year: € 0.5 million).

Receivables from construction contracts

For receivables from construction contracts, advances received have been offset against costs incurred in connection with the contract, including contributions to earnings on a per contract basis. As at the balance sheet date, costs incurred and earnings recognized in connection with long-term contracts in the amount of € 852.5 million were offset against advances received in the amount of € 658.2 million. In 2010 these figures were € 643.4 million and € 477.3 million, respectively. This resulted in receivables of € 194.3 million compared to € 166.1 million the year prior and liabilities of € 93.4 million versus € 39.6 million a year earlier. Advances received in connection with long-term contracts exceed the costs incurred and the earnings portion.

14 OTHER ASSETS, PREPAID EXPENSES AND DEFERRED CHARGES

in € millions	of that up to one year	of that more than one year	Dec. 31, 2010 Total	of that up to one year	of that more than one year	Dec. 31, 2011 Total
Other assets, prepaid expenses and deferred charges	27.2	12.0	39.2	66.4	12.1	78.5

The increase in other assets, prepaid expenses and deferred charges was largely due to greater sales tax demands.

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

in € millions	Impaired receivables before recording of impairment loss	Impairment loss	Carrying amount of impaired receivables	Neither impaired nor past due as at the balance sheet date	**Carrying amount**
as of Dec. 31, 2010	2.7	-2.7	0.0	15.5	**15.5**
as of Dec. 31, 2011	2.7	-2.7	0.0	18.9	**18.9**

There are no other assets that are impaired or past due as of December 31, 2011 or December 31, 2010.

Impairment losses on other assets developed as follows:

in € millions	2010	2011
Impairment losses / Status as at Jan. 1	**3.7**	**2.7**
Additions (Expenses related to impairment losses)	0.5	0.2
Use	-0.1	0.0
Reversals	-1.4	-0.2
Impairment losses / Status as at Dec. 31	**2.7**	**2.7**

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash funds recognized on the balance sheet; that is cash on hand, checks and cash balances with financial institutions, together with short-term investement with a residual term of less than three months from the date of puchase and the price of which flucutates only minimally.

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.

Last year amounts totaling € 69.0 million were held in a fiduciary account and were accessed to meet obligations arising from the convertible bond ("restricted cash").

in € millions	Dec. 31, 2010	Dec. 31, 2011
Cash-on-hand	0.1	0.1
Cash and bank balances	134.3	168.7
Restricted cash	69.0	0.0
Total	**203.4**	**168.8**

16 EQUITY

Changes in equity, including changes without effect on profit or loss are disclosed in the Development of Group Equity on page 104 f. and in the Statement of Comprehensive Income on page 100.

For more information on equity see the notes in the management report under "Disclosure as per article 315 section 4 of the German Commercial Code, including accompanying explanation".

17 SUBSCRIBED CAPITAL

Capital increase June 2010

In June 2010, a rights issue consisting of 4,655,441 shares was placed. The capital increase was implemented by issuing rights with a ratio of 6:1. At an issue price of € 2.60 per share, the subscription price was € 9.75. The difference between offer price and issue price is reported in the capital reserve, taking into account commissions and taxes. After deducting direct transaction costs the company took in € 42.8 million.

Following the capital increase the total share capital of KUKA Aktiengesellschaft amounts to € 88,180,120.60 and is subclassified into 33,915,431 no-par value bearer shares. Each share is equal to one vote.

18 CAPITAL RESERVE

The capital reserve applies to KUKA Aktiengesellschaft. The change compared to last year results from the scheduled repayment of the convertible bond.

The change last year resulted from the capital increase in June 2010. The resulting transaction costs of € 4.9 million were deducted from the capital reserve without effect on profit or loss.

19 TREASURY SHARES

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

Following the sale of the treasury shares, the total number of shares in circulation as of December 31, 2011 is 33,915,431.

20 REVENUE RESERVES

The revenue reserves include:

- The accumulated retained earnings of KUKA Aktiengesellschaft and its consolidated subsidiaries
- Consolidation and 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 € -1.4 million (prior year: € 2.6 million) from transactions not recognized in profit or loss are included in equity. These are exclusively attributable to actuarial gains and losses from pensions (prior year: € -0.8 million). The prior year amount also still included deferred taxes from the convertible bond amounting to € 3.4 million.

21 MINORITY INTERESTS

This note primarily concerns the minority stake held by third parties in KUKA Enco Werkzeugbau spol. s. r. o., Dubnica, Slovakia and in Hung Viet International Company Limited, Ho Chi Minh City, Vietnam. The changes to this item are detailed in the development of Group equity.

22 MANAGEMENT OF CAPITAL

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

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

		2010	2011
Equity	€ millions	198.1	252.4
/ Total equity	€ millions	984.7	1,078.0
Equity ratio	**%**	**20.1**	**23.4**
EBIT	€ millions	24.8	72.6
/ Capital Employed (annual average)	€ millions	312.5	332.9
ROCE	**%**	**7.9**	**21.8**
Cash and cash equivalents	€ millions	203.4	168.8
Non-current finance liabilities	€ millions	-192.8	-194.0
Current finance liabilities	€ millions	-70.9	-7.4
Net debt	€ millions	**-60.3**	**-32.6**

23 PENSION PROVISIONS AND SIMILAR OBLIGATIONS

KUKA recognizes actuarial gains and losses directly in equity at the time in which they occur (Option 3 in accordance with IAS 19.93A).

Provisions for pensions developed as follows in the financial year 2011:

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 € 0.7 million (prior year: unchanged). The possible effects of an increase / reduction of one 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 € 19.3 million compared to € 17.7 million in 2010 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.

in € millions	Status as at Jan. 1	Exchange differences	Consumption	Additions	Actuarial gains (–) and losses (+) (directly in equity)	Status as at Dec. 31
2010	70.0	0.1	5.8	4.1	1.8	70.2
2011	**70.2**	–	**5.6**	**3.7**	**2.1**	**70.4**

Pension provisions include liabilities from vested benefits and from current benefits paid to vested and former employees of the KUKA Group as well as their surviving dependents. Depending on the legal, economic and tax situation in each of the countries concerned, various retirement benefit systems are in place that are as a rule based on employees' length of service and compensation.

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		Other	
Dec. 31	2010	2011	2010	2011	2010	2011
Demographic assumptions	RT 2005 G	RT 2005 G	RP 2000	RP 2000	IPS55 (I); TV88 / 90 (F)	IPS55 (I); TV88 / 90 (F)
Discount factor	4.95%	4.70%	5.40%	4.40%	4.95%	4.70%
Expected rate of return on assets	–	–	8.00%	8.00%	–	–
Wage dynamics	0.00 – 2.50%	0.00 – 2.50%	–	–	0.00 – 2.00%	0.00 – 2.00%
Pension dynamics	1.75 – 2.50%	1.75 – 2.50%	–	–	0.00 – 2.00%	0.00 – 2.00%
Changes in cost of medical services	–	–	5.00 – 8.00%	5.00 – 7.50%	–	–

The discounting factor is determined based on the returns from high-quality, fixed-rate corporate bonds.

Wage dynamics encompass future increases in wages and salaries that are estimated annually by reference to factors such as inflation and economic conditions, among others.

The expected returns are derived from consensus forecasts for the respective asset classes as well as bank discussions. The forecasts are based on 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. If the fund assets do not cover the commitment, the net obligation is recognized as a liability under pension provisions.

Increases or decreases in either the present value of the defined benefit 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		Other		Total	
in € millions	2010	2011	2010	2011	2010	2011	2010	2011
Present value of pension benefits covered by provisions	67.9	67.1	0.7	0.8	0.6	0.6	69.2	68.5
Present value of funded pension benefits	–	–	4.8	5.8	–	–	4.8	5.8
Defined benefit obligation zusagen (Defined Benefit Obligation)	**67.9**	**67.1**	**5.5**	**6.6**	**0.6**	**0.6**	**74.0**	**74.3**
Fair value of plan assets	–	–	3.8	3.9	–	–	3.8	3.9
Net obligation as of Dec. 31*	**67.9**	**67.1**	**1.7**	**2.7**	**0.6**	**0.6**	**70.2**	**70.4**

* Is the same as the pension provision because in both the reporting year as well as in the previous year there was no overfunding of plan assets and no unrecognized past service cost.

