



# Press Conference of KUKA Aktiengesellschaft

Signing of an investor agreement with Midea

Publication of the Joint Reasoned Opinion on Midea's takeover offer for KUKA

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Munich, 29 June 2016





## Binding, long-term assurances and an attractive price – The Executive/Supervisory Boards recommend shareholders accept the offer

### **Legally binding investor agreement with a term until the end of 2023 and extensive assurances**

Guarantees that locations and jobs will be retained, a commitment to KUKA's strategy and the Executive Board's independence, protection of sensitive data, no domination agreement, no delisting

### **Reasoned Opinion of the Executive Board and Supervisory Board**

The offer is in the interests of the company, its shareholders, customers and employees. The Executive Board and Supervisory Board welcome the contractually agreed assurances and recommend that KUKA's shareholders accept the offer.

### **The partnership with Midea supports KUKA's growth strategy**

- Growth in China, better market access
- Digitisation of robot-based automation (Industry 4.0)
- Joint development of service robot business
- Further development of global logistics business



## OVERVIEW OF THE INVESTOR AGREEMENT

Legally binding agreements are a long-term and reliable foundation for the future

S. 1	<ul style="list-style-type: none"> <li>• Support for KUKA's <b>strategy</b></li> <li>• Support for the <b>growth drivers</b> China, Industry 4.0, logistics, and development of service robot business</li> <li>• Increase in the workforce in R&amp;D and at existing R&amp;D locations</li> </ul>	S. 6	<ul style="list-style-type: none"> <li>• <b>Protection of the KUKA brand and KUKA's property rights and R&amp;D obligations</b></li> <li>• <b>Protection of business partners' data</b> with a ring-fencing agreement</li> </ul>
S. 2	<ul style="list-style-type: none"> <li>• <b>Independence of the Executive Board</b> – Trust in the management team in its current composition</li> </ul>	S. 7	<ul style="list-style-type: none"> <li>• <b>Retention</b> of KUKA's headquarters in Augsburg and other German and international locations in the KUKA Group</li> </ul>
S. 3	<ul style="list-style-type: none"> <li>• Recognition of German <b>co-determination</b> and <b>adequate representation by Midea on the Supervisory Board</b></li> <li>• Reasonable number of <b>independent members</b> on the Supervisory Board (acc. to German Corporate Governance Code)</li> </ul>	S. 8	<ul style="list-style-type: none"> <li>• Pledge <b>not</b> to conduct any <b>corporate restructuring</b></li> </ul>
S. 4	<ul style="list-style-type: none"> <li>• Welcome of a broadly <b>diversified shareholder base</b> with a significant <b>free float</b></li> <li>• <b>No domination agreement or delisting</b></li> </ul>	S. 9	<ul style="list-style-type: none"> <li>• <b>Retention of the workforce and employees</b></li> <li>• <b>Continuation of company agreements, collective bargaining agreements and other agreements</b> on employment conditions</li> </ul>
S. 5	<ul style="list-style-type: none"> <li>• Continuation of the <b>dividend policy</b></li> <li>• <b>Independence in financing</b></li> </ul>		



## THE INVESTOR AGREEMENT IN DETAIL (I)

### Support in the growth strategy and leveraging future market opportunities

- **Expansion of KUKA's business and market position** in robotics, automation and logistics, and support in **leveraging future market opportunities**
- **Increase in the workforce** in R&D and at existing R&D locations
- **Expansion of business in China**, including improvement in sales and market access through the strategic partnership with Midea
- Support in **digitisation** of robot-aided automation
- Joint tapping of **service robot business**
- Further development of global **logistics business**



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S. 2	S. 7
S. 3	S. 8
S. 4	S. 9
S. 5	

### Executive Board remains independent, Midea to be adequately represented on the Supervisory Board

- **Composition** of the Executive Board remains unchanged
- **Executive Board** will continue to **act independently**, as well as define the direction and future business strategy
- The **Supervisory Board will retain its size** of 12 members – six members elected by shareholders and six by employees
- **Midea** intends to be **represented** in line with its stake
- Midea acknowledges that a **adequate number of independent, expert members** are to belong to the Supervisory Board (recommendation in the German Corporate Governance Code)



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## THE INVESTOR AGREEMENT IN DETAIL (III) KUKA will remain an independent company

