Financial Calendar

Interim Report for Q1 2005	May 10, 2005
Annual General Meeting, Karlsruhe	June 3, 2005
Interim Report for the first six months of 2005	August 9, 2005
Interim Report for the first nine months of 2005	November 8, 2005
Preliminary figures for financial 2005	February 7, 2006
Press conference presenting the annual financial statements, Karlsruhe	March 29, 2006
DVFA analysts conference, Frankfurt/Main	March 29, 2006
Interim Report for Q1 2006	May 9, 2006
Annual General Meeting, Karlsruhe	June 2, 2006

This Annual Report is a translation of the official German Annual Report of IWKA Aktiengesellschaft. The Company disclaims responsibility for any misunderstanding or misinterpretation due to this translation.

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Please visit www.iwka.de for the download version of our annual report.
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ANNUAL REPORT 2004

IWKA Annual Report 2004

Creating ideas, providing solutions

IWKA Aktiengesellschaft
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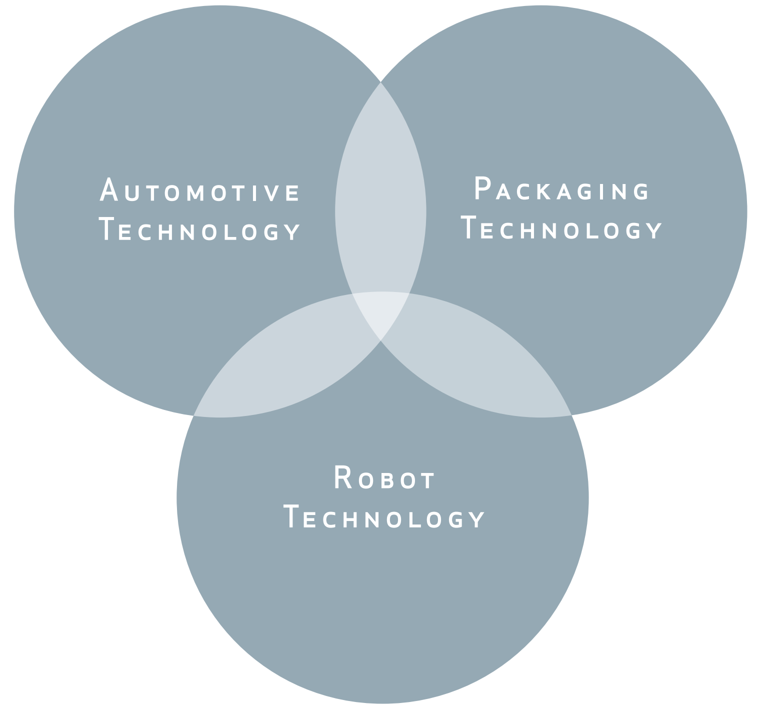
IWKA

The IWKA Group's core-businesses



The IWKA Group has an excellent market position in the automotive technology and packaging technology sectors on which we focus. The Group is also penetrating new, adjacent market sectors by using robotics as a crossover technology.

The company recently launched FORinnovation, a program aimed at strengthening innovation capacity. This initiative will secure IWKA's technology leadership position in its markets, establish a foundation for profitable growth and increase shareholder value.

The IWKA Group reports in accordance with the exacting criteria of the Deutsche Börse's Prime Standard and counts as one of the fifty traditional MDAX listings. The IWKA equity stands for an attractive dividend yield.

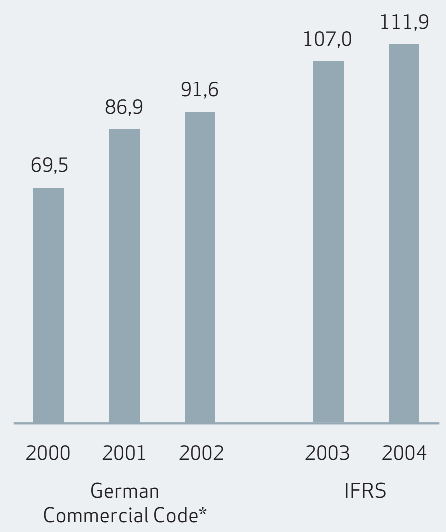
IWKA Group key figures

		German Commercial Code				IFRS	
		2000	2001	2002	2003	2003	2004
Orders received	EUR million	2,189	2,280	2,361	2,304	2,304	2,340
Order backlog (Dec. 31)	EUR million	1,109	1,122	1,102	1,065	1,065	1,011
Sales revenues	EUR million	2,220	2,290	2,312	2,287	2,339	2,352
of which outside Germany	%	67	65	61	61	61	64
of which continuing operations	EUR million					2,143	2,169
EBIT	EUR million	69.5*	86.9*	91.6*	101.5*	107.0	111.9
of which continuing operations	EUR million					108.8	101.8
Return on sales	%	3.1	3.8	4.0	4.4	4.6	4.8
EBT	EUR million	14.5	36.5	45.9	56.3	79.4	92.0
of which continuing operations	EUR million					84.5	84.4
Net income for the year	EUR million	31.0	31.2	22.5	23.4	45.6	48.8
Capital employed	EUR million	836.0	830.0	764.5	739.6	760.3	737.1
ROCE	%	8.3*	10.5*	12.0*	13.7*	14.1	15.2
Cash flow	EUR million	111.3	104.3	94.1	96.2	102.9	115.6
Free cash flow	EUR million	11.9	118.3	70.2	38.8	39.4	94.5
Capital expenditure	EUR million	73.6	53.1	64.0	63.2	69.4	67.5
Depreciation	EUR million	70.6	67.6	68.4	73.9	58.3	58.6
Total assets	EUR million	1,589	1,577	1,515	1,502	1,646	1,660
Equity	EUR million	354	367	387	388	323	358
Equity ratio	%	22	23	26	26	20	22
Earnings per share	EUR	1.16	1.17	0.85	0.88	1.70	1.83
Free cash flow per share	EUR	0.45	4.45	2.64	1.46	1.48	3.55
Dividend per share	EUR	0.66	0.66	0.66	0.66	0.66	0.66**
Dividend yield (end-of-year)	%	5.0	4.9	6.4	4.1	4.1	3.3
Personnel (end-of-year)		12,859	12,823	13,089	13,231	13,231	13,209
of which outside Germany	%	40.8	40.3	41.1	40.9	40.9	41.9

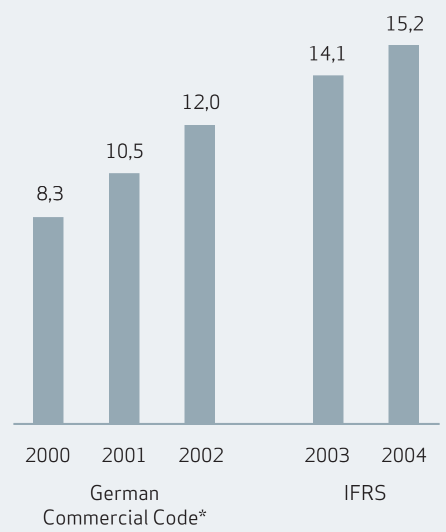
* prior to goodwill amortization

** proposal to the Annual General Meeting

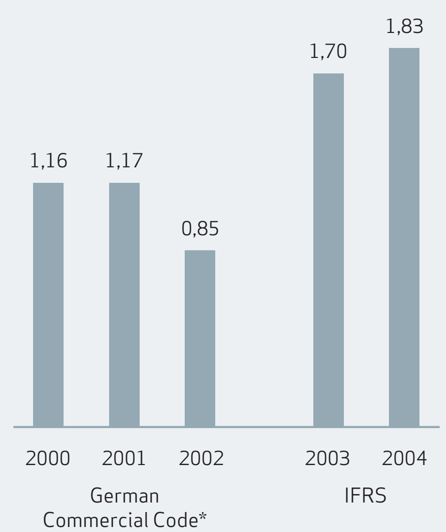
EBIT IWKA Group
(in EUR million)



ROCE IWKA Group
(in percent)



Earnings per share
(in EUR)



* prior to goodwill amortization

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Editoral

Honored shareholders,
Ladies and Gentlemen,

IWKA Aktiengesellschaft's 2004 annual report presents a dynamic year full of important decisions and strategic initiatives for the company.

During the year, IWKA systematically executed its plan to focus on its core business segments - automotive technology, packaging technology and robot technology. A consequence of this change in strategic direction was the need to divest of companies that no longer form part of the company's core business. Forward-looking solutions were found for all of these business entities; for example, the RMG Group, the VAG Group, as well as Bopp & Reuther Messtechnik and Heinrichs Messtechnik. We are pleased that each of the company's existing management teams was involved in choosing their new directions.

The Group net income is higher than in 2003. The Group consolidated net debt was reduced substantially. Orders received were 1.6 percent higher than last year. The consolidated Group sales revenues (including discontinued operations) were roughly the same as a year earlier. Orders received would have increased by 3.0 percent and sales revenues by 1.6 percent if exchange rates, particularly that of the euro to US dollar, had remained constant. The new divisions quickly reorganized, while the many modes of cooperation, both internal and among the different business units, are still evolving. The Automotive Technology and Robot Technology Divisions generated an operating profit slightly lower than the prior year. The Packaging Technology Division's year-over-year result was higher.

Thanks to restructuring programs introduced over the past number of years, the non-core business segment posted a considerably higher operating profit. The divestments completed during the past fiscal year enabled IWKA to make considerable progress toward reducing capital employed and focusing on core competencies. The Group has now withdrawn from the water and gas markets. We will continue to actively manage our portfolio during the current year. Guided by the successful divestments of the past year, we will take the necessary steps to implement this program in consideration of prevailing economic circumstances and opportunities, while keeping in sight the interests of the individual non-core operations.

Dipl.-Ing. Dipl.-Kfm. Hans Fahr
Chairman of the Executive Board

Our companies are well positioned in their target markets. However, there are challenges ahead for continued expansion of our core businesses. Sustained pressure on margins from purchasers, particularly automotive customers, a strong euro and higher raw material prices are burdening profit development. We have already introduced an efficiency improvement program (FORproductivity) to counter these developments. It will impact all of the Group's processes and organizational structures.

The IWKA Group's entire strategy is centered on growing shareholder value. Our target for EBIT (earnings before net interest expense and taxes) is a level of six percent of sales in the medium term. We are aiming to improve return on capital employed (ROCE) from the current 15 percent to 18 percent (before taxes).

Our employees demonstrated considerable flexibility and a strong commitment to the IWKA Group during the past financial year. We are very grateful for their efforts. My board colleagues and I also thank our customers, business partners and shareholders for the trust they have placed and continue to place in our company.

Sincerely,

H. Fahr

Hans Fahr, Chairman of the Executive Board

Executive Board

Dipl.-Ing. Dipl.-Kfm. Hans Fahr
Chairman of the Executive Board

Automotive Technology Division
(car body)
Robot Technology Division

(fifty-six years old)
Mechanical Engineer, Diplom-Kaufmann; held various leading positions in industry; joined the IWKA Group in 1988; Chairman of the Executive Board since 1996

Dipl.-Kfm. Hans Lampert
Member of the Executive Board, Finances

Non-core businesses
(former Process Technology Division)

(forty-eight years old)
Diplom-Kaufmann, started as a tax consultant and auditor; held leading positions in industry; joined IWKA AG in 1993; member of the Executive Board since 2000

Prof. Dr.-Ing. Gunther Reinhart

Member of the Executive Board, Technology

Packaging Technology Division

(forty-eight years old)
machine tools and production engineering professor; previously held a leading position in the automotive industry; member of the Executive Board since 2002

Dipl.-Kfm. Dieter Schäfer

Member of the Executive Board, Controlling

Automotive Technology Division (Powertrain)
Boehringer Group

(fifty-two years old)
Diplom-Kaufmann; member of the board of a public company in the machine tool industry; member of the Executive Board since 2004

“We develop advanced automation processes for the automotive sector. We use this head start to our advantage also in other sectors."

Dipl.-Ing. Ralf Matzka
Project manager
KUKA Schweissanlagen GmbH
Augsburg

Strategy

In 2004, the IWKA Group embarked on a realignment that will enhance the company's profile. IWKA will henceforth focus on core businesses that have strong market positions and will use robotics as a crossover technology to expand into new, adjacent market sectors.

Systems supplier for international customers

The company focuses on automotive technology and packaging technology. The Group's core competencies are in engineering, system integration, robotics and automation, as well as in the broad field of product-related services, up to and including general contracting. Already a leading international supplier to the automotive industry, the Group is expanding into adjacent markets, where it is aiming to become a "best-in-class" systems integrator serving customers around the globe. Profitable growth in the mechanical and plant engineering sector is only achievable for a company with an industry-leading technology position.

Three "interactive" business divisions - a foundation for profitable growth

The company's new organizational structure reflects this strategy. The IWKA Group is comprised of three broadly based organizational units that complement and "cross pollinate" one another: the Automotive Technology, Packaging Technology and Robot Technology Divisions.

The newly formed Automotive Technology Division resulted from the amalgamation of the car body production unit with the engine and gearbox (powertrain) unit, which together formed most of the former Manufacturing Technology Division. Our entire expertise in engineering, systems integration and project management is bundled in this business entity, benefiting our major customers in the international automotive industry. The new division's companies are charged with countering margin pressures from automotive customers by implementing programs that lead to high productivity and innovation. This will enable the Automotive Technology Division to further its leadership position in its current markets and organically expand into new market segments.

The IWKA Group's Packaging Technology Division is also well positioned in its market. Last year, after developing a divisional strategy aimed at strengthening its earning power, the division's companies, which previously operated independently for the most part, were systematically refocused on three target markets: pharmaceuticals/cosmetics, foodstuffs and dairy products. This new structure not only enhances cooperation and synergies between the companies, but also strengthens their systems expertise. Joint sales and service programs raise the division's presence and efficiency in its target markets. The new division will also intensify its use of robotics as a crossover technology. More and more customers are recognizing that robots are an efficient way to automate packaging solutions, and that this control technology adds value when it is integrated into packaging machines and systems. Furthermore, our experience and expertise in assembly-line construction, systems integration and project management in the automotive sector is now being migrated into the Packaging Technology Division.

The new Robot Technology Division is now an independent business entity that plays a key role in the company. The IWKA Group has achieved a strong technological position in the global robotics market, and we aim to systematically expand this crossover technology, using it as a fundamental element of the Group's capabilities. The strategy is even more far-reaching, in that Robot Technology solutions will be used in the Automotive Technology and Packaging Technology Divisions and these divisions will in turn assign new robotics development initiatives. Quite often, robotics offers entirely new designs and solutions that revolutionize some fields of application engineering. On the basis of its highly innovative core business in the automotive sector, the division is also developing a wide range of general industry applications that will enable it to penetrate entirely new markets. Examples of new areas to apply robots are in the food industry, in processes that involve working at extremely low temperatures, in medicine and logistics, as well as in entertainment.

Innovation and productivity improvement programs launched

IWKA will in future invest more heavily in innovation and will make certain that the required funding is available for research and development work. This will ensure that the Robot Technology Division retains its innovation leadership position in industrial robotics, which will benefit all of the Group's divisions. To this end, the board launched FORinnovation, a program that will enhance the company's innovation capacity.

The new company structure, with its three interactive divisions - Automotive Technology, Packaging Technology and Robot Technology - is the foundation upon which the IWKA Group will achieve profitable growth and boost shareholder value. FORproductivity, a groupwide program to improve productivity and efficiency was launched specifically to respond to increased margin pressures.

Report of the Supervisory Board

Since the 2004 business year, IWKA Aktiengesellschaft has increased its focus on its core business areas, Automotive Technology, Packaging Technology and Robot Technology. New entrepreneurs took over the reins of some of the companies from the former Process Technology Division. The refocusing will result in the systematic introduction of a process to improve profitability. Achieving these goals is what defines the work of the Executive Board, whose members now have direct responsibility for individual business divisions in addition to their usual assignments.

The Supervisory Board dealt intensively with the company's realignment over the past fiscal year and dedicated itself to fulfilling its obligations on behalf of the shareholders and employees. It met regularly with the Executive Board to examine in detail the company's business situation and financial position. It was directly involved in material decisions and dedicated itself to proper supervision of the Executive Board. The Supervisory Board was advised of particularly important events or urgent projects when these occurred in between regularly scheduled meetings. When required, adopted resolutions were also documented in writing.

The Chairman of the Supervisory Board was continually in touch with the Executive Board, particularly its Chairman. He was updated regarding important company developments and pending decisions. He monitored the ongoing business activities and supported the Executive Board. Several meetings also took place in which the Chairman of the Supervisory Board discussed important questions regarding the business situation with members of the Executive Board.

Supervisory Board meetings during the reporting period

Six Supervisory Board meetings were held during the 2004 business year, including one extraordinary meeting.

In February 2004 the Supervisory Board examined in detail the Group's new strategic direction and the programs required as a result of the realignment. It supported the Executive Board's objective of sustainably improving the Group's earning power. It examined the plausibility of the 2004 budget given the proposed focusing program and the realistic potential for improving the business figures.

The business results of the 2003 business year and the resolutions arising from the annual meeting on July 9, 2004 were on the agenda in April 2004. The Supervisory Board also es-

Reinhard Engel
Chairman of the Supervisory Board

tablished a new standard operating procedure. An additional important point of discussion during the meeting was the continuous monitoring of the IWKA Group's corporate governance practices. After adopting a resolution to the same effect on April 16, 2004, the Supervisory Board together with the Executive Board issued a declaration of compliance as required by article 161 of the German Corporation Act. With a few exceptions, the requirements of the code are being fulfilled. IWKA Aktiengesellschaft has also complied with most of the code's recommendations.

During the meeting preceding to the Annual General Meeting, final preparations for the shareholder gathering were also completed. In a further meeting after the shareholder's gathering the criticisms and suggestions arising from that event were discussed in detail.

In an extraordinary meeting on September 24, 2004, the Supervisory Board was consulted about a project in which one of the IWKA Group's companies was making an offer to take responsibility for operating a body-in-white assembly-line for a new generation of Jeep Wrangler at DaimlerChrysler's factory in Toledo Ohio / USA. The Board outlined certain conditions that had to be met in order to further pursue the project.

The Board met in December 2004 to approve the sale of the VAG-Armaturen Group. The focus of the meeting centered on the 2005 budget, the medium-range plan to 2007 and the program to cut costs and improve productivity at IWKA. Again, questions were raised about the definition of the company's strategic goals, its organizational structure, its risk position and available management options for forward-looking progress in the company's evolution. The board also discussed the efficiency test for the Supervisory Board as outlined in section 5.6 of the Corporate Governance Code. The Chairman of the Supervisory Board reported on the results of a preliminary meeting with the auditor, and the findings were integrated into the Supervisory Board's work process.

The Personnel Committee consisting of four Supervisory Board members convened twice last year. The Chairman informed members of the Supervisory Board of the items on the agenda and the adopted resolutions. The Audit Committee had a meeting to attend to items related to the financial statements. The Committee, formed in accordance with Article 27, para. 3 of the German Act on Company Co-Determination (Mitbestimmungsgesetz), did not meet. There were no conflicts of interest as defined in section 5.5.2 of the Corporate Governance Code.

Work with the auditors

Prior to appointing the auditors of the financial statements of the companies and the Group, the Chairman of the Supervisory Board conducted in-depth discussions with the auditors regarding audit issues, scope and fees. In December 2004, the auditor gave the Supervisory Board chairman a detailed explanation of the preliminary audit results for 2004. The auditor will also immediately report on any findings and developments arising during the course of the upcoming audits that are material to the Supervisory Board's tasks.

The annual financial statements and management report of IWKA Aktiengesellschaft as of December 31, 2004, as well as the consolidated annual financial statements and Group management report as of December 31, 2004, were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart, who issued an unqualified audit opinion on them. As required under the German Act on Corporate Control and Transparency (KonTraG), the IWKA Group risk management system was also audited.

On April 6, 2005 the Audit Committee reviewed the two annual financial statements with the auditors, focusing on any significant issues that had arisen during the audit. It recommended that the Supervisory Board approve the IWKA Aktiengesellschaft's annual financial statements and the IWKA Group's consolidated financial statements.

The Supervisory Board reviewed the draft annual financial statements submitted by the Executive Board. The audit reports provided by Ernst & Young were made available to all members of the Supervisory Board. The auditor took part in the Supervisory Board meeting on April 15, 2005 regarding the annual financial statements in order to report on material findings in the audit and to provide additional information.

Annual financial statements for 2004 adopted

Having completed its own review, the Supervisory Board raises no objections and concurs with the findings of the auditor. The Supervisory Board approves the annual financial statements and the management report of IWKA Aktiengesellschaft for the financial year 2004 as established by the Executive Board. Thus the annual financial statements are adopted.

The Supervisory Board likewise approves the consolidated annual financial statements and the management report of IWKA Aktiengesellschaft for the year 2004 established by the Executive Board. The Supervisory Board examined and endorsed the Executive Board's proposal on the appropriation of net profit for the year.

The challenges of the year 2004 were only overcome as a result of the strong commitment in all areas of the company. The Supervisory Board would like to thank all employees, members of the Executive Board, the management teams and the elected employee representatives for their efforts. Their achievements serve the interests of the company, its customers and shareholders.

Karlsruhe, April 15, 2005
The Supervisory Board

Reinhard Engel
Chairman

Corporate Governance

It is the regular practice at IWKA Aktiengesellschaft, as a matter of principle, to comply with the principles set out in the Transparency and Disclosure Law and the Corporate Governance Code (CGC). This applies especially to the cooperation between the Executive Board and the Supervisory Board.

Declaration of Compliance

The declarations of compliance of the Executive Board and the Supervisory Board were issued for the first time in December 2002 and have subsequently been issued every financial year. They have been available for inspection by any interested party on the Company's home page at www.iwka.de. The Executive Board on April 14, 2005 and the Supervisory Board on April 15, 2005 submitted identical declarations of compliance for the financial year 2005 in accordance with Article 161 of the AktG (German Corporation Act) and the German Corporate Governance Code as amended on May 21, 2003. They read as follows:

IWKA Aktiengesellschaft has complied with and continues to comply with the recommendations of the Government Commission on the German Corporate Governance Code dated May 21, 2003, which were published in the July 4, 2003 electronic edition of the Bundesanzeiger, subject to the following exceptions:

- Information on compensation is disclosed individually in the notes to the financial statements with regard to the Chairman of the Executive Board but not with regard to the other members of the Executive Board, for whom the information is subdivided into fixed and performance-related components (Section 4.2.4, sentence 2 CGC); the compensation of the members of the Supervisory Board is not disclosed individually and is not subdivided according to components (Section 5.4.5, paragraph 3 CGC).
- The Group annual financial statements were and are not made available to the public within 90 days after the end of the financial year (Section 7.1.2 CGC).

IWKA Aktiengesellschaft, in their material respects, also adheres to the recommendations contained in the Code.

The reasons for non-compliance with the compulsory provisions of the CGC are given below: Concerning the information in the notes to the Group annual financial statements with regard to the compensation of the Executive Board and of the Supervisory Board, the Company has complied and is complying with the provisions relating to the classification of compensation between fixed and performance-related components (Sections 4.2.4, sentence 1 and 5.4.5, paragraph 3, sentence 1 CGC). In accordance with Section 4.3.2 CGC, the Chairman of the Supervisory Board informed the Annual General Meeting on July 9, 2004 about the main features of the compensation system.

By disclosing individual figures for the compensation of the Chairman of the Executive Board, the Company is also complying with this aspect of the CGC standards.

90-day period: IWKA Aktiengesellschaft's annual financial statements and the Group's annual financial statements are regularly submitted to the Supervisory Board by the Executive Board after they have been audited by the auditor in the first half of April and, after having been approved by the Supervisory Board, they are made public on the following business day. The 90-day period (Section 7.1.2 CGC) is therefore marginally exceeded.

The combined declarations have been available for inspection by any interested party since April 18, 2005 on the Company's home page at www.iwka.de.

Management and Company Structure

In the spirit of good corporate governance and following the changed demands of the market as well as our customers and the financial markets, we have continued the sustained development of our focus on core business segments, which we had already initiated in 2003 and continued in 2004. IWKA Aktiengesellschaft, headquartered in Karlsruhe, is the ultimate parent company of the IWKA Group. In mid-2004, it consolidated its business activities into three new core business segments and has continued to develop them since then. They are:

- Automotive Technology
- Packaging Technology
- Robot Technology

The Automotive Technology Division, which supplies equipment and machinery to the automobile industry, is subdivided into the car body and powertrain areas.

A total of 57 consolidated companies are grouped under these Divisions.

The operating units continue under the new concept to act as legally independent companies; each company is responsible for its own business and consequently for its results. Certain transactions are subject to a right of prior approval, which applies to the individual company as well as ultimately also to IWKA Aktiengesellschaft. Such right is derived from the rights of prior approval that the Supervisory Board has set forth vis-à-vis the Executive Board in the rules of procedure for the Supervisory Board. For all significant companies, at least three management meetings are held in each calendar year. Furthermore, the Executive Board of IWKA Aktiengesellschaft also maintains regular close contact with all significant companies outside of the management meetings and shareholder meetings.

The new structure of the Group makes it possible to take advantage of existing synergies within the Group more effectively than before. As before, IWKA Aktiengesellschaft backs up this concept vis-à-vis the Group companies through the provision of short-term and long-term financing, engagements and guarantees as well as consulting services. The Group companies benefit from IWKA Aktiengesellschaft's access to the capital market as well as from its management. We are convinced that the new Group structure will enhance efficiency, transparency, earning power and acceptance on the part of our business partners and the financial markets, as well as synergy effects within the IWKA Group.

As previously reported on several occasions, the former Process Technology Division is no longer part of our core competencies. In the interim, we have sold significant parts of the groups of companies that belonged to this Division. We will continue to proceed consistently along this path in order to transfer the remaining third into competent hands.

Executive Board

When deciding on the new Group structure in mid-2004, the Executive Board also adopted new operating responsibilities for itself: The Chairman of the Executive Board is responsible for the car body business area of the Automotive Technology Division as well as the Robot Technology Division; the member of the Executive Board for Controlling is responsible for the powertrain business area of the Automotive Technology Division, the member of the Executive Board for Finance is responsible for the companies in the former Process Technology Division and the member of the Executive Board for Technology is responsible for the Packaging Technology Division.

The functional responsibilities of the four members of the Executive Board are unchanged from the prior year. In line with the organization chart, major responsibilities of the Chairman of the Executive Board include strategy, senior management and legal affairs. One member each of the Executive Board is responsible for controlling, internal audit and corporate planning, for finance and investor relations, and for technology, including the human resources function.

In December 2004/January 2005, the Executive Board adopted new Rules of Procedure in particular to accommodate the new organization and the Rules of Procedure of the Supervisory Board as changed in 2004.

As a rule, the Executive Board members meet at least every fourteen days, and they also keep in close contact at other times. The Executive Board ensures that conflicts of interest are avoided (Section 4.3 CGC).

The emoluments of the Executive Board consist of fixed and variable components. The compensation system for the Executive Board consists of a monthly cash emolument as well as a cash bonus based on the Group profit and the dividend. In financial 2004, 50.4 percent of the compensation was paid out in fixed amounts and 49.6 percent variable was granted in the form of a performance-related bonus; the bonus is payable after the Annual General Meeting, at which the annual financial statements of the Company and the Group are presented. The nature and amounts of the emoluments are performance-oriented, competitive and guided by the standards for comparable industries. Thus they are appropriate. The compensation of the Chairman of the Executive Board is disclosed in the notes to the 2004 Group Annual Financial Statements.

Supervisory Board

The Supervisory Board is composed in accordance with 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 Supervisory Board is elected for a five year term of office that runs through to 2008. The Supervisory Board supervises and advises the Executive Board on managing the business. The Executive Board keeps the Supervisory Board fully informed on a timely basis, and - where required - does so in writing. At the end of each quarter, the Supervisory Board is informed in writing by the Executive Board of the performance of the Divisions and the Group as a whole, as well as the forecast for the remainder of the year. In addition, there were regular meetings between the Chairman of the Supervisory Board and the Chairman of the Executive Board as well as the other members of the Executive Board. During these sessions, significant business events relating to Group companies and to the Group itself as well issues pertaining to the Group's performance and financing were discussed in depth. One meeting dealing with strategic issues was held during the course of the year between the Chairman of the Supervisory Board and all members of the Executive Board. As in past years, the Chairman of the Supervisory Board has shown a special commitment to the interests of the Company and the IWKA Group. The Supervisory Board ensures that conflicts of interest are avoided (Section 5.5 CGC). The Supervisory Board has formed three committees from among its members, the Personnel Committee, the Committee in accordance with Article 27 (3) MitbestG (German Act on Company Co-Determination) and the Audit Committee. The Chairman of the Supervisory Board is briefed by the auditors on the status of their audit work prior to Supervisory Board meetings. In addition, it has been agreed with the auditors that they will immediately report to the Supervisory Board any material findings or events that arise in the course of the audit (Section 7.2.3 CGC). At its meeting in December 2004, in particular, the Supervisory Board reviewed the efficiency of its activities (Section 5.6 CGC).

In accordance with Article 17 of the Articles of Incorporation the Supervisory Board receives fixed and variable cash emoluments; the latter are based on the amount of the dividend. Additional information regarding the compensation of the Executive Board and the Supervisory Board is shown in the notes to this annual report on page 105.

Annual General Meeting

The Annual General Meeting this year will take place on June 3, 2005. In this manner, the company responds to the demand of the financial markets to close out the past financial year by presentation to the Annual General Meeting at an earlier date than previously.

Each share has one vote. Unit shares are distributed and global certificates issued. The shares are issued to bearer. The Executive Board makes it easier for shareholders to exercise their voting rights by offering them the right to issue powers of attorney to proxies who are appointed by the Company and are bound by directives of the shareholder. Shareholders present at the Annual General Meeting will also be able to reach the proxies appointed by the company at that meeting. It is also possible to issue powers of attorney to financial institutions, shareholder associations and other third parties. The report of the Chairman of the Executive Board will be available on the internet immediately after having been delivered.

Accounting and Annual Audit

The 2004 Annual Financial Statements have been prepared for the first time according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS). Thus they comply with the demands that are made on the Annual Financial Statements of publicly listed companies. The audit of the Annual Financial Statements and of the Group Annual Financial Statements is performed by an independent auditor. The review of the independence of the auditor, the issuing of the audit assignment to him, the determination of audit focuses and the agreement on the fee are undertaken by the Audit Committee in accordance with the provisions of the Corporate Governance Code.

