Corporate Governance Report

The Executive Board and Supervisory Board report below on corporate governance at KUKA in accordance with section 3.10 of the German Corporate Governance Code (GCGC).

Corporate governance refers to the entire system of managing and monitoring a company and a group of companies. This includes in particular a company's organization, business policy and guidelines as well as internal and external control and monitoring mechanisms. Good, responsible corporate governance is one of KUKA's core principles. It creates transparency and confidence in KUKA among shareholders, customers and suppliers, the staff, the financial markets and the public.

Also for this reporting year, the Executive Board and Supervisory Board of KUKA Aktiengesellschaft examined the requirements of the GCGC in detail in its current version as of May 5, 2015 and issue the following declaration of compliance:

Declaration of Compliance

The declarations of compliance of the Executive Board and the Supervisory Board that have been issued for every financial year since 2002 are available to the public on the company's website at www.kuka-ag.de.

The identical declarations of the Executive Board (dated January 18, 2016) and the Supervisory Board (dated February 8, 2016) in accordance with section 161 para. 1 sentence 1 of the German Stock Corporation Act (AktG) and the GCGC read as follows:

"Since issuing the latest declarations of compliance of the Executive Board (January 20, 2015) and of the Supervisory Board (February 6, 2015), KUKA Aktiengesellschaft has complied with, and continues to comply with, the recommendations of the Government Commission on the German Corporate Governance Code as on June 24, 2014, which were published in the Bundesanzeiger (German Federal Gazette) dated September 30, 2014, with the exception of the divergences mentioned in these declarations of competence.

KUKA Aktiengesellschaft complies with the recommendations of the Government Commission on the German Corporate Governance Code of May 5, 2015, as published in the electronic Federal Gazette of June 12, 2015, and will also comply with them in the future subject to the following exceptions:

1. KUKA Aktiengesellschaft does not follow the recommendation for the Supervisory Board outlined in section 3.8 para. 3 of the GCGC. The Group D & O insurance policy does not provide for a deductible for members of the Supervisory Board. In KUKA Aktiengesellschaft's view, Supervisory Board members do not require a deductible to ensure that they properly fulfill their monitoring role.

2. KUKA Aktiengesellschaft does not at present follow the recommendation for the Executive Board outlined in section 4.2.3 para. 2 sentence 6 of the GCGC. The reason is that the phantom share programs that are still current, and form part of the variable compensation of the Executive Board, are not restricted to certain maximum amounts. In addition to the maximum limits on the fixed remuneration and variable bonus, the employment contracts of the Executive Board members now also stipulate a maximum limit for phantom shares issued from 2015 onwards and payable from 2018 onwards. This is linked to a corresponding cap on the total remuneration. Retroactively capping total compensation (for overall salaries and variable payment components) would constitute a change in the terms of the contract, which cannot be unilaterally implemented by the Supervisory Board. Furthermore, it does not appear appropriate given the expected cooperation based on mutual trust between the Supervisory and Executive Boards (which is in fact expected by the GCGC).

KUKA Aktiengesellschaft adheres to almost all the other suggestions contained in the Code."

The identical declarations of the Executive Board and Supervisory Board have been available on the company's website at www.kuka-ag.de since February 12, 2016.

Corporate and management structure

KUKA Group consists of KUKA Aktiengesellschaft – the Group's managing holding company – and the divisions Robotics, Systems and Swisslog. The Systems division comprises of the engineering and assembly business as well as the solution business of KUKA Industries (including Reis). Apart from the US business, the Group companies are – in most cases – 100% held by the management companies of the individual divisions directly or indirectly.

Similarities between the business divisions in terms of product portfolios, markets, customers, and geographic focus are identified, and intense efforts are made to further develop these similarities. This is an expression of the "One KUKA" approach. However, the divisions are responsible for their business and thus also for their earnings. Moreover, as in the past, project and risk managers monitor implementation of the established targets by focusing intensively on key indicators, as well as developing executive staff and maintaining brand strategy.

