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DR. HORST J. KAYSER
CEO, LABOR DIRECTOR
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Dear Shareholders,

Fiscal 2008 was a year of extraordinary market changes for KUKA Aktiengesellschaft, as it was for all companies. The worldwide financial crisis caused people to lose much faith in the viability of the markets, and impacted our orders received already in the second half year. In spite of this, my predecessor, former CEO Gerhard Wiedemann, was able to turn over a company to me on October 1, 2008, which, on account of its successful focus on robot-based automation, is well positioned to bridge an economic downturn.

As an industrial engineer with many years of international experience in leading positions at Siemens, I am very familiar with KUKA. The KUKA brand stands for innovation and top performance in the fields of robotics and plant engineering. I was thus very pleased to heed the call of the company. In the past few months, I have been able to personally confirm that this company with its two core business areas, Robotics and Systems, has an outstanding competitive market position. The strategic focus on general industry growth, founded on a strong position in the automotive industry, is an excellent basis for further development of the company. I am pleased to have this opportunity to apply my management experience and commit all of my energy, together with my Executive Board colleague Dr. Matthias J. Rapp, who is in charge of finances and controlling, to secure the long-term competitiveness of the Group and to steadily improve KUKA Aktiengesellschaft's shareholder value.

The dark clouds that have appeared on the world economy's horizon should not distract anyone: KUKA is strategically on the right track. Although the worldwide economic crisis has resulted in a slump in orders received in the North American and European automotive sector, the like of which have not been seen for almost 20 years, governments have reacted swiftly and decisively to counter this extraordinary situation. Government rescue packages to stabilize the financial markets and the shift in demand will continue to strengthen the trend toward cheaper vehicles that use less fuel. The automotive industry can best respond to this changed demand by investing in new, robot-based manufacturing lines so that it can introduce appropriate vehicles to the market.

At the same time, we see a huge potential for sales of our products and systems in general industry. Thanks to our product policy of combining top user benefits and efficiency, KUKA solutions are increasingly being used in sectors such as medical technology, food and plastics, as well as the aircraft and solar industries. Here too, the business case for replacing present expensive manual and partly automated manufacturing processes with robot-based automation is becoming increasingly clear.

Once again in 2008, our Robotics division grew faster than the market. Orders received from general industry climbed 24 percent. Despite the economic crisis, the Systems division was also able to land important reference-worthy international solar and aircraft industry orders. Overall, the KUKA Group's orders received and sales revenues were on the level respectively slightly higher than at the same time a year earlier when the non-operative effects of the prior year are excluded. But we had to contend with

a significantly lower operating profit (EBIT) because of a one-time charge resulting from the cancellation of a major systems order for a North American automotive supplier. Without this one-time charge, return on sales would have been 5.7 percent, higher than the target margin of 5.5 percent. At the same time, the KUKA Group's solid balance sheet – with an equity ratio of about 25 percent and low debt – provides a stable business base for coping with the economic bottom that lies ahead of us.

The Group's capacity utilization is secured thanks to the high order backlog; currently through to mid-2009. Nevertheless, no one can predict how the world economic crisis will evolve – whether the economy will continue to deteriorate or whether we have already passed the peak of the crisis. Since we have to assume that the automotive industry will continue to hold back on capital spending for some time because of its current sales problems, we will accelerate our efforts to expand our general industry business. In addition, we are targeting further growth in the United States and Asia, based on our strong market position in Europe. Our technology leadership position in the field of robot-based automation opens doors for us in many regions and industries. What is important now is to secure the Group's profitability during this economic downturn. This will be supported by numerous contributing factors, not least of which is our integrated business model. We will intensify the collaboration between the two business divisions in areas such as research and development, as well as purchasing and sales, in order to tap into synergies and strengthen our operating business units' ability to compete.

The year 2009 will be a challenging one for the KUKA Group and its employees. We will face and deal with these challenges head-on. After all, KUKA has many highly qualified and motivated employees, who commit their expertise and ideas toward achieving our goals. I am therefore confident that we will soon be able to once again report more positive news to our shareholders, investors, employees and business partners. We will use the economic headwind to further expand our market potential. Team spirit will decide: One KUKA – We are KUKA.

Sincerely,

A handwritten signature in blue ink that reads "Horst J. Kayser". The signature is written in a cursive, flowing style.

Dr. Horst J. Kayser
CEO



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DR. HORST J. KAYSER
CEO
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On October 1, 2008, Dr. Horst J. Kayser (48) took over as CEO of KUKA Aktiengesellschaft. After completing his industrial engineering degree (electrical) at the Technical University of Darmstadt and receiving a Master of Public Administration (MPA) from Harvard University, he earned a doctorate (Dr. rer. pol.) at the University of Mannheim. From 1989 to 1995, Dr. Kayser worked as a management consultant at McKinsey & Company in Frankfurt / Main and Canada. He then worked for 13 years at the Siemens Group, where he held various management positions. He started as a management consultant and head of the Industrial Automation Systems division, and later became President/CEO of Siemens South Korea and Chief Strategy Officer of Siemens AG in Munich. Dr. Horst J. Kayser is married and has three children.

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DR. MATTHIAS J. RAPP
CFO
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Dr. Matthias J. Rapp (42) has been a member of the Executive Board of KUKA Aktiengesellschaft since July 1, 2008 and is in charge of finance and controlling. He was formerly the CFO of KUKA Systems GmbH. Dr. Rapp studied economics at the Otto Beisheim School of Management (WHU) in Koblenz, the Manchester Business School and ESC Lyon. He earned his doctorate at WHU in 1995. He then worked as a management consultant for the Boston Consulting Group GmbH & Partners in Düsseldorf. From 1997 to 2002, Dr. Rapp was the Director of Corporate Development at LURGI AG and CFO of LURGI Life Sciences GmbH, as well as Chief Financial Officer of Merz KGaA and Merz Pharma KGaA from 2003 to 2006. Dr. Matthias J. Rapp is married and has three children.