Control and Risk Management

The member of the Executive Board responsible for the internal control and risk management systems of IWKA Group has continued to enhance and expand these tools and instruments in 2004.

Financial Reporting

The company informs its shareholders, the participants in the capital markets and the media about the condition as well as material business events of the company especially through quarterly reports, the Annual Report, the press conference presenting the annual financial statements, Ad-hoc releases under Article 15 WpHG (German Securities Trading Act), releases under Article 15 a WpHG (director's dealings) and Article 25 WpHG (disclosable shareholder share ownership), press and analyst conferences, meetings with financial analysts and investors in Germany and abroad as well as other publications.

All such information is simultaneously published on the Internet and is also available in English. All regular financial reporting dates are published in the Company's financial calendar, which can be found on page 145 of this report and on the Internet at www.iwka.de.

IWKA equity

Outperforms comparable indices for fourth year in a row

Announcements regarding the company's intention to focus on core competencies drove the equity higher at the start of the year. The stock price remained stable and traded in a range between EUR 18 and 20 for the remainder of the period. Following the successful completion of several divestments at year-end, IWKA's stock price rose significantly above the EUR 20 mark.

The total increase in the share price between January 1 and December 31, 2004 was 26.2 percent, better than comparable indices for the fourth year in a row. Other mid-cap shares listed on the MDAX also posted above-average growth, rising by 20.3 percent. In comparison, the thirty leading DAX companies had a significantly weaker showing, rising only 7.3 percent despite a moderate economic recovery in Germany and booming global markets.

New highs for total value of shares traded

The average number of IWKA shares traded daily surpassed the prior year's number by 14 percent, reaching about 80,000 compared to the prior year's 70,000. Trading was most active during both the first and fourth quarters, with an average 93,000 respectively 85,000 shares per day traded, whereas the second and third quarters were considerably quieter with only 67,000 respectively 71,000 shares exchanging hands.

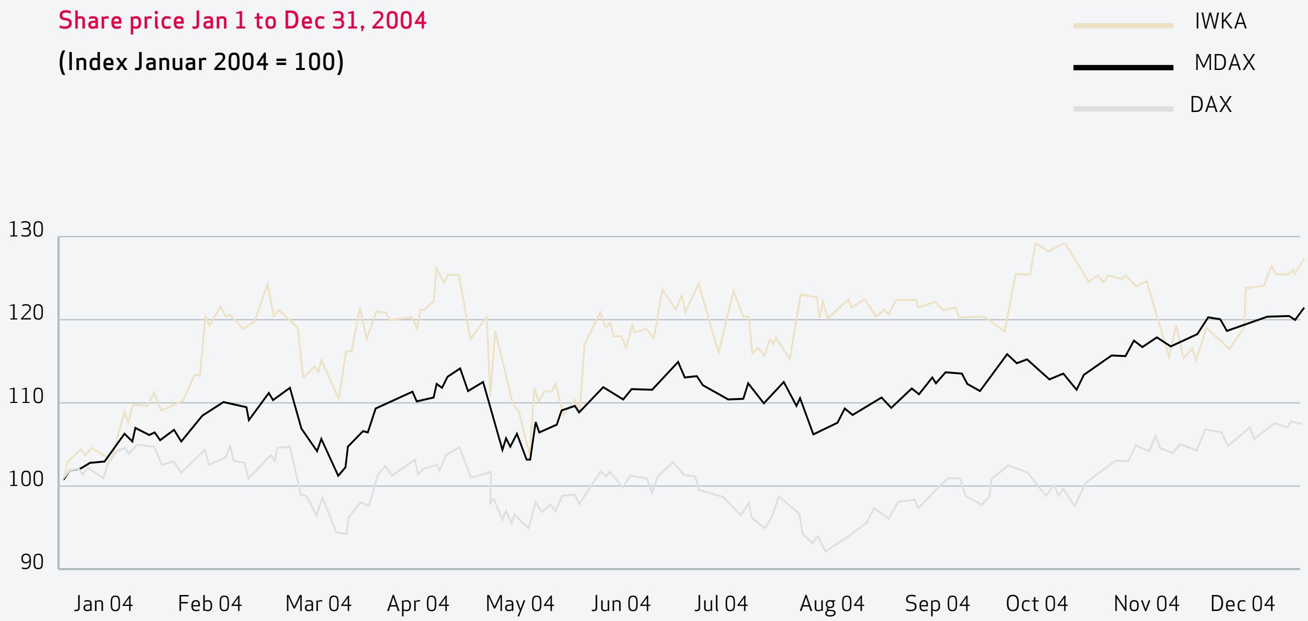
Significant investor interest in meetings

IWKA took advantage of the rising financial market interest to expand and firm up its contacts with existing and possible new investors. In a total of seven road shows covering London (twice), Zurich (twice), Frankfurt, Munich and Vienna, the Executive Board outlined the company's new strategic direction and current business situation. Six investor conferences in which the company participated were particularly successful. The number of individual meetings with institutional investors tripled over the prior year. Holding regular conferenc-calls with financial analysts and investors following the release of the quarterly reports was another new initiative last year.

At the start of 2005, analysts employed by the twenty-one domestic and foreign banks that track IWKA's equity had made the following recommendations: purchase/overweight, 14; hold, 6; sell 1. A summary of the current recommendations is available at www.iwka.de/Investor/Research.

Share price Jan 1 to Dec 31, 2004

(Index Januar 2004 = 100)



IWKA equity key figures

		2002	2003	2004
Number of shares	millions	26.60	26.60	26.60
Earnings per share	EUR	0.85	1.70	1.83
Dividend per share	EUR	0.66	0.66	0.66*
Dividend yield (end-of-year)	%	6.40	4.10	3.30
High for the year	EUR	15.40	16.90	20.60
Low for the year	EUR	9.55	10.20	16.00
Closing price for the year	EUR	10.30	16.00	20.20
Year-over-year change	%	-23.40	55.30	26.20
P/E ratio (end-of-year)		12.70	9.40	11.00
Market capitalization (end-of-year)	in EUR million	274.00	425.00	537.30
Average daily volume	Units	42,000	70,000	80,000

* Appropriation proposed at the Annual General Meeting

"The key challenge is to simplify complex processes."

Michael Lovati, BA
KUKA Flexible Production Systems Corp.
Detroit/USA

Economic environment

After lengthy stagnation, the German economy grew for the first time in three years in 2004 thanks to a booming export market. Real German gross domestic product grew by 1.6 percent last year. Following the weak economic environment of the past few years, it was the largest increase in gross domestic product since the year 2000.

World economy growing outside Europe

The world economy expanded in 2004. However, growth slowed down after a strong start in the second and third quarters as a result of high prices for oil and other raw materials. A lower economic policy stimulus from the United States and cooling off of growth in China also dampened general business and consumer climate. Every region except Europe enjoyed significant average annual increases in their domestic gross products. Growth was particularly strong in the developing countries and emerging markets. Global manufacturing increases at almost five percent.

Restrained growth in the euro zone

As expected, growth in the euro zone continued to lag that of the global economy in 2004. GDP growth in this region was only 1.8 percent higher than the year before. The considerable strength of the euro against the US dollar continued to weigh on exports, as it had already done in 2003. Growth in the European domestic market was slightly better than the prior year but the rebound could not yet be called self-sustaining.

Slight recovery in Germany

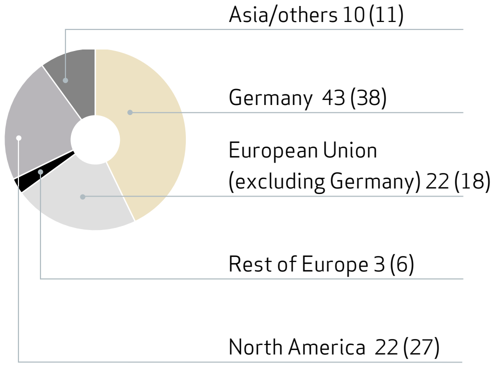
Despite the weak US dollar, in 2004 booming exports enabled the German economy to grow again for the first time after three years of stagnation. Real German gross domestic product grew by 1.6 percent last year. After the weak economic growth of the previous three years, it was the strongest rise in the gross domestic product since 2000. Export growth, which was significantly greater than the rise in imports, was the primary driver of the economic upswing. But domestic demand did not keep pace. Consumer spending and investments even fell. The export surplus stimulated growth by 1.2 percent, or two-thirds of the total growth. The domestic share of the gross domestic product posted only a slight rise of 0.5 percent. Investments for capital equipment also grew by 1.2 percent, the first increase since 2000.

But once again, economic growth had already slowed considerably by the second half of 2004. Gross domestic product even fell by 0.2 percent in the fourth quarter of the year. Nevertheless, orders received in the German industry during December were unusually strong, countering concerns that the recovery has ended. Domestic orders during the month shot up 8.8 percent and export demand jumped by 5.3 percent.

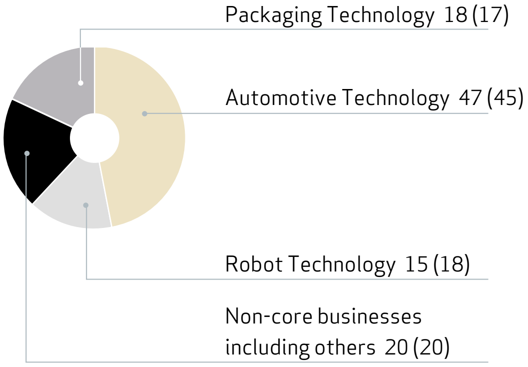
Growth in the mechanical engineering industry

Following on the heels of two weak years, 2004 saw a significant rising demand. Orders for new machines exceeded manufacturers' expectations in most countries. However, compared to the United States, which was up eleven percent, and Japan, up fifteen percent, West European countries lagged considerably, with only a four percent increase in manufacturing.

Orders received 2004 by region (in percent) [1]



Orders received 2004 by division (in percent) [1]



[1] prior year's figures in brackets

KUKA Schweissanlagen GmbH employee in Augsburg during pre-assembly of a car production line

As the world's third-largest machine manufacturer, Germany's share of the new investment around the globe was above average. Export orders increased by nineteen percent - by far the largest share was from outside the euro zone. Total sales for the sector were six percent higher than the prior year; however, the figures for the mechanical engineering industry must be carefully segregated by sector.

Business in the German machine tool industry in 2004 was one area that was significantly better than had been expected a year earlier. Total manufacturing rose to EUR 9.8 billion; never before has the same level of production been achieved, with the exception of the 2001 boom year. Orders rose by nineteen percent, reaching EUR 9.7 billion. Export demand rose by almost a quarter, while domestic orders increased by eleven percent. The Republic of China alone accounted for seventeen percent of the export demand and thirteen percent of total exports. Overall, exports increased by ten percent to almost EUR 5.5 billion and domestic sales by four percent, to EUR 3.7 billion.

On the other hand, hard times continue for the German packaging machine sector. During the reporting period, the industry reported slightly declining sales for the second year in a row. Fortunately, Orders received for the year were four percent higher than in 2003. This growth came exclusively from excellent demand for packaging machines from outside Europe. Domestic demand was weak and orders from the euro zone virtually collapsed, plummeting by twenty-one percent. Orders received and order backlog were clearly trending downward towards year-end.

Car markets around the globe going sideways

Automobile sales around the world grew five percent to 49.5 million units during the reporting period. North America's share of global car manufacturing fell 1.3 percent to 25.8 percent. For German automobile manufacturers, sales for the year 2004 were therefore slightly better than in 2003, although by no means could the year for carmakers be considered a really good one. German manufacturers built over 9.9 million cars globally. The new export record of 3.7 million cars, which was set in spite of the strong US dollar, demonstrates the growing international strength of the German carmaking industry, both from a product and location perspective and a growing international presence. Exports were once again a supporting pillar for German carmakers. Domestic car sales rose slightly, to 3.3 million units. As yet, there are still no signs of a trend reversal in the German car market. With spending at EUR 11.9 billion, the German automotive sector was again one of the most important investors in 2004, representing one-quarter of the capital expenditures in the entire German industry.

Sluggish growth in robot market

Industrial robots represent the backbone of automation. Capital spending on robots is less influenced by the business cycle than it is by other investments. Nevertheless, general economic conditions are also applying the brakes to capital spending in this area. There are at least 800,000 industrial robots in operation around the world. Japan still leads with 350,000, followed by the EU at 250,000 and the United States at 112,400. Once again, Germany is the European leader. With 112,700 are in Germany more robots in operation than in the United States. Of these, 63,400 units, or fifty-six percent of the installed base, are used in the automotive industry. Trailing far behind is the chemical industry with nine percent of the total installed base, followed by the metal processing sector and the electrical and electronic machinery sector, with four percent and six percent shares respectively. The most important application area is welding, with 34,700 units or thirty-one percent of the total installed base, followed by material handling/logistics with seventeen percent, or 18,800 robots.

Business trends

IWKA Aktiengesellschaft was again able to generate higher operating profits in 2004. Debt was reduced substantially. Orders received rose and sales remained steady at the prior year's level.

As a result of the transition from the German Commercial Code accounting rules, the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) for the first time in 2004. The comparison figures from the prior year were also adjusted accordingly. Additional details regarding the changes in accounting standards are included in the notes on page 92.

Stable in a difficult environment

Despite significant increases in the price of steel, the Group's EBIT including discontinued operations rose by 4.6 percent year-over-year, finishing at EUR 111.9 million compared to the prior year's EUR 107.0 million. At the same time, the Group cut its net debt by EUR 83.9 million, to EUR 141.1 million at year-end. This represents a drop of 37.3 percent in one year.

Every division was profitable. The Automotive Technology and Robot Technology Divisions' operating profit was slightly lower than the prior year. The Packaging Technology Division's year-over-year result was higher.

IWKA's strategy to improve the performance of its non-core businesses before initiating the divestment process proved sound. This division too posted a double-digit positive operating profit.

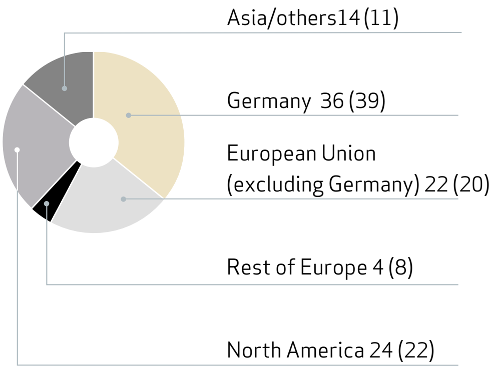
Orders received and sales revenues

In 2004, IWKA's orders received came in at EUR 2.34 billion, 1.6 percent above the prior year's EUR 2.30 billion. Sales revenues for the entire group (including discontinued operations) were roughly at the same level as the prior year's EUR 2.34 billion, closing at EUR 2.35 billion. Orders received would have increased by 3.0 percent and sales revenues by 1.6 percent if the exchange rate of the euro to the US dollar had remained constant.

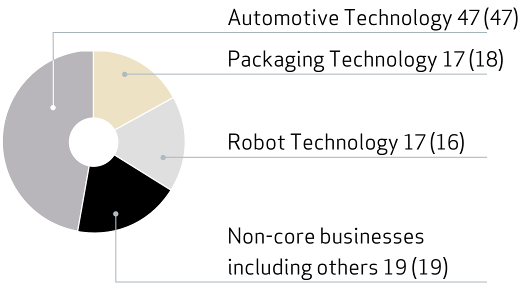
Export orders accounted for 57 percent of orders received as opposed to the prior year's 62 percent. Orders received from North America and the European Union (excluding Germany) were highest at 22 percent of total volume each. Last year North America's share was 27 percent and the European Union's (excluding Germany) 18 percent.

The most important customer sector during the reporting period is again the automotive industry and its suppliers. They represented 58 percent of the financial year's orders received. The food industry was next at 11 percent, followed by energy and water utilities, the general mechanical engineering industry and the pharmaceutical and cosmetic industries, all three at 6 percent.

Sales revenues 2004 by region (in percent) [1]



Sales revenues 2004 by division (in percent) [1]

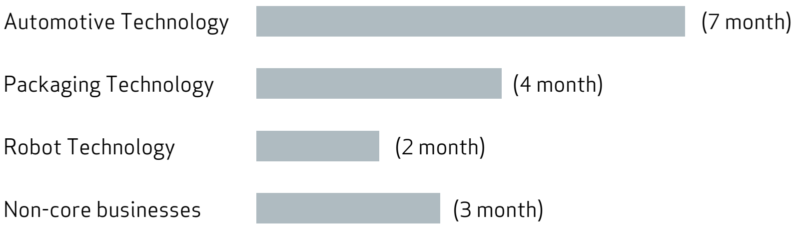


[1] prior year's figures in brackets

Order backlog

Order backlog was EUR 1.01 billion as of December 31, 2004, which was comparable to the prior year's level of EUR 1.07 billion. Notionally, this is enough to secure the present level of activity for more than five months.

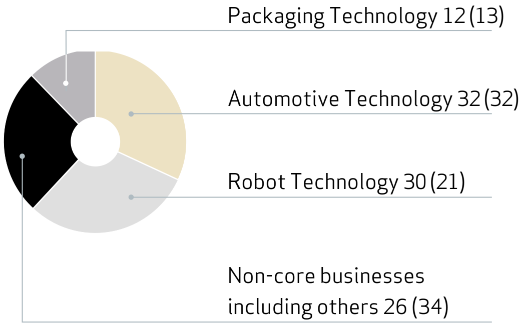
Order backlog coverage per division



Capital expenditures

During 2004, the IWKA Group invested EUR 67.5 million in property, plant and equipment and intangible assets, compared to EUR 69.4 million the year before. Capital expenditures were mainly aimed at expanding the Group's market penetration, improvements in manufacturing quality and efficiency and programs focused on advancing our technical expertise.

Expenditures on property, plant and equipment by division (in percent) [1]



[1] Prior years figures in brackets

Improved market penetration

The IWKA Group has expanded its marketing activities in China, Mexico and South Africa in order to improve its local presence and to take advantage of lower production costs. Expanding the company's international manufacturing network also secures jobs at existing factories, which are under significant price pressure. The new subsidiaries provide them with an opportunity to improve their cost structures.

The powertrain business unit is building an assembly plant in Changchung / China. EX-CELL-O has founded a joint venture company with Changchung First Automotive Works (FAW), in which it has a majority shareholder position. Construction was completed in November 2004. The majority of the workers were trained in Eislingen during the course of the year in order to ensure a rapid factory startup.

At the beginning of 2004, the car body business unit started manufacturing at a plant near Mexico City. The factory produces modules for local projects, as well as the North American market. In addition, the KUKA Schweissanlagen Group has acquired a share of LN Manufacturing, located in Port Elizabeth/South Africa. The company builds welding lines for the automotive industry and its suppliers.

American BOA is currently also constructing a factory in Port Elizabeth, which will manufacture decoupling components for exhaust systems. These are mainly used in export markets.

Improving manufacturing efficiency and quality

IWKA will also utilize manufacturing processes that span across different production locations within the Group as it strives to improve the company's manufacturing efficiency and quality. In the summer of 2004, IWKA launched a program to improve productivity within the Group. The initiative aims to improve efficiency in IWKA's factories and increase the clout of the factory alliance.

The robot group expanded its stainless steel manufacturing facility at Dunavarsány in Hungary. In addition to stainless steel modules for its own use, the group also manufactures modules and housings for the Packaging Technology Division's companies, enabling them to take advantage of the location's low wage costs.

KUKA Werkzeugbau in Schwarzenberg invested in new milling machines that will allow a large portion of the work to be carried out using advanced machines. The new machines were installed to streamline the facility and to standardize the mechanical production process by enabling common programming and utilization of the same toolkits.

Boehringer Werkzeugmaschinen purchased a milling center to streamline its mechanical manufacturing area. The new center combines the manufacturing steps of several machines, significantly reducing production time of components for the core businesses and improving manufacturing precision even further. A cyclic assembly system for efficient manufacturing of lathes was also installed.

Advancing technical expertise

In addition to improving its own manufacturing and organizational processes, IWKA is also ensuring that it is positioned to develop systems that meet the needs of customers. The Group therefore continues to invest in the digital factory. The Packaging Technology Division's companies are relying increasingly on standardized 3D CAD systems. Better data exchange makes it easier to jointly manage systems projects.

The car body group acquired a new laser source to further advance remote laser welding. The process which requires high demand to the laser source makes it possible for the laser beam to be guided along the parts to be welded from a greater distance than up until now, enabling large areas of the workpiece to be welded at high speed.

EX-CELL-O acquired a profile-grinding machine to expand its cold rolling capabilities in the field of gears, slots and threads. In addition to offering the cold rolling machine itself, the company also manufactures and reconditions the associated tools.

The ARO Group, based in France, revamped the servomotor manufacturing facility that makes electrically driven welding guns for robots, significantly improving the efficiency of several production steps. Shorter processing times and better quality spot welds can be achieved when servo-welding guns are used to manufacture car bodies.

Groupwide procurement

Procurement activities were further improved during the past business year. Global general agreements with suppliers of controls, drives, pneumatic parts, control cabinets and raw materials benefited all participating company business units. Equal conditions for all business locations were established through a uniform supplier classification system that optimized freight costs and aligned domestic communications costs. Country-specific purchasing teams, such as those in North America, were able to bundle purchasing volumes and benefit from the associated positive impact.

Net worth, financial position and earnings

The income and expenses of the companies that were sold up to the end of 2004 were extracted from the results of the IWKA Group and shown under discontinued operations in accordance with International Financial Reporting Standards (IFRS) rules. The results are summarized under "Discontinued operations" on the income statement and as assets and liabilities from "Discontinued operations" on the Group consolidated balance sheet and are explained in detail in the appendix. IFRS rules do not require that there be any regrouping in the prior year's balance sheet.

Discontinued operations consist primarily of the companies of the RMG Group, based in Kassel, the Mannheim-based VAG Group and a number of smaller companies belonging to the Bopp & Reuther Group. The other companies from the non-core businesses remain classified as continuing operations in the 2004 annual report.

Slightly higher sales revenues

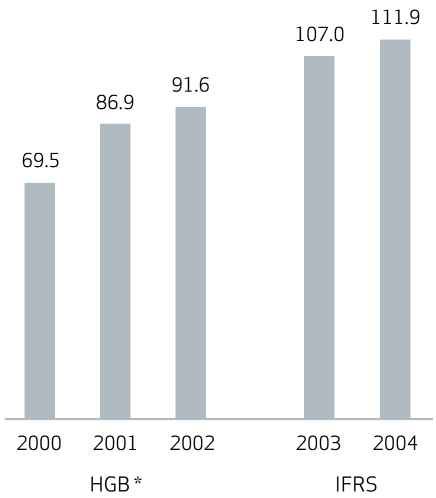
The IWKA Group's consolidated sales revenues from continuing operations were 1.2 percent higher in 2004 than the year before, coming in at EUR 2168.5 million. The increase resulted from a booking-related reduction in inventories. The IWKA Group's total output fell by 1.8 percent to EUR 2119.3 million.

On the cost side, cost of materials reached EUR 1089.6 million or 51.4 percent of total output and was thereby about the same as the prior year's level of EUR 1086.6 million. Personnel expense at EUR 647.9 million was also close to 2003's level of EUR 644.8 million. Depreciation on property, plant and equipment also rose by 4.3 percent to EUR 52.8 million. In accordance with IFRS accounting rules, amortization on goodwill is not included in the income statement. Net other operating expenses less other operating profits fell significantly year-over-year, dropping 14.6 percent to EUR 227.3 million from EUR 266.3 million the year before. Overall, costs for continuing operations declined in line with lower total output, falling by 1.6 percent.

Overall earnings from operating activities improved

The IWKA Group's consolidated EBIT from continuing operations reached EUR 101.8 million (previous year EUR 108.8 million). EBIT including discontinued operations rose 4.6 percent year-over-year to EUR 111.9 million from EUR 107.0 million. An exact accounting can be found in the segment reporting on pages 88/89.

EBIT IWKA Group (EUR million)



* before goodwill amortization

Despite higher sales revenues, the newly formed Automotive Technology Division reported slightly lower earnings from ordinary activities as a result of margin pressures from automotive customers. In contrast, the Packaging Technology Division managed to improve earnings compared to the prior year despite lower sales revenues. The new Robot Technology Division had the greatest earning power of all the IWKA divisions and generated an EBIT slightly under the prior year's amount. The non-core businesses achieved a turnaround during the fiscal year and were able to significantly improve their earnings from ordinary activities.

Net interest expense declined as a result of a lower requirement for borrowed capital, as well as a one-time earnings from the sale of old account receivables. It fell by 25.9 percent or EUR 6.6 million to EUR 18.8 million. The overall financial loss improved by EUR 7.0 million. As a result, earnings from ordinary activities posted by continuing operations came in at EUR 84.4 million, about the same as last year's value of EUR 84.5 million.

Net income higher than a year earlier

In 2004, the company paid EUR 33.8 million in income taxes on the earnings from ordinary activities of EUR 84.4 million. The IWKA Group's tax rate was therefore 40.1 percent compared to 39.1 percent the year before.

Operating earnings from discontinued operations improved significantly to EUR 4.3 million. On the other hand, the sale of several companies led to the recognition of losses on the disposal of individual companies in the amount of EUR 6.0 million. Overall, the IWKA Group's net income rose by 7.0 percent to EUR 48.8 million. Earnings for the 26.6 million outstanding shares were therefore EUR 1.83 per share.

The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be called on June 3, 2005 in Karlsruhe that a total of EUR 17.6 million from retained earnings be distributed to shareholders. This corresponds to a dividend of EUR 0.66 per share or 25.4 percent of total share capital.

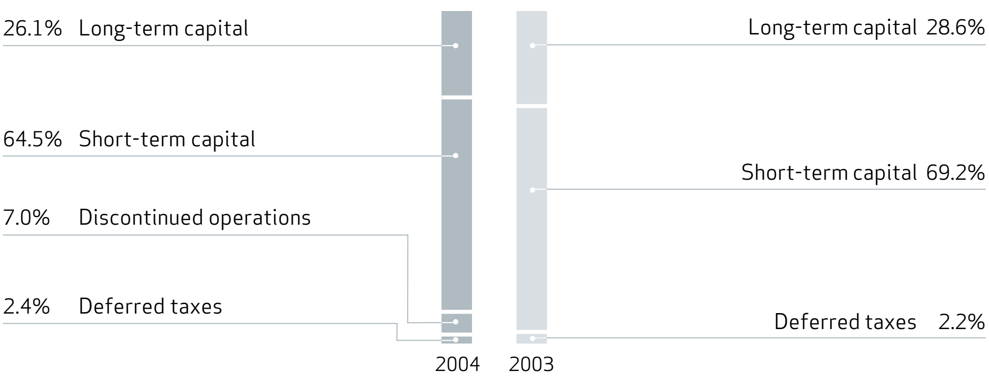
Balance sheet strongly impacted by divestments

A significant change to the financial statements compared to the prior year is the aggregation of assets of the sold companies into "intangible assets from discontinued operations" in the amount of EUR 115.8 million. This amount is primarily comprised of current assets of EUR 72.7 million and non-current assets of EUR 41.3 million, which had to be reclassified from the corresponding items on the balance sheet.

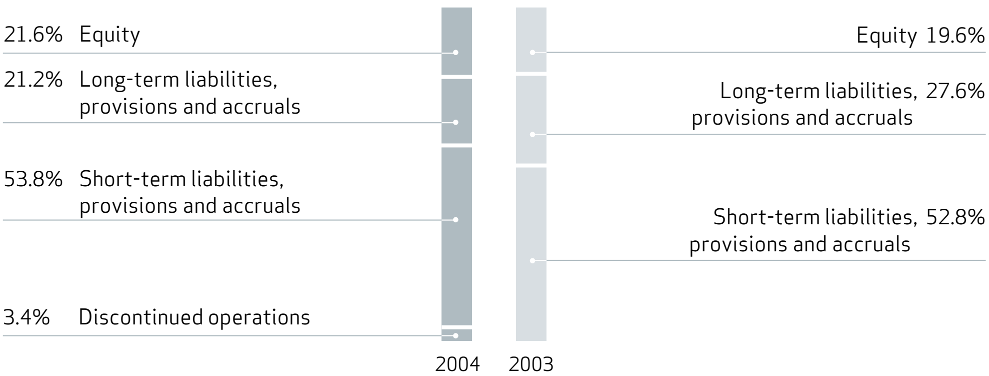
As a result of reduced assets, total inventory levels including the reclassification in discontinued operations were EUR 88.8 million lower than the prior year's level. On the other hand, cash and cash equivalents rose by EUR 20.7 million. Overall, the IWKA Group's total assets as of December 31, 2004 rose by EUR 13.6 million to EUR 1659.9 million.

Group assets and financial structure as at Dec. 31

Assets



Equity and liabilities



Net debt again substantially lower

On the liability side of the Group's balance sheet, long-term liabilities are significantly lower. The total fell by EUR 102.5 million to EUR 351.5 million. This is mainly due to reduced financial liabilities to financial institutions. As a result, net debt is also lower; i.e., short and long-term liabilities toward creditors minus cash and cash equivalents. The total was reduced by EUR 83.9 million, bringing it to EUR 141.1 million compared to EUR 225.0 million in 2003. Our gearing (ratio of net debt including pension accruals to equity) as of the record date is 89.4 percent compared to 132.8 percent a year earlier. Liabilities in connection with discontinued operations are EUR 57.0 million and are spread across the following items: other liabilities - EUR 19.1 million, other provision and accruals and deferred taxes - EUR 16.7 million, pension accruals - EUR 11.5 million and financial liabilities - EUR 9.7 million.

The IWKA Group's equity ratio, which is the ratio of equity to total assets, improved by two percent, going from 19.6 percent last year to 21.6 percent as of December 31, 2004.

Free cash flow significantly higher

Cashflow from operating activities was higher than the prior year because of higher liabilities to suppliers and down payments received, rising by EUR 56.3 million to EUR 158.2 million. This led to considerably higher free cash flow. Including cash flow for investment activities of EUR 63.7 million, it reached EUR 94.5 million compared to EUR 39.4 million the prior year. This discretionary cash was primarily used for the dividend payment and to repay bank loans.