As a result of the decline in market rates observed especially in the euro zone since the reference date for the prior year, lower discount rates were applied generally for the discounting of pension obligations resulting, ceteris paribus, in a higher defined benefit obligation. Details of the changes in defined benefit obligations for the financial year are shown in the following summary:

Current service costs and interest expenses totaling € 3.9 million (prior year: € 4.4 million) compare to benefit payments of € 5.6 million during the financial year (prior year: € 5.8 million). The increase of the defined benefit obligation results mainly from actuarial losses of € 2.1 million accrued during the financial year, compared to losses of € 2.0 million in 2010.

Changes in defined benefit obligations

	Germany		USA		Other		Total	
in € millions	2010	2011	2010	2011	2010	2011	2010	2011
Net obligations as of Jan. 1	67.9	67.9	4.7	5.5	0.5	0.6	73.1	74.0
of which funded in a separate fund	–	–	(4.1)	(4.8)	–	–	(-4.1)	(-4.8)
of which funded by provisions	(67.9)	(67.9)	(0.6)	(0.7)	(0.5)	(0.6)	(-69.0)	(-69.2)
Current service costs	0.4	0.4	0.1	0.1	0.1	0.0	0.6	0.5
Interest expense	3.5	3.2	0.3	0.3	0.0	0.0	3.8	3.5
Payments	-5.6	-5.4	-0.2	-0.2	0.0	0.0	-5.8	-5.6
Acturial gains (-) / and losses (+)	1.7	1.0	0.3	0.7	0.0	0.0	2.0	1.7
Currency translation	–	–	0.3	0.2	0.0	0.0	0.3	0.2
Net obligations as of Dec. 31	**67.9**	**67.1**	**5.5**	**6.6**	**0.6**	**0.6**	**74.0**	**74.3**
of which funded in a separate fund	(–)	(–)	(4.8)	(5.8)	(–)	(–)	(4.8)	(5.8)
of which funded by provisions	(67.9)	(67.1)	(0.7)	(0.8)	(0.6)	(0.6)	(69.2)	(68.5)

The defined benefit obligation increased in the reporting year owing to a decrease in the discounting factor for domestic and foreign pension plans. The influence of the remaining valuation parameters was minimal. A change to the discounting factor of + / - 0.25 percent would lead to a lower / higher defined benefit obligation of - / + € 1.8 million (prior year: € 2.0 million) .

Pension expense for defined benefit plans

	Germany		USA		Other		Total	
in € millions	2010	2011	2010	2011	2010	2011	2010	2011
Current service costs	0.4	0.3	0.1	0.1	0.1	0.1	0.6	0.5
Interest expense	3.5	3.2	0.3	0.3	0.0	0.0	3.8	3.5
Expected return on plan assets	–	–	-0.3	-0.3	–	–	-0.3	-0.3
Pension expenses from defined benefit commitments	**3.9**	**3.5**	**0.1**	**0.1**	**0.1**	**0.1**	**4.1**	**3.7**

Pension expenses for defined benefit plans fell by € 0.4 million to € 3.7 million from the previous year's € 4.1 million.

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

in € millions	2007	2008	2009	2010	2011
Cumulative gains (+) and losses (–) recognized directly in equity as at Jan. 1	-6.3	3.5	6.9	2.7	0.9
Actuarial gains (+) and losses (–) of the financial year	9.8	3.4	-4.2	-1.8	-2.1
Cumulative gains (+) and losses (–) recognized directly in equity as at Dec. 31	3.5	6.9	2.7	0.9	-1.2

Development of plan assets in the financial year

in € millions	2010	2011
Fair value as at Jan. 1	3.1	3.8
Expected returns on plan assets	0.3	0.3
Acturial gains / losses	0.2	-0.4
Currency translation	0.2	0.2
Employer contributions	0.2	0.2
Payments	-0.2	-0.2
Fair value as at Dec. 31	**3.8**	**3.9**

The actual losses from external pension funds were € 0.1 million compared to prior year gains of € 0.5 million. As of December 31, 2011 the plan assets of € 3.9 million (prior year: € 3.8 million) broke down into 73.7 percent shares in stock funds (prior year: 79.1 percent), with the remaining 26.3 percent (prior year: 20.9 percent) comprising fixed-interest securities and cash funds.

Employer payments into the fund assets of € 0.3 million are expected in the 2012 financial year.

The amounts for the current year and the four previous years of the defined benefit obligation, the plan assets and the funded status are represented as follows:

in € millions	2007	2008	2009	2010	2011
Defined Benefit Obligation	77.0	70.9	73.1	74.0	74.3
Plan Assets	3.1	2.4	3.1	3.8	3.9
Funded Status	**73.9**	**68.5**	**70.0**	**70.2**	**70.4**

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

in € millions	2007	2008	2009	2010	2011
Experience-based increase(+) / decrease (–) of pension obligations	-3.0%	0.8%	1.0%	0.5%	1.4%
Experience-based increase(+) / decrease (–) of plan assets	0.0%	-53.1%	15.6%	5.9%	-9.2%

24 OTHER PROVISIONS AND ACCRUALS

in € millions	Status as at Jan. 1, 2011	Exchange rate differences	Comsumption	Reversals	Additions	Status as at Dec. 31, 2011
Warranty commitments and risks from pending transactions	35.8	0.1	13.0	2.0	12.8	33.7
Liabilities arising from restructurings	4.7	0.1	3.1	0.4	0.1	1.4
Other provisions	48.4	1.4	32.1	2.4	26.6	41.9
Total	**88.9**	**1.6**	**48.2**	**4.8**	**39.5**	**77.0**

Other provisions and accruals for warranty commitments and risks from pending transactions include provisions for impending losses from pending transactions of € 13.2 million (prior year: € 20.6 million) and warranty risk of € 20.5 million (prior year: € 15.2 million). Of the reversals, € 1.1 million is attributable to provisions for impending losses and € 0.9 to warranty risk.

In 2009 the company put together and implemented a restructuring plan that affects the entire Group. The restructuring plan involved both personnel and material measures. Provisions totaling roughly € 3.1 million were used in the financial year for expected restructuring measures; € 0.4 million was reversed. At year end restructuring obligations totaled € 1.4 million; € 0.8 million for the Systems division, and € 0.6 million for the Robotics division. A provision of € 0.8 million (prior year: € 1.8 million) as of the balance sheet date was related to the restructuring in France.

Of the other provisions, € 17.2 million (prior year: € 21.0 million) relates among other items to costs still to be incurred for orders already invoiced and litigation risk of € 2.7 million (prior year: unchanged).

The expected remaining term of the other provisions is up to one year.

25 LIABILITIES

	Remaining maturity			
2011 in € millions	up to one year	between one and five years	of more than five years	Dec. 31, 2011 total
Liabilities due to banks	5.0	0.2	0.0	5.2
Bond	2.4	0.0	193.8	196.2
Convertible bond	–	–	–	–
Financial liabilities	**7.4**	**0.2**	**193.8**	**201.4**
Trade payables	167.2	–	–	167.2
Advances received	67.1	–	–	67.1
Liabilities from construction contracts	93.4	–	–	93.4
Accounts payable to affiliated companies	0.1	–	–	0.1
Income tax payables	6.1	–	–	6.1
Other liabilities and deferred income	109.6	11.3	2.0	122.9
(of that for other taxes)	(24.8)	–	–	(24.8)
(of that for social security payments)	(1.7)	–	–	(1.7)
(of that liabilities relating to personnel)	(52.9)	(6.5)	(1.0)	(60.4)
(of that for leases)	(0.3)	–	–	(0.3)
(of that derivates)	(4.2)	(0.3)	–	(4.5)
	450.9	**11.5**	**195.8**	**658.2**

2010 in € millions	Remaining maturity up to one year	between one and five years	of more than five years	Dec. 31, 2010 total
Liabilities due to banks	1.8	0.0	0.0	1.8
Bond	2.2	0.0	192.8	195.0
Convertible bond	66.9	–	–	66.9
Financial liabilities	**70.9**	**0.0**	**192.8**	**263.7**
Trade payables	148.6	–	–	148.6
Advances received	49.0	–	–	49.0
Liabilities from construction contracts	39.6	–	–	39.6
Accounts payable to affiliated companies	0.1	–	–	0.1
Income tax payables	14.3	–	–	14.3
Other liabilities and deferred income	80.3	11.5	2.1	93.9
(of that for other taxes)	(10.9)	–	–	(10.9)
(of that for social security payments)	(1.4)	–	–	(1.4)
(of that, liabilities relating to personnel)	(37.6)	(5.8)	(1.2)	(44.6)
(of that for leases)	(0.3)	(0.3)	–	(0.6)
(of that derivates)	(6.4)	–	–	(6.4)
	402.8	**11.5**	**194.9**	**609.2**

26 FINANCIAL LIABILITIES / FINANCING

The existing financial liabilities mainly represent the bond issued in November 2010. The prior year amount also includes the convertible bond settled in November 2011.