Executive Board and Supervisory Board

As a German stock corporation, the statutory rules impose on KUKA Aktiengesellschaft a dual management system comprising the Executive Board and Supervisory Board. The Executive Board is responsible for managing the company. The members of the Executive Board share this responsibility for company management. The Chairman of the Executive Board and Chief Executive Officer coordinates the work of the entire Board; he is responsible for representing and leading the Board in its cooperation with the Supervisory Board and its members. The Supervisory Board appoints, monitors and advises the Executive Board. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

Responsible cooperation between the Executive Board and the Supervisory Board

The common goal of the Executive Board and Supervisory Board is to sustainably increase shareholder value. To this end, the Executive Board and Supervisory Board work closely together in the interest of the company. No former members of the Executive Board sit on the Supervisory Board. The Executive Board reports to the Supervisory Board regularly, in a timely manner, and comprehensively regarding all matters relevant to the company with respect to planning, business development, risk exposure, risk management and any corresponding action taken. The Executive Board also addresses any deviations in the business results from the established plans and targets and explains the causes of such deviations. The Executive Board and/or Chief Compliance Officer also reports to the Supervisory Board regarding corporate compliance. The Articles of Association and the Supervisory Board's rules of procedure contain provisions ensuring the right of the Supervisory Board to withhold its consent on significant transactions. Further information on cooperation between the Executive Board and the Supervisory Board can be found in the Supervisory Board Report on pages 6 to 9.

In fiscal 2015, no consulting or other contracts for work or services existed between Supervisory Board members and the company.

In fiscal 2015, no resolutions were reached on business transactions in which any conflicts of interest could have arisen among members of the Executive and Supervisory Boards. For other details, please refer to the Supervisory Board Report (pages 6 to 9).

Executive Board

The Executive Board of KUKA Aktiengesellschaft consists of two persons: 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 (section 6 para. 1 of the Articles of Association).

In fiscal 2015, the responsibilities of the members of the Executive Board were assigned as follows:

Dr. Till Reuter, Chief Executive Officer (CEO), is responsible for (i) investor relations, (ii) strategic corporate development, (iii) public relations, (iv) senior Group executives, (v) internal audit, (vi) personnel and (vii) legal affairs/compliance. Dr. Reuter is also director of industrial relations at KUKA Aktiengesellschaft.

Mr. Peter Mohnen, Chief Financial Officer (CFO), is responsible for (i) finances and controlling, which includes the financial accounting, controlling, treasury and tax departments, (ii) risk management, (iii) IT and (iv) facility management.

The Executive Board members normally convene at least every 14 days, and otherwise keep in constant close contact.

In accordance with the recommendations of the GCGC (section 4.1.5), the Executive Board takes diversity into consideration when filling managerial positions in the company and, in particular, aims for an appropriate consideration of women. The Executive Board sets targets for the proportion of women at the two management levels below the Board itself (see corporate management declaration as per section 289 a of the German Commercial Code (HGB) on the Company's website at www.kuka-ag.de).

Executive Board compensation

Executive Board compensation is outlined in the Compensation Report on page 15.

Supervisory Board

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

The election of employee representatives to the Supervisory Board was held on April 18, 2013. The results of the vote were published in the Federal Gazette (Bundesanzeiger) on April 24, 2013. A new election of Supervisory Board shareholder representatives was held at the Annual General Meeting on June 5, 2013.

The term of office of the employee and shareholder representatives ends upon adjournment of the Annual General Meeting in 2018. This also applies to substitute members and other successors of employees and shareholders who are subsequently brought on to the Supervisory Board. This is because section 10 para. 4 sentence 1 of the Articles of Association stipulates that where a Supervisory Board member leaves office early, the term of office of the new Supervisory Board member runs only for the remaining term of office of the retiring member.

This specifically relates to one employee representative who was appointed to the Supervisory Board by order of the Augsburg Local Court dated September 10, 2013. It also relates to three members of the Supervisory Board representing the shareholders who were elected by the Annual General Meeting on June 10, 2015.

The Supervisory Board established the following targets for its future makeup to address the requirement regarding diversity in section 5.4.1 of the GCGC, which are also to be taken into account when recommending candidates to the shareholders at the Annual General Meeting:

(i) At least two Supervisory Board members shall have sector-specific experience.

(ii) At least one Supervisory Board member shall have considerable professional experience abroad.

