

## **Report of the Executive Board to the Annual General Meeting concerning Agenda Item 5 pursuant to section 203 para. 2 and section 186 para. 4 sentence 2 AktG**

In accordance with section 4 para. 5 of the Articles of Association, Authorized Capital 2015 still exists in the amount of EUR 46,420,808.20 with a term ending on June 9, 2020. This is to be canceled and replaced with a new Authorized Capital 2019 to allow the Company to react to market conditions in such a manner as to avoid negative impacts on the share price over as long a term as possible and, in particular, to create a capability of reacting promptly and flexibly to capital market requirements, as is customary in the market and sector.

With regard to Agenda Item 5, the Executive Board has, in accordance with section 203 para. 2 AktG in conjunction with section 186 para. 4 sentence 2 AktG, drawn up a report outlining the reasons for the authorization to exclude shareholder subscription rights. This report shall, from the day the Annual General Meeting is convened, be accessible on the Company's website at [www.kuka.com/HV2019](http://www.kuka.com/HV2019). The report shall be announced as follows:

In principle, our shareholders are entitled to a subscription right, if Authorized Capital 2019 is used.

The authorization to exclude subscription rights for fractional amounts serves to produce a feasible subscription ratio with regard to the amount of the respective capital increase. Without the exclusion of subscription rights regarding fractional amounts, the technical execution of the capital increase and the exercising of subscription rights would be seriously impaired, particularly when executing a capital increase in whole amounts. The new shares excluded from shareholder subscription rights as unassigned fractions shall be either sold on the stock market or disposed of in some other manner in the Company's best interest.

Moreover, this authorization provides that subscription rights may be excluded in the case of certain capital increases made in exchange for contributions in kind. This exclusion serves to enable the acquisition of companies or parts of companies or participating interests in companies or other assets in exchange for the granting of shares. If such acquisition leads to tax savings for the seller through the capital increase made in exchange for contributions in kind, or if the seller is, for other reasons, more interested in acquiring shares in the Company than in a monetary payment, the option provided for here will further strengthen the negotiating position of the Company. In individual cases, it can also be of particular interest for the Company to offer new shares to the seller as consideration. Authorized capital enables the Company to quickly and flexibly take advantage of emerging opportunities in order to acquire, where suitable in individual cases, companies or parts of companies or participating interests in companies or other assets in return for new shares. The authorization requested will, in individual cases, thus enable acquisitions to be optimally financed in exchange for issuing new shares, while strengthening the equity capital base of the Company. Other assets to be acquired may also include liabilities (loans or bonds) of the Company. If such assets are brought into the Company as contributions in kind, this causes the liability to be canceled and strengthens the equity capital at the same time. Management intends to exercise the option of increasing the capital from authorized capital in exchange for contributions in kind using the authorization to

exclude subscription rights only if the value of the new shares and the value of the consideration for the company, parts of the company, participating interests in the company, or other assets to be acquired are in appropriate relation to each other. In principle, the issue price of the new shares to be offered shall, in this respect, be based on the stock market price. This prevents any economic disadvantage for shareholders excluded from subscription rights. In view of all these circumstances, the authorization to exclude subscription rights to the extent outlined is necessary, suitable, appropriate and in the interest of the Company. If Management exercises the authorization granted to it, the Executive Board shall report at the Annual General Meeting following any acquisition made in exchange for issuing new shares in the Company.

By granting authorization to exclude subscription rights in cases where new shares are sold at a price not substantially lower than the current stock market price, it will be possible to simplify the exclusion of subscription rights in accordance with section 203 para. 1 and para. 2 AktG in conjunction with section 186 para. 3 sentence 4 AktG. The authorization to exclude subscription rights shall be limited to a maximum amount of 10% of the share capital existing at the time this authorization comes into effect or, if this value is lower, at the time Authorized Capital 2019 is used. Shares sold as a result of, and during the term of, the authorization granted at the Annual General Meeting of May 29, 2019 in accordance with section 71 para. 1 no. 8 sentence 5 AktG in conjunction with section 186 para. 3 sentence 4 AktG shall count towards the aforementioned 10% threshold. Furthermore, this 10% threshold shall also include shares issued for the purpose of servicing warrant or convertible bonds, participation rights or participating bonds or a combination of these instruments, provided that these instruments were issued as a result of, and during the term of, the authorization granted at the Annual General Meeting of May 29, 2019 in accordance with the appropriate application of section 186 para. 3 sentence 4 AktG.

Moreover, this authorization shall also be subject to the condition that the issue price of the new shares must not be substantially lower than the stock market price of the Company shares already quoted on the stock market. This is in the Company's interests and serves to achieve the best possible selling price when issuing the shares. The legally stipulated option in section 186 para. 3 sentence 4 AktG to exclude subscription rights enables Management to quickly, flexibly and cost-effectively exploit opportunities arising as a result of prevailing stock market conditions. This would optimally strengthen the Company's capital resources in the interest of the Company and all shareholders. By avoiding the time-consuming and cost-intensive handling of subscription rights, the Company will be able to meet its equity requirements quickly when market opportunities arise at short notice. Furthermore, this will also make it possible to acquire new shareholder groups in Germany and abroad. Section 186 para. 2 AktG allows publication of the subscription price up to the third-last day of the subscription period. However, in light of the frequent volatility on the stock markets, a market risk spanning several days still exists and may lead to safety margins being deducted when the subscription price is fixed. Moreover, granting a subscription right would jeopardize successful placement with third parties owing to the uncertainty as to whether the subscription right will be exercised, and also owing to the additional expense involved. Finally, if subscription rights were granted, the Company would not be able to react quickly to favorable or unfavorable market conditions owing to the two-week subscription period. Instead, the Company would be exposed to falling share prices during the subscription period, which might lead to the Company acquir-

ing equity capital on less favorable terms. The possibility to optimally strengthen the Company's capital resources in the interest of the Company and all shareholders is of particular importance to the Company, since the Company must be able to take advantage of market opportunities in its markets quickly and flexibly, as well as to cover any capital requirements that may arise at very short notice as a result thereof. The selling price, and thus the funds flowing into the Company for the new shares, shall be based on the stock market price of the shares already quoted on the stock market and shall not be substantially lower than the current stock market price, probably not more than 3% lower, and in any event not more than 5% lower than this price. In view of the fact that all shares issued by the Company hitherto have been approved for trading on the regulated market, on the Frankfurt stock exchange among others, shareholders interested in retaining their percentage interest when the authorization excluding subscription rights is exercised in accordance with section 186 para. 3 sentence 4 AktG can, as things currently stand, acquire additional shares in the Company on the stock market without any difficulty.

Augsburg, April 2019

KUKA Aktiengesellschaft

The Executive Board