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 principle of KUKA. This applies especially to the cooperation between the Executive Board and the Supervisory Board.

DECLARATIONS 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 for inspection by any interested party on the company’s website at www.kuka.com.

The identical declarations of the Executive Board dated February 23, 2009 and of the Supervisory Board dated February 24, 2009 in accordance with article 161 of the German Corporation Act (AktG) and the German Corporate Governance Code read as follows:

“KUKA Aktiengesellschaft has since issuing the latest (identical) declaration of compliance of the Executive Board (February 11, 2008) and of the Supervisory Board (February 25, 2008) complied with, and continues to comply with, the recommendations of the Government Commission on the German Corporate Governance Code as amended on June 14, 2007 or respectively since its validity as amended on June 6, 2008, which were published in the electronic edition of the Bundesanzeiger (German Federal Gazette) dated August 8, 2008, including the recommendation to form a nomination committee for the Supervisory Board since its introduction in September 2007, subject to the following exceptions:

KUKA Aktiengesellschaft has a Directors and Officers liability insurance (D&O insurance) for the members of the Executive and Supervisory Boards which stipulates a relatively small deductible (Section 3.8, para. 2 CGC). The compensation received by members of the Supervisory Board is entirely fixed (Section 5.4.6, para. 2 CGC).

Moreover, KUKA Aktiengesellschaft adheres to nearly all proposals contained in the Code.”

As of February 25, 2009, the identical declarations of the Executive Board and the Supervisory Board have been available on the company’s website at www.kuka.com.

NOTE ABOUT DEVIATIONS FROM SECTION 3.8, PARAGRAPH 2 CGC AND SECTION 5.4.6, PARAGRAPH 2 CGC

The company has directors and officers liability insurance (D&O) for the members of the Executive and Supervisory Boards which stipulates a relatively small deductible. The Executive Board and the Supervisory Board are convinced from the company’s perspective at this time that the contractual clause regarding the deductible should be viewed as sufficient, even if parts of the judicial literature generally sets the suitability level higher for deductibles in terms of Section 3.8, paragraph 2 CGC.

In accordance with article 17, paragraph 1 of the articles of association of the Company as amended at the Annual General Meeting on June 1, 2006, every member of the Supervisory Board, in addition to reimbursement for expenses, receives a fixed compensation. The compensation amounts to € 30,000 – except for the Chairman of the Supervisory Board and the members of the Supervisory Board committees – and is payable after the end of the financial year; the following report on compensation illustrates particulars about the compensation.

After examination of the different variable compensation models and intensive internal and external consultation, the Supervisory Board still upholds the opinion that under consideration of its independency and all essential aspects, especially the statutory duties of the Supervisory Board, the election terms of its members, and the ongoing legal uncertainty, a fixed compensation presents a reasonable compensation structure while respecting Corporate Governance. The Supervisory Board is convinced that variable compensation elements would have to be applied to the same objective criteria as the ones for the Executive Board, which may not entirely meet legal objections. The Supervisory Board will continue to diligently follow the development of the case law and judicial literature; the trends at corporations listed on the stock exchange, and any relevant changes of the CGC, and will review its opinion in the light of possible developments.

MANAGEMENT AND COMPANY STRUCTURE

The 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 or KUKA Systems GmbH and are directly or indirectly held by these, for the most part 100 percent.

Similarities between the business divisions regarding market and production areas, clients, and geographic focus are being 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 project and risk management, strong key data oriented management as well as executive staff development and brand strategies.

On October 27, 2008, the Executive Board resolved to reorganize the executive structure of KUKA Aktiengesellschaft and the management structure in the KUKA Group, with effect at the beginning of 2009. The Supervisory Board approved this resolution on November 3, 2008. Effective January 1, 2009, the Executive Board of KUKA Aktiengesellschaft consists of two persons, namely the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). The KUKA Aktiengesellschaft articles of association expressly state that the Executive Board may consist of two persons (article 6, paragraph 1 of the articles of association of the Company). The newly formed Executive Board of KUKA Aktiengesellschaft is supported by a management team. The management team consists of the Executive Board of KUKA Aktiengesellschaft as well as the chairman of the management board of KUKA Roboter GmbH and the chairman of the management board of KUKA Systems GmbH. The chairmen of the management boards of the two management companies KUKA Roboter GmbH and KUKA Systems GmbH become divisional chairmen for the Robotics and Systems division, respectively. The tasks of the divisional chairmen include, among other things, advising the Executive Board of KUKA Aktiengesellschaft as part of the management team.

The following objectives are associated with the reorganization: (i) Strengthening of the operational areas Systems and Robotics and (ii) Concentration of the strategic alignment of the Group. Furthermore, effective January 1, 2009, additional corporate departments were formed at KUKA Aktiengesellschaft level for higher-level, administrative and business-promoting tasks.