Earnings by division

With a share of forty-seven percent, the newly formed Automotive Technology Division contributed the highest amount to the Group's total sales, and the division was also one of the two primary contributors to operating profit. As a result of margin pressures from automotive customers, the division's EBIT came in slightly below last year's despite higher sales, reaching EUR 41.5 million compared to EUR 43.0 million a year earlier. The profit margin was therefore 3.7 percent compared to last year's 3.9 percent. Nevertheless, the Automotive Technology Division still had a return on capital employed (ROCE) of 15.9 percent, which is higher than the Group's target of 15 percent.

Although the Packaging Technology Division's sales were again lower, the division was able to improve EBIT from EUR 12.5 million in 2003 to EUR 15.2 million. The division's profit margin therefore went from 3.0 percent in 2003 to 3.9 percent. The return on capital employed came in at 9.8 percent, not yet quite covering the cost of capital.

The Robot Technology Division, reporting for the first time as an independent division, is presently the IWKA Group's main profit generator. Sales revenues were higher than the previous year and EBIT was slightly lower, reaching EUR 45.8 million versus EUR 48.3 million in 2003. Profit margin was therefore again above the 10 percent threshold, finishing at 11.7 percent. The division's return on capital employed also reached a peak within the IWKA Group, coming in at 40.3 percent.

The non-core businesses turned around their EBIT during the reporting period, improving it from EUR -3.9 million in 2003 to EUR 12.6 million. The holding group's profit contribution was negative as a result of changes to Group-internal allocations.

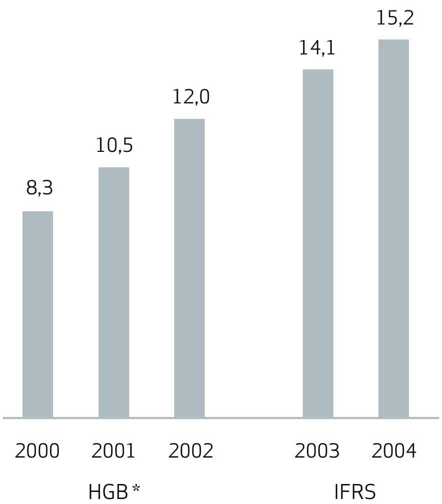
Return on capital employed higher than cost of capital

The IWKA Group's total operating profit, including both continuing and discontinued operations, was EUR 111.9 million compared to EUR 107.0 million in 2003. The IWKA Group's profit margin therefore rose to 4.8 percent during the reporting period compared to 4.6 percent a year earlier.

Return on capital employed (ROCE) is a fundamental variable that IWKA uses to assess the Group's performance, along with earnings before net interest expense and taxes (EBIT). IWKA's benchmark for this key indicator is the long-term average cost of capital (before taxes), which is presently eleven percent.

In 2004, average capital employed declined a further EUR 23.2 million, falling from EUR 760.3 million in 2003 to EUR 737.1 million. IWKA's operating profit also rose, enabling return on capital employed to increase by 1.1 percent and finish at 15.2 percent. As a result, the key indicator ROCE is significantly higher than the cost of capital and also above the Group's internal target.

ROCE IWKA Group (in percent)



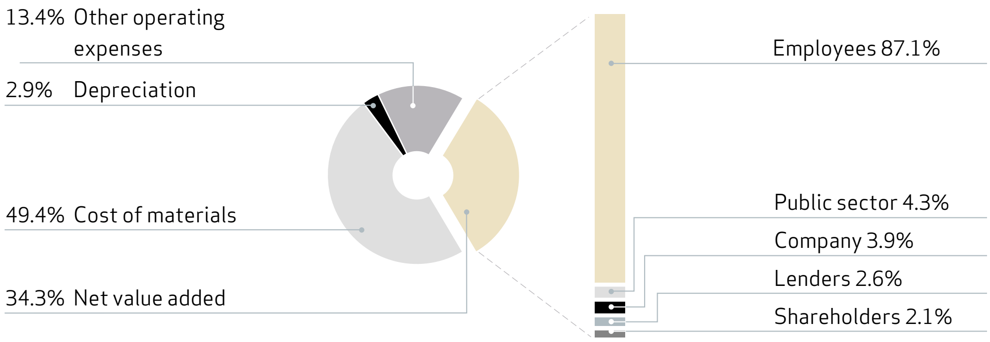
* before good will amortization

Year-over-year value added remains steady

The value added of a company is derived by taking its overall output (sales revenues, other profits and changes in inventory) and subtracting third-party advances (cost of materials and other operating expenses) together with amortization, depreciation and write-offs.

In 2004, the IWKA Group's net value added reached EUR 811.6 million or 34.3 percent of total output, which compares to EUR 821.8 million or 34 percent last year. The major portion of the value added, 87.1 percent, flowed back to the company's employees in the form of wages and salaries. An additional 4.3 percent was paid to the public sector as taxes on income, up from 4.1 percent last year, while the company's retained earnings minus the dividend during the reporting period was 3.9 percent, up from 3.4 percent in 2003. Interest charges accounted for 2.6 percent of the value added and flowed back to lenders. Last year this amount was 3.5 percent. Shareholders received 2.1 percent in the form of a dividend, which was unchanged from last year.

Value added and appropriation



IWKA equity outperforms comparable indices for fourth year in a row

Following the company's announcement regarding its intention to focus more strongly on core competencies, IWKA's share price traded in a stable range between EUR 18 and EUR 20. The price rose significantly above the EUR 20 mark at year-end after the successful completion of several divestments. The total increase in the share price between January 1 and December 31, 2004 was 26.2 percent, better than the comparable MDAX and DAX indices for the fourth year in a row.

The dividend yield fell to 3.3 percent from 4.1 percent at the end of 2003 as a result of the renewed substantial rise in the share price.

Information received after period end

No significant events occurred after the period end.

Risk management

IWKA conducts business around the globe and participates in a number of market sectors, which exposes it to the statutory risks resulting from entrepreneurial business activities. Our goal is to identify risks at an early stage, especially those that threaten the existence of the Group and its operating companies, so that steps may be taken to mitigate them or avoid them altogether. Our risk policy is therefore aligned with our efforts to systematically and continually improve shareholder value and to achieve our short- and medium-term goals. The basic principle we follow in dealing with risk is that we knowingly accept clearly defined risks, as long as they are manageable and are unavoidable in our efforts to benefit from potential profits.

The risk management control cycle, composed of risk strategy and risk policies, is an integral part of our workflow and supports entrepreneurial decision-making. Risk management is made up of early risk identification, risk reporting and risk management, which is supplemented by internal auditing. Risk management is supported by strategic planning, medium-range planning, budgeting, as well as monthly reporting and controlling. Risk management is part of an effective operational process and organizational structure. Risk management within the consolidated companies is reviewed every year in conjunction with the annual audit. To make certain that risk is managed in a uniform and appropriate manner and is in the best interests of the Group, IWKA has established guidelines and provides proper training and controlling programs to ensure that they are followed. Risks are identified by the so-called "risk owners" within the divisions and listed in a summary report.

A comprehensive and regularly conducted reporting process is used to achieve the necessary transparency and ensure timely implementation of countermeasures. This reporting process requires that the Group's companies report on risk developments, the probability that these events will occur and the level of possible damage if they do, in accordance with graded threshold values and aligned with the Group's hierarchical structure. We also monitor early indicators that signal possible changes in general conditions. Emerging operative risks immediately trigger the implementation of countermeasures at the relevant levels. If certain thresholds are exceeded, a report is sent to the Executive Board. All significant consolidated companies are a direct part of the IWKA Group's risk management system, and all other firms in which we hold an interest are integrated through their management companies. This ensures that we identify and manage all material risks, and that IWKA Aktiengesellschaft's Executive and Supervisory Boards are appropriately informed.

Our controllers assign the highest priority to the achievement of budgeted targets, which is an integral element of our risk management system. The internal audit is involved in the regular assessment of the risk management system. IWKA Aktiengesellschaft intervenes to transfer key business risks arising from claims or liability related risks to insurance companies.

Business risks

IWKA Aktiengesellschaft is exposed to the typical risks associated with the mechanical engineering and systems business, which can significantly impact the net worth, financial and earnings positions of individual operating companies or those of the entire Group. In addition to general developments in the economic cycle, which affect the investment plans of our regular customers, we are also exposed to country risks, exchange-rate fluctuations, financial and technical risks. In 2004, the risk of substantial price increases in the raw materials that IWKA needs and purchases around the globe rose sharply. In 2004, we continued to implement our ongoing cost-cutting and efficiency improvement programs to address business-related pressures, including those associated with general economic conditions. We defined further tasks over and above these programs and integrated them into a new, groupwide program so that we will be able to better manage both external and internal influences in the future.

Reducing the number of divisions in the company from four to three also contributed significantly to reducing the Group's business risks. Each division is led by a management company that is charged with the task of minimizing divisional business risks, identifying opportunities and exploiting them in ways that lead to higher profits. A key element is the integration and cooperation within and between divisions. Our companies manage the risks inherent in cost calculations for major projects through rigorous project management and controlling. IWKA Aktiengesellschaft also uses a major project reporting system to monitor large projects. We consistently carry out concurrent contract job costing and are able to detect problems at an early stage, allowing us to implement necessary counteractions. The results of careful post calculations flow into subsequent quotation estimates. In order to manage and reduce the risks in the value chain, the company employs quality assurance systems and regularly certifies suppliers in keeping with customer requirements. Technological advances are addressed through refinements related to customer orders and proactive in-house product innovation programs. The process is centrally managed on an ongoing basis as part of the FORinnovation program. Our R&D expenditures amount to 2.5 percent, the overall level of the VDMA (Federation of the engineering industries). The actual cost of development is about five percent of sales when additional development costs associated with customer orders are taken into account.

Financial risks/exchange rate risks

IWKA Aktiengesellschaft manages and mitigates the risks associated with groupwide credit, liquidity, interest and exchange risks. Risks associated with the operational side of the business are managed using derivative financial instruments that are customary in the market. Derivatives are only traded and used in conjunction with core business operations, are regulated by internal guidelines and undergo continuous risk monitoring. We address the business risk associated with the volatility of leading currencies and the resulting exchange risk (competitive risk) by globally distributing the IWKA Group's production facilities so that we have both domestic and international locations, which gives us a type of "natural hedging". We reduce the overall liquidity risk by closely monitoring the Group's companies and controlling the payment flows (receivables as well as working capital management). IWKA Aktiengesellschaft also has adequate lines of credit with banks and a balanced loan maturity structure, as well as a commercial paper program in the amount of EUR 200 million.

Information security

IWKA continuously analyzes its information technologies so that it is able to model existing and future business processes within the IWKA Group through the application of a modern IT architecture, while at the same time achieving the maximum possible level of security. There is also a growing risk associated with the increasing tendency of the Group's companies and its customers, suppliers and other business partners to interact trough integrated IT-supported business processes. Existing programs related to information security are continually enhanced to appropriately address these risks.

Market risks

Because its structure is diverse, IWKA is exposed to a variety of risks. A significant risk for each of our companies is the cyclic nature of the economy, which is reflected in the demand fluctuations in the various market sectors.

In the Automotive Technology Division and also partially in the Robot Technology Division, we consider ourselves particularly exposed to the market conditions in the automotive industry, which is being subjected to increasing price pressure. In addition, we are experiencing increasing complexity and significantly higher project values, which result in further risks being transferred to suppliers. Included in these new operational models are our expanded turnkey build and operate and maintenance businesses. In order to manage these risks, which result from the prevailing market strength of the carmakers, our Robot Technology Division in particular is striving to expand its activities in the non-automotive sector. Last but not least, there is a credit risk associated with purchasers in the automotive sector.

We are also experiencing increasing competitive pressure in the Packaging Technology Division, where cost pressures on suppliers are rising steadily. The ongoing rationalization among purchasers is leading to overcapacities for packaging machinery. On the other hand, there is the rising importance of packaging as a communications tool in the consumer goods industry, which is leading to an increase in the diversity of packaging methods. This has resulted in a corresponding increase in machine complexity and is a clear opportunity for the Packaging Technology Division to make use of the in-house expertise surrounding the application of the versatile automaton, the robot. Here too, the risks and opportunities associated with expansion into systems integration must increasingly be taken into account. The market in the United States accounts for over one-third of the global packaging market, and because the US share is so large, the overall market is primarily driven by the value of the US dollar. Continued weakness in the American market could therefore have a significant impact on a Packaging Technology Division's business.

The Balg- und Kompensatoren business unit, which is part of the non-core businesses, is being increasingly subjected to falling margins and development risks driven by its automotive sector business. A portion of this business area's profits is directly dependent on how successful carmakers are in selling certain models of their vehicles. The turning machines business unit, which is also part of the non-core businesses and also primarily active in the automotive market, is increasingly pursuing a niche strategy in order to reduce the strong influence of the automotive sector.

Risks of future developments/summary

Looking at the risks from an overall perspective, it is clear that the IWKA Group is primarily exposed to market risks. In particular, this includes the business cycle and the dependence on important major customers in the automotive and consumer sectors. Risks resulting from value-added processes are controlled by our risk management system and their potential negative impact is therefore limited. In summary, there are risks associated with high raw material prices, continued margin pressures and the strong euro, which the board is addressing by implementing numerous programs that aim to improve performance and cut costs. The IWKA Group risks are manageable and transparent and as far as we are able to determine currently, do not threaten the ongoing existence of the company. Neither do we see any risks that threaten the company's future.

Outlook

In 2004, the German economy was primarily supported by exports. However, weaker global economic growth and the strength of the euro are making it more difficult to sell German goods abroad. Initial optimistic projections are therefore being retracted more and more frequently.

Global economic growth weaker

The upward trend in the global economy is continuing, but in 2005 growth will be weaker. In the United States, the policy of moderate interest rate increases could dampen climate for capital spending and private consumption. Chinese economic policies will reduce the country's rate of growth; nevertheless, the Chinese market could continue to expand strongly. The new EU countries in Eastern and Central Europe also have high growth expectations. Sluggish growth in the euro zone will continue during 2005 and the region will now be primarily relying on domestic demand. The sustained weakness in the dollar and the continued high price of oil will noticeably impact the growth rate of the global economy. Although the rate of growth will be lower than in 2004, it will still be above the long-term average.

Moderate upward trend in Germany

In 2004, the German economy was primarily supported by exports. Weaker growth in the world economy and the appreciation of the euro are making it more difficult to sell German goods abroad. As a result, initially positive projections have increasingly been retracted. Overall increases in domestic demand will again not be enough in 2005 to kick-start self-sustaining growth. However, companies that export are particularly well positioned and the inclination to proceed with capital spending has risen. But uncertainty about future economic developments is still too deeply ingrained in the minds of consumers. Many economic experts are expecting a sustained revival in the German economy for 2006, with an accompanying significant increase in gross domestic product.

Machinery and machine tool manufacturing

Business in the German mechanical engineering industry in 2004 was significantly better than had been forecast a year earlier. As a result, the sector has a considerable cushion in its orders received at the start of the year. Domestic demand has not yet become self-sustaining, but a return to stagnation is not expected either. Machine tool manufacturing, in which part of IWKA's powertrain business area also participates, will primarily be driven by growth in the global economy in 2005. Capacity expansion projects are now taking over from industrial infrastructure construction in Central and Eastern Europe. Continued positive global general economic conditions ultimately will also lead to higher capital spending in the export-oriented countries of Western Europe. Similarly, the mechanical engineering industry is forecasting three percent growth for 2005. However, if there is no movement in the very weak domestic demand we have experienced since the beginning of the year, the prognosis has to be changed.

The world's main exhibition for the metal processing industry, EMO, will be held in September. Almost all of the world's leading manufacturers will be presenting their latest innovations at the show. The sector's premier event will motivate customers with approved budgets to spend on modern manufacturing equipment. In April, the world's largest packaging trade show, interpack, will enable packaging machine manufacturers to position themselves for a top spot when they display their performance and innovation capability. IWKA companies will attend both events and will showcase an innovative and broad portfolio of products and services.

Growing market for services

The growing market for services is also an important driver of economic growth. It has been quite some time since packaging machines, machining centers and car body production systems could be sold on a stand-alone basis. Nowadays, they must always be offered with an attractive package of integrated product-related services. Training, advisory services, process optimization and customer-oriented field service and spare parts management are as important as an outstanding product. The Packaging Technology Division's companies long ago recognized that these services are a key component of a favorable purchasing decision.

Automotive industry

The domestic automotive sector got off to a slow start in 2005. But carmakers are expecting to nearly reach their prior high export volume levels, despite exchange rate related barriers and the fact that a number of markets are trending sideways. Last year's numbers are also this year's target for the domestic market.

The surge in the price of semi-finished goods, particularly of steel, was a handicap in 2004 and will also have a negative impact in 2005. Prices for some alloys have soared by up to ninety percent compared to the levels they were at in 2003. These developments will directly affect the investment decisions of carmakers, which are among IWKA's most important customers. Although the automotive industry has scaled back capital spending plans for its domestic plants, it will increase the expansion of its foreign operations. With their systems integration capability, the Automotive Technology Division's companies are well equipped to serve the needs of car manufacturers.

New applications for robots

Robotics continues to be a success story, as proven by the statistics: almost 13,400 new industrial robots were installed in Germany in 2003, versus 12,700 in the United States. Although the demand for robots in the European Union shrank by sixteen percent, in Germany it fell by less than seven percent in terms of units and five percent in terms of value. According to forecasts, the German market will grow at five percent annually between 2004 and 2007.

Robots continue to penetrate in factory automation systems as a universal component for use. They are increasingly a core component of automated systems. The functional capability of robots is also expanding. Despite restrained capital spending in the automotive industry, its companies are still the main purchasers of industrial robots. Nevertheless, new and trendsetting application areas continue to emerge outside the automotive sector. IWKA's KUKA Roboter and KUKA Schweissanlagen are two outstanding companies that manufacture and use robots.

IWKA Group increases spending on R&D

The market sector situations we have discussed widely impact the IWKA Group. In view of these developments, IWKA will introduce a number of key initiatives to revamp and expand its product portfolio. As a result, the budget for research and development will be increased by about 12 percent compared to expenditures during fiscal 2004. Over and above that, there will be innovations and enhancements arising from simultaneous engineering projects, which occur in the course of executing customer orders. The associated costs are therefore a component of the expenditures for design and manufacturing of new machines or conceptual studies for our customers, but are not part of the IWKA Group's R&D budget.

The Automotive Technology Division's companies will conduct more and more business as general contractors for carmakers throughout the entire process chain. In addition to providing services for KUKA systems, the Service Solutions business unit will increasingly offer its services for systems supplied by third-party manufacturers and will thereby open up new

ERCA-Formseal employee in France assembling a thermoforming, filling and sealing system for yogurt and other pasty food products

fields of activity. Innovations in packaging materials and applications, together with the associated marketing, will open up new markets for the IWKA Packaging group in 2005. The continuing trend to use plastic containers instead of glass or metal will also stimulate the business. As part of its strategy to secure the future, the Robot Technology Division will expand its product portfolio beyond the automotive industry to cover applications in the general industry. The development of customer-specific solutions will play a key role here.

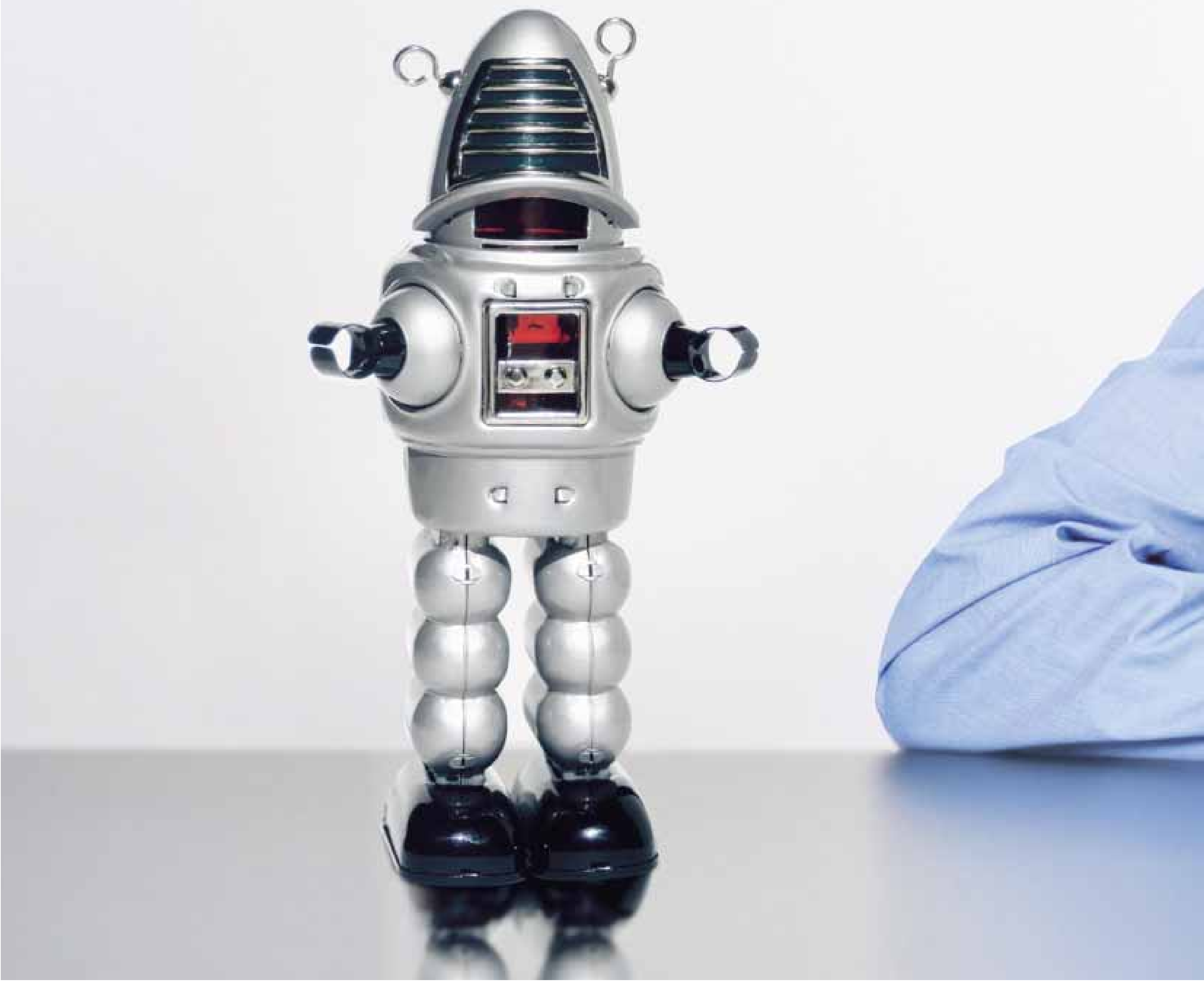
The IWKA Group is well positioned in its target markets. The divestments completed during the past fiscal year enabled IWKA to make considerable progress in reducing capital employed and focusing on core competencies in 2004. IWKA has now withdrawn from the water and gas markets. We will continue to actively manage our portfolio during the current business year.

More challenging market environment

The completed divestments will result in lower total sales revenues for the Group. Overall, market conditions have become more difficult. In particular, the sluggish robotics market in the automotive industry and concurrent additional development expenditures need to be carefully monitored. There are risks associated with high raw material prices, continued margin pressures and the strong euro, which the board is addressing by implementing several programs that aim to improve performance and cut costs.

"The robot's future depends on entirely new applications. We are working on them."

Dipl.-Ing. Thomas Finsterwalder
Product manager
KUKA Roboter GmbH
Augsburg



Research and development

Market success can only be achieved by continuously staying one step ahead of the competition. This demands obvious differentiation in both technology and process, with clear customer benefits.

Innovation will secure our long-term success

Being successful in the automotive industry, the dairy industry and the pharmaceutical, cosmetics and foodstuffs industry means staying one step ahead of the competition. This demands obvious differentiation in both technology and process, with clear customer benefits. More than 500 employees are involved in research and development at IWKA companies around the world, supported by a wide variety of joint projects with suppliers, R&D service providers and leading research centers. To ensure that innovative ideas are transformed into successful products, employees keep in close contact with customers so that they are able to understand the future requirements of the market.

The IWKA Group's research and development expenses during the reporting period were EUR 59.3 million. Added to that amount are expenses for solutions to application issues and patents related to customer orders. The total amount for R&D is therefore about five percent.

The IWKA Group's research and development activities focus on three main goals:

1. Product innovation with a clearly differentiated customer benefit
2. Improving flexibility with respect to product variants and production quantities
3. Creating cost, lead time and customization advantages

Work is also being done on improving the serviceability of machinery, as well as enhancing the methods and processes applied in digital factories.

To ensure that IWKA companies maintain their commitment to innovation, the company launched its FORinnovation program. Each year, every company's innovation process will be analyzed, evaluated and continually improved.

Robotics: a crossover technology

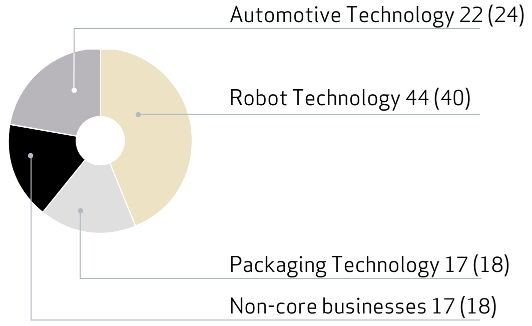
The IWKA Group's Robot Division owes its success to the continuous innovation of its products and marketing strategy, combined with flexibility and reliability. Consistent enhancement of the robots and control systems enable robotics to be applied in increasingly diverse market sectors. The concept of cooperating robots contributes to optimizing and improving the flexibility of car manufacturing in the automotive industry. In these applications, several robots work simultaneously side-by-side; for example, to share a task for a car part in order to reduce cycle times, or to help each other when manipulating heavy payloads. Work is also being done on a new concept that seeks to improve the cooperation between humans and robots when their work areas overlap, in order to optimize the overall degree of automation. Well thought-out packages of robot functionality play an increasingly important role.

In general industry, which we define as business in the non-automotive sector, the innovation programs are primarily aimed at penetrating new markets, particularly in logistics, medicine and entertainment. For example, we developed a stainless steel robot for clean room applications in food processing. The design prevents food residues from accumulating and is easy to clean. New functional capabilities open the door to additional application areas for KUKA's robot technology. Here the focus is on logistics (palletizing, depalletizing), baggage handling at airports, manipulation tasks for forming processes or the "Occubot" seat-testing robot.

In the final analysis, innovations in the robotics area benefit all IWKA companies. Packaging technology is particularly fertile ground for new applications. More and more of IWKA's packaging lines include handling systems with integrated robots, which help make the packaging processes more efficient. Robotics also makes its way into the packaging industry through its control technology. KUKA's universal motion control system (KUKA Motion Control) makes it possible to control manipulation, packaging and logistics processes synchronously and in parallel, in a single module. For our customers, the many improvements translate into shorter processing times, improved flexibility and lower costs.

A "Contibag" pouch packaging machine that was controlled by a KUKA-supplied motion control system and built by HASSIA - Redatron was presented for the first time at the SPS/IPC/Drives exhibition in Nuremberg.

Research and development by division (in percent) [1]



[1] prior year's figures in brackets

Automotive industry: never-ending innovation

The plant assembly business is preparing for the application of new plastics in car manufacturing. KUKA Werkzeugbau Schwarzenberg has expanded its activities in the field of tooling technologies and the manufacture of complex plastic parts. Chassis parts made of fiber-reinforced composites can be produced by a tool in a single forming step. No downstream operations are necessary. The company is currently already making mass-produced parts in small batches for specialty vehicles. The car body group is developing new joining methods in the field of laser welding. The remote laser robot (Roboscan), on which development continued in 2004, has the potential to change the way car bodies are manufactured.

The KUKA Schweissanlagen Group introduced two new developments. The "Robotranspressor" package and "Interpress" control system demonstrate how system optimization and shorter cycle times can be achieved in a stamp shop.

A heavy-load robot called "Robojig" was developed together with the Robot Technology Division. Various three-dimensional jigs can be docked to the robot by means of a tool holder. The product can be used to improve the flexibility of manufacturing small to medium-size quantities; for example, in the manufacture of niche-market vehicles.

Progress in the development of the digital factory is equally important to all KUKA companies. This includes all activities that enhance the level of integration and computer support for the planning, design, simulation and optimization of systems throughout their entire lifecycle. IWKA Packaging Technology has now also signed on to this program. In 2004, the group invested about EUR 5 million in the digital factory program.

The car body group's research and development focuses on equipment up time at the customer's site. Users are demanding cheaper but more robust tooling, and those who are able to supply it have a competitive advantage. The ARO Group systematically integrates these specifications into its design programs for new welding guns. Development continues on an electro-pneumatic force-controlled welding gun. ARO Controls successfully launched a product called I-Box, which integrates the control of the welding process and the welding gun into a single module.

In the powertrain area, EX-CELL-O is developing flexible modular machine tools for complete machining of the work piece. The XG 692 twin spindle milling and turning center enables independent parallel machining in a very small space. By systematically applying a lean design philosophy, the assembly time and number of parts for the XS 211 and 321 were considerably reduced compared to the XHC 241. The group is also increasing efforts to modularize and standardize its components as it strives to cut costs even further.

Most of the development in the test and assembly area is done in conjunction with customer projects. J.W. Froehlich continued with the development of its PC-based leak test process and devices. Here the main focus is on mobile test stands (containers). LSW is continuing with the development of modular assembly systems with standardized conveying components. The group is concentrating on improving the ergonomics and efficiency of the systems.

Boehringer Werkzeugmaschinen introduced a new vertical turning center, the NV 250. It can be used for efficient, flexible and precise turning operations.

Innovation in the pharmaceuticals, cosmetics and foodstuff industries

IWKA Packaging was able to offer the pharmaceutical and cosmetics industries important innovations along the entire process chain. Hüttlin presented a new system called Diskjet, which features efficient drying, granulation and coating processes for tablet manufacturing. The new Xpress 300 tablet press developed by Manesty extends the process chain in the Pharma Processing business area. IWK Verpackungstechnik completed its primary packaging modernization initiative when it introduced the new BP10 blister packaging machine, which is designed for small and medium-size batches. KP Aerofill developed a new servo-controlled system called Servopack, which can be used to efficiently fill and close aerosol packages. It is extremely easy to operate, and setup for different product runs is very quick and precise.