- Midea does **not** strive for a **domination agreement**; KUKA will thus remain an independent company
- **Stock market listing** in Germany stays in place
- The **dividend policy will be continued**
- **No changes** to the **brand, company form** or **company name**
- **Sale** or **split-up** of KUKA is **ruled out**
- Midea welcomes a broadly **diversified shareholder base** with a significant **free float**



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## THE INVESTOR AGREEMENT IN DETAIL (IV)

### Ring-fencing agreement protects business partners' data

- The negotiated cornerstones of the ring-fencing agreement are:
  - The **current locations** of the servers on which business partners' data is stored are to be retained
  - **No** service provider based outside the country in question will host or manage the servers
  - **Use of the database** by KUKA must not be restricted
  - Database itself must not be accessed by Midea or through **subsidiaries**
- Business partner's data is also to be protected by means of an additional **monitoring system**



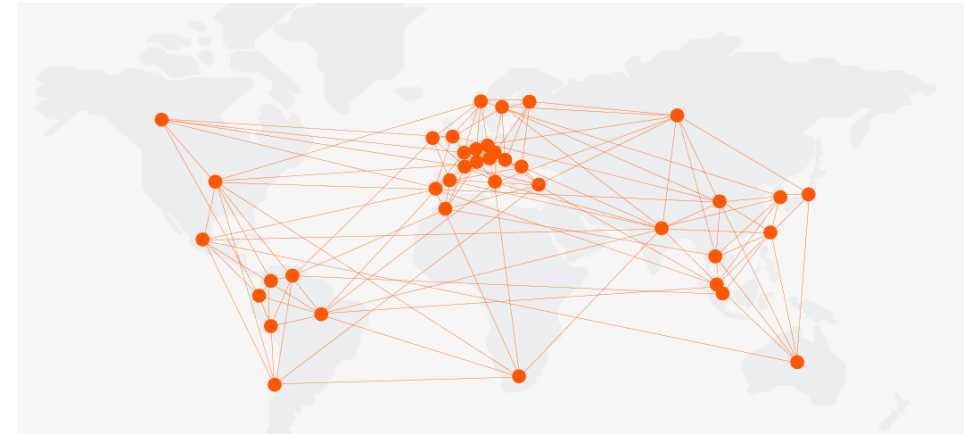
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## THE INVESTOR AGREEMENT IN DETAIL (V)

### Locations are secure and the workforce will be retained

- **Unusually long term** of the investor agreement up to the end of 2023 creates security
- **No reduction** in jobs or **closure** of sites
- **Headquarters** of KUKA and R&D will remain in **Augsburg**
- **Company agreements** and collective bargaining agreements will be continued and co-determination retained
- **Employees benefit** from leveraging of growth opportunities in China – investments in R&D coupled with expansion of locations
- The Executive Board and Supervisory Board view the binding assurances as a sign that Midea also see KUKA's committed **employees as a foundation for success**