(iii) At least two Supervisory Board members to be elected at the Annual General Meeting shall be independent in terms of section 5.4.2 of the GCGC and shall not be affected by conflicts of interest in terms of section 5.5.2 of the GCGC.

(iv) Normally, Supervisory Board members shall be no younger than 35 and no older than 73 years of age at the time of their election.

(v) A member of the Supervisory Board may carry out his or her mandate for up to a maximum of three consecutive periods in office, although this limit may be ignored in exceptional cases when it is in the company's interests to do so.

(vi) In addition, the requirements of the German act to promote equal participation of women and men in management positions in the private and public sector (FührposGleichberG) of April 24, 2015 and the targets set by the full Supervisory Board concerning the number of women are to be observed.

Given the criteria for independence outlined under section 5.4.2 of the GCGC, it must be mentioned that Dr. Hubert Lienhard, a member of the Supervisory Board, is CEO of Voith GmbH. Voith GmbH is the holding company of Voith Group and is allocated the KUKA shares which are directly held by J.M. Voith GmbH & Co. KG. It is also notable that Mr. Friedhelm Loh, as a member of the Supervisory Board, is the sole shareholder of SWOCTEM GmbH and owner of the Friedhelm Loh Group. The KUKA shares directly held by SWOCTEM GmbH are allocated to Mr. Loh. It must also be pointed out that companies in KUKA Group have business relations with firms in Voith Group as well as the Friedhelm Loh group of companies.

In respect of the independence criteria outlined in section 5.4.2 of the GCGC, it is also to be reported that the Supervisory Board chairman, Mr. Minning, gave notice that he stepped down from his position as CEO at Grenzebach Maschinenbau GmbH, which in turn already sold its KUKA shares in November 2014. Mr. Minning therefore fulfills the independence criteria set out in section 5.4.2 of the GCGC.

To the extent that members of the Supervisory Board held or hold key positions with important business partners, transactions with them were subject to the standard terms and conditions for arm's length transactions.

All other members of the Supervisory Board fully comply with the independence criteria.

The Supervisory Board formed six committees consisting of Supervisory Board members. These are:

(i) the Mediation Committee as per section 27 para. 3 of the German Act on Company Co-determination (MitbestG),
(ii) the Personnel Committee,
(iii) the Audit Committee (section 5.3.2 GCGC),
(iv) the Nomination Committee (section 5.3.3 GCGC),
(v) the Strategy and Development Committee, and
(vi) the Technology and Production Committee.

In accordance with the provisions of the Corporate Governance Code, the Supervisory Board or the Audit Committee dealt with compliance issues, and the Executive Board reported to this committee accordingly.

It has been agreed with the independent auditor that the independent auditor will immediately report to the Supervisory Board any material findings or occurrences related to the Supervisory Board's work that arise in the course of auditing the financial statements. Finally, it was also agreed with the independent auditor that the independent auditor will inform the Supervisory Board and/or note in its 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 GCGC). As stipulated in the audit contract, the auditor reviewed the interim report as of June 30, 2015.

The Supervisory Board regularly reviews the efficiency of its activities (section 5.6 GCGC). It reviewed the "Best Practice Scenarios" presented to it in 2014 and decided to have an initial analysis of the situation carried out in fiscal 2015. This commenced in fiscal 2015.

Supervisory Board compensation

Supervisory Board compensation is also outlined in the Compensation Report on page 19.

Shareholdings

As sole shareholder of SWOCTEM GmbH, Mr. Loh is allocated more than 1% of the shares in KUKA Aktiengesellschaft. The other members of the Executive Board and Supervisory Board hold less than 1% of the shares in circulation. The overall investment in KUKA shares held by the remaining members of the Executive and Supervisory Boards is also less than 1% of the company's shares in circulation.

Members of the Executive and Supervisory Boards or related parties are obliged according to section 15a of the Securities Trading Act (WpHG) to disclose the purchase or sale of shares in KUKA Aktiengesellschaft, or financial instruments relating thereto, if the value of these transactions within one calendar year reaches or exceeds the sum of €5,000. The transactions by persons with management roles or their related parties reported to KUKA Aktiengesellschaft in fiscal 2015 were duly published and can be examined on the company website at www.kuka-ag.de.