IWKA Packaging is consistently thinking systems in their approach to the food industry. US-based R.A. Jones developed a new cardboard packing system for bottles, cans and cups that uses cardboard sleeves (Sleever). This supplements the IWKA Group's product portfolio for cup packaging lines. Jones is expanding its product family by introducing a cartoner in the medium performance range. During the reporting period, TECMAR, located in Argentina, developed a horizontal pouch packaging machine that has a particularly attractive price/performance ratio. Packaging Technologies developed a continuous sealing machine. The machine is particularly suited to new applications resulting from the program to convert to plastic from glass, which is presently underway in the United States. It has already been successfully applied in such systems.

The Dairy Industries group and KUKA Roboter jointly presented the environmentally friendly Jeton system for the dairy and food industries at the Emballage in Paris. The system enables efficient thermoforming, filling and sealing to be carried out with minimal additional logistics efforts or material requirements. It can be used for both cups and bottles. GASTI completed the development of its new aseptic high-performance cup filling and sealing machine (GHM) and is very close to receiving its first orders.

Benz & Hilgers and US-based Packaging Technologies jointly developed a new cup filling and sealing machine that covers the lower end of the performance range to 12,000 cups per hour. KUKA SysTec worked closely with a major customer in the dairy industry to develop a new flexible cup handling system. Hassia Verpackungsmaschinen continues to expand its expertise in the field of packaging materials sterilization. Combining small amounts of hydrogen peroxide with selective UV radiation offers an efficient alternative to processing critical packaging materials.

Human resources

Personal and professional continuing education of all employees is a key management responsibility. This is why the IWKA Group continues to promote strategic management development programs and succession planning. These initiatives help motivate the company's workers and strengthen their identification with the company.

Number of employees almost constant

As of December 31, 2004, IWKA had 13,209 employees worldwide, versus 13,231 the same day a year earlier. After adjusting for the effects of new consolidations and unconsolidating some businesses, the total represents an increase of twenty persons. The increase is the result of permanently hiring workers at a Hungarian subsidiary. At year-end, 5,537 people were employed by foreign companies, which is an almost unchanged share of 41.9 percent of the workforce.

Performance should count

The IWKA Group's management steers the company by setting goals and monitoring key indicators that reflect market conditions. A systematic, performance-oriented compensation system encourages identification with corporate goals, increases motivation and improves teamwork between supervisors and employees. It fosters an open dialogue in meetings where targets are jointly established. IWKA Aktiengesellschaft has restructured its compensation system to align with these goals, starting with the managers in its German companies.

Beginning in 2005, the compensation system will be based on an individual assessment of each manager's performance. Under the new structure, management competence is now one of the criteria included in the evaluation. Other criteria, such as entrepreneurship, profit, market and customer orientation, managerial skill, professional competence, as well as the ability to innovate and make changes are also part of the equation that establishes the manager's compensation level within a given salary range.

The compensation scheme sets the manager's target income for the case where business goals are successfully achieved. With a payment system that is more closely tied to the success of the company, managers have an opportunity to earn a higher income but are also exposed to the risk of receiving less pay. The new system thereby weights the variable income component higher than fixed portion.

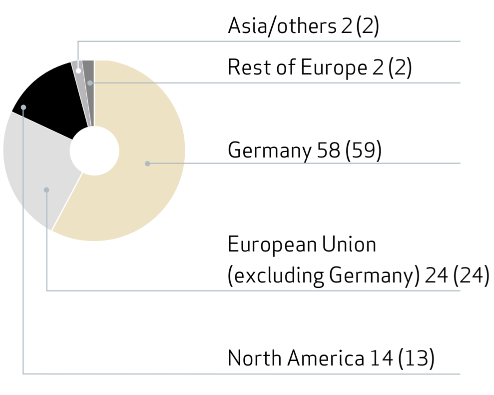
As a result, increases or reductions in pay for managers are logically tied to business performance. This focuses the attention of managers even more clearly on the profitability of the company and on the further development of management quality, as well as encouraging them to support a sustainable company development. Employees are more strongly motivated to generate the budgeted profit for their company, to manage capital employed, to achieve individual, operative and strategic targets and through their own performance, ensure that the respective management company also achieves its planned profit. The last point is particularly important because it heightens awareness of the fact that employees are equally responsible for sister companies and the entire IWKA Group and encourages them to be more diligent in looking for cooperation opportunities and synergies.

Internal management recruitment

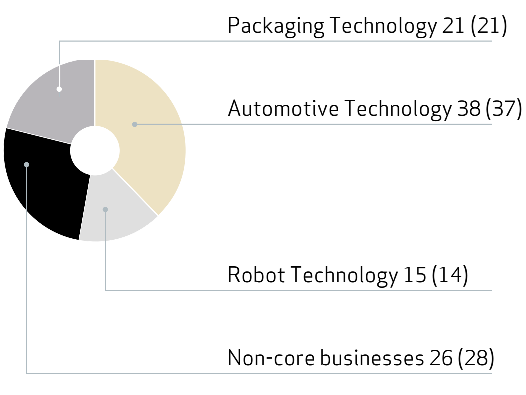
Personal and professional continuing education of all employees is a key management responsibility. This is why the IWKA Group continues to promote strategic management development programs and succession planning. These initiatives help motivate the company's workers and strengthen their identification with the company.

One example of this was the initiative to establish a talent pool for the robot group, which concluded at the end of 2004. After completing eighteen months of training, twenty-six employees sat for an exam that tested their management capabilities.

Employees by region (in percent) [1]



Employees by division (in percent) [1]



[1] prior year's figures in brackets

Any employee can apply to the company's orientation center, which helps to identify and promote potential managers. Interested parties are shown individual development paths and qualification programs. They can further develop their skills in areas such as strategy, leadership, communication or employee management by attending specialized seminars that deal with these subjects. At the conclusion of the program, employees go to an assessment center where their management potential is evaluated and a final selection of future managers is made. This will allow the company to fill management positions in the coming years with highly qualified recruits from inside the organization.

Cosmopolitan trainees wanted

An international trainee program that will be launched in 2005 will bring the car body manufacturing areas in the Automotive Technology Division closer together. It is looking for young professionals with an international perspective to join the company. During the course of the fifteen-month program they will be asked to demonstrate their capabilities at a number of locations, including an international one. After three months in the design and order-processing department in Augsburg and a stop at a selected domestic location, they will spend three months doing assembly and commissioning in a European country other than Germany. On top of that, they will participate in a comprehensive program of English language seminars. The final job location and position will be decided after twelve months. The program targets young people with a maximum of two years work experience who are presently taking courses with a business orientation. Additional prerequisites include work terms in the automotive sector, international work terms or semesters and appropriate language and PC skills. The first group will have completed the program by August 31, 2006.

Learning without limits

In 2003, the Academy of the robot group was founded under the heading "lifelong learning", and now offers a broad array of programs for personal and professional development from which employees at home and abroad can choose courses that meet their individual needs. About 1,400 people participated in training seminars during 2004. Suitable courses are available for apprentices, interns or graduates. For example, the Academy offers corporate strategic planning simulations for apprentices.

Continuing education seminars led by professional trainers are now also available to outside participants. The focus is on social and methods skills; for example, communications, leadership and management, teamwork and project management or health science. Specialty courses for subjects such as IT, sales and marketing, service and languages are also available. Supplementary workshops and training sessions led by the company's own employees add a company-specific component to the courses.

In order to promote the internal training of apprentices, the Robot Technology Division joined the "Teachers for business" program. Since September 2004, a qualified teacher has been made available in conjunction with this program and is teaching German/English courses in the company. He teaches apprentices, organizes language courses for employees, optimizes the collaboration between the business community and vocational schools and hosts promotional events.

Job rotation promotes unlimited team spirit

The Packaging Technology Division has launched an ambitious initiative to support and develop its workers. It consists of a job rotation program that gives young employees the opportunity to gather experience in different fields and in different parts of the company and thereby further their knowledge. The process encourages a structured succession planning system for management positions and strategically develops potential managers from within the existing pool of employees.

The Automotive Technology Division's car body group has introduced an international job rotation program that will systematically heighten team spirit and cooperation among its managers. Identifying and selecting future management candidates as well as career planning will now be done on intercompany basis. Future managers will evolve with a spirit of international networking, have a greater understanding of each other's problems and be more committed to jointly achieving success in the car body group. All managers who take over current key functions and management positions will in future have the best interests of the group in mind.

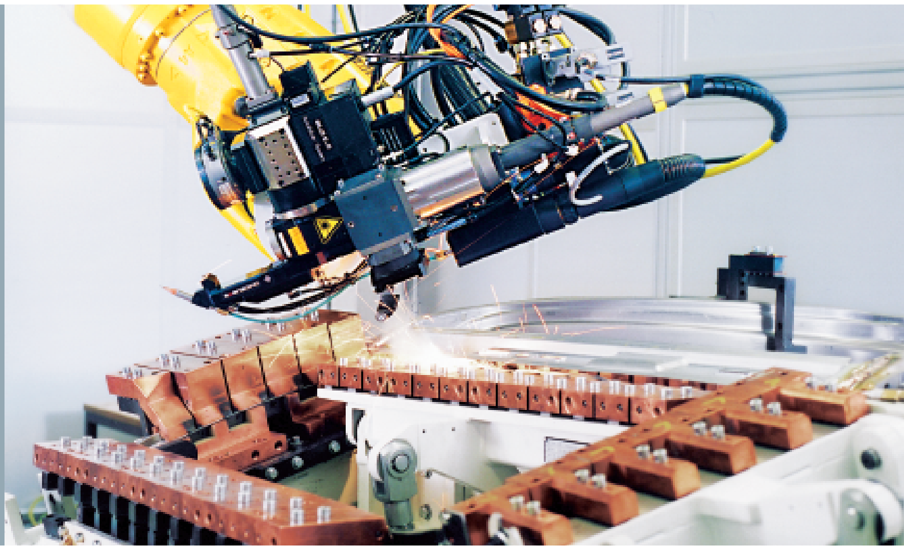
Normally, eligible employees complete a thirty-six-month on-the-job training program. They are transferred to another company within the group, where they are assigned to a position of responsibility and completely integrated into the local business processes. In conjunction with their assignment, they regularly participate in English-language workshops that deal with topics such as teambuilding, communications and leadership, presentation and visualization. Executive management assigns them a project related to car body manufacturing, on which they are required to work as a team and present the results. The job rotation program started in October 2004.

Employee share program

The commitment and potential of our employees are important success factors for our company. The employee share program (MAP), which was in its fourth year in 2004, promotes loyalty and strengthens interest in the success of the company. Employees invest their own money in IWKA shares and thereby build themselves a financial nest egg. The employee share program encourages staff to hold onto these shares over the longer term. After just one year and again after three and five years, the employees are issued bonus shares. This increases the number of shares in the employee accounts by thirty percent in five years. Like all shareholders, the employees also benefit from IWKA's long-standing dividend policy.

"Nature is our guide. She develops the best packaging ideas. And we transfer them into product innovations."

Gerard Conton,
Process engineer
ERCA Formseal S.A.
Paris/France



Highly precise and fast
laser welding for car doors

Automotive Technology

The Automotive Technology Division is the IWKA Group's largest division and holds a leading global market position. Its companies are systems partners to the automotive industry and its suppliers. The division designs and builds turn-key equipment, forming tools and systems for car body production and supplies machinery and systems that are used to manufacture, assemble and test automobile powertrains.
The business unit includes companies such as KUKA Schweissanlagen, ARO and KUKA Werkzeugbau, as well as EX-CELL-O and LSW, formerly part of the Manufacturing Technology Division (Powertrain).

Despite difficult conditions, the Automotive Technology Division had a successful year. At EUR 41.5 million, EBIT was almost the same as the prior year's EUR 43.0 million. Orders received rose 5.4 percent, going from EUR 1,040.2 million in 2003 to EUR 1,096.7 million. Sales grew by 1.9 percent, reaching EUR 1,118.6 million versus EUR 1,097.8 million in 2003. Sales were particularly strong in the fourth quarter of 2004. There were 86 more employees than in 2003, bringing the total to 5,000. The increase was largely the result of the new consolidation of KUKA Sweden, KUKA Service Solutions and KUKA Flex de México.

Shifts in the value creation chain

The current situation in the German automotive industry is marked by a high dependency on exports and falling domestic demand. All over the world, areas with attractive business location incentives (low labor costs, low taxes, subsidies) are competing to attract new factory construction. In Europe, which holds the lead in automotive engineering innovation, a trend toward low-budget and highly customized vehicles (small production runs) is distinguishable. Although the original target market was developing countries, large volume manufacturers are rediscovering the lower price segment for other regions.

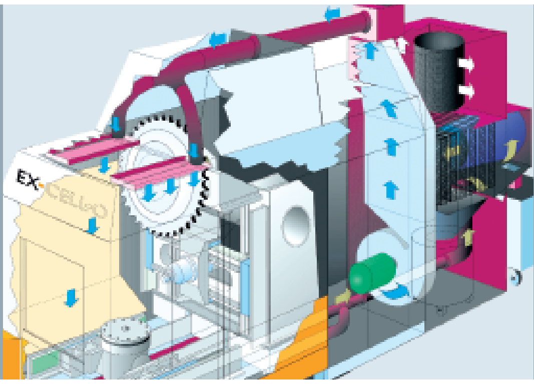
The business environment is characterized by shorter model lifecycles, production overcapacity and a rising number of different models. Large volume manufacturers in particular struggle with high costs and production relocation pressures, while premium carmakers are affected by price pressures to a lesser extent.

Foreign automakers are also pushing for on-site production or production migration to large tier-1 suppliers. There is evidence everywhere that the value creation chain is shifting from the vehicle manufacturer to suppliers along the entire process chain. New forms of collaboration are emerging, as suppliers become key manufacturing partners.

Competition in the car body market

The German and international automotive industry is being forced to dramatically cut costs and is therefore asking its suppliers to reduce prices. Furthermore, IWKA's companies also compete with the carmakers' own toolmakers and systems builders; i.e., companies owned by our customers. This margin pressure can only be countered by offering new technical solutions and increasing productivity, but product innovations will only be accepted in this innovative and price competitive market if they can also demonstrate a clear cost advantage.

The international production, assembly and engineering network within our car body business group has adapted to these conditions. Its companies have grown closer together and now form an international unit. Resources, purchasing and - most importantly for our customers - complex services are provided directly on site. The group aligns itself with the globalization activities of its customers. Since the major manufacturers are pursuing "on-site" production strategies, foreign business will become increasingly important.



In order to substantially reduce oil and cooling lubricant consumption, high-speed machining centers operate "dry"

The Service Solutions activities were established as a separate company in early 2004. Besides providing service for KUKA systems, it is also offering service for third-party systems and is thus entering new market segments, enabling KUKA to expand its traditional business activities.

It is becoming more and more important to offer customized financing options in addition to advanced technical solutions. The spectrum ranges from leasing a system to the so-called "pay-on-production model", in which payment is directly related to the actual number of car bodies produced. Although it increases a company's risk exposure, the scheme also gives the supplier an opportunity to share in the success of a car model.

General contractor for car body production

The KUKA Schweissanlagen Group has successfully started up car body production systems for BMW's 1 and 3 Series in Leipzig and Munich. In South Africa, it built a production line that has an exceptionally high number of laser welding units and will be used to assemble passenger car doors and side panels for the new VW Golf V. The Group also received an order from DaimlerChrysler to act as general contractor for the design and construction of the car body production systems for the new Sprinter at the Dusseldorf and Ludwigsfelde/Berlin locations.

Thanks to our broad technological expertise, we have also successfully established a foothold in areas outside this industry. An aviation industry company has ordered a newly developed friction welding machine for manufacturing turbine components.

Major project: Kölleda – IWKA Powertrain a reliable solution provider for the automotive industry

The Powertrain business unit has adapted to the changing market requirements by establishing itself as a leading supplier of production systems for carmakers and automotive component suppliers. MDC Power GmbH, a company jointly owned by DaimlerChrysler and Mitsubishi, built a completely new engine plant in Kölleda (Thuringia)/Germany. As expert partner, IWKA Powertrain offered an overall concept that included advanced technological solutions. Specialists from all areas of manufacturing, assembly and testing systems had to integrate third-party technologies into their own lines. Suppliers were required to offer fast turn-around times and be highly productive.

The machines have been installed and commissioned. The services of GSN Maschinen-Anlagen-Service took over center stage following the start of production. This efficient coordination is testimony to the Group's expertise and makes clear the decisive advantages the company network offers its customers. Ever larger systems demand a tightly managed project structure and synergies must be employed as consistently as the innovative ideas of all involved business entities.

Flexibility redefined

The EX-CELL-O Group has companies in Germany and the United States and is part of the Powertrain Group. Its portfolio includes the supply of complete production systems for flexible, high efficiency machining of cylinder blocks, cylinder heads and transmission housings. Because capital investment is lagging in Europe, the company is focusing on the North American and Chinese markets. Asian market penetration was further accelerated with the help of the joint venture company, EX-CELL-O FAW (Changchung). Of special importance are two

Key figures Automotive Technology Division

in EUR million	2004	2003	Change
Order receipts	1,096.7	1,040.2	5.4%
Sales revenues	1,118.6	1,097.8	1.9%
EBIT	41.5	43.0	-3.5%
% of sales	3.7	3.9	–
% of capital employed (ROCE)	15.9	15.6	–
Capital employed	261.2	276.0	-5.4%

six-speed transmission projects and a production line for machining cylinder blocks, which are being built for two American automakers. EX-CELL-O received a follow-up order from Ford when it was selected as the single-source supplier for a flexible production system combined with dry processing and linear motor technology.

EX-CELL-O has regained technologically and concerning their products an outstanding postition in the market. Although the organisation has to be more focussed on big projects.

World class innovative testing systems

J.W. Froehlich supplied all of the testing systems for DaimlerChrysler's new seven-speed automatic transmission, including six fully automated final function test stands. They dynamically test all functions by simulating various operating conditions; e.g., correct shift points and shift durations, noise generation and parking gear engagement. Prior to shipment, three robot-assisted dual-station helium leak test stands look for leaks by "sniffing" all assembly joint faces of the automatic transmission assembly.

Assembly technology - first order from the land down under

The LSW and ZF Lemförde partnership in Adelaide/Australia posted its first success in 2004. The two companies are jointly building an axle assembly line for GM Holden in Australia. It is LSW's first order from the land down under. The first complete front and rear axles will be built on the assembly line as early as June 2005. Series production will begin in April 2006, when 180,000 sets of axles will roll off the line for Holden's “Commodore” model.

The digital factory, which serves as a modern working platform for systems engineers, is continually being enhanced

Online design, simulation and optimization of robot-assisted welding lines

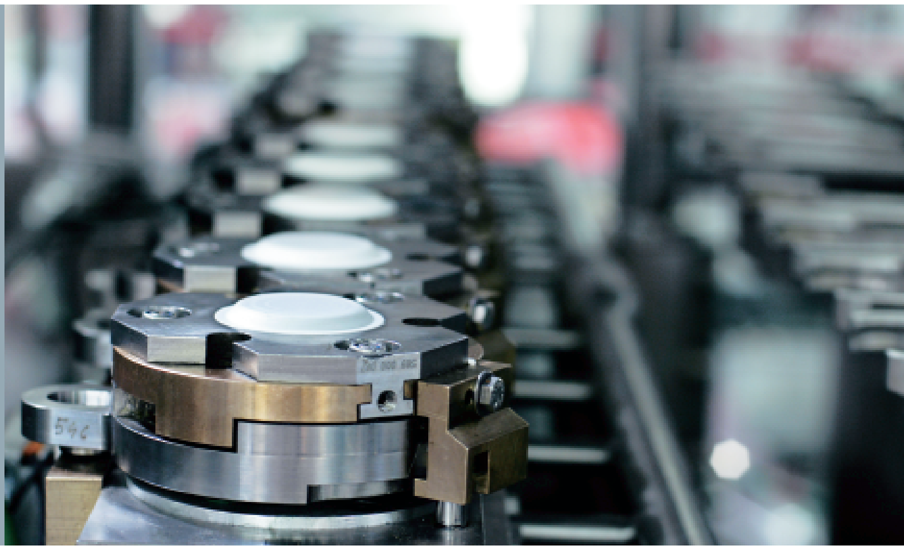
Outlook

The range of services offered by the newly formed Automotive Technology Division is geared to meet the requirements of carmakers and their suppliers. Since product development, effective utilization of operating resources and mass production are so closely intertwined, IWKA's companies are aiming to take more and more responsibility, acting as general contractors for automakers along the entire process chain.

In addition to the "traditional" car body production sector target segments - machinery, cells, forming tools together with systems design, planning and construction - the offered scope of supply will in future be expanded to include assembly systems, service solutions and production operations.

The Powertrain business unit's key strategy rests on three pillars: core workpieces (such as cylinder crankcases), service and systems sales. The group is thereby prepared to retain its market share, both now and in the future.

The new IWKA Automotive Technology Division's companies will increasingly grow together as it combines business processes and goes to market with an integrated platform. The division's introduction of common functions will significantly enhance its productivity.



"Le Jeton":
This chip is all that is needed for compact, environmentally sound forming of plastic bottles

Packaging Technology

The Packaging Technology Division's companies design and build packaging machines and systems for the food and dairy industries, as well as for the cosmetics and pharmaceutical industries. The overall division is among the world's market leaders. The Packaging Technology Division steadily expands its position as a systems partner. It is increasingly selling complete multi-stage packaging lines, which include robot technology to a greater extent than in the past.

Upward trend despite negative currency effects

Led by IWKA Packaging GmbH, the division's companies are evolving more and more into systems integrators for complex packaging solutions. This has resulted in an upward movement of business activities despite the negative impact of the US dollar/euro exchange rate.

The division's orders received rose to EUR 412.3 million last year, 4.5 percent higher than 2003's EUR 394.4 million. A low order backlog at the start of 2004 had a negative impact on sales revenues, which at EUR 391.8 million remained 6.1 percent below the prior year's EUR 417.2 million. EBIT came in at EUR 15.2 million and was above 2003's EUR 12.5 million. As of December 31, 2004, the Packaging Technology Division had a total workforce of 2,708. This is 110 fewer employees than one year earlier. Adjusted for the newly consolidated US sales and service company IWKA PacSystems, the reduction is 132 persons.

Structural changes taking hold

As a result of IWKA's new structure, the Packaging Technology Division's internal organization has also changed. The group was streamlined and reorganized according to three market segments: pharmaceuticals/cosmetics, food and dairy products. The division will apply the technical expertise of the entire Group in these markets to achieve a leading position respectively to expand its existing leadership.

The new directors of the management company, IWKA Packaging GmbH, reorganized the group and implemented the new structure by signing off on a number of inter-company projects. The focus here is on utilizing existing resources, bundling skills, improving sales and production efficiencies and offering product-related services. Shared sales platforms are being established in the United States, Russia and China. Additional projects that aim to innovate the product portfolio, improve business processes and cut costs are in progress.

Pharmaceuticals and cosmetics

The capital investment climate in the pharmaceutical and cosmetics industries recovered only incrementally in 2004. The international pharmaceutical industry is undergoing a structural transformation. The industry's businesses are trying to lower development costs by using joint research companies or expanding their own product portfolios by acquiring competitors' products. The resulting overcapacities in production and packaging have led to the postponement of new capital expenditures. As a result, capital spending on packaging machinery declined or even ceased altogether in 2004.

Plastic bottles made from a "chip" require only a tenth of the usual production space

IWK Verpackungstechnik was hit by the restrained investment climate in the international pharmaceutical industry. This was partially compensated by an exceptional great demand for toothpaste packaging,, enabling the companies' share of the business to rise from forty-seven to sixty-five percent. Colgate Palmolive ordered three additional high-speed tube filler lines with integrated robots for its toothpaste factory in Guangzhou/China, raising production capacity by nearly 470,000 tubes per shift, which means 450 tonnes of toothpaste.

Food

The increase in demand for new equipment was strongest in the food sector. Orders received rose significantly during the second half of 2004.

R. A. Jones /USA completed two development projects. The first new sleever (carton wrapping machine) was shipped in the United States. Five additional machines are on order. Along with the “Criterion 2000” high-speed cartoner, the new “Meridian” cartoner will cover applications in the medium price segment. These machines generated considerable interest when they were presented at the largest American packaging trade show in Chicago. Since the market launch in late 2004, Jones has received twelve orders for the two new product lines. Additional orders were received from Nestlé/USA. Service activities have also risen sharply, particularly in the area of machine conversions and upgrades.

By consistently adapting to meet the needs of the customer, HASSIA-Redatron has succeeded in obtaining an order from Colgate Palmolive for ten flat bag machines. The company also delivered its first twin-line high-performance pouch packaging machine, which is rated for 2 x 190 bags per minute and is part of the newly developed modular platform for packaging candies.

Dairy

Orders received and projects for thermoforming machines in the food and dairy segments were scarce in 2004. On a more positive note, the Far East and Eastern European countries expressed interest in aseptic packaging systems for yogurt.

Hassia Verpackungsmaschinen received an order from Gerber, an American baby food company, for two more aseptic machines. Four of the group's companies were involved in this project, in which a thermoforming, filling and sealing machine for cups is linked with an Autoprod snap-on capping system. The finished cups then go to a sleever made by R. A. Jones. One more IWKA machine, a wraparound cartoning machine made by A+F, completes the project. Similar to the Automotive Technology Division, IWKA Packaging took responsibility as complete systems integrator.

During the course of executing a project for the Ehrmann dairy company, ERCA Formseal/France developed a new thermoforming process, which it subsequently patented. This process allows large cups to be thermoformed with an integrated band that can be used to attach a carrying strap. The production of these cups costs just twenty-five percent of what it costs to make a similar cup by the conventional injection molding method.

Cooperation within the division and beyond

The IWKA Group expects to achieve greater market proximity and make better use of cooperative opportunities within the Group as a result of the Packaging Technology Division's reorganization. More and more companies are benefiting from these advantages.

Packaging Technologies/USA supplied an initial basic machine to Benz & Hilgers as part of a joint project for the dairy industry. The final assembly was completed in Neuss, where the machine was adapted to meet specific customer requirements regarding dosing, control and European standards.

Key figures Packaging Technology

in EUR million	2004	2003	Change
Orders received	412.3	394.4	4.5%
Sales revenues	391.8	417.2	-6.1%
EBIT	15.2	12.5	21.6%
% of sales	3.9	3.0	–
% of capital employed (ROCE)	9.8	7.6	–
Capital employed	155.1	165.5	-6.3%

Thorough marketing, sales and design teamwork by A+F Automation + Fördertechnik was rewarded with comprehensive project orders from new customers. Zumbiel Packaging/USA ordered a robotic palletizer to stack cut paper using the KUKA robot KR 350.

KP Aerofill/Great Britain, together with our Argentine company TECMAR, received an order for a high-speed aerosol line rated for 360 cans per minute from Unilever Argentina. KP Aerofill is supplying the aerosol filling machines, while TECMAR is providing the required conveying and sorting equipment as well as on-site technical support for the joint project.

KUKA controls are on the march

KUKA's declared objective is to systematically apply industrial robots in and between packaging machines and to increase the level of integration of KUKA controls in packaging machinery. In packaging technology, robots - automated universal motion devices - are not only becoming an integral component of the machinery, but are also being applied as a flexible linking and transfer module between machines within the process chain. Using KUKA controls in packaging machinery is a fundamental part of IWKA's strategy, and progress is being made on their integration. For example, HASSIA-Redatron, together with KUKA Roboter, equipped a pouch packaging machine with KUKA KMC controls for the first time. It was successfully presented at the SPS/IPC/DRIVES control technology trade show.

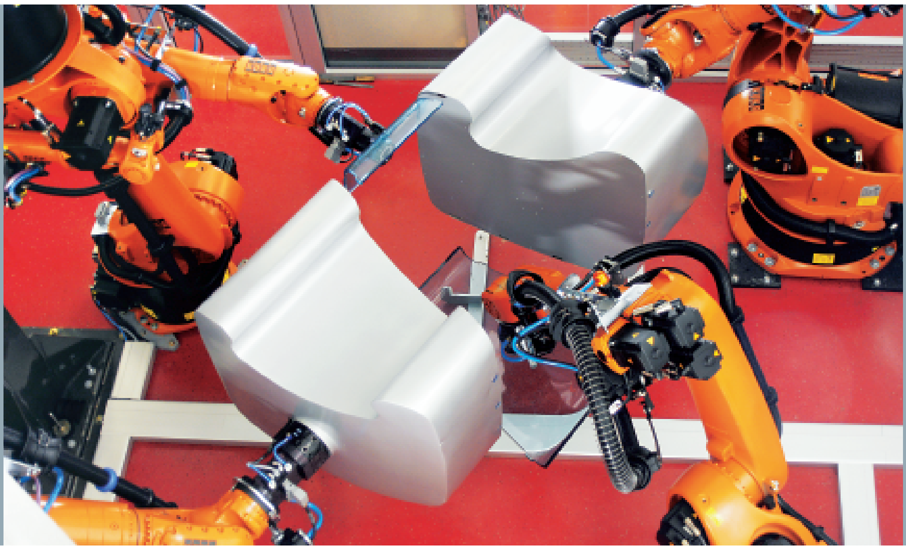
The disk jet is a particularly gentle and efficient system for drying, granulating and coating from granulates which are used in the pharmaceutical and chemical industries

Centers of Competence strengthen cooperation

In order to take advantage of synergies among the companies, the Group decided to establish Centers of Competence (COC) and Centers of Manufacturing (COM). An initial COC is planned for the joint development of dosing systems that can be used by several IWKA Packaging GmbH companies. A COM for various assemblies and basic machines is being built in China and will serve as a production platform for several companies. The after-sales market also looks promising and efforts to develop and expand it are underway.