RESPONSIBLE COOPERATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

The common goal of the Executive Board and the Supervisory Board is the sustainable increase of the 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 questions, business development, risk assessment, risk management, and any actions taken in this regard. In the process, the Executive Board also addresses changes in the business development from established plans and goals, and explains the reasons leading to such changes. The reporting of the Executive Board to the Supervisory Board also includes the topic of Corporate Compliance. Articles of association and standard rules of procedure have provisions ensuring that important business transactions are subject to agreement by the Supervisory Board. Details about the cooperation of Executive Board and Supervisory Board can be found in the report of the Supervisory Board on pages 9 to 15.

In the financial year 2008 there were no consulting or other service or work contracts in place between Supervisory Board members and the company. There were no conflicts of interest between Executive Board and Supervisory Board members which would require immediate disclosure.

EXECUTIVE BOARD

The following changes took place at the Executive Board level in fiscal 2008:

Gerhard Wiedemann stepped down from his position as Chairman of the Executive Board and Labor Director of KUKA Aktiengesellschaft on September 30, 2008 due to his retirement. Mr. Wiedemann will offer his support to the Executive Board of KUKA Aktiengesellschaft in the role of an advisor until March 31, 2009.

Effective October 1, 2008, Dr. Horst J. Kayser was appointed Chairman of the Executive Board and Labor Director of KUKA Aktiengesellschaft.

Dr. Jürgen Koch stepped down from his position as member of the Executive Board for Finance and Controlling on June 30, 2008 for personal reasons.

Effective July 1, 2008, Dr. Matthias J. Rapp was appointed Chief Financial Officer.

In fiscal 2008 the Executive Board consisted of three members:

Until leaving the Executive Board, Gerhard Wiedemann, the Chairman of the Executive Board, was in particular responsible for strategic corporate development, public relations, senior group executives, personnel, and legal affairs as well as the Systems division, and also served as Labor Director. Dr. Kayser took over these responsibilities on October 1, 2008 as the successor to Mr. Wiedemann. Until leaving the Executive Board, Dr. Jürgen Koch was responsible in particular for finance and controlling, investor relations and M&A. Dr. Rapp took over these responsibilities on July 1, 2008 as the successor to Dr. Koch. In fiscal 2008 Mr. Bernd Liepert was responsible for the Robotics division, as well as for IT and marketing.

REORGANIZATION OF THE EXECUTIVE BOARD AND ESTABLISHMENT OF A MANAGEMENT TEAM BEGINNING JANUARY 1, 2009

As a result of the aforementioned new executive structure (page 87), beginning January 1, 2009, the Executive Board consists of the Chief Executive Officer, Dr. Horst J. Kayser, as well as the Chief Financial Officer, Dr. Matthias J. Rapp. Mr. Liepert stepped down from his position as member of the Executive Board of KUKA Aktiengesellschaft effective December 31, 2008.

Mr. Liepert, as chairman of the management board of KUKA Roboter GmbH, became a member of the newly formed management team effective January 1, 2009. The management team consists of members of the Executive Board of KUKA Aktiengesellschaft as well as the chairmen of the management boards of KUKA Roboter GmbH and KUKA Systems GmbH. The latter are the divisional chairmen of KUKA Aktiengesellschaft for the Robotics and Systems divisions, respectively. Beginning January 1, 2009, this newly formed management team will be complemented by the chairman of the management board of KUKA Systems GmbH, Dr. Stefan Söhn. After the dismissal of Mr. Liepert as chairman of the management board of KUKA Roboter GmbH effective February 4, 2009, Mr. Manfred Gundel has been appointed interim chairman of the management board of KUKA Roboter GmbH. Beginning February 4, 2009, Mr. Gundel is also a member of the management team and divisional chairman for the Robotics division as a part of his function.

The Executive Board of KUKA Aktiengesellschaft has adapted its previous standard rules of procedure to the new executive structure effective January 1, 2009. At the same time, the members of the management team have established their own standard rules of procedure.

As a rule, the Executive Board members convene at least every 14 days, and they also keep in constant close contact at other times. The Executive Board avoids conflicts of interest. The members of the management team also regularly convene every 14 days, and they keep in constant close contact at other times.

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 term of office for all members of the Supervisory Board ends with the adjournment of the Annual General Meeting on May 15, 2008. Supervisory Board shareholder representatives were elected at the company's Annual General Meeting on May 15, 2008. Mr. Helmut Gierse was elected to the Supervisory Board at the Annual General Meeting. Helmut Gierse took over the position of Prof. Dr.-Ing. Gerd Hirzinger, who stepped down from the Supervisory Board with the adjournment of the Annual General Meeting. Dr. Rolf Bartke, Dr. Reiner Beutel, Pepyn René Dinandt, Dr. Helmut Leube and Dr. Herbert Meyer were re-elected members of the Supervisory Board.

In October 2007, a voting procedure was introduced for electing employee representatives to the Supervisory Board. The election of employee representatives took place on April 15, 2008. The election results were published on April 24, 2008 in the electronic edition of the Bundesanzeiger (German Federal Gazette).