Fixed interest rate agreements

in € millions	Net carrying amount 2010	Net carrying amount 2011	Fair value 2010	Fair value 2011	Original maturity	Notional interest rate
Bond	195.0	196.2	210.1	202.8	2010 – 2017	8.75% p. a.
Convertible bond	66.9	–	68.7	–	2006 – 2011	3.75% p. a.

The market value of the bond was determined using the Xetra closing price of the Frankfurter stock exchange on the last trading day of the respective year.

Variable interest rate liabilities to banks as of Dec. 31, 2011

Financial instrument / in millions	Net carrying amount		Avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	8.0 CNY	1.0€	8.17% p. a.	2012
Liabilities due to banks	262.5 INR	3.8€	12.00% p. a.	2012

Variable interest rate liabilities to banks as of Dec. 31, 2010

Financial instrument / in millions	Net carrying amount		Avg. Notional interest rate	Year of latest maturity
Liabilities due to banks	0.5€	0.5€	4.20% p. a.	2011

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.

Bond

In November 2010, KUKA Aktiensgesellschaft placed a bond with a face value of € 202.0 million. The issue price was 99.3605 percent, which corresponds to a cash inflow of € 200.7 million. The bond was issued in denominations of € 50,000.00 and carries an interest coupon of 8.75 percent p.a. Interest payments are made on May 15 and November 15 every year.

The bond matures at the latest on November 15, 2017 and will be redeemed by payment equal to the face value plus interest accrued up until that time. The issuer has the right to cancel the bond before maturity. The first cancellation date is November 15, 2014.

The bond is listed on the Luxembourg exchange (ISIN DE000A1E8X87 / WKN A1E8X8). The last price quoted for the bond on the Frankfurt stock exchange in 2011 was 100.40 percent versus 104.00 as at December 31, 2010.

On initial recognition the bond was carried at fair value less transaction costs totaling € 8.0 million. The difference between the amount paid out (less transaction costs) and the redemption amount is recognized in the interest result for the term of the loan using the effective interest method. The interest rate rises to 9.66 percent (effective) when the issuing costs are included.

The proceeds from the bond were used to refinance the convertible bond, for redemption of cash usage under the syndicated loan and to invest in business operations.

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 matured on November 9, 2011. It was issued in denominations of € 50,000.00 each and granted rights for conversion in consideration of the 2007 dividend and the capital increase in 2010 into up to 2,718,322 no-par value shares of KUKA Aktiengesellschaft. The conversion price was thus € 25,1034 per share; the conversion rate was 1,991.7638 shares per unit of denomination.

By the maturity date KUKA Aktiengesellschaft had bought back shares of the convertible bond amounting to € 15.1 million (nominal) on the open market. The associated expense (€ 0.3 million) was recognized in the interest result.

KUKA's quoted share price on the Frankfurt Stock Exchange on November 9, 2011 was € 13.36. Conversion rights expired at the end of October 18, 2011. No bondholders exercised their conversion rights during the exercise period (July 8, 2006 to October 18, 2011), therefore the bond was redeemed by paying the face value of the bond plus interest accrued up until that time. The interest coupon was 3.75 percent p. a. Funds held in a fiduciary account ("restricted cash") were accessed to meet obligations arising from the convertible bond.

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). The interest rate rose to 8.25 percent (effective) when the issuing costs allocated proportionately to the equity and debt components are included. The resulting value of the equity component (€ 11.3 million) was recognized as part of the capital reserve and was posted to the revenue reserves upon maturity. In the 2011 financial year, interest expense of € 4.7 million (prior year: € 5.3 million) was booked in connection with the bond account.

Syndicated loan

SYNDICATED LOAN FROM MARCH 2010 UNTIL NOVEMBER 2010

In March 2010, KUKA Aktiengesellschaft successfully concluded an agreement on amending the original 2006 Syndicated Senior Facilities Agreement (see the 2010 Annual Report for details on the 2006 Syndicated Senior Facilities Agreement) totaling € 336.0 million € (€ 146.0 million as a cash credit line and € 190.0 million as a guarantee line) and thus secured the financing of the KUKA Group. The term of the agreement was until March 2012.

The agreement included various covenants and conditions such as successfully implementing the KUKA Group's restructuring plan. Other stipulations were increasing capital via shares or by way of mezzanine financing, refinancing the existing convertible bond and honoring various financial and non-financial covenants.

Key covenants related to earnings before interest, taxes, depreciation and amortization (EBITDA), the debt-to-equity ratio and equity. As part of this agreement with the consortium banks KUKA Aktiengesellschaft agreed to accept additional equity capital or additional mezzanine funds by the end of June 2010. This obligation was met with the successful capital increase in June.

SYNDICATED LOAN FROM NOVEMBER 2010

In November 2010 the financial restructuring of KUKA Aktiengesellschaft was completed with the conclusion of a new Syndicated Senior Facilities Agreement and the issue of a bond.

The Syndicated Senior Facilities Agreement comprises € 200.0 million (€ 50.0 million as a cash credit line and € 150.0 million as a guarantee line) and has a term until the end of March 2014. The lead banks of the syndicate are Deutsche Bank, Commerzbank, Landesbank Baden-Württemberg and UniCredit Bank. Other consortium banks are Postbank, Bayerische Landesbank and Berenberg Bank.

The Syndicated Senior Facilities Agreement includes financial and non-financial covenants. The key financial covenants relate to minimums for the interest coverage ratio (ratio of earnings before interest, taxes, depreciation and amortization [EBITDA] to defined net interest expense), leverage (ratio of net debt to EBITDA) and gearing (ratio of defined net debt to equity without minority interests). The financial covenants must be met at the end of each quarter.

The utilization of the guarantee line as of the key date totaled € 128.7 million (prior year: € 117.6 million); the existing working capital line was utilized in the amount of € 3.8 million (as of prior year balance date December 31, 2010: not utilized).

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 as well as land charges on other domestic properties, charges on business interests, patent and trademark rights and other assets including blanket assignments and transfers by way of securities. These securities also subordinately serve bondholders.

Credit lines from surety companies

The guarantee lines committed by surety companies were raised from € 10.0 million (as at December 31, 2010) to the current € 52.0 million. At the end of the reporting year, the company had utilized € 36.3 million versus € 5.6 million on December 31, 2010.

Asset-backed securities program

KUKA issued an asset-backed securities (ABS) program in December 2006 and again in June 2011. Under this program, trade receivables of KUKA Roboter GmbH can be sold in regular tranches to a special purpose vehicle (SPV) of Bayerische Landesbank or Landesbank Baden-Württemberg. The SPV finances the purchase of the receivables by issuing securities on the capital market or through utilization of a special credit line provided by the respective bank. Covenants analogous to those of the Syndicated Senior Facilities Agreement are also in place for this financing program.

The key components of the ABS program are included in the following table:

	ABS Program 2006		ABS Program 2011		Total	
in € millions	2010	2011	2010	2011	2010	2011
Volume	25.0	25.0	–	25.0	25.0	50.0
Utilization	10.3	9.0	–	13.5	10.3	22.5
Expires		March 31, 2013		June 30, 2018		
Retained credit risk (in %)	1.15	1.15	–	1.15	1.15	1.15
Continuing involvement	0.3	0.2	–	0.2	0.3	0.4
Value adjustment of continuing involvement	0.3	0.2	–	0.2	0.3	0.4

Default guarantees from credit insurers ensure adequate credit worthiness of the receivables sold. KUKA Roboter GmbH assumes the first 1.15 percent of credit risk from the sale of receivables and as a further security provides a cash deposit each time reported under other assets. KUKA Roboter GmbH manages and processes the receivables that are sold. Claims totaling € 0.2 million (prior year: € 0.1 million) resulting from this are recognized in the income statement.

27 OTHER NON-CURRENT / CURRENT LIABILITIES AND DEFERRED INCOME

The other liabilities for other taxes are primarily from sales, wage and church tax.

Other liabilities in the personnel area are mostly related to obligations from vacation entitlements (2011: € 5.7 million; prior year: € 5.2 million), flex-time credits (2011: € 12.8 million; prior year: € 10.1 million), variable compensation elements (2011: € 25.8 million; prior year: € 16.2 million) and early retirement (2011: € 6.7 million; prior year: € 6.1 million). Early retirement obligations have been reduced by the fair value of the corresponding fund assets (2011: € 8.0 million; prior year: 6.8 million). The present value of entitlements from early retirement obligations (DBO) before offsetting was € 14.7 million (prior year: € 12.9 million).