DR. ROLF BARTKE
CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Rolf Bartke, born in 1947, is Chairman of the Supervisory Board of KUKA Aktiengesellschaft. After studying economics and graduating as an industrial engineer, he earned a doctorate (Dr. rer. pol.) and held a number of leading positions in the Daimler Group. From 1995 to 2006, he headed up the Mercedes-Benz vans business unit. Dr. Rolf Bartke is married and has a son.

SUPERVISORY BOARD REPORT

In spite of the worldwide economic slump, the financial year just ended was an important one for the KUKA Group, and looking back, was largely successful. The Group went into the 2008 financial year with confidence and ambitious goals. Observers appreciated KUKA's successful restructuring and its new focus on the Robotics and Systems business, with both divisions strengthening their general industry activities. In 2008, KUKA received several awards for its innovation strength.

Over the course of the year, the financial market crisis worsened. This caused the economic setback to turn into a recession, which has especially impacted the automotive industry. Carmakers will thus continue to prioritize introducing new, more fuel-efficient and environmentally friendly vehicle models to the market. However, in the short term, there is a risk of declining demand as a result of postponements and isolated cutbacks in orders. Despite the fact that KUKA's revenues from the aircraft and solar industries, medical technologies and logistics, as well as metals and plastics industries have continuously risen in the past number of years, and although these businesses are being steadily expanded, the Group still receives a large number of its orders from automotive customers.

During the financial year, the Supervisory Board was strongly involved in the corporation's business activities and consulted with the Executive Board, which it supervised in the interests of shareholders and employees. It met regularly with the Executive Board to examine in detail the company's business situation and financial position. Among other things, it received periodic reports on the Group's key figures (e. g., orders received, sales, order backlog, EBIT, return on capital employed). The Executive Board's reports to the Supervisory Board were related to essential issues concerning corporate planning, such as financing, capital spending and personnel budgets. The Supervisory Board asked for detailed explanations of any disagreement between the business results and the plans and targets, as well as the budgets. The Supervisory Board then reviewed the submitted documents and analyzed the discrepancies. In addition, the Executive Board reported to the Supervisory Board periodically with regard to the operational situation and the strategic direction and associated outlook. Risk and compliance management were included as part of the regular reporting. The Supervisory Board was continuously involved in decisions of material importance and, for particularly important or urgent issues, also met outside the normal schedule. When necessary, it handed down decisions through written correspondence. Executive Board members had no conflicts of interests during the reporting period.

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

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

ELECTION OF THE SUPERVISORY BOARD

The term of office of all Supervisory Board members ended at the close of the Annual General Meeting of KUKA Aktiengesellschaft on May 15, 2008. The shareholders present at the Annual General Meeting were asked to elect new shareholder representatives to sit on the board. They chose Mr. Helmut Gierse from Nuremberg as their new representative on the panel. Mr. Helmut Gierse succeeded Prof. Gerd Hirzinger, Dr.-Ing., whose term on the advisory board ended with the adjournment of the Annual General Meeting. Dr. Rolf Bartke, Dr. Reiner Beutel, Mr. Pepyn René Dinandt, Dr. Helmut Leube and Dr. Herbert Meyer were reelected to the Supervisory Board.

At the May 15, 2008 constituent meeting of the Supervisory Board, which had been newly elected for a five-year term, Dr. Rolf Bartke was reelected as Chairman of the advisory panel. Dr. Bartke has held this position since 2005. Dr. Herbert Meyer was chosen as the Chairman of the Audit Committee and Dr. Bartke was elected Chairman of both the Personnel and Nomination Committees. As per article 27 (3) of the German Act on Company Co-Determination, Dr. Bartke also assumes the chairmanship of the Arbitration Panel.

In October 2007, a voting procedure was introduced for electing employee representatives to the Supervisory Board. Their term of office also started immediately after the Annual General Meeting on May 15, 2008. Jürgen Kerner, Wilfried Eberhardt, Siegfried Greulich, Thomas Knabel, Walter Prues and Fritz Seifert were elected to the Supervisory Board as employee representatives. Mr. Jürgen Kerner was elected as deputy chairman of the Supervisory Board.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES DURING THE REPORTING PERIOD

The following committees were established by the Supervisory Board: a Personnel Committee, an Audit Committee and an Arbitration Panel in accordance with article 27 (3) of the Mitbestimmungsgesetz (German Act on Company Co-Determination). A Nomination Committee as per Section 5.3.2, clause 2 of the Corporate Governance Code (CGC), June 14, 2007 version, was also formed.

During the 2008 financial year, the Supervisory Board held five regular meetings and one extraordinary meeting.

The March 18, 2008 sitting dealt with KUKA Aktiengesellschaft's and the KUKA Group's financial results for 2007 and the resolutions for the May 15, 2008 Annual General Meeting. Along with the resolution on the agenda for the Annual General Meeting, a decision was also made on the Nomination Committee's recommendations regarding Supervisory Board candidates for shareholder representation. At the same meeting, the Supervisory Board dealt with a progress report on the Robotics and Systems divisions' strategies.

At the May 15, 2008 meeting, immediately prior to the Annual General Meeting, the agenda items included the preparation for the Annual General Meeting and a report on the Group's business development. The Supervisory Board adopted a resolution on the appropriation of the net retained earnings.

The Supervisory Board meeting immediately after the Annual General Meeting on May 15, 2008 was held to discuss the results of the shareholder meeting, election of the Chairman of the Supervisory Board, election of the deputy chairman of the Supervisory Board, election of the members of the committees and scheduling of the meetings of the Supervisory Board, whose new members were meeting for the first time at this sitting. The meeting also dealt with Executive Board issues.