The term of office for all newly elected members of the Supervisory Board began immediately at the close of the Annual General Meeting on May 15, 2008. In the constituent assembly on May 15, 2008, Dr. Rolf Barkte was elected Chairman of the newly elected Supervisory Board. Dr. Bartke has been Chairman of the Supervisory Board since 2005.

To the extent that members of the Supervisory Board were employed in a controlling position with important business partners, transactions with them were subject to the standard terms and conditions for arms-length transactions. The members of the Supervisory Board complied and continue to comply with the criteria for independence under Section 5.4.2 CGC. Procedures continue to ensure that conflicts of interest are avoided (Section 5.5 CGC).

The following committees were established internally by the Supervisory Board: These are (i) the Arbitration Panel in accordance with article 27, paragraph 3 of the German Act on Company Co-Determination (MitbestG), (ii) the Personnel Committee, (iii) the Audit Committee (Section 5.3.2 CGC) as well as (iv) the Nomination Committee (Section 5.3.3 CGC).

According to the regulations of the Corporate Governance Code, the Supervisory Board or the Audit Committee was engaged with compliance issues and the Executive Board reported to these committees accordingly.

It has been agreed with the independent auditor that the independent auditor will immediately report to the Supervisory Board any material findings or events that arise in the course of the audit of the annual financial statements. Finally, it will also be 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 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, 2008.

In the past year, the Supervisory Board again reviewed the efficiency of its activities (Section 5.6 CGC) pursuant to the regulations of the Corporate Governance Code at its meeting in September of 2008. The review was conducted on the basis of a questionnaire and provided a positive result. Moreover, the Supervisory Board resolved to involve the University of Witten / Herdecke to academically monitor the review of the Board's efficiency. The academic monitoring covers a period from 2008 to 2010 within the scope of the research project "High-Performance Boards – Quality and Efficiency in the Supervisory Board Committee" led by the Institute for Corporate Governance at the University of Witten / Herdecke.

COMPENSATION OF THE SUPERVISORY BOARD

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

SHAREHOLDING

No member of the Executive Board and the Supervisory Board holds more than 1 percent of the shares issued by KUKA Aktiengesellschaft. The total shares of all Executive Board and Supervisory Board members do not exceed 1 percent.

CORPORATE COMPLIANCE

KUKA has always applied a high standard of ethical principles. Essential components are strict obedience to the law and value-oriented behavior. These form the basis of the Corporate Compliance Program passed by the Executive Board in November 2007 and approved by the Supervisory Board in December 2007, which took effect throughout the corporation on February 1, 2008. The Corporate Compliance Program is currently embodied in a manual and a total of 15 guidelines, which deal with the fields of law and business activities relevant to the Group. According to the resolution of the Executive Board, the Chairman of the Board is the highest competence for this program. It is led, implemented, governed, and further developed by a Compliance Committee, formed on the level of KUKA Aktiengesellschaft by five persons. Each company has appointed a Compliance Officer. The position of an external ombudsman has also been established. By the end of September 2008, the management of domestic and foreign Group companies across the globe had received instruction.

ANNUAL GENERAL MEETING

The ordinary Annual General Meeting 2009 will take place in Augsburg on April 29, 2009.

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 AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Since 2004, the annual financial statements for the KUKA Group have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as adopted by the European Union. The audit of the annual financial statements and of the Group consolidated financial statements is performed by an independent auditor, elected by the Annual General Meeting. Per proposal of the Supervisory Board, the Annual General Meeting 2008 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt / Main, as auditor for the annual accounts and group auditor for the fiscal year 2008 as well as for a potential review of the midyear report of the fiscal year 2008. The midyear report of the fiscal year 2008 was reviewed by an auditor for the first time 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 are undertaken by the Audit Committee of the Supervisory Board in accordance with the provisions of the Corporate Governance Code.

OPPORTUNITIES AND RISK MANAGEMENT AND CONTROLLING

A detailed description of the opportunities including controlling and risk management at the KUKA Group is included in the chapter on risk management of the Annual Report on pages 60 – 66. In accordance with legal requirements, the aim of risk management is the early recognition of risks that could jeopardize the continued existence of the 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 longer-term perspective. In particular, controlling is an essential tool of efficient risk management at the KUKA Group.

KUKA further optimized opportunity and risk management throughout the year 2008. The adaptation of opportunity and risk management to changes in the business environment is an ongoing task of the Executive Board.

FINANCIAL REPORTING

The company informs its shareholders, the participants in the capital markets and the media about the condition as well as material business events at the company in particular through quarterly reports, midyear statements, the Annual Report, the financial press conference reporting on the annual financial statements, and the ordinary Annual General Meeting of Shareholders. In addition, it issues the Annual Document in accordance with article 10 WpPG (Securities Prospectus Act), ad-hoc releases according to article 15 WpHG (German Securities Trading Act), notices according to article 15 a 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.com.