Also reported under this item are, among other things, special payments, inventor's compensation, long-service awards and trade association fees.

Liabilities arising from finance leases are recognized at the present value of future lease payments and disclosed as other liabilities.

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

a) Principles of risk management

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 financial 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 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 CFO, who is also regularly briefed on the current risk exposure.

Effective management of the market risk is one of the Treasury's main tasks. To ensure 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 appropriate terms 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 companies 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 were no major financial liabilities in foreign currencies at banks. All intra-Group loans denominated in foreign, freely convertible currencies were hedged accordingly. KUKA was not exposed to any significant exchange rate risks in the area of financing at the reporting date on account of these hedging activities.

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

Currency 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 material effect 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 material effect on the variables considered in this connection.

Owing to the KUKA Group's delivery and service structure and the relationships with suppliers, the following currency scenarios arise at the balance sheet date for the main foreign currencies used by the KUKA Group:

A ten percent gain of the € against the USD would have a positive effect on Group profits of plus € 0.5 million (prior year: plus € 1.3 million). A ten percent decline of the € against the USD would have a negative effect on Group profits of minus € 0.6 million (prior year: minus € 1.6 million).

A ten percent gain of the € against the JPY would have a negative effect on Group profits of minus € 3.8 million (prior year: minus € 2.6 million). A ten percent decline of the € against the JPY would have a positive effect on Group profits of plus € 4.7 million (prior year: plus € 3.2 million).

A ten percent gain of the € against the CNY would have a positive effect on Group profits of plus € 0.2 million (prior year: € 0.0 million). A ten percent decline of the € against the CNY would have a negative effect on Group profits of minus € 0.2 million (prior year: € 0.0 million).

A ten percent gain of the € against the HUF would have a negative effect on Group profits of minus € 0.8 million (prior year: minus € 0.4 million). A ten percent decline of the € against the HUF would have a positive effect on Group profits of plus € 0.9 million (prior year: plus € 0.5 million).

A ten percent gain of the € against the BRL would have a negative effect on Group profits of minus € 0.1 million (prior year: plus € 0.8 million). A ten percent decline of the € against the BRL would have a positive effect on Group profits of plus € 0.2 million (prior year: minus € 0.9 million). A ten percent gain of the BRL against the USD would have a negative effect on Group profits of minus € 1.5 million (prior year: minus € 1.0 million). A ten percent decline of the BRL against the USD would have a positive effect on Group profits of plus € 1.8 million (prior year: plus € 1.2 million).

Assumptions concerning the future cannot be derived from this presentation of currency effects.

c) Interest rate risks

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

Interest rate 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. the issued bond and convertible bond settled in November) are not subject to interest rate risk as defined in IFRS 7.
- Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks.

An increase in market interest rates by 100 basis points at December 31, 2012 would have a positive effect on results of plus € 1.6 million (prior year: plus € 2.0 million). A decrease in market interest rates by 100 basis points would have a negative effect on results of minus € 1.6 million (prior year: minus € 1.3 million). This hypothetical effect results solely from the financial investments (borrowings) with variable interest rates totaling € 168.8 million (€ 4.8 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. There are regular business relations with major customers at several KUKA Group companies. The associated credit risks are subject to separate quarterly credit rating monitoring as part of the risk management system at the Group's Executive Board level for early detection of an aggregation of individual risks. Added to these measures are comprehensive routine checks implemented at the segment level as early as the order initiation process (submission of offers and the acceptance of orders). Credit risks are taken into account as necessary 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 for this purpose. In addition, the Group's overall liquidity risk is reduced by closely monitoring the Group's companies and their control of payment flows.

As a first step to ensure the payment capability at all times and the financial flexibility of the KUKA Group, a liquidity reserve is kept by KUKA Aktiengesellschaft in the form of credit lines and cash funds. Moreover, KUKA has issued a bond, signed a Syndicated Senior Facilities Agreement with a consortium of banks and arranged for surety companies to commit guarantee lines. The funding and guarantee requirements for business operations are ensured to a large extent internally by transferring cash funds (intercompany loans) and guarantees. This ensures that Group-wide liquidity management takes place at the individual company level, thereby further optimizing the Group's financing on the whole.

The following figures show the commitments for undiscounted interest and redemption repayments for the financial instruments existing as of December 31 subsumed under IFRS 7 (expected interest payments in subsequent years are also considered even if these are not reported as of December 31, 2011):

Dec. 31, 2011 in € millions	Cash flows 2012	Cashflows 2013	Cash flows 2014 – 2016	Cash flows 2017 ff.
Non-current financial liabilities	17.7	17.7	53.0	219.7
Current financial liabilities	5.0	–	–	–
Trade payables	167.2	–	–	–
Liabilities from construction contracts	93.4	–	–	–
Accounts payable to affiliated companies	0.1	–	–	–
Other non-current lliabilities and provisions	–	0.5	0.0	0.0
(of that for leases)	–	–	–	–
Other current liabilities and provisions	53.8	–	–	–
(of that for leases)	(0.3)	–	–	–

Dec. 31, 2010 in € millions	Cash flows 2011	Cash flows 2012	Cash flows 2013 – 2015	Cash flows 2016 ff.
Non-current financial liabilities	17.7	17.7	53.0	237.4
Current financial liabilities	75.2	–	–	–
Trade payables	148.6	0.3	–	–
Liabilities from construction contracts	39.6	–	–	–
Accounts payable to affiliated companies	0.1	–	–	–
Other non-current lliabilities and provisions	–	1.2	0.9	0.0
(of that for leases)	–	(0.3)	–	–
Other current liabilities and provisions	43.5	–	–	–
(of that for leases)	(0.3)	–	–	–

All financial instruments are included which were held at the balance sheet dates and for which payments have already been contractually agreed. Foreign currency amounts are expressed at the spot rate on the key date. The variable interest payments from the financial instruments were determined on the basis of the interest rates last fixed prior to December 31, 2011, i.e. 2010. Financial liabilities repayable at any time are always allocated 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 exclusively in the form of forward exchange transactions 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.

The KUKA Group has not used hedge accounting since 2009.

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

in € millions	Abbr.	2010	2011
Availabe-for-Sale Financial Assets	AfS	1.0	0.2
Loans and Receivables	LaR	508.4	527.4
Financial Assets Held for Trading	FAHfT	2.9	4.0
Financial Liabilities Measured at Amortized Cost	FLAC	451.5	418.9
Financial Liabilities Held for Trading	FLHfT	6.4	4.5

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 2011

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2011	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2011	Fair value / Status as at Dec. 31, 2011
Assets						
Financial investments		0.2	–	–	0.2	0.2
(of that participations)	AfS	(0.2)	–	–	(0.2)	(0.2)
Long-term finance lease receivables	n. a.	75.7	–	75.7	–	75.7
Other long-term receivables and other assets		12.1	3.0	–	9.1	12.1
(of that trade receivables)	LaR	(0.0)	–	–	(0.0)	(0.0)
(of that from the category LaR)	LaR	(9.1)	–	–	(9.1)	(9.1)
(of that Other)	n. a.	(3.0)	(3.0)	–	–	(3.0)
Trade receivables	LaR	145.5	–	–	145.5	145.5
Receivables from construction contracts	LaR	194.3	–	–	194.3	194.3
Current finance lease receivables	n. a.	4.6	–	4.6	–	4.6
Other assets, prepaid expenses and deferred charges		66.4	52.7	–	13.7	66.4
(of that derivatives without a hedging relationship)	FAHfT	(4.0)	–	–	(4.0)	(4.0)
(of that Other from the category LaR)	LaR	(9.7)	–	–	(9.7)	(9.7)
(of that Other)	n. a.	(52.7)	(52.7)	–	–	(52.7)
Cash and cash equivalents	LaR	168.8	–	–	168.8	168.8