The Supervisory Board met on June 9, 2008 for an extraordinary meeting. It resolved to appoint Dr. Horst J. Kayser as CEO and member of the Executive Board effective October 1, 2008, and Dr. Matthias J. Rapp as member of the Executive Board responsible for finance and controlling effective July 1, 2008.

At the next Supervisory Board meeting on September 26, 2008, the strategy of the divisions and management projects regarding development of the Group were discussed. The Supervisory Board also conducted a review of the Supervisory Board's effectiveness in accordance with Section 5.6 of the CGC, with positive results; see also the Corporate Governance Report. In addition, the Supervisory Board resolved to commission the University of Witten / Herdecke to assist with the effectiveness review of the Board; (see also the Corporate Governance Report). The Supervisory Board listened to a presentation on the concept of employee participation and management succession planning at the meeting. The Executive Board informed the members about KUKA AG's organizational concept, which aims to centralize top-level, administrative and business support functions.

The Supervisory Board held its last regular meeting of 2008 on December 9, 2008. It discussed the budget for 2009 as well as the mid-term plan to 2011. In addition, the Supervisory Board was informed about the status of the implementation of the KUKA Group's management organization, as well as the employee share purchase concept.

All members of the Supervisory Board participated in over half of the Supervisory Board meetings in 2008 (Section 5.4.8 of the CGC). Further details regarding corporate governance are included in the Corporate Governance Report, which forms part of the Annual Report.

The Personnel Committee, consisting of a chair, a deputy and one employee and employer representative each met six times in 2008 and dealt with preparing the Executive Board and its contractual issues in accordance with regulations. The Personnel Committee discussed the key issues relating to changes at the Executive Board level during the reporting period. The chair informed the members of the Supervisory Board about the agenda items and decisions.

The Audit Committee, consisting of a chair, a deputy and one employee and employer representative each met once to discuss annual financial statements related topics plus six additional times. The topics of discussion included preparation for the respective quarterly reports and the risk and compliance management reports for the Group's companies. The Audit Committee intensively supported the Supervisory and Executive Boards' tasks and provided the panel with important information to prepare it for making its decisions.

The committee described in article 27, clause 3 of the German Co-determination Act did not meet.

The Nomination Committee as per Section 5.3.3 of the CGC held a meeting to prepare for the Supervisory Board's resolution regarding the recommended candidates for the Supervisory Board shareholder representatives.

EXECUTIVE BOARD MEMBERS NOMINATED

In view of the pending generational transition at the executive management level of the Group, KUKA AG's Supervisory Board met on June 9, 2008 and appointed Dr. Horst J. Kayser CEO and Labor Director of KUKA AG effective October 1, 2008.

After successfully serving KUKA for more than 30 years, Mr. Gerhard Wiedemann, CEO and Labor Director of the company decided not to extend his contract beyond March 31, 2009 related to age. He resigned as CEO and member of the Executive Board effective the close of September 30, 2008. He will continue to work with the Executive Board in a consulting capacity until March 31, 2009.

The Supervisory Board has also appointed Dr. Matthias J. Rapp to the Executive Board and named him Chief Financial Officer effective July 1, 2008.

Dr. Jürgen Koch, member of the Executive Board responsible for finance and controlling had already declared in December 2007 that he will not be available for another period any longer for personal reasons. He resigned in June 30, 2008 and left the company on that date.

NEW MANAGEMENT ORGANIZATION FOR THE KUKA GROUP

The KUKA Group conducts business in an economic environment that is becoming increasingly difficult. In order to further expand its flexible robot-based automation solutions business, the Executive Board, with approval from the Supervisory Board, decided to restructure the KUKA Group's management organization effective January 1, 2009. The Executive Board will from now on consist of the CEO and the CFO. The chairmen of the management boards of the management companies KUKA Roboter GmbH and KUKA Systems GmbH, Mr. Bernd Liepert and Dr. Stefan Söhn respectively were named chairmen of the divisions and will be part of the management team together with the Executive Board. In conjunction with the restructuring of the management organization, Mr. Bernd Liepert resigned from his position as Executive Board member of KUKA AG. Mr. Liepert left the company on February 4, 2009.

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. No conflicts of interest as defined in Section 5.5 of the Corporate Governance Code arose during the reporting period. The Supervisory Board and the Executive Board submitted identical declarations of compliance in accordance with article 161 of the German Stock Corporation Act. The annual declarations were made on February 23, 2009 by the Executive Board and on February 24, 2009 by the Supervisory Board.

WORK WITH THE AUDITORS

The annual financial statements and management report of KUKA Aktiengesellschaft as of December 31, 2008, as well as the consolidated annual financial statements and Group management report as of December 31, 2008, including the bookkeeping, were audited by auditors PricewaterhouseCoopers AG (PWC), Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, who issued an unqualified audit opinion on them. The KUKA Group's risk management system was also audited, as required by law. The KUKA Group's midyear report dated June 30, 2008 was also audited. KUKA Aktiengesellschaft's consolidated statements were prepared in accordance with article 315a of the German Commercial Code (HGB) based on the International Accounting Standards IFRS as adopted by the European Union.

The Audit Committee appointed the external auditors as per the resolution at the Annual General Meeting of May 15, 2008. Prior to appointing the auditors of the financial statements of the company and the Group, the Chairman of the Audit Committee and the Chairman of the Supervisory Board conducted an in-depth review with the auditors regarding audit issues, scope and fees. Furthermore, the Audit Committee obtained the arm's-length declaration of the auditor in accordance with Section 7.2.1 of the CGC and monitored the independence of the auditor. The committee also dealt with contracts with the auditor for services that did not relate to the audit itself. Each year the audit prioritizes a different set of key topics. The key issues agreed with the auditor for the fiscal 2008 review included capitalization of development costs. The auditor had no major objections on these items. In December 2008, the auditor gave the Audit Committee Chairman a detailed explanation of the preliminary audit results. The auditor also immediately reported any findings that arose during the course of the audit that were material to the Supervisory Board's work.