Outlook

Innovations, in the form of new packaging materials and applications, and the associated marketing will open new markets in 2005. The ongoing trend toward plastic containers instead of glass or metal will also stimulate business.
An upswing is expected in the pharmaceutical business due to the backlog in capital spending. This applies especially to the generic drug segment, since this branch will benefit from expiring patents on a number of original products.
Business will also be stimulated by the deregulation of packaging sizes and by demand from customers and retailers for shorter product and package lifespans, as well as more competitive pricing. In new growth markets, such as in southeastern Europe and in Asia, national as well as international production facilities will appear. Extending our machinery product line at the lower end of the output range will give our companies the chance to take advantage of more sales opportunities.
The trend toward supplying complete systems based on using IWKA Group packaging machinery and systems, complemented by technology from third party suppliers, continues to increase from year to year. In addition, there is the demand for services that are up- or downstream of the customer's packaging process. Examples include advance planning and laboratory studies, as well as regular production optimization programs for the system once it is in operation.
As the Packaging Technology Division increases its focus on the pharmaceutical/cosmetics, food and dairy market segments and builds on its systems capabilities, especially by using the knowledge and expertise that exists within the Group, it will improve its ability to meet existing market demands and expand into new market segments.



Cooperating robots improve and optimize manufacturing flexibility for automakers

Robot Technology

The Robot Technology Division was previously part of the IWKA's Production Technology Division. The new Robot Technology Division's mandate is to develop, manufacture and market robots, as well as robot-related services and controls. The Robot Technology Division supplies the Group's Automotive Technology and Packaging Technology Divisions with products and services required for their applications and in turn is assigned various projects related to its products and services by these divisions. The division is increasingly penetrating new markets with its non-automotive applications. Robot technology is the core component of the IWKA Group's business strategy.

The Robot Technology Division had to deal with significant project-related fluctuations in 2004. Orders received for the fiscal year were lower than the year before, ending at EUR 354.9 million compared to EUR 407.8 million in 2003. The shortfall in orders from the automotive industry was about EUR 60 million. On the other hand, 2004's sales revenues of EUR 392.3 million were slightly higher the already very high EUR 371.6 million generated in 2003. Increases in orders received and sales revenues were particularly significant in the fourth quarter. The division continues to systematically pursue its objective to expand its non-automotive sector business based on its well developed business processes in the automotive industry. EBIT remained high at EUR 45.8 million, but was not able to match the EUR 48.3 million achieved last year. The Robot Technology Division had 2,044 employees as of December 31, 2004. This is 210 people more than at the close of 2003. The increase is the result of converting temporary workers to permanent staff at KUKA Robotics Hungária, as well as the new consolidation of AMATEC Robotics GmbH.

Key technology for economic growth

The robot is a relatively new technology compared to other technical inventions. The world's first industrial robot was applied in the middle of the twentieth century. It was not by accident that a carmaker first invested in the new technology, using a robot to unload an aluminum casting machine. The first electrically driven, microprocessor-controlled robot was introduced in 1974.

In 1996, KUKA Roboter's design underwent a quantum leap, when it introduced an in-house developed PC-based control system. It was the dawning of the age of "true" mechatronics, which features the synergistic interplay of software, electrical control systems and mechanical engineering. Capital goods such as consumer products could now be produced with guaranteed consistently high quality thanks to robotics.

Today, robots can do almost anything. They can be used for manipulating, stacking, testing, polishing and machining. New gripper and sensor technology now allow robots to execute previously unimaginable tasks. The latest technical achievement in the evolution of robot development is to use two or more robots in a cell, where they are sized and positioned to "co-operate". This enables their different application strengths to be applied even more effectively. The concept aims to improve manufacturing and material flow flexibility and to enhance dynamics of production control, cut manufacturing costs and shorten engineering time. Other advances in the technological development process relate to application of materials that make robots lighter and more flexible.

Time-to-market a competitive advantage

KUKA Roboter implemented a coherent engineering process that further optimizes product manufacturing and is realized in a single production facility. This enabled the business unit to achieve an important goal: short manufacturing cycles with maximum precision and highest quality without sacrificing flexibility. This ultimately shortens time-to-market and is a guaranteed competitive advantage.

Flexibility and innovation capability can only be guaranteed if the time between development and assembly is kept short. Tightly coordinating these two processes is the key to generating the leverage needed to further shorten new product development cycles. And it also clearly demonstrates that Germany, one of the world's largest robot markets, is the proper manufacturing location for KUKA robots.

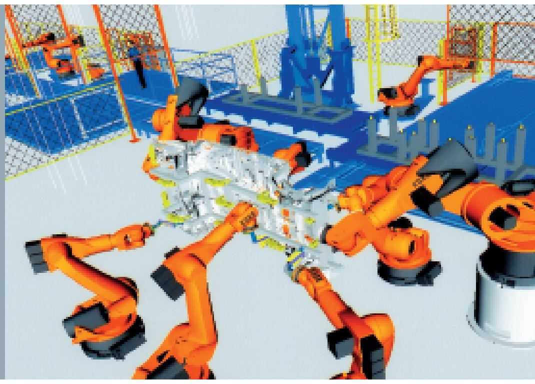
The company's attendance at various trade shows, including K 2004, the world's largest plastics show in Düsseldorf, and Euroblech in Hanover, was very successful. KUKA's robots attracted considerable interest at the newly launched AUTOMATICA show in Munich, a trade fair for robotics and automation.

Successful new applications

KUKA Roboter is systematically moving forward with its aim to significantly increase sales in the non-automotive sector. As a consequence, the group is working hard on mining existing target market sectors and expanding into new segments. Activities are focused on developing new applications in areas such as plastics, bending, integrated image processing systems and entertainment, as well as the related logistics processes. An example of success is in the plastics segment, where KUKA Roboter now offers the widest product range in the market, with seventeen shelf-mounted robots. The groundwork for penetrating this sector has therefore been established. The segment represents an attractive market opportunity, because there is still significant potential for automation. For example, only a very small number of injection molding machines in operation today have as yet been automated.

Robot Technology Division key figures

in EUR million	2004	2003	Change
Orders received	354.9	407.8	-13.0%
Sales revenues	392.3	371.6	5.6%
EBIT	45.8	48.3	-5.2%
% of sales	11.7	13.0	–
% of capital employed (ROCE)	40.3	53.8	–
Capital employed	113.6	89.8	26.5%



CAD simulation of a robot team for a car assembly line

Function packages for the automotive sector

KUKA Roboter is a high-tech company. In addition to refining its PC-based control systems and drive technology, the group is concentrating on developing new applications for the automotive industry. Work is ongoing in the area of cooperating robots and human-robot interaction. The program to take robot-based laser welding to the next stage of development is on a fast track. The business unit is also working hard on developing new function packages for the automotive sector and process control technology.

KUKA Roboter is intensifying efforts in the field of controls, as the company presses forward with enhancing its in-house control system, "KUKA Motion Control". The advanced technological level of its products is accentuated by comprehensive supplementary services and the company's engineering expertise. Looking toward the future, product-related services will be an increasingly important component of the value-added equation. The rising importance of these supplementary services supports the group's decision to include related courses at the new training center in Gersthofen. The "Official KUKA System Partner" program was expanded in the non-automotive sales area.

Robots more and more intelligent

A very important part of KUKA's strategy to maintain its innovation capability is to work with science centers, research institutes, colleges and universities and to participate in research projects such as the "Morpha Project". The key objective of this program is to equip intelligent mechatronics systems, particularly robotic systems, with high-performance behavioral mechanisms. Their purpose is to enable the systems to cooperate with and assist the humans who are operating and controlling them.

In the near future, robots, which today are "blind" and have no sense of touch, will become "more intelligent" thanks to advanced control and regulating algorithms used in conjunction with high-performance sensors. This will significantly improve their versatility for many applications. Part of the "Morpha Project" included the development of new assistance systems, to be used not only in manufacturing, but also in everyday household applications.

Stainless steel robots

Large orders were received from VW for manufacturing the Passat and Golf plus, as well as from Ford for production of the Focus and from BMW for the 1- and 3-Series. DaimlerChrysler awarded orders for the S-class and the new B-class. In addition, there were projects from Autoeuropa Portugal for the VW Cabrio.

More and more, non-automotive sector (general industry) projects are evolving as the second most important market for the Robot Technology Division. The number of such contracts was again higher than the previous year and had a positive impact on the business development. For example, together with a partner, KUKA broke into the wide field of deburring technology.

The company pressed ahead with development of a stainless steel robot for the food industry that will fulfill the extremely strict hygiene requirements for working with fresh food.

An "order picking" KUKA robot puts together shipping packages according to size and weight

Outlook

Robots continue to penetrate in factory automation systems in an ever expanding variety of new fields as a universal component for use. The integration of electronics and information technology in areas that were previously a mechanical domain is presenting new challenges every day, particularly in the field of industrial automation. IWKA will address these challenges head-on. Innovation leadership demands ongoing high commitment to investment and development.

While the Robot Technology Division can be satisfied with its rapid sales growth over the past number of years, the group is increasingly being subjected to margin pressures, as are other businesses that service the automotive industry. The industrial robot price index fell from 100 to 51 between 1990 and 2003. The unit value of a robot sank dramatically in the 90s and has only fallen slightly since then, which to a large extent, is probably due to productivity improvements and the advantages of mass production.

These facts and the market strength of the OEMs are key reasons for the decision to enhance the Robot Technology Division's innovation capability and to further expand its portfolio outside the automotive industry to address the non-automotive market. A high level of spending on research and capital equipment is required to develop the customer-specific applications that will address the needs of this market. KUKA Roboter will therefore also budget for the development and market introduction of at least one key application per year. In 2005, earnings will be reinvested in research and development to a greater extent than they were in prior years.

Non-core businesses

The non-core businesses area comprises the companies of the former Process Technology Division, as well as Boehringer Werkzeugmaschinen GmbH and its marketing subsidiaries from the former Manufacturing Technology Division and US-based Inex Vision Systems, which is part of the Packaging Technology Division.
The year 2004 was used to expand the business activities of these companies and to improve their earnings situation. A number of these companies were sold during the reporting period. IWKA will continue to align its portfolio of companies to the new business strategy.

The non-core businesses reported orders received at EUR 469.9 million, an increase of 3.4 percent over the prior year's EUR 454.4 million. Sales revenues, at EUR 443.0 million, were at about the same level as 2003's value of EUR 445.4 million. This increase was able to compensate for the lost business volume from the companies no longer included in IWKA's consolidated group of companies during the 2004 business year. As a result of restructuring programs introduced over the past few years, EBIT increased substantially, rising from EUR -3.9 million in 2003 to EUR 12.6 million. As of December 31, 2004, the division had 3,363 employees, 212 persons fewer than exactly one year earlier. This reduction is mainly due to the divestment of parts of the Bopp & Reuther Group and Inex Vision Systems.

The sale of some former Process Technology Division companies enabled IWKA to make considerable progress during the past fiscal year in reducing capital employed and focusing on core competencies. The Group has now withdrawn from the water and gas markets.

Extensive divestments in 2004

Companies sold during the first half of the business year had sales totaling EUR 23 million and 225 employees. They comprised Bopp & Reuther Messtechnik GmbH, WPD Wartungs- und Prüfungsdienst GmbH, MARCON Ingenieurgesellschaft mbH, Heinrichs Messtechnik GmbH and one product segment of TUBEST S.A. IWKA continued to expedite its divestment process during the second half of the year. Also sold were US-based Inex Vision Systems and the Group's fifty-percent share ownership in Muffenrohr GmbH.

A financial investor acquired the Bopp & Reuther Group's largest company, Mannheim-based VAG-Armaturen GmbH and its subsidiaries effective January 1, 2005. In 2004, the VAG Group generated sales revenues of about EUR 74 million with approximately 700 employees.

RMG Regel + Messtechnik GmbH, based in Kassel, together with its subsidiaries, was also sold to a financial investor effective January 1, 2005. In 2004, the RMG Group and its 900 employees had sales revenues of about EUR 100 million.

As of January 1, 2005, the Non-core Businesses comprised Bopp & Reuther Sicherheits- und Regelarmaturen GmbH, the IWKA Balg- und Kompensatoren Group and the Boehringer Group.

Safety for power stations

In 2004, Bopp & Reuther Sicherheits- und Regelarmaturen implemented the necessary approval processes to enable it to comply with American standards for power station equipment. The company also signed a six-year contract to clean steam safety valves for French power stations.

The company's increased strength and improved market position were also reflected in major orders from Shell and BASF for locations in China, Singapore and the Netherlands as well as several power station projects in China, Korea and Saudi Arabia. The earnings situation improved.

Success with exhaust modules

In 2004, the Balg- und Kompensatoren Group benefited from the outsourcing activities of major suppliers. American BOA therefore built a factory in Michigan/USA in 2004. Despite increasing raw material prices, the group was able to further improve its positive earnings situation.

Evolving into a systems supplier

In 2004, Boehringer Werkzeugmaschinen GmbH had to adjust its capacity once again. Previous restructuring enabled the company to continue evolving from a pure machine tool manufacturer to a systems supplier. The reengineering program's objective of stabilizing business growth started to bear fruit.

The company was also able to move forward on the technological front. Boehringer entered a new era with the introduction of its type NV 250 vertical turning center. The first tests convincingly underscored the success of this new turning center.

IWKA Powertrain was the successful bidder on an international tender for a flexible crankshaft manufacturing line for a new engine factory in China. This will be the first time the group takes general contractor responsibility for an order. In addition to the ordering and planning phase, Boehringer will take sole responsibility for managing this fast-track project, which is scheduled to be completed in a mere fifteen months. Because they are the most complex manufacturing lines in the engine segment, only a few systems orders have been awarded to date for crankshaft machining.

IFRS rules

The revenues and costs for companies that were sold by the end of 2004 were extracted from the results of the IWKA Group and shown under discontinued operations in accordance with International Financial Reporting Standards (IFRS) rules. The results are summarized under "Discontinued operations" on the income statement and as intangible assets and liabilities from "Discontinued operations" on the Group balance sheet and are explained in detail in the notes.

Discontinued operations consist primarily of the companies of the RMG Group, based in Kassel, the Mannheim-based VAG Group and a number of small companies belonging to the Bopp & Reuther Group. The other companies from the Non-core Businesses remain classified as continuing operations in the 2004 annual report.

Key figures Non-core businesses

in EUR million	2004	2003	Change
Orders received	469.9	454.4	3.4%
Sales revenues	443.0	445.4	-0.5%
EBIT	12.6	-3.9	–
% of sales	2.8	-0.9	–
% of capital employed (ROCE)	6.7	-1.9	–
Capital employed	188.3	204.5	-7.9%

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IWKA Aktiengesellschaft

Group Income Statement

for the period Jan. 1 - Dec. 31, 2004

in EUR thousands	Note	2004	2003
Sales revenue	(1)	**2,168,524**	**2,143,419**
Changes in inventories of finished goods and work in process		-62,124	2,500
Own costs capitalized	(2)	12,869	11,132
Total output		**2,119,269**	**2,157,051**
Other operating income	(3)	57,511	61,089
		2,176,780	**2,218,140**
Cost of materials	(4)	-1,089,581	-1,086,567
Personnel expense	(5)	-647,886	-644,789
Depreciation/amortization on intangible and tangible assets	(7)	-52,795	-50,560
Other operating expenses	(8)	-284,759	-327,416
		-2,075,021	**-2,109,332**
Earnings from operating activities		**101,759**	**108,808**
Income from participations in associated companies	(9)	1,440	1,364
Other income from participations	(10)	400	739
Write-off financial assets		-413	-1,073
Net interest income/expense	(11)	-18,817	-25,393
		-17,390	**-24,363**
Earnings from ordinary activities		**84,369**	**84,445**
Taxes on income	(12)	-33,841	-33,044
Earnings from continuing operations		**50,528**	**51,401**
Earnings from operating activities of discontinued operations		4,297	-5,768
Result from the disposal of discontinued operations		-5,997	-
Result from discontinued operations	(13)	**-1,700**	**-5,768**
Net income for the year		**48,828**	**45,633**
Allocation to the revenue reserves		-31,240	-27,645
Minority interest in profits		-32	-432
Net retained earnings		**17,556**	**17,556**
Earnings per share	(14)	1.83	1.70

IWKA Aktiengesellschaft

Group Balance Sheet

as at Dec. 31, 2004

Assets

in EUR thousands	Note	Dec. 31, 2004	Dec. 31, 2003
Non-current assets			
Intangible assets	(15)	160,033	157,475
Tangible assets	(16)	255,316	291,680
Participations in associated companies	(17)	2,999	7,403
Other financial assets	(17)	14,922	14,227
		433,270	**470,785**
Deferred taxes	(12)	**39,269**	**35,925**
Current assets			
Inventories	(18)	348,115	436,858
Receivables and other assets	(19)		
Trade receivables		442,618	437,003
Receivables from long-term contracts		90,692	75,422
Receivables from affiliated companies		17,977	23,429
Receivables from companies, in which participations are held		1,050	4,386
Other assets, prepaid expenses and deferred charges		35,621	47,732
		587,958	587,972
Cash and cash equivalents	(20)	135,440	114,732
		1,071,513	**1,139,562**
Assets of discontinued operations	(21)	**115,839**	**–**
		1,659,891	**1,646,272**

Equity and liabilities

in EUR thousands	Note	Dec. 31, 2004	Dec. 31, 2003
Equity	(22)		
Subscribed capital	(23)	69,160	69,160
Capital reserve	(24)	133,387	133,387
Revenue reserves	(25)	134,744	98,833
Net retained earnings		17,556	17,556
Minority interests	(26)	3,202	4,128
		358,049	**323,064**
Non-current liabilities, provisions and accruals	(27)		
Long-term financial liabilities	(28)	136,858	212,078
Other long-term liabilities	(29)	12,958	15,618
Pensions provisions and similar obligations	(30)	178,992	204,173
Deferred taxes	(12)	22,695	22,152
		351,503	**454,021**
Current liabilities, provisions and accruals	(27)		
Short-term financial liabilities	(28)	131,068	127,613
Trade payables		206,648	179,104
Advances received		96,909	115,135
Liabilities from long-term contracts		85,830	39,597
Accounts payable to affiliated companies		2,014	3,376
Other short-term liabilities and deferred income	(29)	72,963	71,981
Provision for taxes	(31)	52,255	53,808
Other provisions	(32)	245,621	278,573
		893,308	**869,187**
Liabilities from discontinued operations	(21)	**57,031**	**-**
		1,659,891	**1,646,272**

Development of Group equity

in EUR million	Subscribed Capital	Capital Reserve	Revenue Reserves: Other revenue reserves	Revenue Reserves: Translation gains/ losses	Revenue Reserves: Market valuation, Hedges	Net Retained Earnings	Minority Interests	Total
Jan. 1, 2003	**69.2**	**133.3**	**77.2**	**0.0**	**-5.6**	**17.6**	**3.8**	**295.5**
IWKA AG dividend	–	–	–	–	–	-17.6	–	-17.6
Changes in ownership	–	–	2.7	–	–	–	0.2	2.9
Exchange rate-related differences	–	–	–	-4.0	–	–	-0.3	-4.3
Other changes	–	–	–	–	1.0	–	–	1.0
Group net income for the year	–	–	27.6	–	–	17.6	0.4	45.6
Dec. 31, 2003	**69.2**	**133.3**	**107.5**	**-4.0**	**-4.6**	**17.6**	**4.1**	**323.1**
IWKA AG dividend	–	–	–	–	–	-17.6	–	-17.6
Changes in ownership	–	–	1.7	–	–	–	-0.9	0.8
Exchange rate-related differences	–	–	–	0.3	–	–	–	0.3
Other changes	–	–	–	–	2.7	–	–	2.7
Group net income for the year	–	–	31.2	–	–	17.6	–	48.8
Dec. 31, 2004	**69.2**	**133.3**	**140.4**	**-3.7**	**-1.9**	**17.6**	**3.2**	**358.1**

IWKA Group Cash Flow Statement

in EUR million	2004	2003
Net income for the year	**48.8**	**45.6**
Result from the disposal of discontinued operations	6.0	0.0
Depreciation/amortization on intangible and tangible assets	58.6	58.3
Write-off financial assets	0.5	1.1
Other non-payment related expenses/income	1.7	-2.1
Cash flow	**115.6**	**102.9**
Result on the disposal of assets	-5.8	-2.4
Changes in provisions	-24.0	18.9
Changes in current assets and liabilities:		
Changes in inventories	46.2	23.6
Changes in receivables and deferred charges	-46.9	30.8
Changes in liabilities and deferred income (excl. financial debt)	73.1	-71.9
Cash flow from operating activities	**158.2**	**101.9**
(of that discontinued operations)	(8.9)	(16.4)
Payments from disposals of fixed assets	12.0	10.4
Payments for capital expenditures on intangible assets	-19.9	-15.8
Payments for capital expenditures on tangible assets	-47.7	-53.6
Payments for investments in financial assets	-5.9	-2.0
Payments arising in connection with the disposal of consolidated companies and other business units	-2.2	0.0
Payments for the acquisition of consolidated companies and other business units	0.0	-1.5
Cash flow from investing activities	**-63.7**	**-62.5**
(of that discontinued operations)	(-11.1)	(-5.5)
Dividends paid	-17.6	-17.6
Payments for repaying liabilities due to banks and liabilities similar to bonds	-56.6	-41.8
Cash flow from financing activities	**-74.2**	**-59.4**
(of that discontinued operations)	(0.9)	(-10.1)
Payment-related changes in cash and cash equivalents	**20.3**	**-20.0**
(of that discontinued operations)	(-1.3)	(0.8)
Exchange rate-related and other changes in cash and cash equivalents	1.6	-3.5
(of that discontinued operations)	(0.1)	(-0.1)
Changes in cash and cash equivalents	**21.9**	**-23.5**
Cash and cash equivalents at the beginning of the period	114.7	138.2
(of that discontinued operations)	(2.4)	(1.7)
Cash and cash equivalents at the end of the period	**136.6**	**114.7**
(of that discontinued operations)	(1.2)	(–)
(of that continuing operations)	(135.4)	(114.7)

Group Segment Reporting

in EUR million	Automotive Technology 2004	Automotive Technology 2003	Packaging Technology 2004	Packaging Technology 2003	Robot Technology 2004	Robot Technology 2003
Group external sales revenue	1,118.6	1,097.8	391,8	417.2	392.3	371.6
as a % of Group sales revenue	47.6	47.0	16.7	17.8	16.7	15.9
Intra-Group sales	13.0	9.5			28.2	46.1
Sales revenue by division	**1,131.6**	**1,107.3**	**391.8**	**417.2**	**420.5**	**417.7**
EBIT	**41.5**	**43.0**	**15.2**	**12.5**	**45.8**	**48.3**
as a % of sales revenues of the division	3.7	3.9	3.9	3.0	10.9	11.6
as a % of Group external sales revenue	3.7	3.9	3.9	3.0	11.7	13.0
as a % of capital employed (ROCE)	15.9	15.6	9.8	7.6	40.3	53.8
Capital Employed (annual average)	261.2	276.0	155.1	165.5	113.6	89.8
Assets	663.8	659.2	285.4	271.8	230.9	230.7
Liabilities	451.1	408.2	185.0	170.4	110.9	129.2
Capital expenditure	21.3	21.9	7.8	8.6	20.1	14.3
Deprecation/amortization on intangible and tangible assets	18.9	20.2	9.2	8.8	12.2	9.8
Payroll (annual average)	4,985	4,922	2,751	2,892	2,013	1,730

in EUR million	Germany 2004	Germany 2003	European Union (excl. G) 2004	European Union (excl. G) 2003	Other Europe 2004	Other Europe 2003
Group external sales revenue	855.3	910.4	520.4	468.6	96.4	184.5
as a % of Group sales revenue	36.4	39.0	22.1	20.0	4.1	7.9
Capital Employed (annual average)	376.3	381.9	178.9	192.1	19.0	24.2
Assets	896.7	924.1	375.9	347.5	22.6	23.7
Capital expenditure	49.6	43.2	11.2	13.4	0.6	0.6
Payroll (annual average)	7,654	7,811	3,316	3,242	254	266

Non-Core Businesses		IWKA AG, other Companies and Reconciliation/ Consolidation items		Consolidated Group		Discontinued Operations and Reconciliation/ Consolidation items		Continuing Operations (as per Balance Sheet and P&L presentation)	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
443.0	445.4	6.2	7.1	2,351.9	2,339.1	183.4	195.7	2,168.5	2,143.4
18.8	19.0	0.2	0.3	100.0	100.0	7.8	8.4	92.2	91.6
4.8	2.9	-46.0	-58.5						
447.8	**448.3**	**-39.8**	**-51.4**	**2,351.9**	**2,339.1**	**183.4**	**195.7**	**2,168.5**	**2,143.4**
12.6	**-3.9**	**-3.2**	**7.1**	**111.9**	**107.0**	**10.1**	**-1.8**	**101.8**	**108.8**
2.8	-0.9			4.8	4.6	5.5	-0.9	4.7	5.1
2.8	-0.9			4.8	4.6	5.5	-0.9	4.7	5.1
6.7	-1.9			15.2	14.1	12.8	-2.1	15.5	16.1
188.3	204.5	18.9	24.5	737.1	760.3	78.7	86.1	658.4	674.2
284.4	298.3	17.2	35.5	1,481.7	1,495.5	113.0	122.7	1,368.7	1,372.8
173.0	176.0	26.6	23.8	946.6	907.6	45.0	56.3	901.6	851.3
16.3	23.7	2.0	0.9	67.5	69.4	6.4	7.1	61.1	62.3
15.8	16.4	2.5	2.6	58.6	57.8	5.8	7.2	52.8	50.6
3,467	3,725	95	91	13,311	13,360	1,774	1,995	11,537	11,365

USA/Canada		Other Regions/ Reconciliation		Total	
2004	2003	2004	2003	2004	2003
561.9	517.8	317.9	257.8	2,351.9	2,339.1
23.9	22.1	13.5	11.0	100.0	100.0
158.9	158.3	4.0	3.8	737.1	760.3
271.9	296.1	-85.4	-95.9	1,481.7	1,495.5
6.0	12.2	0.1		67.5	69.4
1,871	1,812	216	229	13,311	13,360

Schedule of Movements in Fixed Assets

of the IWKA Group

Acquisition/Manufacturing Costs

in EUR thousands	Status as at Jan. 1 2004	Reclassi-fications as discontinued operations	Exchange rate differences	Changes to the scope of consoli-dation	Additions	Disposals	Reclassi-fications	Status as at Dec. 31, 2004
Intangible assets								
Rights and similar assets	59,955	-7,301	-419	97	6,844	1,814	120	57,482
Self-developed software and other development costs	21,203	0	0	0	11,335	0	0	32,538
Goodwill	128,701	-2,126	0	409	461	0	0	127,445
Advances paid	155	-5	0	0	815	20	0	945
	210,014	**-9,432**	**-419**	**506**	**19,455**	**1,834**	**120**	**218,410**
Tangible assets								
Land, similar rights and buildings including buildings on land owned by third parties	330,699	-33,883	-4,266	10	3,631	1,362	879	295,708
Technical plant and equipment	283,367	-72,355	-2,746	0	18,112	7,390	6,647	225,635
Other equipment, factory and office equipment	195,926	-32,626	-1,209	1,831	16,621	15,250	864	166,157
Advances paid and construction in progress	9,785	-757	-20	0	3,327	50	-8,510	3,775
	819,777	**-139,621**	**-8,241**	**1,841**	**41,691**	**24,052**	**-120**	**691,275**
Financial assets								
Participations in affiliated companies	27,777	-2,039	21	-1,324	1,944	1,355	0	25,024
Participations in associated companies	11,850	-1,776	3	0	1,122	5,839	-201	5,159
Other participations	2,220	-1,784	0	0	1,019	0	0	1,455
Loans to companies in which participations are held	180	0	2	0	0	51	0	131
Other loans	63	0	-48	0	710	14	201	912
	42,090	**-5,599**	**-22**	**-1,324**	**4,795**	**7,259**	**0**	**32,681**
	1,071,881	**-154,652**	**-8,682**	**1,023**	**65,941**	**33,145**	**0**	**942,366**

Accumulated Depreciation									Net Book Value	
Status as at Jan. 1, 2004	Reclassi-fication as discontinued operations	Exchange rate differences	Changes to the scope of consolidation	Additions	Disposals	Reclassi-fications	Write-ups	Status as at Dec. 31, 2004	Status as at Dec. 31, 2004	Status as at Dec. 31, 2003
42,272	-5,554	-323	92	6,863	1,667	1	0	41,684	15,798	17,683
9,749	0	0	0	6,944	0	0	0	16,693	15,845	11,454
518	-518	0	0	0	0	0	0	0	127,445	128,183
0	0	0	0	0	0	0	0	0	945	155
52,539	**-6,072**	**-323**	**92**	**13,807**	**1,667**	**1**	**0**	**58,377**	**160,033**	**157,475**
146,186	-18,551	-1,293	2	8,487	423	0	15	134,393	161,315	184,513
222,188	-58,786	-1,815	0	15,091	6,818	-468	0	169,392	56,243	61,179
159,723	-29,345	-1,011	1,401	15,410	14,471	467	0	132,174	33,983	36,203
0	0	0	0	0	0	0	0	0	3,775	9,785
528,097	**-106,682**	**-4,119**	**1,403**	**38,988**	**21,712**	**-1**	**15**	**435,959**	**255,316**	**291,680**
14,152	-1,597	0	-257	55	408	0	0	11,945	13,079	13,625
4,447	0	3	0	0	2,089	-201	0	2,160	2,999	7,403
1,825	-1,718	0	0	7	0	0	0	114	1,341	395
0	0	0	0	0	0	0	0	0	131	180
36	0	-47	0	351	0	201	0	541	371	27
20,460	**-3,315**	**-44**	**-257**	**413**	**2,497**	**0**	**0**	**14,760**	**17,921**	**21,630**
601,096	**-116,069**	**-4,486**	**1,238**	**53,208**	**25,876**	**0**	**15**	**509,096**	**433,270**	**470,785**

IWKA Group
Notes for the 2004 Financial Year

General comments

The IWKA Aktiengesellschaft has prepared its 2004 consolidated financial statements for the first time according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretation Committee (SIC) as well as the International Financial Reporting Interpretation Committee (IFRIC). The numbers for the prior year were prepared according to these same standards.

The conditions set forth in Article 292 a of the German Commercial Code [HGB] for an exemption from the requirement to prepare a Group consolidated financial statement pursuant to the German Commercial Code (HGB) have been met. The assessment of these conditions is based on the German Accounting Standard No. 1 (DRS 1) published by the German Accounting Standards Council.

