



ADDITIONAL INFORMATION REGARDING THE
REDEMPTION OF FINANCING OF CHRYSLER
JEEP WRANGLER CAR BODY MANUFACTURING
BY KUKA

February 29, 2008

Brief summary of the status quo:

KUKA has been building Jeep Wrangler car bodies at the Chrysler factory site in Toledo, Ohio, since July 2006.

The chassis assembly system and paint shop, which are also operated by third parties, are located in this supplier park as well. We employ about 250 persons there. Over the course of the 2007 financial year, they were involved in building more than 155,000 car bodies. When we published our preliminary results at the beginning of February 2008, we had already indicated that this company's operating performance was excellent, and that the results were considerably above plan.

In 2004 we founded a separate company, KUKA Toledo Production Operations (KTPO), to operate this plant. KTPO signed a supply contract with Chrysler which covered two terms of seven years and includes a model change. Our American systems builder constructed the manufacturing facility. The plant employs 240 KUKA robots. KTPO is a 100-percent-owned subsidiary of this systems builder, KUKA Systems North America Corp., which in turn is 100-percent owned by KUKA AG.

At the time of construction, the capital expenditure totaled 90 million EUR. This amount was financed through a leasing contract, under the terms of which the buildings and production facilities were owned by another party. A consortium of banks provided the financing for this project. As you can imagine, the contract is quite complicated. As part of the contract, the banks providing financing reserved certain rights, particularly in the event of a change of ownership at Chrysler.

What led to the required redemption of financing at KTPO?

As you know, last summer Daimler sold Chrysler to Cerberus. Daimler still owns about 20 percent, but the disposal triggered a change of control clause. One option was the purchase of the entire assets by Chrysler. But in this case Chrysler would have taken also over the operation of the plant and we would have had to forfeit KTPO's significant EBIT and cash flow contributions. We therefore decided in favor of prepayment of the financing ourselves. The existing off-balance sheet item will therefore be taken onto our balance sheet, and we will become the owners of the buildings and production systems. At the same time, a complicated financing, ownership and operating structure will become a simple product and service-related business agreement between KUKA and Chrysler.

We have now been able to conclude this negotiations.

What impact does this redemption of financing have on the KUKA Group's balance sheet and on its income statement?

The purchase of the assets leads to an increase in capital employed. We are using our own liquid assets to pay the purchase price. The total amount will be about 85 million EUR. As a result of the purchase, we now calculate capital employed including the assets under KTPO's operations. The company's EBIT contribution was shown on the income statement from the very start. Due to the increase in bound capital, the Group's return on capital employed for 2008 is expected to be about 25 percent. The change has no significant impact on consolidated operating profit.

The new financing will be shown as a finance lease in accordance with IFRS rules; that means, we will not be showing the sum of about 85 million EUR as assets, but as a leasing claim against Chrysler.

The following are the strategic reasons behind the financing redemption:

This project supports the expansion of our North American business for both - KUKA Systems and Robotics. I already mentioned at the beginning the 240 KUKA robots at KTPO. The manufacturing facility not only represents an important showcase for our automotive industry customers, but is also important for our general industry activities. In addition, we not only expect Detroit's Big Three to continue investing in new models and production systems, but also that European manufacturers will establish or expand manufacturing facilities in North America over the course of the next few years. We see the current project as a way to secure our systems business in North America into the medium term.