Because they had been contracted to review the June 30, 2008 midyear financial report, the auditors attended the August 4, 2008 Audit Committee meeting.

In a joint meeting with the auditor on March 9, 2009, the Audit Committee reviewed the two Annual Reports, taking into consideration the auditor's reports. The highlights of the Annual Report were presented to the panel by the Executive Board and the auditor. The questions posed by the Audit Committee members were answered, the documentation relating to the financial statements were reviewed, discussed and checked in detail with the auditor and the audit reports were discussed in depth with the auditor. The Audit Committee reported to the Supervisory Board on the results of its meeting and its review during the board's meeting on March 10, 2009 and recommended that the board approve KUKA Aktiengesellschaft's annual financial statements and the KUKA Group's consolidated annual financial statements.

The Supervisory Board also reviewed the draft annual financial statements submitted by the Executive Board. The audit reports provided by PricewaterhouseCoopers were made available to all members of the Supervisory Board. The auditor took part in the Supervisory Board meeting on March 10, 2009 regarding the annual financial statements in order to report on material findings in the audit and to provide additional information.

ANNUAL FINANCIAL STATEMENTS FOR 2008 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 10, 2009, the Supervisory Board raises no objections to the results and concurs with the auditor's findings. In the opinion of the Supervisory Board, the auditor's reports comply with the legal requirements stipulated in articles 317 and 321 of the German Commercial Code (HGB).

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

At its financial statements meeting on March 10, 2009, the Supervisory Board approved the management report and annual financial statements prepared by the Executive Board for the 2008 financial year, including the executive compensation report and the explanatory report by the Executive Board of KUKA Aktiengesellschaft regarding the information as per articles 289, para. 4 and 315, para. 4 of the German Commercial Code (HGB), which form part of the management report and the Group management report. Thus the annual financial statements are adopted.

The Supervisory Board likewise approves the consolidated annual financial statements and the Group management report of KUKA Aktiengesellschaft for the year 2008 prepared by the Executive Board.

Furthermore, at its meeting on March 10, 2009, the Supervisory Board reviewed the recommendations of the Executive Board regarding allocation of the net profit. In doing so, the board paid particular attention to the company's liquidity situation, financing and capital spending plans and the perspective of the capital markets. In consideration of the latter aspects, the Supervisory Board concurs with the Executive Board regarding allocation of the net profit for the year.

THANKS TO THE STAFF

The challenges of the year 2008 were only overcome as a result of the strong commitment in all areas of the company. The Supervisory Board would like to thank all employees, members of the Executive Board, the management teams and the elected employee representatives for their efforts. Their achievements serve the interests of the company, its customers and shareholders.

Augsburg, March 10, 2009

The Supervisory Board

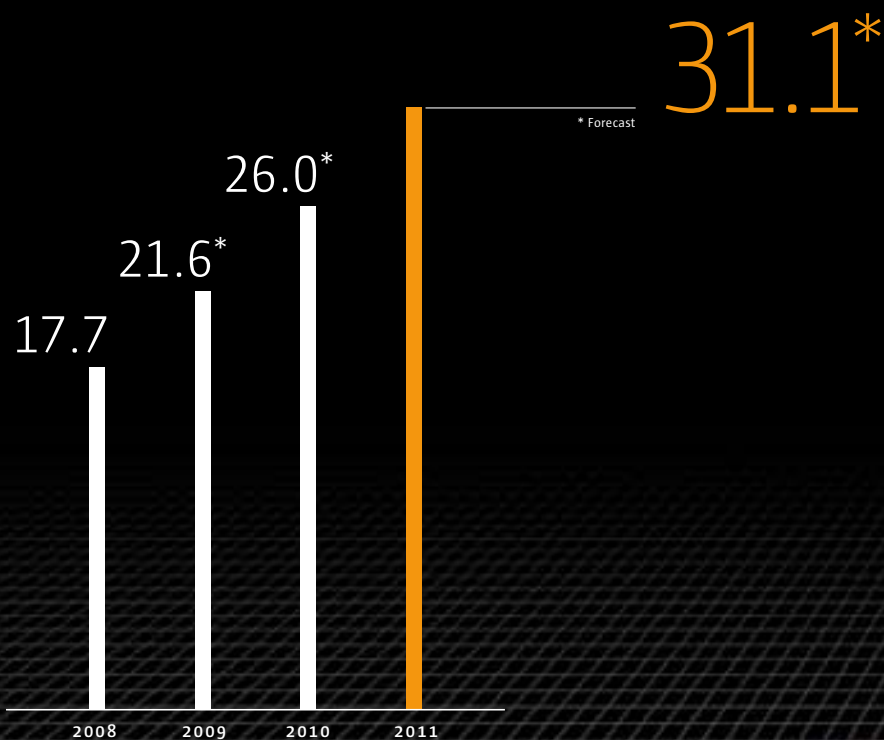


Dr. Rolf Bartke
Chairman



“Our solutions are always aimed at meeting the local needs and requirements of our customers. Our standard: top quality for the best manufacturing solution.”

CARS REGISTERED IN CHINA PER 1,000 POPULATION



Source: Snapshots International Ltd. Economist Intelligence Unit





KUI XU, CFO, KUKA FLEXIBLE MANUFACTURING SYSTEM (SHANGHAI / CHINA)

“In Asia, more and more customers are placing their trust in the high quality of our automation products and systems. Our local presence combined with a network of global know-how give us true competitive advantages.”

STRATEGIC FOCUS ON GENERAL INDUSTRY

The KUKA brand stands for innovative technology in robot-supported automation of industrial manufacturing processes. In the automotive sector, KUKA has been the technology leader in its target markets for many years. Some time ago, we started transferring this knowledge very successfully to related markets outside the car industry (general industry). In view of the increasing economic difficulties, we will now accelerate this process. Robot-based automation is increasingly replacing manual or less flexible automated manufacturing processes in general industry. KUKA's integrated business model combines the core component of industrial robotics with application engineering and offers it from a single source. The concept is unique and has potential synergies. The aim of the new management team is to systematically improve shareholder value.

