

CORPORATE GOVERNANCE REPORT

The Executive Board reports on corporate governance at KUKA on its own behalf and on behalf of the Supervisory Board in accordance with section 3.10 of the German Corporate Governance Code (GCGC) as follows:

Responsible and transparent corporate governance is one of KUKA's core principles. This also applies to the interaction between the Executive and Supervisory Boards.

DECLARATION OF COMPLIANCE

All of the declarations of compliance issued by the Executive Board and the Supervisory Board for every fiscal year since 2002 are available on the company's website at www.kuka-ag.de.

The identical declarations of the Executive Board (dated February 3, 2014) and the Supervisory Board (dated February 12, 2014) in accordance with section 161, para. 1, sent. 1 of the German Stock Corporation Act (AktG) and the GCGC read as follows:

"Since issuing the most recent declarations of compliance of the Executive Board (February 5, 2013) and the Supervisory Board (February 15, 2013), 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 May 13, 2013, which were published in the electronic edition of the Bundesanzeiger (electronic Federal Gazette) of June 10, 2013, subject to the following exceptions:

1. KUKA Aktiengesellschaft does not follow the recommendation for the Supervisory Board outlined in section 3.8, sent. 5 of the GCGC. The Group's 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 follow the recommendation for the Executive Board outlined in section 4.2.3, para. 2, sent. 6 of the GCGC. The executives in office have signed contracts and can be confident that the terms of same will not be changed. 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 nearly all 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 26, 2014.

MANAGEMENT AND CORPORATE STRUCTURE

KUKA Group consists of KUKA Aktiengesellschaft – the Group's managing holding company – and its two divisions, Robotics and Systems. With just a few exceptions, all Group companies have been allocated to the two management companies, KUKA Roboter GmbH and KUKA Systems GmbH, which hold – in most cases – 100 percent of those companies, either directly or indirectly. This legal structure also extends to KUKA Laboratories GmbH, a wholly owned subsidiary of KUKA Roboter GmbH, of which the "Advanced Robotics" section is a part. At the beginning of 2014, KUKA Aktiengesellschaft acquired a 51 percent stake in Reis Group, owned by Reis Group Holding GmbH & Co. KG. Reis Group has been allocated to KUKA Systems GmbH as management company.

Similarities between the business divisions in terms of markets and production areas, customers, and geographic focus are identified, and intense efforts are made to further develop these similarities. 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.

The Executive Board of KUKA Aktiengesellschaft has consisted of two persons since January 1, 2011: the Chairman of the Executive Board and 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 company's Articles of Association).

RESPONSIBLE COOPERATION BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The common goal of the Executive Board and the 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. With the exception of Dr. Bickel (Executive Board member until December 31, 2010), 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 matters relevant to the company with respect to planning, business development, risk exposure, risk management and any corresponding action taken. In doing so, 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 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 61 to 65.

In fiscal 2013, no consulting or other contracts for work or services existed between Supervisory Board members and the company.

EXECUTIVE BOARD

In fiscal 2013, the Executive Board consisted of two members responsible for the following departments:

Dr. Till Reuter, Chairman of the Executive Board and 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 fourteen days, and otherwise keep in constant close contact. The Executive Board avoids conflicts of interest. No conflicts of interest between Executive Board members occurred in fiscal 2013.

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 "Female Inspiration" initiative aims to permanently increase the number of women in management positions at KUKA Group.

EXECUTIVE BOARD COMPENSATION

Executive Board compensation is outlined in the compensation report.

SUPERVISORY BOARD

The Supervisory Board is composed pursuant to 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 election of employee representatives to the Supervisory Board was held on April 18, 2013. The results of the vote were published in the electronic 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 Supervisory Board employee and shareholder representatives ends upon adjournment of the Annual General Meeting in 2018. This also applies to one employee representative who was appointed to the Supervisory Board by order of the local court of Augsburg dated September 10, 2013, notified on September 12, 2013.

When a member of the Supervisory Board steps down prior to the end of his or her term of office, the term of office of the newly elected or newly appointed Supervisory Board member is until the end of the original term of office of the Supervisory Board member who stepped down (section 10, para. 4, sent. 1 of the Articles of Association).

The Supervisory Board established the following targets for its future makeup to address the requirement regarding diversity in section 5.4.1 of the German Corporate Governance Code, 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 career experience abroad.
- (iii) At least two Supervisory Board members shall not be on executive or supervisory bodies of, employed by, or consultants for customers, suppliers, lenders, or other business partners of the company.
- (iv) 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.
- (v) Normally, Supervisory Board members shall be no younger than 35 and no older than 72 years of age at the time of their election.
- (vi) Appropriately qualified women shall be reviewed as candidates. Within two election periods, at least two Supervisory Board members shall be female.

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.

Given the criteria for independence outlined under section 5.4.2 of the GCG, Mr. Minning, Chairman of the Supervisory Board, addressed a letter to the Deputy Chairman of the Supervisory Board in 2012 referring to his known association with the major shareholder of Grenzebach Maschinenbau GmbH and the latter's business relations with KUKA Group companies. All other members of the Supervisory Board fully comply with independence criteria.

In fiscal 2013, the Supervisory Board chairman indicated that that he may have a potential conflict of interest (section 5.5 of the GCGC). For details, please refer to the Supervisory Board Report on page 63 of this annual report. There was no indication of other conflicts of interest in fiscal 2013.

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 MitbestG (German Act on Co-determination),
- (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 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 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 of GCGC). As stipulated in the audit contract, the auditor reviewed the interim report as of June 30, 2013.

The Supervisory Board regularly reviews the efficiency of its activities (section 5.6 of the GCGC). A multi-year review, which was completed in April 2011, was recently carried out by the Institute for Corporate Governance of the University of Witten/Herdecke as part of a research project entitled "High-Performance Boards – Quality and Efficiency on Supervisory Board Committees". The Supervisory Board intends to have the efficiency of its activities professionally reviewed at reasonable intervals in the future as well.

SUPERVISORY BOARD COMPENSATION

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

SHAREHOLDINGS

Mr. Guy Wyser-Pratte holds shares in KUKA Aktiengesellschaft totaling over one percent. The remaining members of the Executive Board and Supervisory Board hold less than one 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 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 updated and revised 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 Chairman of the Executive Board ultimately responsible for the Corporate Compliance Program. A Compliance Committee consisting of persons employed by the Group was established to manage, implement, monitor, and develop the Corporate Compliance Program. In addition, compliance officers reporting to the Compliance Committee were established at the Group companies for the individual divisions and regions. The compliance officers are intended to be the employees' direct and first point of contact for compliance-related issues. The position of external ombudsman was also 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 successively expanded to include the foreign Group companies. 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 2014 Annual General Meeting will take place in Augsburg on May 28, 2014.

Each shareholder 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 AUDITING

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 2012 Annual General Meeting chose KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for the annual reports and Group auditor for fiscal 2013 as well as for a potential review of the half-year report for fiscal 2013. The half-year report for fiscal 2013 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 annual report on pages 106 to 111 (risk report). 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 2013. 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 half-year financial report, and an annual 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 (Director's dealings) and under section 26 of the WpHG (Disclosure of shareholders' notifications and owners 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 this annual report and on the website at www.kuka-ag.de.

DECLARATION REGARDING CORPORATE MANAGEMENT

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