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2011	of that: other assets and liabilities not covered by IFRS 7	of that: other assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2011	Fair value / Status as at Dec. 31, 2011
Liabilities						
Non-current financial liabilities	FLAC	194.0	–	–	194.0	202.8
Other non-current lliabilities and provisions		13.3	12.1	0.0	1.2	13.3
(of that for leases)	n. a.	(0.0)	–	(0.0)	–	(0.0)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(0.3)	–	–	(0.3)	(0.3)
(of that Other from the category FLAC)	FLAC	(0.9)	–	–	(0.9)	(0.9)
(of that Other)	n. a.	(12.1)	(12.1)	(0.0)	–	(12.1)
Current financial liabilities	FLAC	7.4	–	–	7.4	7.4
Trade payables	FLAC	167.2	–	–	167.2	167.2
Liabilities from construction contracts	n. a.	93.4	93.4	–	–	93.4
Accounts payable to affiliated companies	FLAC	0.1	0.1	–	–	0.1
Other current liabilities, prepaid expenses and deferred charges		109.6	55.8	0.3	53.5	109.6
(of that for leases)	n. a.	(0.3)	–	(0.3)	–	(0.3)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(4.2)	–	–	(4.2)	(4.2)
(of that Other from the category FLAC)	FLAC	(49.3)	–	–	(49.3)	(49.3)
(of that Other)	n. a.	(55.8)	(55.8)	(0.0)	(0.0)	(55.8)

Net carrying amount and fair values of IAS by measurement categories for 2010

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2010	of that: other assets and liabilities not covered by IFRS 7	of that: assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2010	Fair value Status as at Dec. 31, 2010
Assets						
Financial investments		1.0	–	–	1.0	1.0
(of that participations)	AfS	(1.0)	–	–	(1.0)	(1.0)
Long-term finance lease receivables	n. a.	77.8	–	77.8	–	77.8
Other non-current lliabilities and other assets		12.0	4.0	–	8.0	12.0
(of that trade receivables)	LaR	(0.3)	–	–	(0.3)	(0.3)
(of that from the category LaR)	LaR	(7.7)	–	–	(7.7)	(7.7)
(of that Other)	n. a.	(4.0)	(4.0)	–	–	(4.0)
Trade receivables	LaR	125.7	–	–	125.7	125.7
Receivables from construction contracts	LaR	166.1	–	–	166.1	166.1
Current receivables from finance leasing	n. a.	4.1	–	4.1	–	4.1
Other assets, prepaid expenses and deferred charges		27.2	19.1	–	8.1	27.2
(of that Derivatives without a hedging relationship (held for sale))	FAHfT	(2.9)	–	–	(2.9)	(2.9)
(of that Other from the category LaR)	LaR	(5.2)	–	–	(5.2)	(5.2)
(of that Other)	n. a.	(19.1)	(19.1)	–	–	(19.1)
Cash and cash equivalents	LaR	203.4	–	–	203.4	203.4

in € millions	IAS 39 – measurement categories	Net carrying amount / Status as at Dec. 31, 2010	of that: other assets and liabilities not covered by IFRS 7	of that: assets and liabilities covered by IAS 17	Net carrying amount of the financial instruments / Status as at Dec. 31, 2010	Fair value Status as at Dec. 31, 2010
Liabilities						
Non-current financial liabilities	FLAC	192.8	–	–	192.8	210.1
Other non-current lliabilities		13.6	11.2	0.3	2.1	13.6
(of that for leases)	n. a.	(0.3)	–	(0.3)	–	(0.3)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(0.0)	–	–	(0.0)	(0.0)
(of that Other from the category FLAC)	FLAC	(2.1)	–	–	(2.1)	(2.1)
(of that Other)	n. a.	(11.2)	(11.2)	(0.0)	–	(11.2)
Current financial liabilities	FLAC	70.9	–	–	70.9	73.0
Trade payables	FLAC	148.9	–	–	148.9	148.9
Liabilities from construction contracts	n. a.	39.6	39.6	–	–	39.6
Accounts payable to affiliated companies	FLAC	0.1	–	–	0.1	0.1
Other current liabilities, prepaid expenses and deferred charges		80.3	39.6	0.3	43.1	80.3
(of that for leases)	n. a.	(0.3)	–	(0.3)	–	(0.3)
(of that Derivatives without a hedging relationship (held for sale))	FLHfT	(6.4)	–	–	(6.4)	(6.4)
(of that Other from the category FLAC)	FLAC	(36.7)	–	–	(36.7)	(36.7)
(of that Other)	n. a.	(36.9)	(36.9)	(0.0)	(0.0)	(36.9)

With the exception of financial investments and leasing claims, most assets have short terms to maturity. Their carrying amounts as of the financial reporting date therefore correspond approximately to the fair value. Long-term interest-bearing receivables including finance lease receivables are measured and, if necessary, impaired based on different parameters such as interest rates and customer-specific credit ratings. Thus, these carrying amounts largely reflect the market values.

Liabilities – with the exception of long-term financial liabilities and the other non-current liabilities – have regular, short terms to maturity. The values shown on the balance sheet approximately represent the fair values. The market value of the bond is based on the quoted prices as of the balance sheet date.

The derivative financial instruments recognized at the balance sheet date have to do with forward exchange transactions to hedge exchange exposure. Recognition in the balance sheet occurs at the market value determined using standardized financial mathematical methods, among other things, in relation to the foreign exchange rates.

In accordance with IFRS 7.27A, financial assets and financial liabilities measured at market values are to be attributed to the three levels of the fair value hierarchy. The three levels of the fair value hierarchy are defined as follows:

LEVEL 1: Quoted 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 forward exchange transactions carried as an asset (€ 4.0 million; prior year: € 2.9 million) and those carried as a liability (€ 4.5 million; prior year: € 6.4 million). These are measured according to level 2.

Net results listed according to valuation categories are represented as follows:

Net profit / loss by IAS 39 measurement categories for 2011

in € millions	Net gains / losses	Total interest income / expenses	Commission income / expenses
Loans and Receivables (LaR)	-1.2	2.7	0.0
Available-for-Sale Financial Assets (AfS)	-0.8	0.0	–
Financial Instruments Held for Trading (FAHfT und FLHfT)	3.1	–	–
Financial Liabilities Measured at Amortised Cost (FLAC)	-2.8	-28.4	-3.8
Total	**-1.7**	**-25.7**	**-3.8**

Net profit / loss by IAS 39 measurement categories for 2010

in € millions	Net gains / losses	Total interest income / expenses	Commission income / expenses
Loans and Receivables (LaR)	1.1	1.2	0.0
Available-for-Sale Financial Assets (AfS)	0.0	0.0	–
Financial Instruments Held for Trading (FAHfT und FLHfT)	0.1	–	–
Financial Liabilities Measured at Amortised Cost (FLAC)	4.5	-29.0	-5.5
Total	**5.7**	**-27.8**	**-5.5**

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.

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, the bond and 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.

29 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

in € millions	2010	2011
Liabilities from guarantees	1.5	1.5
Liabilities from warranty agreements	68.1	36.3
Other commitments	31.3	43.6
of that, discounted notes	(0.5)	(1.1)
(of that, rent / lease liabilities)	(26.4)	(36.8)
of that, other financial commitments	(4.4)	(5.7)
Total	**100.9**	**81.4**

NOTES TO THE GROUP CASH FLOW STATEMENT

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

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents disclosed on the balance sheet, i.e. cash in hand, checks and cash with banks provided they are available within three months. Last year cash inflows from the bond issue totaling € 69.0 million were placed in a fiduciary account. As agreed, these funds were accessed to buy back shares and / or to meet obligations arising from the convertible bond (“restricted cash”). Other cash and cash equivalents are not subject to restrictions.

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

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

There were no payments received or made for the sale or acquisition of consolidated companies and other business units in the previous year and the year under review.

Cash inflows / outflows from operating activities also include the following items:

in € millions	2010	2011
Interest paid	-37.6	-29.1
Interest received	8.3	8.9
Income taxes paid	-6.8	-19.7

NOTES TO THE GROUP
SEGMENT REPORTING

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

Segment reporting is designed to accommodate the structure of the KUKA Group. The KUKA Group was engaged in the reporting year and 2010 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. The Advanced Robotics activities are also bundled in this segment.

KUKA SYSTEMS

This segment provides customers in the fields of automotive, aerospace, solar and general industry with innovative solutions and services for automated production. Applications range from welding, bonding, sealing, assembling and testing, to forming solutions tailored to meet the specific customer needs.

The integrated robotics business split off from Thompson Friction Welding Ltd., Halesowen, Great Britain in the financial year and became a part of KUKA Robotics UK LTD, London, Great Britain. This does not impair comparability with the previous year.

KUKA Aktiengesellschaft and additional participations that are supplementary to the operating activities of the KUKA Group are aggregated in a separate division. Cross-divisional consolidation and reconciliation items are shown in a separate column. The allocation of the Group companies to the individual business segments is shown in the schedule of shareholdings.