The option of early application was used for all IFRS Standards that had been adopted as at Dec. 31, 2004.

The Group consolidated financial statements have been prepared in EURO. Unless otherwise noted, all amounts are stated in millions of euro (EUR million).

The income statement has been prepared according to the total cost method.

Differences from the German Commercial Code (HGB)

This has resulted in the following major changes in accounting and valuation methods when compared to German commercial law:

- Changes in the allocation of economic ownership in the case of finance leases (IAS 17).
- Measurement of pension provisions and similar obligations according to the benefit/years of service method, allowing for future increases in salaries and pensions, as well as the corridor rule (IAS 19).
- Translation of assets and liabilities denominated in foreign currency at the closing rate (IAS 21).
- Recognition, measurement and disclosure of financial instruments (IAS 32, IAS 39).
- No recognition of provisions for future operating expenses or other provisions if the probability that they will be used is less than 50% (IAS 37).
- Capitalization of development costs as intangible assets (IAS 38).
- Proportionate recognition of revenues from long term contracts by reference to the percentage of completion (IAS 11).
- In compliance with the so-called “limited retrospective application” of IFRS 3, accounting for goodwill was already changed to “impairment only” approach as at January 1, 2003.
- Impairment tests for assets were performed on the basis of the cash generating units as at January 1, 2003 as well as the subsequent balance sheet dates (IAS 36).
- Separate disclosure and measurement of discontinued operations (IFRS 5).

Major changes associated with the first-time application are explained on pages 102ff.

Scope of consolidation

In addition to IWKA Aktiengesellschaft, the Group consolidated financial statements include forty-three companies registered in Germany as well as fifty-one companies domiciled outside of Germany on whose behalf IWKA Aktiengesellschaft exercises uniform control. The following companies, which previously had not been consolidated because of their minor significance, are included in the scope of consolidation for the first time as at January 1, 2004 (percentage of participation in parenthesis):

- IWKA PacSystems Inc., Fairfield, USA (100%)
- KUKA Flex de Mexico, S. de R.L. de C.V., Toluca, Mexico (100%)
- KUKA Recursos, S. de R.L. de C.V., Toluca, Mexico (100%)
- KUKA Service Solutions GmbH, Augsburg (100%)
- KUKA Svetsanläggningar + Robotar AB., Västra Frölunda, Sweden (100%)

In addition, AMATEC Robotics GmbH, based in Germering, in which our share was increased from fifty percent to seventy percent at the beginning of 2004, was included in the scope of consolidation for the first time.

In the reporting year, the Vertriebsgesellschaft für Verpackungsanlagen mbH Pacunion, Stutensee, merged with IWKA Pacunion GmbH, Karlsruhe and Smithamdale Investments Ltd., London, merged with KUKA Welding Systems + Robot Ltd., Halesowen.

In connection with the focusing on core businesses, three consolidated companies were disposed of retroactive to January 1, 2004 and are no longer included in the 2004 scope of consolidation. These are Bopp & Reuther Messtechnik GmbH, Speyer, WPD Wartungs- und Prüfungsdienst GmbH, Speyer, and MARCON Ingenieurgesellschaft mbH, Hamburg.

Companies that are, as a whole, of minor significance as regards the presentation of a true and fair view of the Group's net worth, financial position and earnings are not consolidated. They are reported in the Group consolidated financial statements at their respective acquisition cost or at fair value if lower. Their sales revenues make up approximately two percent of the Group's sales revenues.

Associated companies

Companies in which it is possible for IWKA Aktiengesellschaft, directly or indirectly, to exercise a significant influence (associated companies), are recorded on the balance sheet by the equity method.

This applies to the associated companies IWKA Regler und Kompensatoren Vertriebsgesellschaft m.b.H., Vienna, and PAM-PAC Machines Private Ltd., Mumbai, India. The latter was included in the Group consolidated financial statements on the basis of interim financial statements as at September 30, 2004.

Muffenrohr GmbH, Ottersweier, which had previously also been included in the Group consolidated financial statements according to the equity method, was disposed of during the 2004 financial year.

Discontinued operations

IFRS 5 requires a separate disclosure of assets (business units) that are no longer intended to remain as part of continuing operations but are intended for disposal. IFRS 5 sets out criteria designed to provide assurance that the sale of these companies is highly probable. In this connection, the following criteria must be adhered to:

- The management level authorized to make the necessary decisions must be committed to the planned sale. Additionally, active efforts to identify a buyer must have been initiated. The companies intended for sale must be actively marketed for sale at a price that approximately corresponds to their current fair value
- These companies must be available for immediate sale in their present condition
- The likelihood must be strong that the execution and closing of this sale can be expected within twelve months from the date of reclassification

The relevant companies are classified as discontinued operations as soon as management considers these criteria to have been met.

As of the date of the classification as discontinued operations in the 2004 financial year, the long term assets of these companies are no longer subject to scheduled depreciation. The assets and liabilities are recognized at the lower of their carrying amount or fair value less costs to sell.

The prior year numbers for the discontinued operations have been separately disclosed in the income statement with no valuation adjustment. No prior-period adjustment has been made on the balance sheet.

On the basis of the criteria in IFRS 5, the following companies were classified as discontinued operations as at the dates stated:

- MARCON Ingenieurgesellschaft mbH, Hamburg (as at June 25, 2004):
  The company was sold to its management by contract dated June 25, 2004, effective as at January 1, 2004.
- Bopp & Reuther Messtechnik GmbH, Speyer and
  WPD Wartungs- und Prüfungsdienst GmbH, Speyer (as at June 30, 2004):
  The two companies of Bopp & Reuther Messtechnik were sold to their management by contract dated June 30, 2004 retroactive to January 1, 2004.
- HEINRICHS Messtechnik GmbH, Cologne (as at July 2, 2004):
  The company was sold to its management by contract dated July 2, 2004, effective as at January 1, 2005.
- Inex Vision Systems, Inc., Clearwater, USA (as at September 28, 2004):
  The company was disposed of by way of an asset deal effective as at October 15, 2004.
- VAG-Armaturen GmbH, Mannheim (December 10, 2004) and
  Jihomoravska Armaturka spol. s.r.o., Hodonin, Czech Republic (December 10, 2004), as well as a non-consolidated participation (VAG Water Systems (Taicang) Co., Ltd., Taicang, China): The companies were sold to a financial investor with participation of their management by contract dated December 10, 2004 effective as at January 1, 2005.

- RMG-Group (as at December 23, 2004):
  - RMG Regel + Messtechnik GmbH, Kassel,
  - RMG Messtechnik GmbH, Butzbach,
  - RMG-GASELAN Regel + Messtechnik GmbH, Fürstenwalde,
  - Karl Wieser GmbH, Ebersberg,
  - WÄGA Wärme-Gastechnik GmbH, Kassel,
  - Bryan Donkin RMG Gas Controls Ltd., Chesterfield, Great Britain,
  - Bryan Donkin RMG Canada Ltd., Woodstock, Canada,
  - Zaklad Urzadzen Gazowniczych GAZOMET Sp.z o.o., Rawicz, Poland

  as well as six non-consolidated companies, two associated companies and three other participations. The RMG Group was sold to a financial investor and to its management by contract dated December 23, 2004 and effective as at January 1, 2005.

Consolidation policies

The Group consolidated financial statements are based on the financial statements of the IWKA Aktiengesellschaft and those of the consolidated subsidiaries and were prepared according to the uniform accounting and valuation policies for the Group. The consolidation of equity capital was performed by elimination of the carrying amount of the participation against the proportionate equity in the subsidiary restated as at the date of acquisition. In line with IFRS 3, any positive differences are capitalized as goodwill under intangible assets. Any negative differences must be recognized in the income statement. For all companies that were consolidated for the first time before January 1, 2003, the amortized carrying values from the equity consolidation within the framework of the German Commercial Code (HGB) have been maintained in accordance with IFRS 1.

Intra-Group sales, expenses, earnings, as well as receivables and payables are netted, and inter-company profits and losses are eliminated. The deferred tax entries required in connection with the consolidation processes have been recorded.

Guarantees and warranties that IWKA Aktiengesellschaft issues on behalf of consolidated subsidiaries are eliminated.

Currency translation

Receivables and payables denominated in foreign currency are translated as at the balance sheet date using an average rate. Any associated translation gains or losses are recorded as gains or losses in the income statement.

The annual financial statements of the consolidated foreign subsidiaries are translated from their functional currency (IAS 21) into euro. For all foreign companies, this is the respective local currency, since they operate predominantly within their currency area. Accordingly, all assets and liabilities are translated at the rate effective on the balance sheet date. Equity is translated using historical rates. Income and expenses are translated using average rates for the year. The translation of annual profits or losses on the income statement is also done at average rates for the year.

Accounting and valuation policies

Goodwill

Within the framework of the rules under IFRS 3, goodwill is recognized using the "impairment only" approach and is tested for impairment at least annually.

The impairment test is performed for the defined cash generating units as per IAS 36 rules, using the discounted cash flow method. This was done on the basis of data from the business plan. Since long-term use of the acquired goodwill is assumed, the last planning period was carried forward without additional factor for growth.

A uniform interest rate for the Group is used in principle for the discounting of cash flows, and is adjusted, if necessary, for differences in the base interest rates for the individual currencies. In the reporting year and in the prior year, a rate of eleven percent before taxes was used for the business plan horizon (three years). A growth discount of 0.5 percent was applied as perpetuity.

The major goodwill amounts as well as the underlying assumptions for the impairment test are provided under No. 15.

Self-developed software and other development costs

Development costs for newly developed products or internally generated intangible assets (for instance, software) were capitalized according to the criteria of IAS 38 provided that the technical feasibility and commercialization of the newly developed products are assured and that this will result in an inflow of economic benefits to the Group. In this context, the costs of production encompass the costs directly and indirectly attributable to the cost of development. According to IAS 38, expenditures on research are recognized as expenses when they are incurred.

Scheduled depreciation commences when the asset is put into use and is recognized over the expected useful life of, as a rule, four to six years, using either the straight-line or unit-based method.

Other intangible assets

Purchased intangible assets, predominantly software, are recognized at their acquisition cost and are amortized as scheduled over their expected useful life of three to five years using the straight-line method.

Tangible assets

Tangible assets for continuing operations are recognized at acquisition or production costs less scheduled depreciation. In addition to directly attributable costs, the costs of production for internally generated assets also include a proportionate share of overhead costs. Interest on borrowed capital is recognized as an expense when it is incurred.

Scheduled depreciation is based predominantly on the following periods of useful life:

• Buildings	25–50
• Property-related facilities	2–15
• Technical machinery and equipment	2–15
• Other equipment	2–15
• Factory and office equipment	2–15

Impairment charges of tangible assets are recorded in accordance with IAS 36 if the recoverable amount of the asset is less than its carrying amount. In this context, the recoverable amount is the higher of the net realisable value and the value in use of the asset in question. If the reasons for an impairment recorded in prior years no longer apply, the impairment is reversed.

Government grants

In accordance with IAS 20, government grants are recognized only if there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received.

Government grants related to assets (for instance investment subsidies and allowances) were deducted from the acquisition or production costs of the relevant asset. Grants related to income were recognized in the income statement and reported as reductions to the corresponding expenses.

Leasing

In connection with finance leases, ownership is attributed to the lessee in cases in which the latter assumes substantially all the risks and rewards incidental to ownership (IAS 17). Provided that the ownership is attributable to the IWKA Group, such leases are capitalized as at the date of the lease agreement at their fair value or at the lower present value of the minimum lease payments. Depreciation is recognized by the straight-line method over the useful life or over the lease term if it is shorter. The discounted value of payment commitments in connection with the lease payments is recognized as a liability and disclosed under other liabilities.

To the extent that the IWKA Group has entered into operating leases, lease or rent payments are directly recognized as expense in the income statement. Relevant total future costs are reported in item 16.

Financial instruments

Financial instruments are contracts that simultaneously give rise to a financial asset of one entity and a financial liability of another entity. These include both originated financial assets (for instance, trade receivables or trade payables) as well as derivative financial instruments (transactions to hedge the risk of a change in value).

IAS 39 differentiates between the following categories of financial instruments:

- Financial assets at fair value through profit or loss,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets.

Unless otherwise noted, financial instruments are recognized at fair value. The fair value of an originated financial instrument is the price that could be obtained in the market; i.e., the price at which the financial instrument could be freely traded between parties in an arm's length transaction.

Participations in business units that are part of continuing operations and that are in principle not available for sale, as well as loans extended by the company and long-term receivables are treated by the IWKA Group as financial assets and are carried at amortised cost.

Originated financial instruments that represent liabilities are carried at amortised cost.

Derivative financial instruments are financial contracts whose value is derived from the price of an underlying asset (for instance, stocks, bonds, money market instruments or commodities) or a reference rate (such as currencies, indices or interest rates). They require little or no initial investment and are settled at a future date. Examples of derivative financial instruments include options, forward contracts and interest rate swap transactions.

According to IAS 39, the IWKA Group recognizes all derivative financial instruments at fair value by the settlement date accounting method. Fair values are determined with the aid of standard financial mathematical techniques (mark to market method) or quoted prices.

Gains and losses arising from a change in the fair value of derivative financial instruments that do not fall within the scope of hedge accounting are recognized immediately in the income statement, as are the changes in the value of the underlying transactions.

Accounting for hedging instruments within the restrictive framework of the hedge accounting rules must differentiate between fair value hedges and cash flow hedges.

Fair value hedges are used to hedge the risk of changes in the value of a recognized asset or liability. Changes in the fair value of the underlying transactions and the associated hedging instruments are immediately recognized as profit or loss.

Cash flow hedges are used to hedge the risk of changes in the value of future cash flows. Until it is realized, the change in fair value is retained in equity as a reserve and is reclassified as gains or losses on the income statement in the same periods in which the underlying transaction affects profit or loss.

Inventories

According to IAS 2, inventories are valued at average cost of acquisition or production. In addition to the direct unit costs, production costs also include appropriate costs for indirect materials and production overheads. Interest on borrowed capital is not capitalized. Write-downs to lower net realizable value have been taken to the extent required. In addition to valuation allowing disposal at no net loss, these write-downs also cover all other inventory risk. If and when the circumstances that previously caused the inventories to be written down no longer exist, the amount of the write-down is reversed.

Long-term contracts

Contracts that meet the criteria of IAS 11 are recognized according to the percentage-of-completion method (POC method). As a rule, the percentage of completion to be recognized by contract is determined by the cost of work to date as a percentage of the estimated total costs (cost-to-cost method). The corresponding earnings from the contract are recognized on the basis of the percentage of completion thus determined. These contracts are presented as receivables resp. liabilities from long-term contracts. To the extent that services performed to date exceed advances received, the contracts are recorded on the balance sheet as receivables arising from long-term contracts. If there is a negative balance after deduction of advances, this is recognized as liabilities from long-term contracts. If necessary, provisions are recognized for impending losses.

Receivables and other assets

Receivables and other assets are recognized at costs of acquisition with appropriate discounts applied for all identified individual risks. General credit risk, to the extent that it can be documented, is also accounted for by appropriate valuation allowances.

Deferred taxes

According to IAS 12, deferred taxes have been recorded for all temporary differences between the carrying values of assets and liabilities on the Group consolidated balance sheet and their recognized value for tax purposes (liability method) as well as for tax loss carry-forwards. Deferred tax assets for accounting and valuation differences as well as for tax loss carry-forwards are only recognized to the extent that there is a sufficiently probable expectation that the corresponding benefit will be realized in the future. Deferred tax assets and liabilities are not discounted. Deferred tax assets are netted against deferred tax liabilities if the tax creditor and periodicity are the same.

Pension provisions and similar obligations

The measurement of pension provisions and similar obligations is performed according to IAS 19. Pensions and similar obligations comprise obligations of the Group to pay benefits under defined benefit plans. The pension obligations are determined according to the so-called projected unit credit method. In addition to known pensions and vested benefits as at the balance sheet date, this method also takes expected future increases in salaries and pensions into account. The calculations are based on actuarial reports that must be prepared annually and must be based on biometric data. Actuarial gains and losses are only recognized when they exceed a range of ten percent of defined benefit obligations. In that case, they are distributed over the average remaining working life of the beneficiaries. Service costs are recognized as personnel expense, the interest portion of the addition to provisions as well as the return on the fund assets are recognized as financing activities.

Pension obligations are by definition considered long-term.

Other provisions
Other provisions are recognized in the event that there is a current obligation to third parties arising from a past event. It must be possible to estimate the amount reliably and it must more likely than not lead to an outflow of future resources. Provisions are only recognized for legal and constructive obligations to third parties.

No provisions were recognized for future expenses, since the latter do not represent an external obligation.

Long-term provisions with a term of more than one year were discounted to the balance sheet date on the basis of appropriate interest rates where the interest effect was material.

Other provisions are in principle classified as short-term liabilities and provisions.

Liabilities
Liabilities are recognized on the balance sheet at their depreciated/amortized cost of purchase. Payables arising from finance leases are recognized at the present value of future lease payments.

Revenue recognition
Aside from long-term contracts (IAS 11), all other sales revenue is recognized according to the completed contract method in adherence to IAS 18. Sales revenues are booked in the period in which the products or goods were delivered or the services were rendered. Any reductions to the proceeds, contract penalties and cash discounts are deducted from this. At this time, the amount of revenues can be reliably measured and the inflow of economic benefits from the transaction is sufficiently probable.

Assumptions and estimates
The preparation of the Group consolidated financial statements requires management to make assumptions and estimates that affect the recognition and amount of assets and liabilities on the balance sheet, revenues and expenses, as well as the disclosure of contingent liabilities. Actual amounts may differ from these assumptions and estimates on a case-by-case basis.

Notes on the conversion to IFRS / IAS
The transition from the German Commercial Code (HGB) to IFRS / IAS effective January 1, 2003 was carried out subject to the application of IFRS 1. In this connection it was assumed retrospectively and in principle that all IFRS / IAS in effect at the reporting date had already been applied at all times.

In this process, we elected to make use of the following exemptions provided for in IFRS 1 with respect to retrospective application:

- Under an exemption, IFRS 3 Business Combinations was not applied retrospectively. Instead, the values recognized in the equity consolidation prepared under the German Commercial Code (HGB) as at January 1, 2003 were applied.
- For commitments related to retirement benefits cumulative actuarial gains and losses on the opening balance sheet as at January 1, 2003 were netted without effect on profit or loss.
- Cumulative translation differences from investments in foreign participations are not recognized, and are offset against revenue reserves as at the transition date of January 1, 2003.

As a result of the transition from the German Commercial Code (HGB) to IFRS, equity was reduced by EUR 91.1 million as at Jan. 1, 2003 and by EUR 64.7 million as at Dec. 12, 2003. Net income for the year for 2003 was higher by EUR 22.2 million than according to the German Commercial Code (HGB).

The following tables summarize the major accounting and measurement differences between the German Commercial Code (HGB) and IFRS in terms of their amount, and provide reconciliations for equity and earnings.

Reconciliation of equity

in EUR million	Jan. 1, 2003	Dec. 31, 2003
Equity according to the German Commercial Code (HGB), including minority interests	**386.6**	**387.8**
Capitalization of development costs and self-developed software	9.4	11.5
Goodwill measurement	-62.4	-42.5
Measurement of inventories, including effects from percentage of completion	32.3	31.3
Revaluation of pension liabilities	-80.6	-77.7
Deferred tax assets and liabilities (including deferred tax assets associated with tax loss carry-forwards)	-10.9	-10.1
No recognition of provisions for future expenses or provisions that do not represent an external liability	22.8	23.7
Measurement of derivatives fair value/currency translation effects	-5.1	-3.5
Other differences in recognition and measurement	3.4	2.6
Equity according to IFRS/IAS, including minority interests	**295.5**	**323.1**

Reconciliation of net income for the year

in EUR million	2003
2003 net income for the year according to the German Commercial Code (HGB)	**23.4**
Capitalization of development costs and self-developed software	2.1
Goodwill amortization	19.8
Measurement of inventories, including effects from percentage of completion	-0.7
Deferred tax assets and liabilities (including deferred tax assets associated with tax loss carry-forwards).	0.2
No recognition of provisions for future expenses or provisions that do not represent an external liability	1.0
Measurement of derivatives at fair value/currency translation effects	0.5
Other differences in recognition and measurement	-0.7
2003 net income for the year according to IFRS/IAS	**45.6**

Notes on major differences between the German Commercial Code (HGB) and IFRS / IAS

- **Capitalization of development costs and self-developed software**
  According to IAS 38, development costs and other self-developed intangible assets (especially software) must be capitalized if they meet certain criteria. In the IWKA Group this involves primarily capitalized development costs and internally generated software in the Robot Technology and Packaging Technology Divisions. In this connection, development costs for new generations of packaging technology equipment and newly developed robotic control systems are capitalized for the first time and will be amortized over the period of their useful life.
- **Recognition of goodwill and elimination of scheduled amortization**
  The "Impairment only" approach according to IFRS 3 has been used for goodwill effective January 1, 2003. In connection with the transition, the goodwill amounts partly combined according to the German Commercial Code (HGB) were distributed to the appropriate cash generating units, as applicable from a Group perspective. Whenever there is such a distribution, it is made on the basis of the discounted cash flow valuation of the cash generating units.
  All goodwill amounts were tested for impairment according to IAS 36 as at the balance sheet date of the opening balance sheet (January 1, 2003), which, on the basis of business plan data, led to a write-down of EUR 61.1 million. In this process, the underlying discount rate used was eleven percent. The write-down was attributable to the segments Automotive Technology at EUR 25.0 million, Packaging Technology at EUR 35.6 million and non-core businesses at EUR 0.5 million. In connection with the early application of IFRS 3 at the IWKA Group, scheduled goodwill amortization was discontinued as at January 1, 2003. This results in a difference in net earnings from the financial statements according to the German Commercial Code (HGB) of EUR 19.8 million.
- **Proportionate recognition of revenues (POC method), measurement of inventories, netting of advances received**
  The use of the percentage of completion method (POC) represents a significant change under IFRS / IAS compared to the German Commercial Code (HGB). For long-term contracts, providing they meet the criteria, a portion of contract revenues and expenses must be recognized by reference to the stage of completion (percentage of completion). In the IWKA Group, the long-term contracts accounted for under the percentage of completion method are associated especially with the Automotive Technology and the Robot Technology Divisions. Advances received can only be deducted from the value of the contract recognized on the asset side for POC contracts. The elimination of the netting option permitted by the German Commercial Code (HGB) for advances received for all inventories has resulted in an increase in total balance sheet assets of EUR 140.7 million, thereby also negatively affecting the equity capital ratio.
  The valuation of inventories has further been impacted by the different measurement according to IFRS/IAS which excludes certain losses. Under this method, deductions are not applied to fully absorbed costs - as according to the German Commercial Code (HGB) - but to direct costs only. This difference is also reflected in the recognition of the provision for impending losses.
- **Revaluation of pension obligation**
  The pension obligations recognized according to the German Commercial Code (HGB) as pension provisons as well as liabilities to provident funds are restated at a significantly higher amount according to IFRS/IAS. This is because future pension increases associated with wage and career trends are not included in the valuation pursuant to the German Commercial Code (HGB). This effect as well as the recognition of underfunded indirect pension commitments not previously recognized, resulted in an impact on equity as at the opening balance sheet date of EUR -80.6 million.

- **Deferred taxes**
  The differences in deferred taxes (assets and liabilities) are due to the difference between the values recognized according to the German Commercial Code (HGB) and according to IFRS / IAS.
- **No recognition of provisions for future expenses or provisions that do not represent an external liability**
  Provisions for future expenses and provisions that do not represent an external liability, which may be recognized according to the German Commercial Code (HGB), may not be recognized according to IFRS / IAS. According to IFRS / IAS, provisions may be recognized if they represent a legal or constructive obligation to a third party and if their use is probable ("more likely than not"). This reversal and restatement as of the opening balance sheet date without effect on profit or loss resulted in an increase of equity by EUR 22.8 million.
- **Translation effects and recognition of derivative financial instruments**
  According to IFRS, both positive and negative fair values of derivatives (especially forward foreign exchange contracts and interest rate swap contracts) must be recognized. The recognized fair values of derivative financial instruments and the translation of hedged receivables / payables denominated in foreign currency are closely related. According to the practice of the IWKA Group under commercial law, receivables / payables denominated in a foreign currency are aggregated into a valuation unit, so that the corresponding balance sheet item can be recognized on the balance sheet at the hedging rate. According to IFRS / IAS, there is an item-by-item valuation;i.e., derivatives must be recognized at their fair value as of the balance sheet date and foreign currency receivables/payables must be recognized at the closing rate. The resulting opposite effects offset each other over time with regard to profits and losses. On the IFRS / IAS balance sheet of the IWKA Group as of the opening balance sheet date, derivative financial instruments with a volume of EUR 184.0 million and a market value of, in total, -EUR 4.5 million are recognized for the first time. Until final maturity, part of the restatement of the value of these financial instruments - for instance, that associated with interest rate swap contracts - will only be reflected in changes to equity without effect on profits or losses.
- **Other differences in recognition and measurement**
  Other differences in recognition and measurement are primarily due to the change from the declining balance method of depreciation to the straight-line method for tangible assets, and to the deduction of government grants from assets according to IFRS / IAS. Moreover the capitalization of leases that must be categorized as finance leases according to IFRS / IAS, resulted in increases in non-current assets of EUR 13.6 million as at December 31, 2003 and of EUR 13.3 million as at January 1, 2003. The associated capitalized loans to lessees, which were recognized as financial assets according to the German Commercial Code (HGB) are eliminated. In return, financing made available by the lessor in the amount of EUR 11.8 million as at December 31, 2003 (EUR 11.8 million as at January 1, 2003) are recognized as liabilities.

New Accounting Standards

IWKA Aktiengesellschaft has elected for early application of all IFRS standards that had been adopted as of December 31, 2004.

No IFRS Standards have been adopted since January 1, 2005 that would have a material effect on the net worth, financial position or earnings of the Group.

Notes on the Group Income Statement

The income statement gives priority to the presentation of continuing operations as they would appear after the disposal of discontinued operations. Discontinued operations have been treated accordingly, with profit/loss presented in a single line in the income statement and further detailed in item 13.

(1) Sales revenues

Sales revenues include fees and charges billed to customers for goods and services - less any reductions to the proceeds, contract penalties and cash discounts.

The breakdown of sales revenues by business divisions and regions is shown in segment reporting.

In connection with long-term contracts, sales revenues in the amount of EUR 1,134.1 million were recognized in the reporting year for customer-specific construction contracts according to the percentage of completion method. This compares to the prior year's figure of EUR 915.5 million.

(2) Own costs capitalized

Own costs capitalized primarily represent the capitalization of development costs according to IAS 38 "Intangible Assets".

(3) Other operating income

Other operating income breaks down as follows:

in EUR million	2004	2003
Income from the reduction of provisions	16.0	20.3
Income from the disposal of assets	6.4	3.8
Income from the reversal of bad debt allowances	8.5	3.9
Income from cost allocations	6.5	6.2
Income from foreign currency transactions	5.9	7.9
Income from subsidies and grants	1.4	1.0
Lease and rental income	1.5	1.8
Income from reimbursements	1.0	4.1
Other income	10.3	12.1
	57.5	**61.1**

Income from the disposal of assets includes a gain on the disposal of Muffenrohr GmbH, Ottersweier of 3.3 million EUR.

(4) Cost of materials

in EUR million	2004	2003
Cost of raw materials, supplies and goods purchased	856.9	860.9
Cost of purchased services	232.7	225.7
	1,089.6	**1,086.6**

(5) Personnel expense/payroll

in EUR million	2004	2003
Wages and salaries	529.5	527.4
Social security payments and contributions for retirement benefits and provident funds	118.4	117.4
(of that for retirement benefits)	(6.2)	(6.5)
	647.9	**644.8**

On average for the year the IWKA payroll was

	Inside Germany	Outside Germany	2004 total	2003 total
Wage earners	3,068	2,914	5,982	5,898
Salaried employees	4,279	2,698	6,977	7,104
Trainees/apprentices	307	45	352	358
	7,654	**5,657**	**13,311**	**13,360**
(of that, in newly consolidated companies)	(98)	(96)	(194)	(478)

(6) Total emoluments of Executive Board and Supervisory Board Members

The members of the Executive Board are listed on page 135. Emoluments for active Executive Board members for the 2004 financial year totaled EUR 2.5 million (prior year EUR 2.0 million). Of this amount, the variable component of the compensation represents EUR 1.2 million (prior year EUR 1.2 million). Of this total, the Chairman of the Executive Board received EUR 0.3 million of the fixed component and EUR 0.4 million of the variable component. In aggregate, the other members of the Executive Board, for 2004, received EUR 1.0 million as the fixed component of their compensation as well as EUR 0.8 million as a variable component of compensation. Former members of the Executive Board and their surviving dependents received EUR 0.7 million (prior year EUR 0.6 million).

Statutory compensation of the Supervisory Board members totaled 0.6 million EUR compared to EUR 0.6 million in 2003. Of this amount, the variable component of the compensation represents EUR 0.4 million, which is identical to last year's figure. The members of the Supervisory Board are listed on page 134.

Neither the members of the Executive Board nor of the Supervisory Board have been granted stock options or similar components as part of their compensation.

Accruals for pension obligations to former members of the IWKA Executive Board and their surviving dependents total EUR 6.0 million, down from the prior year's EUR 6.2 million.

(7) Depreciation / amortization

in EUR million	2004	2003
Depreciation/amortization on intangible and tangible assets		
scheduled	52.8	50.1
non-scheduled	–	0.5
	52.8	**50.6**

No impairment charges were recorded in the reporting year. In the prior year, impairment charges were reported in the amounts of EUR 0.1 million for rights and assets and of EUR 0.4 million technical installations.

(8) Other operating expenses

Other operating expenses break down as follows:

in EUR million	2004	2003
Operating expenses	59.4	53.8
Administrative expenses	59.3	59.4
Sales expenses	111.6	108.1
Other personnel expenses	18.2	19.1
Bad-debt allowances for receivables	5.8	3.8
Additions to provisions	0.7	43.5
Expenses from foreign currency transactions	7.0	14.2
Other taxes	6.6	7.0
Other expenses	16.2	18.5
	284.8	**327.4**

The decrease in other operating expenses is primarily the result of lower additions to provisions and accruals. This reduction from the prior year must be viewed in the context of impending losses in connection with the measurement of inventories, which - depending on the percentage of completion - are either deducted on the asset side, or recognized as a provision for impending losses.