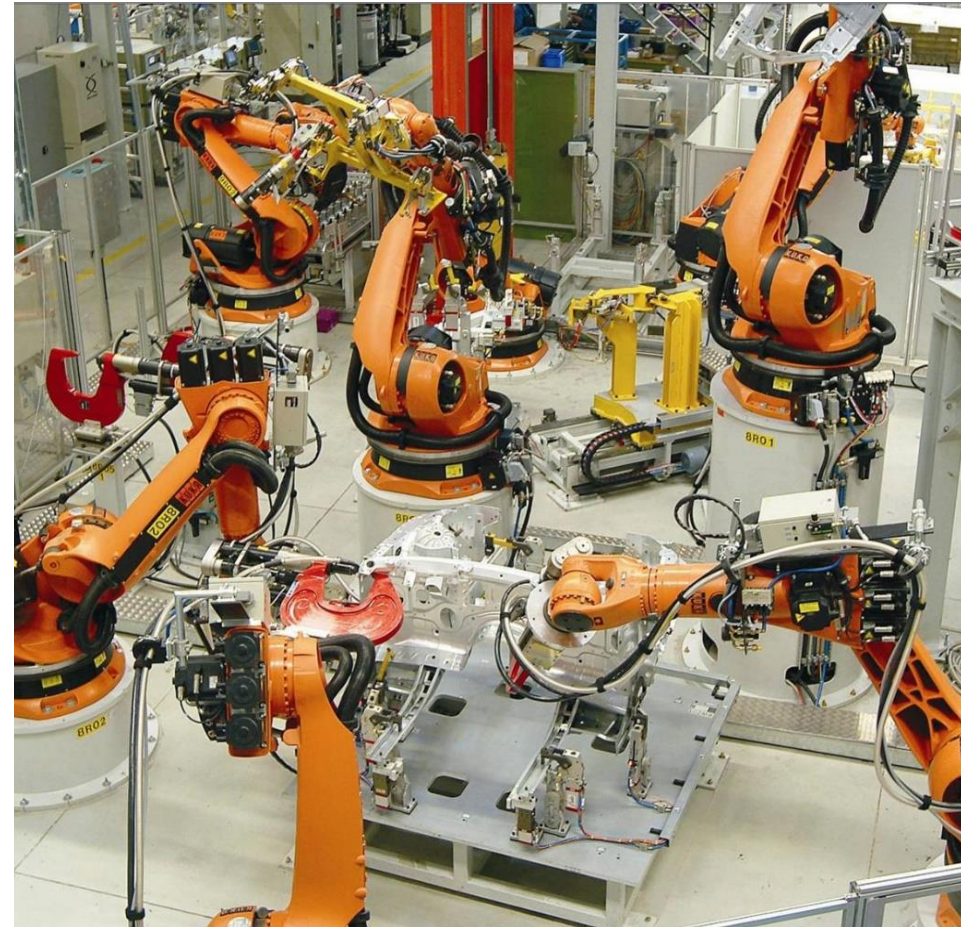
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## REASONED OPINION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD (I) The Executive and Supervisory Boards recommend the acceptance of the offer

- The Executive Board and Supervisory Board have formed a well-founded opinion on the offer's **strategic aspects** and also obtained **fairness opinions from four banks**
- They all come to the conclusion that the offer price of €115.00 a share is **fair and reasonable for KUKA's shareholders from the financial perspective\***
- As a result of our careful examination and assessment of all elements, we have come to the conclusion that the offer is **in the interests of our company, our shareholders, our business partners and our employees**