GROWTH OPPORTUNITIES IN THE AMERICAS AND ASIA

In Europe, KUKA is not only the technology leader when it comes to robotics and plant engineering, but also has the largest market share. As a result, the industrial regions of the Americas and Asia present good growth opportunities, particularly in general industry. The launch pad for this regional expansion is the strong market position of KUKA Systems in North America and Brazil, as well as in China and India. All of these regions represent the largest local markets. At the same time, the reputation of the KUKA brand in the automobile industry serves as a "door opener" for general industry. This applies equally to Robotics and Systems.

The Robotics division's primary target markets in the Americas and Asia are the plastics and food sectors, metals machining and processing and logistics. The Robotics division was particularly successful in 2008 in expanding its general industry business, reporting double-digit growth for orders received. They were 24.4 percent higher year-over-year.



Solar module cross connect station.

REFERENCE INSTALLATIONS FOR THE AIRCRAFT AND SOLAR INDUSTRIES

Systems is in the process of establishing itself as a strategic aircraft industry supplier. Among its customers are Airbus, Boeing and Embraer in Brazil, the world's third-largest aircraft manufacturing market. The division is especially focusing on the coming introduction of the new carbon fiber composite materials (CFRP). It has already won an order that will serve as a reference installation by supplying a cooperating robot system to assemble CFRP parts for Boeing's new "Dreamliner 787". Systems also delivered several robot-based systems for manufacturing photovoltaic modules to the North American solar industry (Evergreen Solar) in 2008. These solar sector activities will be further expanded in the coming years, and wafer and cell assembly lines will be added to the systems portfolio. The Systems division is also the market leader for car body assembly lines and operates a body-in-white production line for the Jeep Wrangler in Toledo, Ohio. The pay-on-production contract is unique in North America and serves as a showroom for visiting specialists, including those from general industry.

TAKING ADVANTAGE OF THE GLOBAL SHIFT IN THE AUTOMOTIVE INDUSTRY

The global automobile industry is facing a structural shift. As a result of the 2008 economic recession, sales of high horsepower and full-size vehicles have declined sharply in the developed industrial regions of North America and Europe for the first time. At the same time, governments are providing the necessary financial support to accelerate the market launch of fuel-efficient and environmentally friendly engines and vehicles, particularly the US administration. The current reluctance of major carmakers to invest in new vehicle models and manufacturing systems may therefore be alleviated in the not-too-distant future. Each new car model requires a revamp of the vehicle's chassis. This is supported by the normal product lifecycle, whereby the ability to sell older models continuously declines.

In parallel, a migration of carmaking manufacturing facilities from the developed industrial nations of Europe and North America to emerging countries, particularly the BRIC countries (Brazil, Russia, India and China) is taking place. In these regions, mobility through motorized vehicles is in its infancy. As a result, growth in demand for vehicles and the investments of international carmakers in manufacturing facilities in these countries could be far stronger than that of the world market. Because of low wage costs, local manufacturers also benefit from this trend, which is further supported by increasing exports of low-cost vehicles to the developed industrial regions. However, Europe's and North America's high quality and safety standards make exporting vehicles from the BRIC countries to these regions unlikely to succeed without the use of robot-based manufacturing equipment.

GLOBAL PRESENCE CAN MITIGATE MARKET SWINGS

KUKA has had successful business relationships with all European and North American carmakers for many years. Furthermore, KUKA has been a solid business partner with a strong market position in the BRIC nations (excluding India) for almost 20 years. Over the past two years, KUKA was able to close this gap in India by landing large orders from TATA and a number of other national manufacturers, as well as VW in Pune. Due to this broad-based global presence, KUKA could compensate capital spending fluctuations and structural shifts in the automotive industries of the developed industrial regions of Europe and North America into the emerging countries.

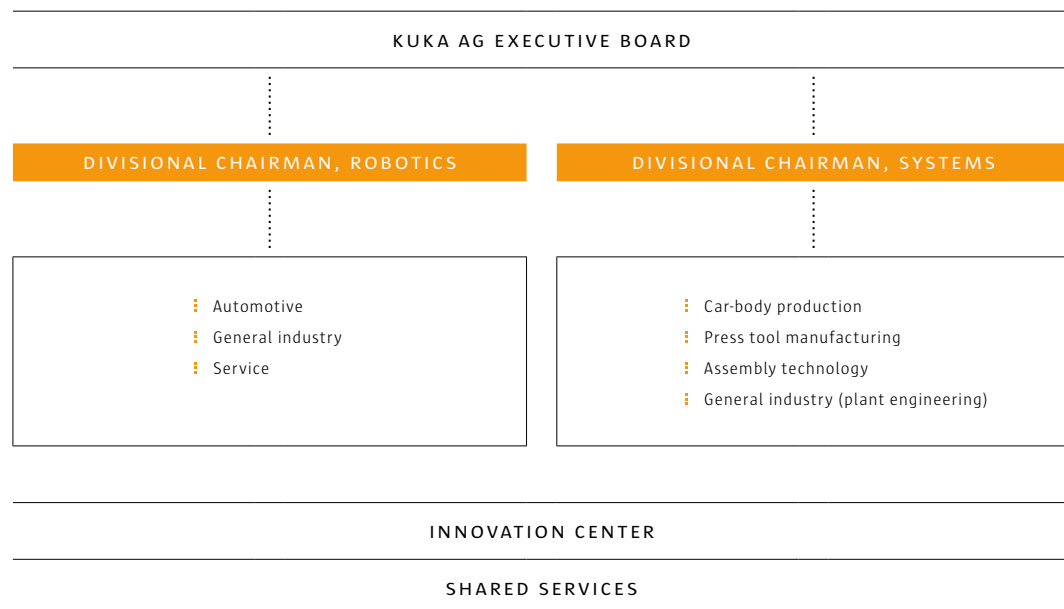
INTEGRATED BUSINESS MODEL CREATES SYNERGIES

To secure the core automotive industry business and accelerate the expansion into general industry, particularly in the American and Asian growth markets, the Robotics and Systems divisions will intensify their collaboration under the umbrella of the integrated KUKA business model.