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

	Revenues acc. to customer location		Non-current assets acc. to registered office of the company	
in € millions	2010	2011	2010	2011
Germany	443.8	503.6	84.9	85.9
Europe (excluding Germany)	217.8	328.8	19.3	19.8
North America	268.1	274.2	53.3	54.5
Asia / other regions	148.9	329.0	4.8	6.2
Total	**1,078.6**	**1,435.6**	**162.3**	**166.4**

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

	Total 2010		Total 2011	
	in € millions	in %	in € millions	in %
Customer A	144.0	13.4	268.8	18.7
Customer B	144.3	13.4	222.4	15.5
Customer C	154.0	14.3	149.2	10.4
Other customers	636.3	58.9	795.2	55.4
Sales revenues	**1,078.6**	**100.0**	**1,435.6**	**100.0**

The calculations for segment reporting rely on the following principles:

- Group external sales revenues show the divisions' respective percentage of consolidated sales for the Group as presented in the Group income statement.
- Intra-Group sales revenues are related sales transacted between segments. In principle, transfer prices for intra-Group sales are determined at the market level.
- Sales revenues for the segments include revenues from sales to third parties as well as sales to other Group segments.
- EBIT reflects operating earnings, i.e. the earnings from ordinary activities – including goodwill impairment charges, if any – before financial results; EBIT is adjusted for borrowing costs to be capitalized.
- ROCE (return on capital employed) is the ratio of EBIT to capital employed, which is largely non-interest bearing. To calculate ROCE the capital employed is based on an average value.

The reconciliation of capital employed to segment assets and segment liabilities is shown in the following table:

in € millions	2010	2011
Capital Employed		
Intangible assets	76.5	78.8
+ Tangible assets	85.8	87.6
+ Non-current lease receivables	77.8	75.7
+ Asset-side working capital	496.6	624.2
Inventories	158.0	195.4
Receivables from construction contracts	166.1	194.3
Trade receivables	126.0	145.5
Other receivables and assets	46.5	88.9
Net difference in receivables and payables from / to affiliated companies if not classified as financial transactions	0.0	0.1
= Asset items of capital employed	736.7	866.3
./. Other provisions, excluding major provisions for restructuring	81.7	75.7
./. Liabilities from construction contracts	39.6	93.4
./. Advances received	49.0	67.1
./. Trade payables	148.9	167.2
./. Other liabilities except for liabilities similar to bonds (incl. deferred income)	92.7	121.9
= Liabilities items of capital employed (= liability-side working capital)	411.9	525.3
= Capital employed	**324.8**	**341.0**
Average capital employed	312.5	332.9
Segment assets		
Asset items of capital employed	736.7	866.3
+ Participations	1.0	0.2
= Segment assets	**737.7**	**866.5**
Segment liabilities		
Liability items of capital employed (= liability-side working capital)	411.9	525.3
+ Pension provisions and similar obligations	70.2	70.4
+ Major provisions for restructuring	7.1	1.4
= Segment liabilities	**489.2**	**597.1**
Asset-side working capital	496.6	624.2
Liability-side working capital	411.9	525.3
Working capital	**84.7**	**98.9**

Additional elements of the segment reports are contained in the management report on the operating business divisions Robotics and Systems, as well as in the tables at the beginning of the Group notes

OTHER NOTES

RELATED PARTY DISCLOSURES

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

Parties related to the KUKA Group include mainly members of the Executive and Supervisory Boards as well as non-consolidated and associated KUKA Group companies in which KUKA Aktiengesellschaft directly or indirectly holds more than 20 percent of the voting rights or companies that hold more than 20 percent of the share of voting rights in KUKA Aktiengesellschaft.

Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim, Bavaria currently holds a 24.4 percent share in KUKA Aktiengesellschaft and therefore represents a related party for the purpose of IAS 24.

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

in € millions	Interest in %	Products and services provided by the KUKA Group to related companies 2010	Products and services provided by the KUKA Group to related companies 2011	Products and services provided by related companies to the KUKA Group 2010	Products and services provided by related companies to the KUKA Group 2011
Grenzebach-Group	24.4	10.2	23.8	18.5	31.7

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 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 and vice versa.

in € millions	Interest in %	Receivables of the KUKA Group to related companies Dec. 31, 2010	Receivables of the KUKA Group to related companies Dec. 31, 2011	Liabilities of the KUKA Group to related companies Dec. 31, 2010	Liabilities of the KUKA Group to related companies Dec. 31, 2011
Grenzebach Group	24.4	3.9	7.0	0.7	1.9
Other less than € 1 million	–	0.0	–	0.1	0.1
Total	**–**	**3.9**	**7.0**	**0.8**	**2.0**

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 was € 3.2 million (prior year: € 2.6 million). Altogether in the financial year 2011, the Executive Board received a fixed salary including payments in kind of € 0.9 million (prior year: € 1.4 million). Target achievement and performance-based compensation amounted to € 1.3 million (prior year: € 0.7 million). € 1.0 million (prior year: € 0.5 million) was deferred for compensation in accordance with the phantom share program.

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 2011 for current pensions and vested pension benefits totals € 9.8 million (HGB) compared to € 10.1 million in 2010.

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 2011 was € 0.9 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 154 f.

AUDIT FEES

The fee for the auditor KPMG AG, Wirtschaftsprüfungsgesellschaft, Munich, recognized as an expense in 2011 totals €1.4 million. €0.9 million was recognized for financial statement auditing services. The auditor performed other assurance services totaling €0.1 million. €0.4 million was recognized as an expense for tax advisory services performed by the auditor.

DECLARATION REGARDING THE CORPORATE GOVERNANCE CODE

The identically worded declarations in accordance with Article 161 German Corporation Act (AktG) that have been issued by the Executive Board (February 15, 2012) and of the Supervisory Board (February 17, 2012) are available for inspection by any interested party on the company's website (www.kuka.com).

EVENTS AFTER THE BALANCE SHEET DATE

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

Please refer also to the ad hoc announcement dated January 31, 2012:

"Today, Mr. Stephan Schulak, member of the Executive Board of KUKA Aktiengesellschaft (CFO), informed the Chairman of KUKA Aktiengesellschaft's Supervisory Board, Mr. Bernd Minning, that he will not be available for another term of office beyond September 30, 2012. Mr. Schulak will continue his office until September 30, 2012.

KUKA Aktiengesellschaft will timely inform about the successor in office of Mr. Schulak."

Augsburg, March 2, 2012

KUKA Aktiengesellschaft

The Executive Board

Dr. Till Reuter Stephan Schulak

CORPORATE BODIES

EXECUTIVE BOARD

Dr. Till Reuter

Pfäffikon, Switzerland, Chief Executive Officer

_ Rinvest AG, Pfäffikon/Switzerland *
_ Dr. Steiner Holding AG *

Stephan Schulak

Rohrbach, Chief Financial Officer

SUPERVISORY BOARD

Bernd Minning

Kaisheim
Chairman of the Supervisory Board
Managing Director of Grenzebach Maschinenbau GmbH, Asbach-Bäumenheim and other Grenzebach companies

Jürgen Kerner***

Königsbrunn
Deputy Chairman of the Supervisory Board
Managing Member of the Board of Directors of IG Metall traded union, Frankfurt

_ MAN SE, Munich*
_ MAN Diesel&Turbo SE, Augsburg* (until February 23, 2012)
_ manroland AG, Offenbach*
_ Eurocopter Deutschland GmbH, Donauwörth* (until March 23, 2012)
_ Premium Aerotec GmbH, Augsburg*
_ Siemens AG, Munich (from January 24, 2012)

Prof. Dr. Dirk Abel

Aachen
University Professor
Director of the Institute of Automatic Control at RWTH Aachen
Member of the Supervisory Board of ATC GmbH (Aldenhoven Testing Center of RWTH Aachen University), Aachen

Wilfried Eberhardt***

Aichach
Executive Vice President Marketing & Association
KUKA Roboter GmbH, Augsburg
Authorized signatory of KUKA Roboter GmbH, Augsburg

_ KUKA Automatisme + Robotique S.A.S., France** (until January 31, 2012)
_ KUKA Roboter Italia S.P.A., Italy** (until January 31, 2012)
_ KUKA Roboter Schweiz AG, Switzerland**
_ KUKA Automatisering + Robots N.V., Belgium**

* Membership in other legally stipulated supervisory boards
** Membership in comparable German and foreign controlling bodies of commercial enterprises
*** Employee representative

Dr. Uwe Ganzer
Bochum
Merchant
_ expert AG, Langenhagen*
_ Curanum AG, Munich*

Siegfried Greulich***
Augsburg
Chairman of the Works Council of KUKA Systems GmbH, Augsburg

Thomas Knabel***
Zwickau
2nd Secretary of IG Metall trade union, Zwickau branch

Carola Leitmeir***
Großaitingen
Chairman of the Works Council of KUKA Laboratories GmbH, Augsburg