**The Executive Board and Supervisory Board therefore recommend that KUKA's shareholders accept the offer.**

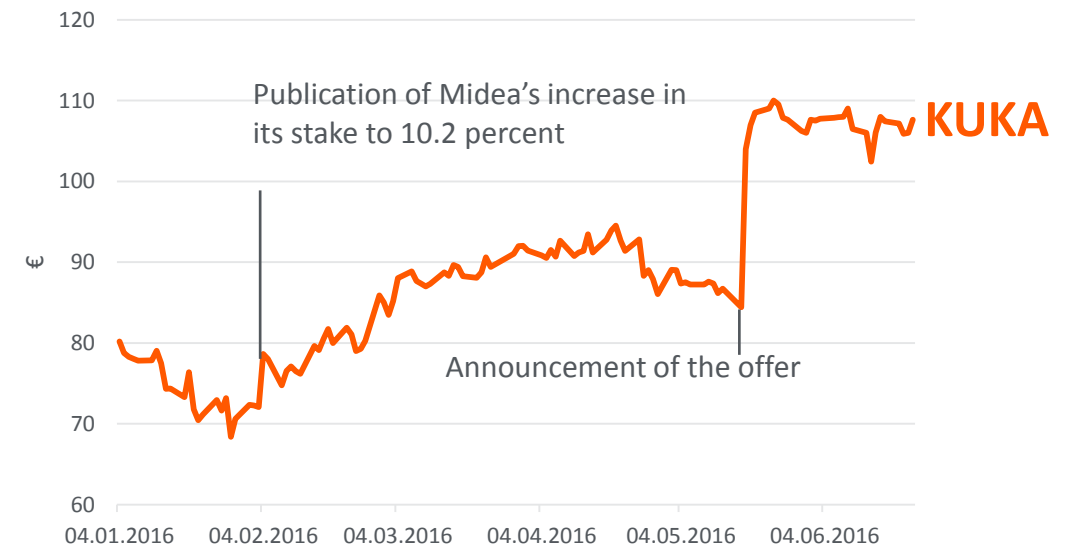




## REASONED OPINION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD (II)

### Attractive premium

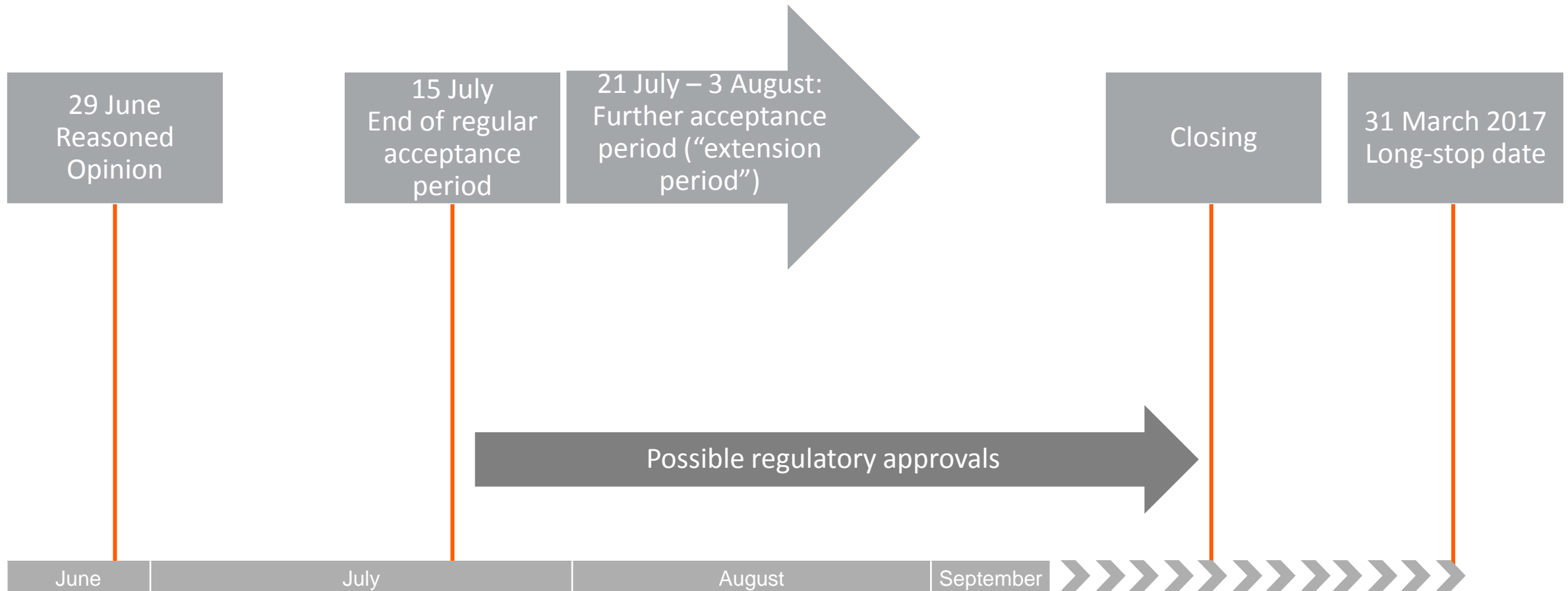
- Midea offers a premium of:
  - **60 percent** over the uninfluenced closing price of KUKA's shares on 3 February 2016 (the day before publication of Midea's increase in its stake to 10.2 percent)
  - **36 percent** over the closing price of KUKA's shares on 17 May (the day before the bid was announced)
- The offer price per share is above analysts' consensus price on 17 May of €77.48 (source: Bloomberg, 18 May 2016)