Since January 1, 2009, the company has been led by KUKA AG's two-person Executive Board and two divisional heads, who are responsible for the business operations of KUKA Roboter GmbH and KUKA Systems GmbH. KUKA AG's Executive Board establishes the strategies for the domestic and foreign markets and is responsible for the overall operational management of the company, as well as Group issues. KUKA Roboter GmbH and KUKA Systems GmbH are the management companies of the Robotics and Systems divisions. Regional subsidiaries in 25 countries support the divisions worldwide. These branch offices are responsible for selling their products and services and doing the local assembly and field service work.

KUKA's integrated business model has three goals. From a market perspective, closer cooperation between the Robotics and Systems divisions' key account managers should generate more synergies in selling to the automotive industry. In the research and development area, the number of projects that are jointly brought to market readiness at the Innovation Center is steadily increasing. Furthermore, the divisions will be relieved of common tasks such as accounting, payroll, information technology, marketing and legal issues. These will be bundled centrally at KUKA AG's Shared Service Centers in Augsburg. The goal of all these steps is to increase the synergies within the KUKA Group through more intense cooperation, develop standardized processes, strengthen the divisions in view of the deteriorating economic climate and concentrate the core competencies to the benefit of both divisions.

■ KUKA'S INTEGRATED BUSINESS MODEL



SUSTAINABLE BUSINESS

KUKA automates manufacturing processes and helps its customers improve productivity and product quality. We support our customers by being responsible partners. We aim to secure the long-term future of our company, its employees and their families and acknowledge our responsibility toward the community and the environment. One of our objectives is therefore to use sustainable processes to provide our products and services and to minimize our utilization of the earth's natural resources. A concrete example: year after year, we have been using less and less electricity to manufacture new robots. We use lifecycle costing when we design our plant assembly systems; for example, the energy consumed by a car body assembly system is part of the design optimization calculation. In 2008, we continued to act in accordance with these policies and expanded them further. At KUKA, sustainability applies to three areas: the environment, our employees and the community.

INTEGRATED QUALITY AND ECOLOGICAL MANAGEMENT

At KUKA, we systematically plan and continuously improve our products and processes. In addition to maintaining product-specific certification, the Group is certified according to the following management processes, which are audited annually by independent experts and must be renewed every three years:

- ⋮ ISO 9001 Quality
- ⋮ ISO 14 001 Environment
- ⋮ EN 9100 Aircraft
- ⋮ VDA 6.4 Automotive
- ⋮ ISO 3834 Specialized welding operation
- ⋮ OHRIS Work safety

Our environmental management objective is to continuously improve the environmental soundness of our operations, over and above compliance with regulating authority specifications. This includes:

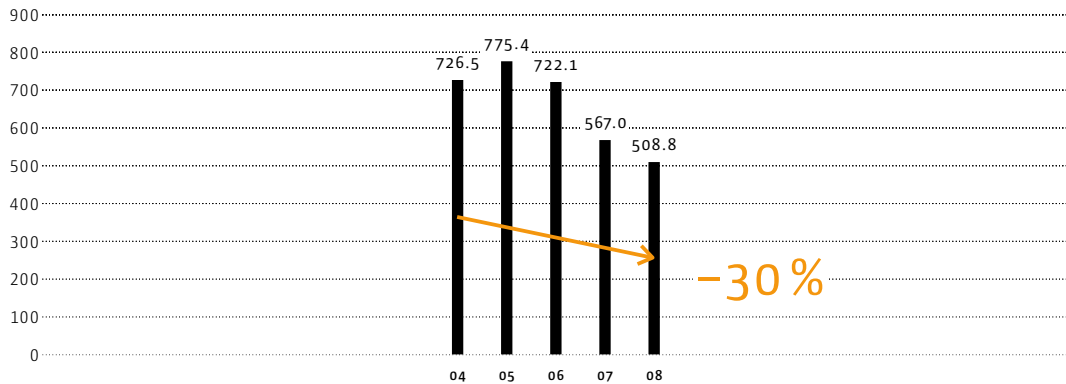
- ⋮ designing all products and systems in an environmentally sound manner
- ⋮ optimizing our utilization of power and water resources
- ⋮ reducing waste and increasing the use of recycled materials
- ⋮ optimizing the work and environmental conditions in the factories

ELECTRICITY CONSUMPTION CUT BY 30 PERCENT IN FIVE YEARS

The number of robots produced centrally by KUKA Robotics in Augsburg between 2004 and 2008 increased by about 50 percent, while electricity consumption, the main energy source used in manufacturing, stayed nearly constant over the same period. Among other things, this is a result of the continually shorter factory assembly times, which were reduced by more than 15 days. At the same time, checking and testing takes only one hour per robot, versus the former 36 hours. Some structural changes to the production halls and new assembly processes, which also contributed to the energy savings program, started to bear fruit in August 2008. Average electricity consumption per manufactured robot has declined accordingly in the past five years, going from 726.5 kWh in 2004 to 508.8 kWh in 2008. This corresponds to electricity savings of 30 percent in five years, or an average 8 percent per year.

