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 16, 2011 and of the Supervisory Board dated March 1, 2011 in accordance with article 161 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 (March 2, 2011) and of the Supervisory Board (March 5, 2010), 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 June 18, 2009 or respectively since its validity 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 4.2.3, clause 3 of the CGC, Executive Board member Dr. Bickel, who left the company on December 31, 2010, only received a fixed salary and no variable compensation component. The company did not consider a variable compensation component to be appropriate since Dr. Bickel's appointment to the Executive Board was for a fixed term right from the start. In KUKA Aktiengesellschaft's view, a variable compensation component for an assignment of such short duration will not produce any meaningful long-term incentive.

3. Contrary to section 4.2.3, clause 11 of the CGC, the contract of former Executive Board member Dr. Bickel did not include a severance cap. The company did not consider it necessary to include a severance cap in Dr. Bickel's employment contract because of the limited duration of the contract. Neither did the company initially consider it necessary to include a severance cap in Executive Board member Dr. Reuter's employment contract, because his appointment to the position of CEO was initially limited until April 25, 2010 in accordance with article 105, para. 2 of the German Stock Corporation Act.

4. Contrary to section 5.4.6, clause 4 of the CGC, the members of the Supervisory Board only receive a fixe 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 March 2, 2011, the identical declarations of the Executive Board and the Supervisory Board have been made 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, in which the "Advance Robotics" section resides. Legally, KUKA Laboratories GmbH is a wholly-owned subsidiary of KUKA Roboter GmbH; however, coducts its business activities directly under the guidance of KUKA Aktiengesellschaft.

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.

The Executive Board of KUKA Aktiengesellschaft consisted of three persons from January 1, 2010; namely, the Chief Executive Officer (CEO) the Chief Financial Officer (CFO) and the COO, responsible for restructuring and organization. COO Dr. Bickel's contract was for a fixed term right from the start and ended on December 31, 2010.

Since January 1, 2011, the Executive Board of KUKA Aktiengesellschaft consists again of two persons; namely, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). KUKA Aktiengesellschaft's Articles of Association expressly state that the Executive Board may consist of two persons (article 6, 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 the value of the company. 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 29 to 33.

In the financial year 2010, there were no consulting or other services or work contracts in place between Supervisory Board members and the company.

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

Dr. Bickel was a member of the company's Executive Board until December 31, 2010 and is also a managing director of consulting company Alvarez & Marsal Deutschland GmbH, which is under contract to the company until March 31, 2011. The terms and conditions related to the appointment of Dr. Bickel and signing of his Executive Board contract, as well as the contract between the company and consultants Alvarez & Marsal Deutschland GmbH, were meticulously scrutinized beforehand by the Personnel Committee and the Supervisory Board. In the event of a conflict of interest, Dr. Bickel was obliged to give priority to the interests of KUKA Aktiengesellschaft. Dr. Bickel was thus not permitted to participate in any decisions as manager of Alvarez & Marsal Deutschland GmbH that involve KUKA Aktiengesellschaft.

EXECUTIVE BOARD

In the financial year 2010 the Executive Board had three 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) internal auditing and (vi) legal / compliance.

Mr. Stephan Schulak, CFO, is responsible for (i) finances and controlling, which includes the accounting, controlling, treasury and tax departments and (ii) human resources. Mr. Schulak is also KUKA Aktiengesellschaft's director of labor.

Board member Dr. Walter Bickel, (COO) was responsible for restructuring and organization in the financial year 2010. In this function, Dr. Bickel was responsible for (i) risk management (ii) IT and (iii) facility management.

Following the departure of Dr. Bickel from the Executive Board of KUKA Aktiengesellschaft on December 31, 2010, Mr. Schulak took over Dr. Bickel's responsibilities on January 1, 2011.

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.

After Dr. Rolf Bartke, Dr. Reiner Beutel, Dr. Herbert Meyer and Dr. Helmut Leube resigned from the Supervisory Board on September 18, 2009, Prof. Dr. Dirk Abel, Prof. Dr. Uwe Loos, Dr. Uwe Ganzer and Guy Wyser-Pratte were appointed to the Supervisory Board by a decision of the Augsburg District Court on September 18, 2009. In accordance with the decision of the Augsburg District Court, the terms of office of Prof. Dr. Abel, Prof. Dr. Loos, Dr. Ganzer and Mr. Wyser-Pratte ended upon adjournment of the 2010 Annual General Meeting. As a result, the aforementioned Supervisory Board memberships became vacant.

In addition, Dr. Reuter had resigned from his position as chair of the Supervisory Board on September 29, 2009 in accordance with article 105, para. 2 of the German Stock Corporation Act (AktG) on account of his having been appointed as CEO of the company. His mandate as a member of the Supervisory Board was initially suspended. In the extraordinary Supervisory Board meeting of April 26, 2010, Dr. Reuter was permanently appointed to the position of CEO until the end of 2013. Dr. Reuter therefore resigned from the Supervisory Board on April 26, 2010. A replacement was thus required for this Supervisory Board position, which is why Grenzebach Maschinenbau GmbH, after previously notifying the Company in writing and with the support of the Supervisory Board, nominated Dr. Michael Proeller to succeed Dr. Reuter at the Annual General Meeting of KUKA Aktiengesellschaft on April 29, 2010.

Shareholders at the Annual General Meeting on April 29, 2010 elected Prof. Dr. Abel, Prof. Dr. Loos, Dr. Ganzer, Mr. Wyser-Pratte and Dr. Proeller to the Supervisory Board effective as of the adjournment of the Annual General Meeting on April 29, 2010.

As per article 10, para. 4, sentence 1 of the Articles of Association, the term of office of the new members of the Supervisory Board elected at the Annual General Meeting on April 29, 2010, is to be for the remaining term of the previous members; i.e., up until adjournment of the Annual General Meeting in 2013.

In its meeting on December 14, 2010, the Supervisory Board examined in detail the requirements of section 5.4.1 of the CGC regarding diversity. In conclusion, the Supervisory Board established the following goals for the future composition of the Supervisory Board, which are also to be taken into consideration by shareholders making nominations 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 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 were no conflicts of interest at the Supervisory Board level 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 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, 2010.

In the past year, the Supervisory Board again reviewed the efficiency of its activities (section 5.6 CGC) pursuant to the regulations of the Corporate Governance Code. The Supervisory Board had resolved to involve the University of Witten/Herdecke to academically monitor the review of the Board's efficiency. The academic monitoring 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 Supervisory Board heard a report on the results of this review in its meeting on April 29, 2010.

COMPENSATION OF THE SUPERVISORY BOARD

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

SHAREHOLDINGS

Dr. Till Reuter, member of the Executive Board and CEO, has been allocated a total of 1.49 percent of the shares issued by KUKA Aktiengesellschaft. Details hereto can be found in the Management Report, (page 74).

Supervisory Board member 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 2010. The revised version will 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. Training for managers and employees was enhanced and continued again in 2010.

ANNUAL GENERAL MEETING

The ordinary Annual General Meeting 2011 will take place in Augsburg on May 26, 2011.

Each share has one vote. No-par-value 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 2010 elected PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt / Main, as auditor for the annual reports and Group auditor for financial year 2010 as well as for a potential review of the mid-year report for financial year 2010. The mid-year report for financial year 2010 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 66 to 73. 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 2010. 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.