Other operating expenses include lease and rental payments totaling EUR 23.7 million, which were EUR 20.0 million in 2003.

(9) Income from participations in associated companies

Participation income from equity investments breaks down into PAM-PAC Machines Private Ltd., Mumbai, India EUR 0.5 million, up from the prior year's EUR 0.2 million, Muffenrohr GmbH, Ottersweier, EUR 0.5 million down from EUR 0.7 million one year earlier and IWKA Regler und Kompensatoren Vertriebsgesellschaft m.b.H., Vienna, EUR 0.4 million EUR, also down from the prior year's EUR 0.5 million.

(10) Other income from participations

in EUR million	2004	2003
Income from affiliated companies	0.4	0.8
Expenses from profit and loss transfer agreements	0.0	-0.1
	0.4	**0.7**

Income from affiliated companies relates primarily to a non-consolidated subsidiary of Société Anonyme des Usines Farman, St. Cloud, France at EUR 0.2 million EUR compared to EUR 0.3 million in 2003 as well as non-consolidated distribution companies in the ARO-Group at 0.1 million EUR, down from EUR 0.3 million the year prior.

(11) Net interest income/expense

in EUR million	2004	2003
Income from loaned financial assets	0.2	0.2
(of that, related to affiliated companies)	(0.2)	(0.1)
Other interest and similar income	15.8	10.1
(of that, related to affiliated companies)	(1.2)	(2.1)
	16.0	10.3
Interest and similar expenses	34.8	35.7
(of that, related to affiliated companies)	(0.0)	(0.1)
Net interest income/expense	**-18.8**	**-25.4**

Other interest and similar income includes interest income on the assets of the pension funds in the amount of EUR 4.7 million, which compares to EUR 4.6 million a year earlier. Interest expense includes interest expense for pension provisions in the amount of EUR 13.1 million versus EUR 13.3 million in 2003.

(12) Taxes on income/deferred taxes

Tax expense

Income tax expense breaks down by origin as follows:

in EUR million	2004	2003
Current taxes	36.5	35.9
Deferred taxes		
from temporary differences	-1.4	-8.8
from loss carry-forwards	-1.3	5.9
	33.8	**33.0**

Tax expense calculated on the basis of net earnings before taxes in the amount of EUR 84.4 million (prior year EUR 84.4 million) and the applicable tax rate of 39.0 percent (prior year 39.0 percent) for IWKA companies in Germany are reconciled to actual tax expenses as follows:

in EUR million	2004	2003
Theoretical tax expense	**32.9**	**33.8**
Tax rate-related differences	-1.9	-0.6
Tax reductions due to tax-exempt income	-3.1	-2.5
Tax increases due to non-deductible expenses	4.3	2.4
Back taxes paid (+) and tax credits received (-) for prior years	-2.1	-1.8
Deductible goodwill amortization	-1.0	-1.0
Changes to allowance on deferred taxes	0.6	3.0
Other differences	4.1	-0.3
Taxes on income (actual tax expense)	**33.8**	**33.0**

In principle, deferred taxes were recognized on the basis of the applicable tax rate for each company in question. By way of simplification, the calculation of deferred taxes for consolidation measures that have an effect of profit or loss, was based on a uniform underlying tax rate of 39 percent, compared to 40 percent in 2003.

As of the reporting date, potential claims for corporation tax relief in connection with corporation tax credits carry-forwards was EUR 11.4 million compared to EUR 11.4 million a year earlier, and will be realized in future years subject to the provision of tax regulations.

Deferred tax assets and deferred tax liabilities

The value of deferred tax assets and deferred tax liabilities due to temporary differences and tax loss carry-forwards in the Group is associated with the following items:

in EUR million	Deferred tax assets Dec. 31, 2004	Deferred tax assets Dec. 31, 2003	Deferred tax liabilities Dec. 31, 2004	Deferred tax liabilities Dec. 31, 2003
Fixed assets	2.7	3.2	22.2	22.4
Current assets	9.7	5.9	9.7	6.5
Provisions	42.8	47.8	4.1	2.8
Liabilities	9.0	7.2	0.3	0.6
	64.2	64.1	36.3	32.3
Balancing item	-13.6	-10.1	-13.6	-10.1
Valuation allowance	-16.3	-21.8	–	–
Deferred taxes on temporary differences	34.3	32.2	22.7	22.2
Deferred taxes on tax loss carry-forwards	5.0	3.7	--	--
	39.3	**35.9**	**22.7**	**22.2**

Valuation allowance to the carrying value of deferred tax assets are recognized if the realization of the expected benefit of the deferred taxes is not sufficiently probable. The estimates made are subject to changes over time, which may result in the reversal of valuation allowance in subsequent periods.

The impact on tax expense of changes to the valuation allowance for temporary valuation differences and loss carry-forwards is EUR -0.6 million, which compares to EUR -3.0 million in 2003.

The recognized values on the balance sheet were written off in the event that the tax benefits that they represent are no longer expected to be realized. In the amount recognized as at December 31, 2004, valuation allowances were recorded in the amounts of EUR 16.3 million for temporary valuation differences and EUR 33.7 million for loss carry-forwards. These figures compare to EUR 21.8 million and EUR 34.7 million respectively in 2003. To the extent that loss carry-forwards were not written off, it is expected that the potential tax benefits will be realized in future years as a result of taxable earnings that are deemed probable on the basis of the companies' business plans. As at Dec. 31, 2004, the amount for tax-loss carry-forwards not yet used was EUR 114.7 million, compared to EUR 114.4 million in 2003.

Deferred tax liabilities

in EUR million	Status as at Jan. 1	Changes to the scope of consolidation, exchange rate differences, reclassification in disc. operations	Consumption	Reduction	Additions	Status as at Dec. 31
2003	25.8	-1.2*	5.4	–	3.0	22.2
2004	22.2	-1.7	3.0	–	5.2	22.7

* without reclassification in discontinued operations

The amount of EUR 22.7 million for deferred taxes is related to temporary valuation differences compared to the amounts recognized in the financial statements for tax purposes. The prior year's figure was EUR 22.2 million.

(13) Result from discontinued operations

The following table shows a breakdown of the current portion of earnings from discontinued operations:

in EUR million	2004	2003
Sales revenue	**184.6**	**198.8**
Changes in inventories of finished goods and work in process	1.1	-0.3
Own costs capitalized	0.2	0.2
Total output	**185.9**	**198.7**
Other operating income	5.6	4.6
	191.5	**203.3**
Cost of materials	-80.7	-85.1
Personnel expense	-59.2	-68.9
Depreciation/amortization on intangible assets and tangible assets	-5.8	-7.7
Other operating expenses	35.7	-43.4
	-181.4	-205.1
Earnings from operating activities	**10.1**	**-1.8**
Earnings from financing activities	-2.5	-3.3
Income from ordinary activities	**7.6**	**-5.1**
Taxes on income	-3.3	-0.7
Earnings from operating activities of discontinued operations	**4.3**	**-5.8**
Result recognized on disposal	-8.6	–
Tax impact of result on disposal	2.6	–
Result from the disposal of discontinued operations	**-6.0**	**–**
Result from discontinued operations	**-1.7**	**-5.8**

Losses on the disposal of discontinued operations include losses on sales of EUR 2.4 million for Bopp & Reuther Messtechnik GmbH, EUR 0.7 million for MARCON Ingenieurgesellschaft mbH, EUR 3.8 million for HEINRICHS Messtechnik GmbH, EUR 0.6 million for the sale of the Inex operation, as well as consulting and sales expenses for the RMG-Group and the VAG Group.

(14) Earnings per share

in EUR million	2004	2003
Net income for the year after minority interests	48.8	45.2
(of that discontinued operations)	(-1.7)	(-5.8)
Weighted average number of shares outstanding	26,600,000	26,600,000
Earnings per share (in EUR)	**1.83**	**1.70**
Earnings per share (in EUR) before expenses from discontinued operations	1.90	1.92

According to IAS 33, earnings per share were calculated on the basis of Group consolidated earnings after taxes and the average number of shares outstanding for the year.
Undiluted earnings per share are identical to diluted earnings per share.

Notes on the Group balance sheet

(15) Intangible assets

Changes to the individual items under intangible assets are disclosed in the schedule of movements in fixed assets.

Goodwill

Recognized goodwill in the amount of 127.4 million EUR compares to 128.2 million a year earlier and breaks down as follows:

Company/in EUR million	Dec. 31, 2004	Dec. 31, 2003
KUKA Flexible Production Systems Corp., Sterling Heights / USA	33.4	33.4
Packaging Technologies Inc., Davenport / USA	21.6	21.6
ERCA Formseal S.A., Les Ulis / France	11.5	11,5
BWI plc., Altrincham / Great Britain	8.1	8.1
(Aerofill Division)	(5.3)	(5.3)
(Manesty Division)	(2.8)	(2.8)
Benz & Hilgers GmbH, Neuss	8.3	8.3
Others less than 8 million EUR	44.5	45.3
	127.4	128.2

As a rule, the cash generating units for the goodwill amounts correspond to the legal entities. As an exception to this, the cash generating unit for KUKA Flexible Production is the KUKA Schweissanlagen Group. For BWI plc, the cash generating units have been formed on the basis of the business divisions.

In the 2004 financial year, no write-downs were taken as a result of impairment tests. In 2003, goodwill for MARCON Ingenieurgesellschaft mbH was written down by an amount of EUR 0.5 million.

The goodwill from the initial equity consolidation total EUR 1.0 million.

Self-developed software and other product development costs

According to IAS 38, self-developed software and other development costs must also be capitalized. For the purpose of such capitalization, IWKA uses a strict definition of the costs of production that includes attributable direct costs as well as an appropriate allocation for overheads and depreciation.

Development costs with a total carrying value of 15.8 million EUR from the years 1999 to 2004 compare to EUR 11.5 million the year prior and have been capitalized according to IAS 38. Net additions for 2004 totaled EUR 4.4 million. Scheduled amortization is applied using a unit-based or straight-line method over the respective expected useful life of five years or less.

The development costs of several companies were capitalized within the IWKA Group. IWK Verpackungstechnik is developing new blister packaging machines and tube fillers. KUKA Roboter is working on several projects involving performance and control software for robots. Boehringer developed a new NV turning machine. GASTI developed a new series of cup filling and sealing machines. At KUKA SysTec, expenses for the development of specialized applications have been capitalized. New processing centers are being developed at EX-CELL-O GmbH. These developments predominantly involve medium-term projects, with the respective useful life commencing no later than January 2005.

Total expenditures for research and development for the reporting period were EUR 59.3 million compared to EUR 59.7 million in 2003.

(16) Tangible assets

The breakdown of the assets aggregated in the balance sheet items of the tangible assets, as well as changes over the reporting year, are shown in the schedule of movements in fixed assets.

The major focus of capital expenditures in the financial year is described in the Management Report.

Subsidies in the amount of EUR 2.9 million were deducted from the cost of purchase or cost of production for tangible assets during the financial year, compared to EUR 2.2 million the year prior.

No impairment charges on tangible assets were recorded on the basis of IAS 36. In 2003 the amount was EUR 0.5 million.

The following amount has been capitalized for tangible assets in consequence of finance leases, in which the IWKA Group acts as the lessee:

in EUR million	Dec. 31, 2004 Net book value	Dec. 31, 2003 Net book value
Intangible assets	0.3	0.5
Land and buildings	12.4	12.4
Technical plant and equipment	0.3	0.4
Other equipment, factory and office equipment	0.0	0.3
	13.0	13.6

Leases for real estate and other facilities, other equipment, factory and office equipment regularly include a purchase option. The remaining lease terms range between one and sixteen years. The underlying interest rates of the contracts vary from 4.00 percent to 7.16 percent p. a., depending on the time that the contract was entered into. Future payments due under finance leases, the interest component and the present value of future lease payments, for which the corresponding amounts have been recognized as other liabilities, are shown in the following table:

in EUR million	up to one year	between one and five years	more than five years	Dec. 31, 2004 total	Dec. 31, 2003 total
Minimum lease payments	1.7	5.2	8.2	15.1	16.5
Amount discounted	–	-0.8	-3.2	-4.0	-4.7
Present value	**1.7**	**4.4**	**5.0**	**11.1**	**11.8**

In addition to leases for passenger cars, office and factory buildings, liabilities from leases and rental agreements also include leasing commitments in connection with the financing of a production facility for a customer. These liabilities from leases of EUR 9.3 million compare with EUR 13.5 million a year earlier and are offset by leasing income in at least the same amount from the leasing out of the production facility.

Liabilities from leases and rental agreements

in EUR million	Dec. 31, 2004	Dec. 31, 2003
up to one year	17.6	17.6
between one and five years	37.9	42.0
more than after five years	19.6	26.6
	75.1	**86.2**

(17) Participations in associated companies and other financial investments

The breakdown of the items under financial non-current assets is shown in the schedule of movements in fixed assets.

The complete schedule of participations held by IWKA Aktiengesellschaft has been registered in the Commercial Register of the Karlsruhe District Court.

The summary financial information about the associated companies is shown in the following table:

in EUR million	2004	2003
Total balance sheet assets	32.5	55.5
Total liabilities	12.5	27.5
Total sales revenue	41.5	34.2
Profit/loss for the period	1.9	2.0

(18) Inventories

in EUR million	Dec. 31, 2004	Dec. 31, 2003
Raw materials and supplies	113.6	127.0
Work in process	160.0	240.3
Finished goods	43.7	50.1
Advances paid	30.8	19.5
	348.1	**436.9**

Total inventories disclosed on the balance sheet in the amount of EUR 348.1 million compare with EUR 436.9 million in 2003 and have been recognized at net realizable value. The write-down, relative to gross value, was EUR 97.0 million versus EUR 130.0 million the year prior. The primary reasons for the write-downs are discounts for salability and obsolescence for raw materials, supplies and finished goods, as well as the revaluation at order-based net realizable value.

The carrying value of inventories subject to restraint on disposal is not material.

(19) Receivables and other assets

in EUR million	Dec. 31, 2004 total	Dec. 31, 2004 of that more than one year	Dec. 31, 2003 total	Dec. 31, 2003 of that more than one year
Trade receivables	442.6	2.1	437.0	6.7
Receivables from long-term contracts	90.7	0.0	75.4	–
Receivables from affiliated companies	18.0	0.2	23.4	0.2
Receivables from companies, in which participations are held	1.1	0.0	4.4	0.6
Other receivables and deferred charges	35.6	4.9	47.8	4.2
	588.0	**7.2**	**588.0**	**11.7**

For receivables from long-term contracts, advances received have been offset against costs incurred in connection with the contract, including contributions to earnings on a per contract basis. As at the balance sheet date, costs incurred and earnings recognized in connection with long-term contracts in the amount of EUR 212.9 million were offset against advances received in the amount of EUR 208.0 million. In 2003 these figures were EUR 204.9 million and EUR 169.1 million respectively. This resulted in receivables of EUR 90.7 million compared to EUR 75.4 million the year prior and liabilities of EUR 85.8 million versus EUR 39.6 million a year earlier.

Liabilities arising from long-term contracts in the amount of EUR 85.8 million in 2004 compare to EUR 39.6 million a year earlier. Advances received in connection with long-term contracts exceed the costs incurred and the earnings portion.

Other receivables include tax refund claims in the amount of EUR 12.9 million versus 21.8 million in 2003, as well as the fair value of foreign currency and interest rate contracts totaling EUR 7.5 million, which compare to EUR 5.6 million the year prior.

Derivative financial instruments are recognized at fair value according to IAS 39. Changes in the value of the latter are offset by opposite changes in the value of the underlying transactions.

(20) Cash and cash equivalents

In addition to cash with banks, this item includes checks and cash balances.

The IWKA Group maintains bank balances exclusively at financial institutions of sound credit worthiness. Furthermore, funds to be invested are distributed across several financial institutions in order to diversify risk.

(21) Discontinued operations

The items related to discontinued operations on both the asset side and the liability side of the Group balance sheet break down as follows:

in EUR million	Dec. 31, 2004
Goodwill	1.8
Non-current assets	39.5
Inventories	36.3
Other current assets (excluding cash and cash equivalents)	35.2
Deferred taxes	1.8
Cash and cash equivalents	1.2
Assets of discontinued operations	**115.8**
Pension provisions	11.5
Other provisions and accruals	15.3
Deferred taxes	1.4
Financial liabilities	9.7
Other liabilities	19.1
Liabilities from discontinued operations	**57.0**

(22) Equity / Treasury Shares / Minority Interests

Changes to equity, including changes without effect on profit or loss are disclosed in the development of Group equity on page 60.

Treasury shares

The Executive Board of IWKA Aktiengesellschaft was again authorized by resolution of the Annual General Meeting of July 4, 2003 to buy back own shares up to a volume of ten percent of share capital through December 31, 2004. In return, the previous authorization to buy back own shares, which was still in force through December 31, 2003, was annulled. Moreover, the Executive Board was authorized again, subject to the approval of the Supervisory Board, to assign the treasury shares thus acquired to a third party as compensation for the acquisition of an equity interest.

The Executive Board was further authorized, subject to the approval of the Supervisory Board, to withdraw the treasury shares acquired on the basis of this authorization, without such withdrawal or the execution thereof requiring a further resolution of the Annual General Meeting. The Executive Board did not exercise this authorization during the fiscal year.

In 2004, the company purchased own shares for IWKA employees as part of an employee stock ownership program (Article 71, para. 1 no. 2 of the AktG (German Corporation Act)) and resold these to the employees.

A total of 32,955 shares of common stock were purchased and resold.

(23) Subscribed capital

The share capital totals EUR 69,160,000.00, and is divided into 26,600,000 individual no-par value shares issued to bearer.

The Executive Board was authorized by resolution of the Annual General Meeting of July 7, 2000 and subject to the approval of the Supervisory Board to increase the Company's capital stock on one or several occasions not later than July 7, 2005 up to a total of EUR 20,000,000.00 by issuing new shares against cash contributions and/or contributions in kind (Authorized Capital I). The shareholders shall be granted subscription rights. The Executive Board is authorized, however, to exclude certain fraction amounts from the subscription rights held by the shareholders. Moreover, the Executive Board is authorized to exclude subscription rights to the extent that this is necessary in order to grant holders of the option rights issued in accordance with section 4, para. 8 of the Articles of Incorporation subscription rights to the new shares to the extent to which they would be entitled in order to exercise such option rights. Finally, the Executive Board is also authorized to exclude subscription rights in the case of capital increases against contributions in kind for the purpose of acquiring companies or interest in companies. The Executive Board exercised this authorization in 2000 in an amount of EUR 9,880,000.00; the remaining authorized capital thus now amounts to EUR 10,120,000.00.

The Executive Board is authorized, by resolution of the Annual General Meeting of July 7, 2000 and subject to the approval of the Supervisory Board, to increase the company's capital stock by up to a total of EUR 5,900,000.00 no later than July 7, 2005 by issuing on one or several occasions new shares against cash contributions (Authorized Capital II). The shareholders shall be granted subscription rights. The Executive Board is authorized, however, to exclude certain fraction amounts from subscription rights held by shareholders. Moreover, the Executive Board is authorized to exclude subscription rights to the extent that this is necessary in order to grant holders of the option rights issued in accordance with section 4, para. 8 of the Articles of Incorporation subscription rights to the new shares to the extent to which they would be entitled in order to exercise such option rights.

Furthermore, subject to the approval of the Supervisory Board, the Executive Board is authorized to completely exclude shareholders' subscription rights in the case of a single or multiple use of this authorization. In such an event, the issue price for the new shares must not be substantially lower than the stock market price of the shares already floated at the time that the issue price for the new shares will be set, and the date for the setting of such price shall be as close as possible to the placing of the shares.

Furthermore, subject to the approval of the Supervisory Board, the Executive Board is authorized to increase the Company's capital stock by up to a total of EUR 2,000,000.00 no later than July 7, 2005 by issuing on one or several occasions new shares against cash contributions in order to issue shares to employees (Authorized Capital III). Shareholders' subscription rights are excluded. The new shares shall be offered to employees of IWKA Aktiengesellschaft as well as affiliated companies in the sense of section 15 of the German Stock Corporation Act.

In addition, the capital stock is to be conditionally increased by up to EUR 19,500,000.00 by issuing up to EUR 7,500,000 new shares. The conditional capital increase shall only be carried out to the extent that option and/or conversion rights are exercised by the holders of option rights and/or conversion rights to be issued by the company or its directly or indirectly majority owned companies in Germany or abroad on or before July 4, 2008 The new shares shall participate in the profits as at the beginning of the financial year in which they arise by the exercise of the option and/or conversion rights.

(24) Capital reserve

The capital reserve contains the offer premium from the seven increases in share capital since 1980.

(25) Revenue reserves

The Revenue reserves as of the balance sheet date break down as follows:

in EUR million	Dec. 31, 2004	Dec. 31, 2003
Statutory reserve	1.0	1.0
Other revenue reserves	133.8	97.9
Revenue reserves	**134.8**	**98.9**

The revenue reserves comprise:

- The accumulated retained earnings of IWKA Aktiengesellschaft and its consolidated subsidiaries. From the 2004 net income for the year, EUR 31.2 million were added to other revenue reserves, compared to EUR 27.6 million the year prior.
- Consolidation and currency translation effects
- Transition effects arising from the first time application of IFRS/IAS without effect on profit or loss
- Measurement of financial derivatives (interest rate swaps, etc.) without effect on profit or loss.

(26) Minority interests

This item primarily comprises the minority stake held by third parties in American BOA Inc., LSW Machinenfabrik GmbH, as well as D.V. Automation Ltd. The changes to this item are detailed in the development of Group equity.

(27) Maturity of liabilities

in EUR million	up to one year	1-5 years	Remaining term to maturitiy > 5 years	Dec. 31, 2004 total
Liabilities due to banks	113.7	103.9	1.0	218.6
Liabilities similar to bonds	17.4	32.0	0.0	49.4
Financial liabilities	**131.1**	**135.9**	**1.0**	**268.0**
Liabilities from long-term contracts	85.8	0.0	0.0	85.8
Advances received	96.9	0.0	0.0	96.9
Trade payables	206.6	0.0	0.0	206.6
Accounts payable to affiliated companies	2.0	0.0	0.0	2.0
Other liabilities				
Liabilities to companies in which participations are held	0.5	0.0	0.0	0.5
Notes payable	12.0	0.0	0.0	12.0
Other liabilities and deferred income	60.5	7.9	5.0	73.4
(of that for taxes)	(27.4)	(0.0)	(0.0)	(27.4)
(of that for social security payments)	(15.8)	(0.0)	(0.0)	(15.8)
(of that for leases)	(1.7)	(4.4)	(5.0)	(11.1)
(of that fair values of foreign exchange and interest rate contracts)	(6.3)	(1.6)	(0.0)	(7.9)
	595.4	**143.8**	**6.0**	**745.2**

in EUR million	up to one year	1-5 years	Remaining term term to maturity > 5 years	Dec. 31, 2003 total
Liabilities due to banks	89.2	162.2	2.8	254.2
Liabilities similar to bonds	38.4	47.0	0.0	85.4
Financial liabilities	**127.6**	**209.2**	**2.8**	**339.6**
Liabilities from long-term contracts	39.6	0.0	0.0	39.6
Advances received	115.1	0.0	0.0	115.1
Trade payables	179.1	0.0	0.0	179.1
Accounts payable to affiliated companies	3.4	0.0	0.0	3.4
Other liabilities				
Liabilities to companies in which participations are held	0.3	0.0	0.0	0.3
Notes payable	12.6	0.0	0.0	12.6
Other liabilities and deferred income	59.1	10.1	5.6	74.8
(of that for taxes)	(18.7)	(0.0)	(0.0)	(18.7)
(of that for social security payments)	(16.9)	(0.0)	(0.0)	(16.9)
(of that for leases)	(1.6)	(4.6)	(5.6)	(11.8)
(of that fair values of foreign exchange and interest rate contracts)	(7.6)	(2.4)	(0.0)	(10.0)
	536.8	**219.3**	**8.4**	**764.5**

(28) Financial liabilities

Collateral totaling EUR 3.6 million has been furnished in the form of real estate liens for liabilities of IWKA Group due to banks. This figure was EUR 3.5 million in 2003.

The following tables show major elements of the contractual basis for liabilities to financial institutions existing at the financial statement reporting date for the 2004 financial year:

Fixed interest rate agreements with an original maturity ≥ one year, repayment amount ≥ EUR 5 million

Financial instrument in EUR million	Net book value	Fair value	Original maturity	Notional interest rate
Loan against promissory notes	15.0	15.8	2000 - 2005	5.75 % p.a.
Loan against promissory notes	20.0	22.0	2000 - 2006	6.30 % p.a.
Loan against promissory notes	12.0	13.4	2000 - 2007	6.10 % p.a.
Accrued interest	2.4	–	–	–
	49.4	51.2		
Loan	35.8	36.9	1999 - 2006	4.61 % p.a.
Loan	25.0	26.3	2000 - 2005	5.75 % p.a.
Loan	7.0	7.3	2001 - 2006	5.00 % p.a.
Loan	5.0	5.4	2002 - 2007	5.81 % p.a.
Loan	5.0	5.3	2003 - 2008	4.61 % p.a.
Loan	15.0	17.0	2004 - 2009	4.95 % p.a.
Accrued interest	1.6	–	–	–
	94.4	98.2		
	143.8	149.4		

Fixed interest rate loans with an original maturity ≥ one year, repayment amount < EUR 5 million

Financial instrument in million	Net book value				avg. Original maturity	avg. Notional interest rate
Loan	16.3	EUR	16.3	EUR	6.2 years	4.87 % p.a.
Loan	2.0	CHF	1.3	EUR	1 year	2.58 % p.a.
			17.6			

Variable-rate liabilities due to banks

Financial instrument in million	Net book value				avg. Notional interest rate	of that hedged by payer swap		year of latest maturity
Liabilities due to banks	25.8	EUR	25.8	EUR	3.81% p.a.	15.3	EUR	2009
Liabilities due to banks	69.4	USD	50.9	EUR	4.67% p.a.	27.0	USD	2007
Liabilities due to banks	17.6	GBP	25.0	EUR	5.63% p.a.			
Liabilities due to banks	–	others	4.9	EUR	7.16% p.a.			
			106.6					

All averages are calculated as the arithmetic mean of the values of the individual financial instruments as at the financial statement reporting date, weighted by the respective carrying values in EUR. For the liabilities with underlying payer swaps, the fixed rather than the variable interest rate was used in the calculation of the average interest rate.

The notional interest rate coincides with the effective interest rate in all cases.

(29) Other non current/current liabilities and deferred income

Liabilities arising from finance leases are recognized at the present value of future lease payments and disclosed as other liabilities.

(30) Pension provisions and similar obligations

in EUR million	Status as at Jan. 1	Changes to the scope of consolidation, adjustment for exchange differences, reclassification in disc. operations	Consumption	Reduction	Additions	Status as at Dec. 31
2003	210.7	-4.6*	15.2	–	13.3	204.2
2004	204.2	-18.9	14.4	3.5	11.6	179.0

* without reclassification in discontinued operations

Pension provisions include liabilities from vested benefits and from current benefits paid to vested and former employees of the IWKA Group as well as their surviving dependents. Depending on the legal, economic and tax situation in each of the countries concerned, various such retirement benefit systems are in place, that are, as a rule, based on employees' length of service and compensation.

Since they are in the nature of a retirement benefit, liabilities of the US Group companies for post-employment medical benefits are also disclosed under pension provisions. Of the total provisions and accruals, these obligations similar to pensions, calculated according to the rules of IAS 19, represent EUR 6.5 million compared to EUR 7.7 million in 2003. As a result of plan curtailments, liabilities for health insurance coverage in the current financial year generated a gain of EUR 0.2 million compared to expenditures of EUR 1.0 million the year prior. In this context, a long-term increase in the cost of medical insurance of 9.1 percent p.a. is taken into account. This compares to 8.5 percent a year earlier.

Company retirement benefit coverage in the Group is provided through both defined contribution and defined benefit plans.

For the defined contribution plans, the company pays contributions to a public or private pension insurance carrier. Upon payment of the contributions, the company has no further obligations. Total payments for pensions under defined contribution plans in the amount of EUR 38.9 million compare to EUR 36.2 million in 2003 and are disclosed as expenses in the year in question.

Under defined benefit plans, the company incurs an obligation to provide the benefits promised by the plan to current and former employees. The benefit commitments of IWKA Aktiengesellschaft as well as the subsidiaries in Germany are financed through provisions. Outside of Germany, funded benefit plans are in place in Great Britain and the USA.

The amount of pension obligations (defined benefit obligation) was calculated by actuarial methods for which estimates are unavoidable. In addition to assumptions related to life expectancy, this involves assumptions detailed below, which are dependent on the economic environment for each country in question.

in percent	Germany		USA		Other	
31.12.	2004	2003	2004	2003	2004	2003
Discount factor	5.25%	5.25%	5.80%	6.00%	5.30%	5.40%
Expected rate of return on assets	N/A	N/A	8.10%	8.10%	6.90%	7.00%
Wage dynamics	2.50%	2.50%	4.50%	4.50%	4.30%	4.10%
Pension dynamics	2.50%	2.50%	N/A	N/A	2.90%	2.80%

Wage dynamics encompass future increases in wages and salaries that are estimated annually by reference to factors such as inflation and economic conditions, among others.

For funded plans, the pension obligations calculated according to the projected united credit method are reduced by an amount equal to the fund assets. If the fund assets exceed the defined benefit obligations, an asset is recognized according to IAS 19 and disclosed under other assets. To the extent that the fund assets do not cover the commitment, the net obligation is recognized as a liability under pension provisions.

Increases or decreases in either the present value of the defined benefit obligations or the fair value of the plan assets may give rise to actuarial gains or losses. This may be caused by factors such as changes in actuarial parameters, changes to estimates for the risk profile of the pension obligations and differences between the actual and expected returns on the fund assets. Evaluating the need to recognize actuarial gains or losses on the balance sheet is done on the basis of the individual plans according to the corridor method. Under this method, the portions of actuarial gains and losses not yet recognized that exceed ten percent of the higher value of plan assets or defined benefit obligations is recognized according to the expected average remaining working lives of the current employees and distributed accordingly.