⌘ ELECTRICITY CONSUMPTION PER MANUFACTURED ROBOT

(in kWh)



LIFECYCLE COSTS SUPPORT ENVIRONMENTALLY SOUND PLANT ASSEMBLY SYSTEMS

Environmentally sound manufacturing lines offer users considerable benefits over many years of operation. This is why KUKA Systems takes into account not only the purchasing costs, but also the operating and maintenance costs over the service life of a manufacturing line, right from the design stage. We look at a design life of ten years and more. In the automotive sector, operating costs are beginning to take center stage. Plant and engineering companies offering technologies to meet these needs will enjoy lasting success in this industry. Lifecycle costs contribute to improved efficiencies and provide customers with an excellent basis for considering reduced energy costs and lower materials consumption when they make their purchase decision.

KUKA ROBOTS AGAIN AWARDED THE “RED DOT DESIGN” PRIZE

A fundamental design criterion for KUKA robots is to conserve resources. All KUKA robots not only have a stylish visual appeal, but also a long service life, which enables them to contribute to reducing material consumption. The Nordrhein-Westfalen design center has nominated outstanding product designs for the “red dot design award” since 1995 and has thereby created an internationally recognized quality seal for innovation, ergonomics and environmental soundness. KUKA had already received design awards for its KR 150 K, KR 180 K and KR 210 K robots in 2002.

In April 2008, the jury once again chose our KR 16 and KR 1000 Titan robots from among 3,000 competing products. The KR 16 received the “red dot design award” for its low particle emissions, as well as its versatility and flexibility. The KR 1000 Titan has a payload of 1,000 kg, and is the most powerful robot in operation worldwide, yet excelled primarily because of its slim but powerful shape. The KR 1000 Titan’s introduction in 2007 earned it a place in the Guinness World Records book.

HIGH WORK SAFETY STANDARDS

Workers in manufacturing and similar operations are exposed to increased health and safety risks. KUKA therefore takes care to minimize all types of risks at its manufacturing locations. These efforts have been successful. The “1,000-man ratio”; that is, the number of work-related accidents subject to reporting per 1,000 employees at KUKA AG (Germany) companies in 2008 was 14.5 incidents. That is significantly less than half the statistical accident rate recorded by the government safety agency (40). The safety record at KUKA remained at the same low level as in 2007 (14 work-related accidents per 1,000 employees).

FOCUS ON WORK-LIFE BALANCE

Every modern, innovative company makes high demands on the capabilities of its employees. As a result, harmonizing a career, a family and physical fitness has become an important factor in ensuring the lasting success of the company, and has become increasingly important in the past number of years. KUKA has adopted a Work-Life Balance policy and offers its employees flexible working hours, as well as part-time work and home-office positions on an as required basis. In 2008, 23 KUKA Roboter GmbH employees had a job they could carry out from their home office. KUKA AG had one. The company plans to offer contracts matched to the needs of individual employees on an expanded basis in the coming years. In addition, KUKA Academy offers seminars covering health topics and work-life balance concepts.

KUKA ACADEMY MERGED

In 2008, the continuing education programs offered by KUKA AG, KUKA Roboter GmbH and KUKA Systems GmbH were combined under one roof in Augsburg under the heading KUKA Academy. Qualified internal and external trainers offer a total of 100 seminars spanning 175 seminar days and covering everything from office management to computer courses, as well as communications and management techniques. In 2008, 1,480 participants attended a total of 2,627 seminar days (prior year: 2,320). This means that on average, every employee at the company’s headquarters attended a seminar lasting one day.

KUKA Academy also offers lessons in sports, which the employees participate in during their free time. During the summer, sports such as soccer, tennis, beach volleyball and mountain biking are very popular. Badminton, sport climbing and chess are offered year-round. In 2008, KUKA employees participated in a relay marathon, organized an internal soccer tournament and, together with other major companies, held alternating chess tournaments. Free time for skiing in neighboring Austria was also on the agenda.

A number of KUKA Group managers also lecture at the universities in the region; lectures on business management topics are given at the University of Augsburg, for example, and there are lectures on robotics at the University of Stuttgart and Karlsruhe College.



KR 16 receives red dot design award 2008.

SCHOOL, CULTURE AND SPORTS

As part of its social responsibility, KUKA concentrates on promoting educational, cultural and sporting activities in greater Augsburg. After all, more than 40 percent of the workforce lives and works in this area. There are numerous such reciprocal relationships between the region and our company. We pay particular attention to the area's schools and universities. In addition to participating in university recruitment shows, KUKA sponsors Peutingen high school and holds a job fair at the Werner-von-Siemens secondary school. Financial support is also provided for events at the city theater and a series of concerts presented by the theater community. Finally, various pro and semi-pro sports also receive support. KUKA is one of the sponsors of the venerable Augsburg soccer club, which plays in the second Bundesliga (federal soccer league), and the Augsburg Panthers, who are in the first ice hockey league. In 2008, the company also sponsored the annual World Cup canoe slalom at Augsburg's Olympic white-water course as well as a youth golf tournament.

KUKA AND THE CAPITAL MARKET

INTERNATIONAL FINANCIAL MARKET CRISIS CAUSES ECONOMY TO SLIDE FURTHER

Starting in the United States, the subprime crisis evolved into a worldwide financial crisis on stock markets over the course of 2008, which subsequently led to a major restructuring of the banking sector. Several large American and international banks and insurance companies were absorbed by competitors, had to be nationalized or declared bankruptcy. At the same time, the key North American, European and Asian industrial nations injected liquidity to safeguard their economies and support the banks' equity ratios. The financial aid package in the United States totaled USD 700 billion, in Germany € 480 billion and in Japan € 80 billion.

The international financial market crisis worsened the ongoing economic downturn. During the first half year, the dramatic increase in oil prices and looming inflation also weighed on the general development of the economy. The negative effects of the financial market crisis on the real economy were first seen in the fall, particularly in the tightening of credit markets. All the major industrial nations subsequently announced wide-ranging economic stimulus packages valued from € 23 billion (Great Britain) to USD 790 billion (United States) in order to mitigate the impact of declining demand in their countries.