## REASONED OPINION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD (III)

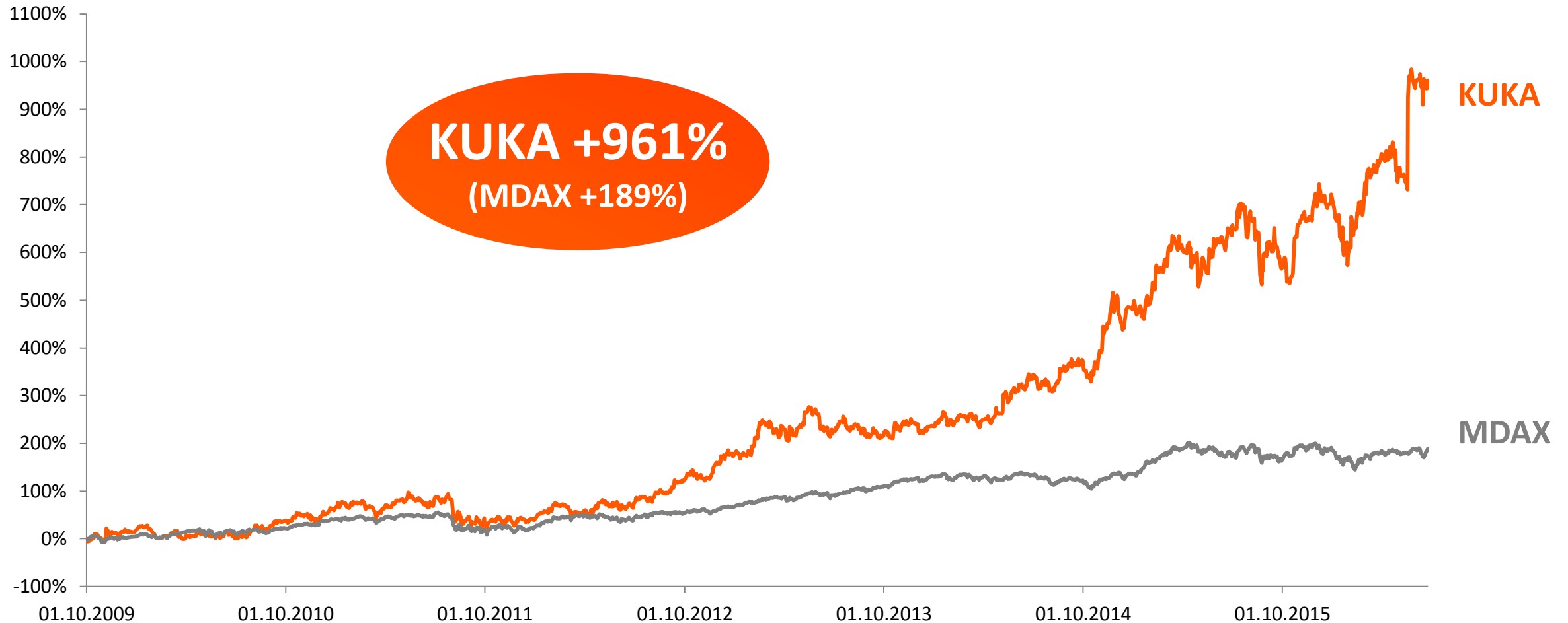
### Next steps





## REVIEW AND OUTLOOK (I)

### KUKA shares – Performance since 2009





## REVIEW AND OUTLOOK (II) Strategy of KUKA up to 2020



Revenue in 2015  
**€3.0 billion**

Revenue in 2020  
**€4–4.5 billion**

EBIT margin in 2020  
**~ 7.5%**

## KUKA's GROWTH DRIVERS (I) Chinese market

- China is one of the **fastest growth markets for robots** – in two years' time, one third of all robots installed worldwide will be in China
- **Increase in revenue** in China from €425 million (2015) to €1 billion (2020) planned
- Midea has undertaken to **support KUKA to expand its business in China**, for example by better market access



## KUKA's GROWTH DRIVERS (II) Industry 4.0

- In order for the company to increase its very good position in Industry 4.0, **investments in software solutions, R&D and highly qualified experts** are required
- Expansion of the research locations and R&D staff is a **firm part of the investor agreement**



## KUKA's GROWTH DRIVERS (III) Logistics

- Logistics automation, in particular in the Chinese market, is a **growth driver for KUKA's strategy** up to 2020
- Midea has pledged to **further develop KUKA's global logistics business**
- The upcoming **automation of the more than 150 logistics centres** of Midea offers potential for KUKA as a preferred equipment supplier





## KUKA's GROWTH DRIVERS (IV)

### Service robots and general industry

- **Service robots are a growth market** – KUKA and Midea can tap it together
- Automation of Midea's production also harbours the opportunity of further **growth and diversification** in the field of general industry





## SUMMARY

### Overview of the Offer and the Investment Agreement

 <b>KUKA as a company</b>	<ul style="list-style-type: none"><li>• Support of the growth strategy</li></ul>
 <b>KUKA's employees</b>	<ul style="list-style-type: none"><li>• Extensive guarantees concerning sites and workforce</li></ul>
 <b>KUKA's customers</b>	<ul style="list-style-type: none"><li>• Further investments in R&amp;D and in industry 4.0</li><li>• Detailed cornerstones to protect business partners' data</li></ul>
 <b>KUKA's shareholders</b>	<ul style="list-style-type: none"><li>• Attractive premium</li></ul>