Prof. Dr. Uwe Loos
Stuttgart
Industrial Consultant
_ Dorma Holding GmbH +Co.KGaA, Ennepetal*
_ Bharat Forge LTD, Pune, India**
_ CDP Bharat Forge GmbH, Ennepetal**
_ Kenersys GmbH, Münster**
_ Fritz GmbH, Bietingheim Bissingen**
_ Bharat Forge Aluminiumtechnik, Brand-Erbisdorf**

Dr. Michael Proeller
Augsburg
Business Administrator
Managing Partner of Erhardt + Leimer GmbH, Augsburg
Managing Director of Erhardt + Leimer Elektroanlagen GmbH, Augsburg
Managing Director of Erhardt + Leimer Elektrotechnik Chemnitz GmbH
_ Erhardt + Leimer Inc., Spartanburg, USA**
_ Erhardt + Leimer, India Pvt. Ltd., India**
_ Erhardt + Leimer, Italia Srl., Italy**
_ Erhardt + Leimer do Brasil Ltda., Brazil**
_ Erhardt + Leimer Canada Ltd., Canada**
_ Erhardt + Leimer Japan Ltd., Japan**
_ Erhardt + Leimer France Sarl., France**

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
Bedford, New York, USA
President of Wyser-Pratte &Co., Inc.
Director, Electricité et Eaux de Madagascar, S. A.

* Membership in other legally stipulated supervisory boards
** Membership in comparable German and foreign controlling bodies of commercial enterprises
*** Employee representative

SCHEDULE OF SHAREHOLDINGS OF KUKA AKTIENGESELLSCHAFT

As of December 31, 2011

	Name and registered office of the company	Currency	Share of Equity in%	Equity in tsd. in local currency	Net profit for the year in tsd. in local currency	Method of Consolidation	Segment
Germany							
1	KUKA Roboter GmbH, Augsburg*	EUR	100.00	50,614	0 [1)]	c	ROB
2	KUKA Systems GmbH, Augsburg*	EUR	100.00	30,076	0 [1)]	c	SYS
3	KUKA Laboratories GmbH, Augsburg*	EUR	100.00	27,493	0 [1)]	c	ROB
4	HLS Ingenieurbüro GmbH, Augsburg	EUR	100.00	1,170	583	c	SYS
5	KUKA Dienstleistungs-GmbH , Augsburg*	EUR	100.00	2,173	0 [1)]	c	OTH
6	Bopp & Reuther Anlagen-Verwaltungsgesellschaft mbH, Mannheim	EUR	100.00	26,743	-587 [3)]	c	OTH
7	Freadix FryTec GmbH, Augsburg	EUR	100.00	39	-3 [3)]	nc	OTH
8	IWK Unterstützungseinrichtung GmbH, Karlsruhe	EUR	100.00	26	0	nc	OTH
9	KUKA Unterstützungskasse GmbH, Augsburg	EUR	100.00	25	0	nc	SYS
10	Schmidt Maschinentechnik GmbH, Niederstotzingen	EUR	100.00	0	6,388	nc	SYS
Other Europe							
11	HLS Czech s.r.o., Mlada Boleslav / Czech republic	CZK	100.00	7,547	2,108	c	SYS
12	KUKA S-BASE s.r.o., Roznov p.R. / Czech republic	CZK	100.00	-90,567	-82,886	c	SYS
13	KUKA Automatisering + Robots N.V., Houthalen / Belgium	EUR	100.00	1,962	616	c	SYS
14	KUKA Automatisme + Robotique S.A.S., Villebon-sur-Yvette / France	EUR	100.00	3,808	-242	c	ROB
15	KUKA Automotive N.V., Houthalen / Belgium	EUR	100.00	516	-69	c	SYS
16	KUKA Enco Werkzeugbau spol. s.r.o., Dubnica nad Váhom / Slowakia	EUR	65.00	3,454	446	c	SYS
17	KUKA Finance B.V., Rotterdam / Netherlands	EUR	100.00	904	22	c	OTH
18	KUKA Nordic AB, Västra Frölunda / Sweden	SEK	100.00	3,968	-2,546	c	ROB
19	KUKA Roboter Austria GmbH, Linz / Austria	EUR	100.00	1,291	691	c	ROB
20	KUKA Roboter Italia S.P.A., Rivoli / Italy	EUR	100.00	5,665	1,243	c	ROB
21	KUKA Roboter Schweiz AG, Dietikon / Switzerland	CHF	100.00	1,518	298	c	ROB
22	KUKA Robotics Hungária Ipari Kft., Taksony / Hungary	EUR	100.00	9,303	3,256	c	ROB
23	KUKA Robotics OOO, Moskau / Russia	RUB	100.00	3,946	-4,498	c	ROB
24	KUKA Robotics UK LTD, London / Great Britain	GBP	100.00	276	16	c	ROB
25	KUKA Robots IBÉRICA, S.A., Vilanova i la Geltrú / Spain	EUR	100.00	1,227	-492	c	ROB
26	KUKA Sistemy OOO, Togliatti / Russia	RUB	100.00	11,481	-1,247	c	SYS
27	KUKA Systems France S.A., Montigny / France	EUR	100.00	-17,725	-2,137	c	SYS
28	KUKA Systems SRL , Sibiu / Romania	RON	100.00	-192	-486	c	SYS
29	Metaalwarenfabriek 's-Hertogenbosch B.V., 's-Hertogenbosch / Netherlands	EUR	100.00	-988	-11 [3) 4)]	nc	OTH
30	Thompson Friction Welding Ltd., Halesowen / Great Britain	GBP	100.00	5,941	-294	c	SYS

Name and registered office of the company	Currency	Share of Equity in%	Equity in tsd. in local currency	Net profit for the year in tsd. in local currency	Method of Consolidation	Segment
North America						
31 KUKA Systems Corporation North America, Sterling Heights / USA	USD	100.00	106,227	26,163 2)	c	SYS
incl.						
32 KUKA Assembly and Test Corp. , Saginaw / USA	USD	100.00	–	–	c	SYS
33 KUKA Robotics Corp., Sterling Heights / USA	USD	100.00	–	–	c	ROB
34 KUKA Toledo Production Operations, LLC., Clinton Township, Michigan / USA	USD	100.00	–	–	c	SYS
35 KUKA Systems de Mexico, S. de R.L. de C.V. , Mexico City / Mexico	MXN	100.00	–	–	c	SYS
36 KUKA Recursos, S. de R.L. de C.V., Mexico City / Mexico	MXN	100.00	–	–	c	SYS
37 KUKA Robotics Canada Ltd., Saint John NB / Canada	CAD	100.00	48	-425	c	ROB
38 KUKA de Mexico S.de R.L.de C.V., Mexico City / Mexico	MXN	100.00	37,911	10,622	c	ROB
Latin America						
39 KUKA Roboter do Brasil Ltda., Sao Paulo / Brazil	BRL	100.00	-140	-320	c	ROB
40 KUKA Systems do Brasil Ltda., Sao Bernardo do Campo SP / Brazil	BRL	100.00	-6,277	-9,779	c	SYS
Asia						
41 HLS Autotechnik (India) Pvt. Ltd., Pune / India	INR	100.00	6,656	-968	c	SYS
42 Hung Viet International Company Limited, Ho Chi Minh City / Vietnam	VND	75.10	4,000,456	1,549,133	c	SYS
43 KUKA Automation Equipment (Shanghai) Co., Ltd., Shanghai / China	CNY	100.00	23,776	27,427	c	SYS
44 KUKA Flexible Manufacturing Systems (Shanghai) Co., Ltd., Shanghai / China	CNY	100.00	-15,767	-38,948	c	SYS
45 KUKA Robot Automation Malaysia Sdn BhD, Kuala Lumpur / Malaysia	MYR	99.99	6,973	823	c	ROB
46 KUKA Robot Automation Taiwan Co. Ltd., Chung-Li City / Taiwan	TWD	99.90	38,055	7,417	c	ROB
47 KUKA Robotics (China) Co. Ltd., Shanghai / China	CNY	100.00	12,779	3,779	c	ROB
48 KUKA Robotics (India) Pvt. Ltd, Haryana / India	INR	100.00	32,904	2,167	c	ROB
49 KUKA Robotics Japan K.K., Tokio / Japan	JPY	100.00	-24,888	-192,153	c	ROB
50 KUKA Robotics Korea Co., Ltd., Kyunggi-Do / Südkorea	KRW	100.00	1,798,371	563,903	c	ROB
51 KUKA Systems (India) Pvt.Ltd, Pune / India	INR	100.00	42,761	-5,626	c	SYS
52 KUKA Systems (Thailand) Co., Ltd., Bangkok / Thailand	THB	100.00	-7,131	-11,125	c	SYS

* 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) fical year ending June 30, 2011

Type of consolidation
c fully consolidated companies as at Dec. 31, 2011
nc non-consolidated companies as at Dec. 31, 2011

Division
ROB: ROBOTICS
SYS: SYSTEMS
OTH: 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 2, 2012

KUKA Aktiengesellschaft
The Executive Board

Dr. Till Reuter 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, 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Article 315a para. 1 HGB are the responsibility of the parent company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – "Institute of Public Auditors in Germany"). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 2, 2012

KPMG
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Karl Braun	Rainer Rupprecht
(German public auditor)	(German public auditor)

GLOSSARY OF ACCOUNTING TERMS

ABS
Asset-backed securities. Asset-backed securities are bonds or notes that are collateralized with assets (usually receivables). Receivables of KUKA Roboter GmbH are purchased within the framework of an ABS program.