The financial market crisis and the economic slump were also reflected in share prices on the stock markets. Price drops in the mid-double-digit percentage range were reported in all major industrial countries. The two leading German indices suffered a similar setback, with the DAX and MDAX declining 40.4 percent and 43.2 percent respectively over the course of the year.

FURTHER INFORMATION

[www.kuka-ag.de/en/
investor_relations/shares](http://www.kuka-ag.de/en/investor_relations/shares)

MECHANICAL ENGINEERING INDUSTRY SHARES UNDER CONSIDERABLE PRESSURE

As a result of the recession, economically sensitive and cyclic mechanical engineering company shares were among the hardest hit by the price drops. After a period of strong growth by German mechanical engineering companies from 2003 onward, the sector reported a drop in orders that started at the beginning of the year and worsened in the second half. Overall, orders received were down 7 percent from a year earlier according to the industry association's statistics. This resulted in profit warnings and adjustment of corporate forecasts for 2009 and subsequent years.

The share prices of KUKA's peer group of plant and engineering companies on the MDAX and SDAX declined accordingly, and dropped between 40 and 60 percent in 2008. KUKA's share price was unable to avoid a similar fate and also fell substantially. Overall, as a result of the emerging recession in many major industrial nations and plummeting sales, particularly in the North American and European automotive industry, the share price was down 51.3 percent. KUKA's share price decline was therefore in the same range as that of its peer group. The stock price reached a high of € 26.01 on the first day of trading, January 2, and a low of € 10.07 at the end of November. By the end of December, it had recovered slightly to € 12.67.

■ KUKA SHARES – KEY NUMBERS

		2004	2005	2006	2007	2008
Number of shares	millions	26.60	26.60	26.60	26.60	26.60
Earnings (loss) per share	€	1.83	- 5.45	- 2.43	4.43	1.18
Dividend per share	€	0.66	-	-	1.00	-
Dividend yield (Dec. 31)	%	3.30	-	-	3.85	-
High for the year	€	20.60	23.15	24.75	31.50	26.01
Low for the year	€	16.00	15.62	14.02	18.58	10.07
Closing price for the year	€	20.20	18.25	19.36	26.01	12.67
Change compared to prior year	%	26.20	- 9.60	6.10	34.30	- 51.30
P/E ratio	(Dec. 31)	11.00	-	-	5.90	10.70
Market capitalization (Dec. 31)	€ millions	537.30	485.45	515.00	692.00	337.00
Average daily volume	No. of shares	80,000	91,250	165,000	232,000	234,000

SHARE BUYBACK PROGRAM AND DIVIDEND

On March 25, KUKA launched a share buyback program aimed at acquiring up to 10 percent of total share capital or 2.66 million shares. By the end of the program on August 29, 1,327,340 shares or 4.99 percent of total share capital had been repurchased. The repurchased shares remained in the hands of KUKA and were not canceled. The average price of the repurchased shares was € 21.02.

At the Annual General Meeting of KUKA AG on May 15 in Augsburg shareholders approved the reinstatement of dividend payments and distribution of € 1.0 per dividend-bearing share. The last dividend paid, in 2004, was € 0.66. This distribution was based on the strong cash position of the Group at the beginning of 2008 as a result of the sale of the Packaging division and the excellent operating results for the 2007 financial year.

INTENSIFIED INVESTOR RELATIONS

In spite of the deteriorating market environment, the financial market interest in KUKA shares remained unchanged and high. The Executive Board fielded questions from shareholders at 13 road shows (compared to twelve last year) and seven investor conferences (same as last year). The focus of the initiative was on Frankfurt, London / Edinburgh and New York (each three or four days) as well as Paris, Zurich and Munich (two days each). The executives also went to Milan, Vienna and Stockholm / Copenhagen. In addition, 82 separate meetings (compared to 85 last year) were held with investors and analysts at the company's headquarters in Augsburg. The Executive Board also gave presentations about the Group at three events: the DVFA analysts' conference in Frankfurt on March 19 (presentation of the financial statements), on June 12 at this year's Capital Market Day in conjunction with the AUTOMATICA trade fair in Munich (latest robot developments) and on November 4 to release the nine-month business results in Frankfurt / Main (strategy of the new Executive Board).

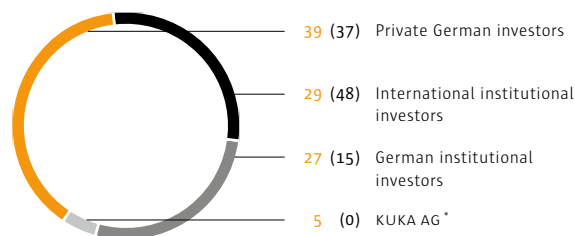
FURTHER INFORMATION

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

KUKA AG is currently being covered by 19 analysts. Of these, 17 are representatives of banks located in Germany and two in London. Of these, nine recommended purchasing or holding the stock at the beginning of 2009.

SHAREHOLDER STRUCTURE

(in %)



* 4.99 percent of total share capital

As of February 15, 2009

Prior year numbers in brackets

CONVERTIBLE BOND

KUKA AG placed a convertible bond issue with a nominal value of € 69.0 million in the capital markets on May 9, 2006 via its 100-percent owned Dutch subsidiary, KUKA Finance B.V. The convertible bond's term extends to November 2011, pays interest at a rate of 3.75 percent per annum and can be converted to KUKA shares at a conversion price of € 25.4. The convertible bond has been listed on the EuroMTF market of the Luxembourg Stock exchange since November 9, 2006 (ISIN DE000A0GRMCO/WKN A0GRMC). At the end of December 2008, the last price for the convertible bond quoted by the Frankfurt stock exchange was 72.80 percent, which compares to 114.40 percent last year. This represents a decline of 41.6 percent points, almost the same as the decline in the price of the company's shares.

■ KUKA SHARE PRICE PERFORMANCE FROM JANUARY 1, 2008 TO DECEMBER 31, 2008

Index January 2008 = 100

