Report of the Executive Board to the Annual General Meeting concerning Agenda Item 7 pursuant to article 221, para. 4, sentence 2 and article 186, para. 4, sentence 2 AktG

The options of KUKA Aktiengesellschaft described in detail in the following for the financing of its activities are intended to expand the proposed authorization to issue warrant bonds and/or convertible bonds, participating bonds and participation rights or a combination of these instruments ("bonds") in a total nominal amount of up to EUR 600,000,000.00 and to create conditional capital of up to EUR 39,933,545.60, as well as to provide the Executive Board, subject to approval by the Supervisory Board – in particular under more favorable capital market conditions – with a more flexible and timely financing that is in the interest of KUKA Aktiengesellschaft.

In principle, shareholders are entitled to the legal subscription right for bonds associated with subscription or conversion rights or obligations (article 221, para. 4 in conjunction with article 186, para. 1 AktG). When shareholders are not granted immediate subscription of bonds, the Executive Board can exercise the option of issuing bonds to a financial institution or consortium of banks with the obligation of offering shareholders the opportunity of acquiring bonds in accordance with their subscription rights (indirect subscription right in the sense of article 186, para. 5 AktG).

The exclusion of the subscription right for fractional amounts makes it possible to utilize the requested authorization with rounded amounts. This facilitates the handling of shareholder subscription rights. The exclusion of the subscription right for the benefit of holders or creditors of already issued conversion and option rights or obligations has the advantage that the conversion price or option price for the already issued conversion or option rights or obligations does not have to be reduced and thus leads to an overall greater amount of funds that can be raised. Both instances of excluding the subscription right are therefore in the interest of KUKA Aktiengesellschaft and its shareholders.

With the exception of a conversion obligation and a share subscription right, the issue price for the new shares must be at least 80 percent of the market price determined at the time of the issuance of the bonds associated with subscription or conversion rights or obligations. The possibility of a premium (which can increase after the maturity of the warrant bonds or convertible bonds) establishes the necessary conditions so that the terms of bonds with option or conversion rights account for the capital market environment at the time of their issuance.

The Executive Board is further authorized, subject to approval by the Supervisory Board, to completely exclude the subscription right of the shareholders if the issuance of the bonds associated with option or conversion rights or obligations against cash payment results in an issue price not substantially less than the hypothetical market value of these bonds established using financial mathematical methods. This gives KUKA Aktiengesellschaft the ability to exploit favorable market situations on very short notice and quickly, and to achieve better conditions by being able to react quickly to the market when setting the interest rate and the issue price for the bonds. It would not be possible to set conditions close to market and ensure smooth placement if the subscription right were retained. Article 186, para. 2 AktG authorizes the publishing of the exercise price (and thus the conditions of these bonds) by the third to last day of the subscription period. However, in light of the frequent volatility on the stock markets, market risk can also exist for more than a few days leading to “haircuts” during the setting of the bond conditions, which are then no longer close to the market. The existence of a subscription right also endangers the successful placement with third parties, i.e. increases the related expenditures due to the uncertainty of its exercise (subscription behavior). Finally, due to the length of the subscription period, KUKA Aktiengesellschaft cannot respond quickly to favorable or unfavorable market conditions when granting a subscription right, but rather is subject to deteriorating share prices during the subscription period, which can lead to a less favorable procurement of equity for KUKA Aktiengesellschaft.

In this event of a complete exclusion of the subscription right, the provision in article 186, para. 3, sentence 4 AktG applies accordingly pursuant to article 221, para. 4, sentence 2 AktG. The limit regulated therein for excluding the subscription right of 10 percent of the share capital must be complied with in the content of the resolution. In this case, when the authorization to exclude the subscription right pursuant to article 186, para. 3, sentence 4 AktG takes effect, the maximum volume of authorized capital made available for securing the option or conversion rights or obligations shall not exceed 10 percent of the existing share capital. A corresponding requirement in the resolution on the authorization also ensures that the 10 percent limit is not exceeded in the event of a reduction of capital because the authorization for excluding the subscription right expressly may not exceed 10 percent of the share capital, neither at the time the authorization takes effect nor, if this value is less, at the time of exercise of the existing authorization. Applied here are the treasury shares sold subject to the exclusion of the subscription right pursuant to article 186, para. 3, sentence 4 AktG and those shares issued from authorized capital under exclusion of the subscription right pursuant to article 186, para. 3, sentence 4 AktG, if the sale or issuance takes place during the period of this authorization until the subscription right free issuance according to article 186, para. 3, sentence 4 AktG of the bonds with option and/or conversion rights or obligations. This correspondingly reduces this amount. Article 186, para. 3, sentence 4 AktG also stipulates that the issue price may not be substantially less than the market price. This is intended to ensure that no material economic dilution of the value of the shares occurs. Whether such a dilutive effect occurs when issuing bonds with option or conversion rights or obligations under exclusion of the subscription right can be determined by calculating the hypothetical market price of the bonds in accordance with recognized methods, especially financial mathematical methods, and comparing this with the issue price. If, after proper examination, this issue price is only insignificantly below the hypothetical market price at the time of issuing the bonds, then an exclusion of the subscription right based on an insignificant shortfall is permissible under the intent and purpose of the regulation outlined in article 186, para. 3, sentence 4 AktG. The resolution therefore stipulates that the Executive Board, after proper examination, must come to the conclusion prior to issuing the bonds with option or conversion rights or obligations that the planned issue price will not lead to any considerable dilution of the value of the shares because the issue price of the bonds is not substantially lower than the hypothetical market price determined in accordance with recognized methods, especially financial mathematical methods. Thus, the computed market value of a subscription right is reduced to virtually zero so that the shareholders are not subject to any considerable economic disadvantage as a result of the exclusion of the subscription right. These measures ensure that there is no considerable dilution of the share value due to the exclusion of the subscription right.

Moreover, shareholders may at any time maintain their percentage of the share capital of KUKA Aktiengesellschaft – even after conversion or option rights have been exercised, or the option or conversion obligations have taken effect – by purchasing shares on the open market. On the other hand, the authorization to exclude the subscription right allows KUKA Aktiengesellschaft to set conditions close to market with the greatest possible security with regard to the ability to place the bonds with third parties and to exploit favorable market situations on short notice.

To the extent that participation rights or participating bonds without option or conversion rights or obligations are issued, the Executive Board is authorized, with the consent of the Supervisory Board, to completely exclude the subscription right of the shareholders if these participating bonds or participation rights have obligation-like features, i.e. if they do not establish membership rights in KUKA Aktiengesellschaft, do not grant participation in liquidation proceeds, and the amount of interest is not calculated on the basis of the amount of annual net profit, net earnings or the dividend. Furthermore, in this case the interest rate and the issue price of the participation rights or participating bonds must reflect the current market conditions at the time of issuance. If the conditions cited are met, the exclusion of the subscription right does not result in a disadvantage for shareholders, since the participation rights or participating bonds do not establish membership rights or a share of liquidation proceeds or profit in KUKA Aktiengesellschaft.

The Executive Board Report to the Annual General Meeting pursuant to article 221, para. 4, sentence 2 in conjunction with article 186, para. 4, sentence 2 AktG, provided in its entirety above, is available for shareholders to view, starting from the day of the convening of the Annual General Meeting, at the business premises of the Company (Zugspitzstrasse 140, 86165 Augsburg, Germany), at the Annual General Meeting, and for download on the Internet at www.kuka-ag.de. On request, every shareholder shall be sent this report without delay and free of charge.

Augsburg, March 2013

KUKA Aktiengesellschaft

The Executive Board