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 adopted by the Executive Board in November 2007 and approved by the Supervisory Board in December 2007, which took effect throughout the Group on February 1, 2008. The key contents of the Corporate Compliance Program are contained in the Corporate Compliance Handbook, which comprises several compliance-related guidelines. The Corporate Compliance Handbook was revised and updated in fiscal 2010. It was again reviewed and updated in fiscal 2013 and the version now applicable is dated April 1, 2013.

The Executive Board passed a resolution making the CEO ultimately responsible for the Corporate Compliance Program. A Compliance Committee consisting of persons employed by the Group was established to steer, implement, monitor and develop the Corporate Compliance Program. In addition, compliance officers were established at the Group companies for the individual divisions and regions under the Compliance Committee. The compliance officers are intended to be the employees' direct and (first) point of contact for compliance-related issues. The position of external ombudsman has also been established.

For KUKA, regular training of its employees and continuous development of the existing compliance system are key to anchoring our value-based standards in the company and avoiding any violations of law. For example, since 2011, all KUKA employees have participated in online compliance training based on an in-house e-learning program designed especially for this purpose. The e-learning program was progressively expanded to include the foreign Group companies and is currently being updated. In 2013, a survey related to the online compliance training was issued to measure the acceptance and understanding of the compliance program at KUKA Group. The company also held a series of seminars on selected topics.

Annual General Meeting

The 2016 Annual General Meeting will take place in Augsburg on May 27, 2016.

Each share is entitled to one vote. No-par-value shares have been issued and global certificates created. The shares are bearer shares. The Executive Board makes it easier for shareholders to exercise their voting rights at the Annual General Meeting by offering them the right to issue powers of attorney to proxies who are appointed by the company and bound by the instructions of the shareholder. The proxies appointed by the company are also available at the Annual General Meeting to the shareholders who are present. In addition, powers of attorney may be issued to financial institutions, shareholder associations or other third parties.

Accounting and annual audit

Since 2004, the annual financial statements of 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. An independent auditor elected at the Annual General Meeting audits the annual financial statements and the consolidated financial statements. At the recommendation of the Supervisory Board, shareholders at the 2014 Annual General Meeting chose KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for the annual financial statements and Group auditor for fiscal 2015 as well as for a potential review of the mid-year report for fiscal 2015. The mid-year report for fiscal 2015 was reviewed by the auditor based on the aforementioned resolution.

In accordance with the provisions of the Corporate Governance Code, the Supervisory Board's Audit Committee reviewed the independence of the auditor, commissioned the auditor to carry out the audit, determined the key audit points and agreed on the fee.

Opportunity and risk management, controlling

Opportunity and risk management at KUKA Group is described in the risk report included in the annual report on pages 53 to 59. In accordance with legal requirements, the aim of risk management is early identification of any risk that could jeopardize the existence of KUKA Group and its operating companies as going concerns to enable measures to minimize, transfer or avoid risk to be taken. The risk strategy and risk policy is guided in particular by business risks, financial risks (including currency risks), and the specific risks of the divisions – in each case from a short, intermediate and long-term perspective. Controlling in particular is an essential tool for efficient risk management at KUKA Group.

KUKA further optimized opportunity and risk management in 2015. The Executive Board is tasked with adapting opportunity and risk management to changes in the business environment on an ongoing basis.

Financial publications

The company informs its shareholders, participants in the capital markets, and the media of its position and of significant business events, in particular by publishing quarterly financial reports, a mid-year financial report, and a business report, holding a financial statements press conference on the annual financial statements and conducting the Annual General Meeting each year. In addition, it issues ad-hoc releases under section 15 of the German Securities Trading Act (WpHG), notices under section 15a of the WpHG (directors' dealings), and under section 26 of the WpHG (disclosure of notifications by shareholders and holders of certain financial instruments), holds conferences with analysts, meets with analysts and investors in Germany and abroad, and issues other press releases.

All information is published in both German and English and is also available on the company's website from the time of publication. All regular financial reporting dates are published in the company's financial calendar, which can be found on the back cover page of the annual report and on the website at www.kuka-ag.de.

Declaration regarding Corporate Management

The corporate management declaration as per section 289a of the German Commercial Code (HGB) is posted on the company's website at www.kuka-ag.de.