BRIC countries
Term that refers to the combination of Brazil, Russia, India and China.

Capital employed
Capital employed includes working capital as well as intangible assets and tangible fixed assets. Capital employed therefore represents the difference between operating assets and non-interest-bearing outside capital.

Cash earnings
Cash earnings are a measurement for the inflow or outflow of cash from the operating profits (EBIT). They are the resulting balance from operating profits, interest, taxes, depreciation as well as other non-payment-related expenses and income.

CGC
Corporate Governance Code: The German Government Commission's list of requirements for German companies (since 2002).

Corporate compliance
Corporate compliance means that all employees conform to the company's legislative framework and internal guidelines and do not contravene any applicable laws. Proactive risk minimization is also part of a company's compliance management system.

Corporate governance
Common international term for responsible corporate management and control that aims at creating long-term value.

DAX
German stock index of blue chip companies. It includes the 30 largest German companies admitted to the Prime Standard in terms of market capitalization and volume of stocks traded.

Declaration of compliance
Declaration of the Executive Board and the Supervisory Board in accordance with article 161 of the German Corporation Act (AktG) regarding the implementation of the recommendations of the Government Commission in the German Corporate Governance Code.

Deferred taxes
Temporary differences between calculated taxes on the commercial and tax balance sheets designed to disclose the tax expense in line with the financial accounting income.

Derivatives
Financial instruments whose value is largely derived from a specified price and the price fluctuations / expectations of an underlying base value, e. g., exchange rates.

EBIT
Earnings before interest and taxes.

EBIT margin
ebit in relation to sales revenues.

Equity ratio
Ratio of equity to total assets.

Earnings per share
Earnings per share are calculated on the basis of Group consolidated earnings after taxes and the average number of shares outstanding for the year.

Exposure
A key figure used to assess risk. This key figure includes all incoming payments in a 90-day period prior to the record date of the down payments, payments based on percentage of completion or compensation after acceptance of the work carried out. In addition, the key figure also comprises all customer payments made within 90 days and which have not yet been supplied with deliveries / services including the sum of unpaid invoices following delivery or service supplied to the customer, the poc receivables and any purchase commitments.

Free cash flow
Cash flow from operating activities plus cash flow from investing activities. Free cash flow shows the extent of the funds generated by the company in the business year.

Free float
Shares of a public company owned by diverse shareholders.

General industry
General industrial markets not including the automotive industry.

Gross margin
Gross margin is determined by dividing gross profit by sales, expressed as a percentage.

Gross profit
Gross profit on sales is defined as total sales minus cost of goods sold. Cost of goods sold includes all direct costs associated with sales revenues generated. Other costs, such as research and development, marketing and administration, are not included.

HGB
German Commercial Code.

IAS
International Accounting Standards.

IFRIC / SIC
International financial reporting interpretation committee – interpreter of the international financial reporting standards ias and ifrs, formerly also SIC. IFRIC is the new name for the Standing Interpretations Committee adopted by the trustees of the iasc foundation in March 2002. sic was created in 1997 to improve the application and worldwide comparability of financial reports prepared in accordance with International Accounting Standards (IAS). It outlines financial statement practices that may be subject to controversy.

IFRS
International Financial Reporting Standards: The IFRS ensure international comparability of consolidated financial statements and help guarantee a higher degree of transparency.

MAP
KUKA Aktiengesellschaft's employee share program.

Market capitalization
The market value of a company listed on the stock exchange. This is calculated by taking the share price and multiplying it by the number of shares outstanding.

MDAX
This stock index comprises the 50 largest German companies (after those of the dax) according to market capitalization and volume of stocks traded.

Net liquidity / Net debt
Net liquidity / net debt is a financial control parameter consisting of cash, cash equivalents and securities minus current and non-current financial liabilities.

Percentage of completion method (POC)
Accounting method of sales and revenue recognition according to the stage of completion of an order. This method is used for customer-specific construction contracts.

R&D expenses
Expenditures related to research and development.

Rating
Assessment of a company's creditworthiness (solvency) determined by a rating agency based on analyses of the company. The individual rating agencies use different assessment levels.

ROCE
Return on capital employed (roce) it the ratio of the operating profit / loss (EBIT) to the capital employed (see Capital employed). To calculate roce the capital employed is based on an average value.

SDAX
This stock index comprises 50 smaller German companies that in terms of order book turnover and market capitalization rank directly below the MDAX shares.

Volatility
Intensity of fluctuations in share prices and exchange rates or changes in prices for bulk goods compared to market developments.

Working capital
Working capital consists of the inventories, trade receivables, other receivables and assets, accrued items and the balance of receivables and payables from affiliated companies, as far as these are not allocated to financial transactions, minus other provisions, trade payables, other payables with the exception of liabilities similar to bonds and deferred income.

WPHG
German Securities Trading Act.

FINANCIAL CALENDAR 2012

MAY 9, 2012	**FIRST-QUARTER INTERIM REPORT**
JUNE 6, 2012	**ANNUAL GENERAL MEETING, AUGSBURG**
AUGUST 7, 2012	**ANNUAL REPORT TO MID YEAR**
NOVEMBER 7, 2012	**INTERIM REPORT TO THE FIRST NINE MONTHS**

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TRANSLATION

HR Übersetzungsagentur, Saarbrücken

KEY FIGURES 5-YEAR OVERVIEW

in € millions	2007	2008	2009	2010	2011
Orders received					
Robotics	434.9	464.4	324.3	486.2	654.4
Systems	937.7	854.9	615.4	716.8	916.6
Group	1,343.8	1,279.9	903.3	1,142.3	1,553.0
Sales revenues					
Robotics	412.9	474.4	330.5	435.7	616.3
Systems	900.0	837.5	605.5	695.3	850.7
Group	1,286.4	1,266.1	902.1	1,078.6	1,435.6
Order backlog (Dec. 31)	**528.8**	**542.3**	**543.5**	**630.5**	**724.0**
EBIT					
Robotics	33.6	42.0	-11.5	20.8	51.0
Systems	37.2	26.8	-28.8	20.0	33.7
Group	70.4	52.0	-52.6	24.8	72.6
EBIT in % of sales					
Robotics	8.1	8.9	-3.5	4.8	8.3
Systems	4.1	3.2	-4.8	2.9	4.0
Group	5.5	4.1	-5.8	2.3	5.1
Earnings after taxes	**117.9**	**30.6**	**-75.8**	**-8.6**	**29.9**
Financial situation					
Free cash flow	223.6	-166.9	-22.2	-37.3	6.5
Capital employed (annual average)	169.4	242.3	317.5	312.5	332.9
ROCE (EBIT in % of capital employed)	41.6	21.5	-16.6	7.9	21.8
Capital expenditure	26.4	32.5	27.2	15.4	30.3
Employees (Dec. 31)	5,732	6,171	5,744	5,990	6,589
Net worth					
Balance sheet total	888.2	865.5	726.2	984.7	1,078.0
Equity	233.5	213.5	160.8	198.1	252.4
in % of balance sheet total	26.3	24.7	22.1	20.1	23.4
Net liquidity	163.6	-53.6	-48.5	-60.3	-32.6
Share					
Weighted average number of shares outstanding (in millions of shares)	26.6	25.8	25.7	30.3	33.4
Earnings per share (in €)	4.43	1.18	-2.95	-0.28	0.89
Dividend per share (in €)	1.0	–	–	–	–
Market capitalization (Dec. 31)	692.0	337.0	350.0	548.0	472.0

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