Funding status of defined benefit pension obligations

in EUR million	Germany		USA		Other		Total	
31.12.	2004	2003	2004	2003	2004	2003	2004	2003
Present value of pension benefits covered by provisions	140.3	159.6	4.5	8.6	3.5	3.3	148.3	171.5
Present value of funded pension benefits	–	–	29.7	31.5	64.8	64.4	94.5	95.9
Defined benefit obligation	140.3	159.6	34.2	40.1	68.3	67.7	242.8	267.4
Fair value of plan assets	–	–	26.9	29.8	33.4	29.9	60.3	59.7
Net obligation	140.3	159.6	7.3	10.3	34.9	37.8	182.5	207.7
Overfunding, plan assets (-)	–	–	–	–	–	–	–	–
Adjustment amount due to actuarial gains (+) and losses (-)	1.3	1.5	-4.1	-2.9	-4.8	-3.9	-7.6	-5.3
Unrecognized past service costs	–	–	2.3	–	–	–	2.3	–
Balance sheet amount as of Dec. 31	141.6	161.1	5.5	7.4	30.1	33.9	177.2	202.4
(of that pension provisions)	(141.6)	(161.1)	(7.3)	(9.2)	(30.1)	(33.9)	(179.0)	(204.2)
(of that asset)	(–)	(–)	(1.8)	(1.8)	(–)	(–)	(1.8)	(1.8)

Changes to net obligations from pension provisions and plan assets recognized on the balance sheet

in EUR million	Germany		USA		Other		Total	
31.12.	2004	2003	2004	2003	2004	2003	2004	2003
Status as at Jan. 1	161.1	162.3	7.4	8.0	33.9	37.4	202.4	207.7
Exchange rate differences	–	–	-0.5	-1.6	–	-2.6	-0.5	-4.2
Reclassification in discontinued operations	-18.0	–	–	–	-0.2	–	-18.2	–
Pension expense	8.3	9.4*	–	2.1	-0.2	2.7	8.1	14.2*
Payments for pension benefits and additions to funds	-9.8	-10.6	-1.4	-1.1	-3.4	-3.7	-14.6	-15.4
First time consolidation/deconsolidation	–	–	–	–	–	0.1	–	0.1
Status as at Dec. 31	141.6	161.1	5.5	7.4	30.1	33.9	177.2	202.4
(of that pension provisions)	(141.6)	(161.1)	(7.3)	(9.2)	(30.1)	(33.9)	(179.0)	(204.2)
(of that asset)	(–)	(–)	(1.8)	(1.8)	(–)	(–)	(1.8)	(1.8)

* of that discontinued operations EUR 1.1 million

Pension expense for defined benefit plans

in EUR million	Germany		USA		Other		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Current service costs	1.1	1.0	0.8	2.2	1.3	1.3	3.2	4.5
Interest expense	7.2	7.3	2.3	2.6	3.6	3.3	13.1	13.2
Expected return on plan assets	–	–	-2.4	-2.8	-2.3	-1.9	-4.7	-4.7
Actuarial gains/losses	–	–	0.1	0.1	–	–	0.1	0.1
Plan curtailments	–	–	-0.7	–	-2.8	–	-3.5	–
Past service costs	–	–	-0.1	–	–	–	-0.1	–
	8.3	8.3	0.0	2.1	-0.2	2.7	8.1	13.1

Plan curtailments in the form of reduced entitlements to future benefits are related to companies in Great Britain and the USA.

The actual return on assets from the outside pension funds was EUR 3.2 million compared to EUR 7.2 million a year earlier.

The amount not recognized as an asset because of the limits under IAS 19.58 is EUR 0.7 million for the prior year.

(31) Provision for taxes

in EUR million	Status as at Jan. 1	Changes to the scope of consolidation, adjustment for exchange differences, reclassification in disc. operations	Consumption	Reductions	Additions	Status as at Dec. 31
2003	30.9	-0.5*	5.3	0.4	29.1	53.8
2004	53.8	-0.6	23.5	1.1	23.7	52.3

* without reclassification in discontinued operations

(32) Other provisions and accruals

Other accruals relating to personnel essentially cover holiday pay and salaries, banked hours and special payments.

Other provisions and accruals for warranty commitments and risks from pending transactions include primarily provisions for impending losses from pending transactions and warranty risk.

Other provisions and accruals primarily cover running costs for invoiced orders and suppliers' invoices still outstanding.

in EUR million	Status as at Jan. 1	Changes to the scope of consolidation, adjustment for exchange differences, reclassification in disc. operations	Consumption	Reduction	Additions	Status as at Dec. 31
Liabilities relating to personnel						
2003	87.4	-0.5*	65.7	1.9	73.2	92.5
2004	92.5	-7.5	61.0	2.2	67.0	88.8
Warranty commitments and risks from pending transactions						
2003	71.0	-2.1*	30.9	8.2	43.0	72.8
2004	72.8	-4.3	39.3	3.5	34.2	59.9
Other provisions						
2003	114.4	-2.0*	81.4	11.0	93.3	113.3
2004	113.3	-4.4	80.3	6.8	75.1	96.9
Other provisions total						
2003	**272.8**	**-4.6***	**178.0**	**21.1**	**209.5**	**278.6**
2004	**278.6**	**-16.2**	**180.6**	**12.5**	**176.3**	**245.6**

* without reclassification in discontinued operations

Other notes

Segment reporting

The data for the individual annual financial statements have been segmented by business fields and by region. The structure follows internal reporting (management approach). The segmentation is intended to create transparency with regard to the earning power and the prospects, as well as the opportunities and threats for the various business fields within the Group.

Segment reporting is designed to accommodate the new structure of the IWKA Group and comply with the IFRS 5 criteria with regard to accounting for discontinued operations. In the reporting years 2003 and 2004, the IWKA Group was engaged in four major business fields: automotive technology, packaging technology, robot technology and non-core businesses. The attribution of the Group companies to the business-fields is shown in the schedule of major participations. All companies classified as discontinued operations

are listed on page 94ff of these notes. The IWKA Aktiengesellschaft and additional participations that are supplementary to the operating activities of the IWKA group have been aggregated in a separate column. In addition, this column also includes the cross-divisional major consolidation and reconciliation items.
The breakdown of sales revenue by region is based on customer location. Capital employed and investments are calculated by company head office.
The notional calculations for segment reporting rely on the following principles:

- Group external sales revenue show the divisions' respective percentage of the Group's consolidated sales revenue.
- Intra-group sales revenues are related sales transacted between segments. In principle, transfer prices for intra-Group sales are determined at the market level.
- Sales revenues for the divisions include revenues from sales to third parties as well as sales to other segments.
- EBIT reflects operating earnings; that is, the earnings from ordinary activities - including goodwill impairment charges, if any - before result from financing activities.
- ROCE (return on capital employed) is the ratio of operating earnings (EBIT) to net assets employed in company operations (capital employed). The calculation of ROCE uses an average figure for capital employed.
- Capital employed comprises working capital as well as intangible assets and tangible assets. Working capital is composed of inventories, trade receivables, other receivables and assets, prepaid expenses and deferred changes, and the balance of payables and receivables versus affiliated companies– if not classified as financial transactions – less other provisions, trade payables, other liabilities except for liabilities similar to bonds, and the deferred income. Thus capital employed represents the difference of operating assets and operating liabilities.
- Segment assets encompass all assets included in Capital Employed plus participations. Segment liabilities encompass all liability items included in Capital Employed plus pensions provisions and similar obligations.
- Capital expenditures are related to additions to property, plant and equipment and intangible assets.
- Amortization/depreciation are related to plant, property and equipment and intangible assets.

Cash Flow Statement

According to IAS 7, the cash flow statement for the financial year 2004 and the financial year 2003 reports cash flows separately for incoming and outgoing funds from operating, investing and financing activities. The calculation of cash flows is derived from the Group consolidated financial statements of the IWKA Aktiengesellschaft by the indirect method.

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents disclosed on the balance sheet; i.e., cash in hand, checks and cash with banks provided they are available within three months. This also includes cash and cash equivalents from discontinued operations. None of the cash and cash equivalents is subject to restraints on disposal.
Cash flow from operating activities is derived indirectly from the earnings after taxes on income.

Under the indirect method, the relevant changes to the balance sheet items associated with operating activities are adjusted for currency translation effects and changes to the scope of consolidation.

Cash inflow from operating activities also includes the following items: Interest paid in the amount of 22.0 million EUR, interest received in the amount of 10.0 million EUR, dividends received in the amount of 1.5 million EUR and income taxes paid in the amount of 26.3 million EUR.

Financial instruments

In the scope of its operating activities, the IWKA Group is exposed to interest rate and foreign exchange risks in particular. It is the aim of the risk management system to hedge against negative consequences for the financial strength of the Group. Standard market instruments such as interest rate and foreign exchange transactions are used for this purpose. The execution of these transactions is regulated by uniform Group policies and procedures, with strict separation of the trading, settlement and control functions.

Because of its international orientation, IWKA is exposed to foreign exchange rate risks with regard to various foreign currencies. The exchange rate hedging strategy therefore aims to generally hedge foreign exchange as at the origination date of a receivable/payable denominated in foreign currency by entering into derivative financial instrument contracts with banks or by netting opposite cash flows. Forecast transactions can also be hedged items, for which hedging instruments with a short maturity (< 1 year) are used to hedge against the associated exchange rate risk. Cash flow and fair value hedges are recognized subject to meeting the strict criteria for documentation and effectiveness under hedge accounting.

In the 2004 financial year, the fair value of foreign exchange derivatives recognized in equity with no effect on profit or loss was -0.3 million EUR (prior year -1.3 million EUR). In addition, firm commitments were recognized in profit or loss according to fair value hedge accounting. Their positive fair values totaled 1.0 million EUR (prior year 3.0 million EUR) or a negative 4.3 million EUR (prior year 1.0 million EUR).

To provide financing for the Group, IWKA enters into credit agreements that are in part subject to variable interest rates. This is intended to take advantage of opportunities to reduce financing costs in the event of declining interest rates on borrowed capital. To that extent, IWKA is exposed to an interest rate induced cash flow risk.

Within the framework of risk management, there are consultations at regular intervals concerning the current interest rate situation and potential future interest rate movements as well as the use of derivative financial instruments. The primary instruments used are interest rate swap transactions. Under hedge accounting, fixed interest rate swap transactions (payer swaps) are recognized as cash flow hedges, with changes in fair value being recognized in a revaluation reserve in equity. In the 2004 financial year, the fair value of derivatives recognized in this manner was -1.6 million EUR (prior year -3.3 million EUR).

in EUR million	Notional Amounts Dec. 31, 2004	Notional Amounts Dec. 31, 2003	Fair Value Maturity up to 1 year	Fair Value Maturity > 1 year	Fair Value Maturity > 5 years	Fair Value Total Dec. 31, 2004	Fair Value Total Dec. 31, 2003
Forward foreign exchange contracts	154.8	95.0	4.5	0.0	0.0	4.5	-3.1
Interest rate swap contracts	40.7	49.0	-0.1	-1.5	0.0	-1.6	-3.3

The notional amount corresponds to the amount of the underlying hedged items. The fair values given represent the price at which an unrelated third party would assume the rights and obligations arising from the derivative financial instruments.

The maximum default risk to be recognized for derivative financial instruments is the sum of their positive fair values. In the 2004 financial year, the sum of the positive market values of derivative financial instruments was 6.5 million EUR (prior year 2.6 million EUR) and the sum of negative market values was 3.6 million EUR (prior year 9.0 million EUR). A default can occur when individual transaction counterparties are not able to meet their contractual obligations and the IWKA Group thereby suffers a financial loss. To ensure diversification of the default risk, derivative transactions are entered into with various counterparties and only with those of sound creditworthiness.

Contingent Liabilities

in EUR million	2004	2003
Discounted notes	3.0	0.5
Liabilities from guarantees	3.9	1.4
Liabilities from warranty agreements	1.4	2.6
Other commitments	11.8	14.0
(of that, purchase commitments)	(2.7)	(9.3)
(of that, other financial commitments)	(9.1)	(4.7)

The liabilities under guarantee agreements arise almost exclusively from the collateralization of bank loans and lease agreements to the benefit of affiliated companies.

Legal disputes

IWKA Aktiengesellschaft and its Group companies are not party to any court or arbitration proceedings that could have a material impact on the financial position of the companies or of the Group or did have such material impact in the preceding two years.

Financial costs arising from other court or arbitration proceedings have been recognized through a sufficient level of provisions at the Group companies in question or there is an adequate amount of insurance or similar coverage and they have been taken into account at the Group level.

Related party disclosures

In accordance with International Accounting Standard IAS 24 persons or companies that may be influenced by or have influence on the reporting company must be disclosed, insofar as they have not already been included as consolidated companies in the financial statements.

Parties related to the IWKA Group include mainly members of the Executive and Supervisory Boards as well as non-consolidated and associated IWKA Group companies.

The following table summarizes the product- and services-related business activities transacted between companies included in the IWKA Group consolidation and related companies:

in EUR million	Interest in %	Products and services provided by the IWKA Group to related companies 2004	2003	Products and services provided by related companies to the IWKA Group 2004	2003
AMATEC Robotics GmbH, Germering	75	0.0	0.0	0.0	1.2
ARO Española S.A., Barcelona, Spain	100	3.0	3.7	0.0	0.1
ARO Welding Ltd., Verwood, Great Britain	100	2.1	2.6	0.0	0.2
AROMEXICANA S.A. de CV, Puebla, Mexico	100	0.0	0.5	0.0	0.3
Autoplan GmbH & Co. KG, Augsburg	63	0.3	0.5	1.2	1.9
LE BOA S.A., Chilly-Mazarin, France	100	1.4	1.2	0.0	0.0
ECOPACK Verpackungsmaschinen GmbH, Neuss	100	2.8	1.0	0.0	0.0
Gazinox S.A., Paris	39	3.4	0.0	0.0	0.0
GECOM-Societe Groupement Etudes Carroserie Outillage Mecanique S.A., Plaisir, France	100	0.1	0.1	1.0	1.2
HLS Espanola Ingenieria Tecnica S.L.U., Vilanova, Spain	100	0.0	0.3	1.5	1.9
IWK Packaging Machinery Ltd., Thailand	100	0.4	0.3	1.0	0.5
IWKA Regler und Kompensatoren Vertriebs-gesellschaft m.b.H., Vienna, Austria	49	0.3	0.6	0.0	0.0
IWKA PacSystems Inc., Fairfield, USA	100	0.0	3.2	0.0	1.3
KUKA Automation Equipment, Shanghai, China	100	3.2	1.1	0.2	0.0
KUKA de Mexico S. de R. L. de C.V., Mexico, D.F., Mexico	100	1.8	1.9	0.0	0.0
KUKA Enco Werkzeugbau spol. s.r.o., Dubnica nad Váhom, Slovak Republic	65	0.6	0.0	4.7	0.8
KUKA Robot Automation Korea Co. Ltd., Kyunggi Kunpo Sanbon (Seoul), South Korea	100	1.7	2.4	0.0	0.1
KUKA Robot Automation (Malaysia) Sdn BhD, Kuala Lumpur, Malaysia	100	1.3	0.0	0.0	0.0
KUKA Robot Automation Taiwan Co. Ltd., Taipei, Taiwan	100	1.5	0.6	0.3	0.1
KUKA Roboter do Brasil Ltda., Sao Paulo, Brazil	100	1.2	0.4	0.5	0.2
KUKA Roboter Schweiz AG, Dietikon, Switzerland	100	2.5	1.7	0.1	0.1
KUKA Konstruktion Köln GmbH, Cologne	100	0.0	0.0	1.2	0.5
KUKA Sventsanläggningar + Robotar AB., Västra Frölunda, Sweden	100	0.0	3.4	0.0	0.6
RA Jones Europack Limited, East Parade/ Leeds, Great Britain	100	1.3	1.1	0.1	0.1
RMG CEM Gaz Kontrol Ltd. STI, Ankara, Turkey	85	0.1	0.4	0.0	1.0
Others less than EUR one million		3.1	3.1	3.8	3.5
		32.1	**30.1**	**15.6**	**15.6**

Intra-Group purchases and sales are transacted under the "dealing at arm's length" principle at transfer prices that correspond to market conditions.

Services provided to related companies primarily comprise commissions and sales to non-consolidated sales and service organizations. Services provided to the Group by non-consolidated related and associated companies consist primarily of preparatory work that is subject to subsequent processing by the IWKA Group's consolidated companies.

The following table lists the material amounts owing by related parties to fully consolidated IWKA Group companies. Current liabilities are EUR 2.5 million compared to EUR 3.6 million the year before and are not considered material either on an individual basis or from an overall Group perspective.

		Group receivables from related companies	
in EUR million	Interest in %	Dec. 31, 2004	Dec. 31, 2003
ARO Española S.A., Barcelona, Spain	100	1.1	1.5
ARO Welding Ltd., Verwood, Great Britain	100	0.4	1.0
AROMEXICANA S.A. de CV, Puebla, Mexico	100	0.4	1.0
Bopp & Reuther Ges.m.b.H., Vienna, Austria	100	0.7	1.7
IWKA Regler und Kompensatoren Vertriebsgesellschaft m.b.H., Vienna, Austria	49	0.1	1.9
IWKA PacSystems Inc., Fairfield, USA	100	0.0	1.4
KUKA de Mexico S. de R. L.de C.V., Mexico D.F., Mexico	100	1.1	0.0
KUKA Robot Automation (Malaysia) Sdn BhD, Kuala Lumpur, Malaysia	100	2.8	2.3
Kuka Robot Automation Taiwan Co. Ltd., Taipei, Taiwan	100	1.9	1.1
KUKA Roboter do Brasil Ltda., Sao Paulo, Brazil	100	1.7	1.1
KUKA Sventsanläggningar + Robotar AB, Västra Frölunda, Sweden	100	0.0	2.1
Metra S.A., Metz, France	0	0.0	1.3
Others less than EUR one million		10.0	10.6
		20.2	**27.0**

Interest income and expense arising on transactions entered into with related companies relate primarily to IWKA Aktiengesellschaft and result from loans granted to consolidated affiliated companies. The loans are granted at prevailing market rates.

No business subject to reporting rules was conducted between any IWKA Group companies and members of the IWKA Aktiengesellschaft's Executive or Supervisory Boards.

Declaration regarding the Corporate Governance Code

The Declaration of Compliance issued jointly by the Supervisory Board and the Executive Board in accordance with Article 161 of the AktG (German Corporation Act) and dated July 4, 2003 can be viewed by any interested party on the company's home page at www.iwka.de. The Declaration of Compliance issued jointly by the Executive Board on April 15, 2004 and by the Supervisory Board on April 16, 2004 in accordance with Article 161 of the AktG (German Corporation Act) can be viewed by any interested party on the company's home page at www.iwka.de.

Announcements in accordance with article 25 para. 1 of the German Securities Trading Act (WpHG)
Hermes Focus Asset Management Europe Limited, London, Great Britain notified us of the following in a letter dated September 26, 2002: We herewith notify that Hermes Focus Asset Management Europe Limited is entitled to voting rights with respect to the above listed joint stock company, and has the duty to provide information in accordance with article 22, para. 1, sentence 6 WpHG : threshold value exceeded: 5%, interest held: 1,337,848 shares (5.03%), date threshold was exceeded: 24. September 24, 2002. Hermes Focus Asset Management Europe Limited is majority owned by the BT Pension Scheme - same address - and this notification simultaneously serves as a notification from BT Pension Scheme in accordance with article 22 para. 1, sentence 1 WpHG (German Securities Trading Act).

Mr. Guy Wyser-Pratte, 410 Park Avenue, New York, notified us in a letter dated October 28, 2003, of the following: I would like to inform you that my share in the company as of October 27, 2003 exceeded the threshold of 5% of voting rights. My total share of voting rights now stands at 5.0015% (1,330,380 shares), with the allocation calculated according to Article 22, para. 1, sentence 1, item 6 in conjunction with sentence 2 of the WpHG (German Securities Trading Act). Furthermore, all the previously mentioned voting rights are to be allocated to Wyser-Pratte Management Co., Inc., which today will deliver a separate notification.

Wyser-Pratte Management Co., Inc., New York notified us of the following in a letter, also dated October 28, 2003: We would like to inform you that our share in the company as of October 27, 2003 exceeded the threshold of 5% of voting rights. Our total share of voting rights now stands at 5.0015% (1,330,380 shares), with the allocation calculated according to Article 22, 1, sentence 1, item 6 of the WpHG (German SecuritiesTrading Act). Furthermore, all the previously mentioned voting rights shall be allocated to the undersigned, Guy P. Wyser-Pratte, who today will deliver a separate notification.

Gleiss Lutz, Attorneys, Friedrichstraße 71, 10117 Berlin, notified us of the following in a registered letter of July 29, 2004: We represent The Capital Group Companies, Inc. 333 South Hope Street, Los Angeles, CA-90071, USA. We herewith notify you in the name and on behalf of our client that as of July 22, 2004 it exceeded the threshold of 5% of voting rights in IWKA AG. Its share of voting rights increased to 5.005% (corresponding to 1,331,300 shares of common stock). All of these voting rights are allocated to our client pursuant to Article 22, para. 1, sentence 1, item 6 in conjunction with Article 22 para. 1, sentences 2 and 3 WpHG (German Securities Trading Act).

Gleiss Lutz, Attorneys, Friedrichstraße 71, 10117 Berlin, in a fax message of September 13, 2004 and by registered letter/return receipt requested - each separate - notified us of the following: We represent The Capital Group Companies, Inc. 333 South Hope Street, Los Angeles, CA-90071, USA. We herewith notify you in the name and on behalf of our client that as of September 7, 2004 its shares fell below the threshold of 5% of voting rights in IWKA AG. Its share of voting rights declined to 4.802% (corresponding to 1,277,300 shares of common stock). All of these voting rights are allocated to our client pursuant to Article 22, para. 1, sentence 1, item 6 in conjunction with Article 22 para. 1, sentences 2 and 3 WpHG (German Securities Trading Act). We represent The Capital Group International, Inc. 333 South Hope Street, Los Angeles, CA-90071, USA. We herewith notify you in the name and on behalf of our client that as of September 7, 2004 its shares fell below the threshold of 5% of voting rights in IWKA AG. Its share of voting rights declined to 4.802% (corresponding to 1,277,300 shares of common stock). All of these voting rights are allocated to our client pursuant to Article 22, para. 1, sentence 1, item 6 in conjunction with Article 22 para. 1, sentences 2 and 3 WpHG (German Securities Trading Act).

Schroders plc, 31 Gresham Street, London EC2V 7QA, Great Britain, notified us of the following in a fax of September 29, 2004: Notice concerning shares held in IWKA AG. Please take note that Schroders plc is the parent company of Schroder Holding plc, which, in turn, is the parent company of Schroder Investment Management Ltd (SIM). The headquarters of all three companies are at 31 Gresham Street, London EC2V 7QA. We, Schroders plc and Schroder Holdings plc are writing to you in order to inform you pursuant to Article 21, para. 1 WpHG (German Securities Trading Act), that as of September 24, 2004 our shareholdings in IWKA AG exceeded the threshold of 5% and are now 5.05% of the total number of IWKA AG shares issued, namely 26,600,000 shares. These shares are allocated to us according to Article 22, para. 1, sentence 1, No. 6 and sentences 2 and 3 WpHG (German Securities Trading Act). We, Schroder Investment Management Ltd. are writing to you in order to inform you pursuant to Article 21, para. 1 WpHG (German Securities Trading Act), that as of September 24, 2004 our shareholdings in IWKA AG exceeded the threshold of 5% and are now 5.05% of the total number of IWKA AG shares issued, namely 26,600,000 shares. These shares are allocated to us according to Article 22, para. 1, sentence 1, item 6 of the WpHG (German Securities Trading Act).

The Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, in a letter dated December 17, 2004 sent via fax on December 20, 2004, informed us of the following: We herewith inform you that as of December 15, 2004 the share of Landesbank Baden-Württemberg in the voting rights of IWKA Aktiengesellschaft headquartered in Karlsruhe exceeded the threshold of 5% and now represent 5.11%. Votes representing 4.92% are allocated to the Landesbank Baden-Württemberg according to Article 22, para. 1, sentence 1 WpHG (German Securities Trading Act).

Events after the balance sheet date

No significant events occurred between the balance sheet date and the date of publication.

Proposal for the appropriation of profits of IWKA Aktiengesellschaft

The Executive Board and the Supervisory Board will propose to the Annual General Meeting that the net retained earnings of EUR 17,556 thousand shall be distributed to the shareholders. This corresponds to a dividend of EUR 0.66 per no-par value share. The distribution for financial 2004 of EUR 17,556 thousand amounts to 25.4 percent of the total share capital of EUR 69.16 million bearing full dividend rights.

Karlsruhe, March 2005
IWKA Aktiengesellschaft

The Executive Board

Fahr Lampert Reinhart Schäfer

Audit Opinion

We have issued the following opinion on the consolidated financial statements and group management report: "We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders equity and cash flows as well as the notes to the financial statements, prepared by IWKA Aktiengesellschaft, Karlsruhe, for the business year from January 1, 2004 to December 31, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the Company's executive board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the group for the business year in accordance with IFRS.

Our audit, which also extends to the group management report prepared by the executive board for the business year from January 1, 2004 to December 31, 2004, has not led to any reservations. In our opinion, on the whole, the group management report together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition we confirm that the consolidated financial statements and the group management report for the business year from January 1, 2004 to December 31, 2004 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law."

Stuttgart, March 18, 2005
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Ketterle
(German public auditor)	(German public auditor)

Supervisory Board

Reinhard Engel

Bruchsal, Chairman

Former Deputy Chairman of the Executive Board of Buderus AG

Mirko Geiger***

Heidelberg, Deputy Chairman

1st Secretary of IG Metall trade union, Heidelberg branch

Volker Doppelfeld

Munich

Member of the Supervisory Board of BMW AG

* Bayerische Hypo- und Vereinsbank AG, Munich
* D.A.S. Deutscher Automobilschutz, Munich
** Bizerba GmbH & Co. KG, Balingen

Prof. Jürgen Hubbert

Stuttgart

Member of the Executive Board of DaimlerChrysler AG

* Österreichische Industrieholding AG (ÖIAG), Vienna
* ThyssenKrupp AG, Duisburg and Essen
* TÜV Süddeutschland Holding AG, Munich

Intra-Group:
* DaimlerChrysler Bank, Stuttgart
* DaimlerChrysler Services AG, Berlin
** DaimlerChrysler Corporation, Auburn Hills/USA
** GPWC Holdings B.V., Amsterdam/NL (Chairman)
** Häussler Group, Stuttgart (Chairman)

Dr.-Ing. Mathias Kammüller

Ditzingen

Spokesman of the Executive Board of TRUMPF Werkzeugmaschinen GmbH + Co. KG, Ditzingen

* Huber Verpackungen GmbH&Co. KG, Öhringen
* IKB Deutsche Industriebank, Dusseldorf
** AQS AG, Trimmis, Switzerland

Jürgen Kerner***

Augsburg

1st Secretary of IG Metall trade union Augsburg branch

* Fujitsu-Siemens Computers GmbH, Munich until Oct. 2004
* MAN B & W Diesel AG, Augsburg
* SGL Carbon AG, Wiesbaden

Dipl.-Ing. (FH) Herbert R. Meyer***

Augsburg

Chairman of the Works Council of KUKA Schweissanlagen GmbH

Heinz-Jörg Platzek

Oberursel

Former Member of the Executive Board of Dresdner Bank AG

Walter Prues***

Augsburg

Chairman of the Group Works Council

Fritz Seifert***

Schwarzenberg

Chairman of the Works Council of KUKA Werkzeugbau Schwarzenberg GmbH

Wilhelm Steinhart***

Augsburg

Staff member holding commercial power of attorney of KUKA Schweissanlagen GmbH, Augsburg

Dipl.-Kfm. Christian L. Vontz

Frankfurt/Main

Former Member of the Divisional Board of Deutsche Bank AG
Vice Chairman of the Supervisory Board Deutsche Bank (Portugal) S.A., Lisbon

* Berlin-Chemie AG, Berlin (Deputy Chairman)
* Mizuho Corporate Bank (Germany) Aktiengesellschaft, Frankfurt/Main (Deputy Chairman)

Dr. Wolf Hartmut Prellwitz

Karlsruhe

Honorary Chairman

Executive Board

Hans Fahr

Baden-Baden, Chairman

* Gerling Industrie-Service AG, Cologne
* Gerling Vertrieb Firmen und Privat AG, Cologne
** ARO S.A.S., Château-du-Loir/France (Chairman)

Hans Lampert

Karlsruhe

** IWKA HOLDING CORP., Sterling Heights/USA (Chairman)
** ARO S.A.S., Château-du-Loir, France

Prof. Gunther Reinhart

Ettlingen

* Knorr-Bremse AG, Munich
* Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, Munich
** ARO S.A.S., Château-du-Loir, France
** Société Anonyme des Usines Farman, St. Cloud Cedex, France

Dieter Schäfer

Karlsruhe

* Supervisory Board member of the following companies

** Membership in comparable German and foreign control bodies of business enterprises

*** Employee Representative

Key Participations

Status: December 31, 2004

Automotive Technology Division

thousands	Country	Currency	Nominal-capital	Interest	Cons.	PTA
KUKA Schweissanlagen GmbH, Augsburg	Germany	EUR	20,000	100.00%	c	x
D.V. Automation Ltd., Surrey	Great Britain	GBP	50	62.26%	c	
HLS Ingenieurbüro GmbH & Co. KG, Augsburg	Germany	EUR	1,025	80.00%	c	
KUKA Automacao do Brasil Ltda., Sao Bernardo do Campo	Brazil	BRL	2,478	100.00%		
KUKA Automatisering + Robots N.V., Houthalen	Belgium	EUR	1,100	100.00%	c	
KUKA Enco Werkzeugbau spol. s.r.o., Dubnica nad Váhom	Slovakia	SKK	32,000	100.00%		
KUKA Flexible Production Systems Corp., Sterling Heights	USA	USD	2,000	100.00%	c	
KUKA Flex de Mexico, S. de R. L. de C.V., Toluca	Mexico	MXN	50	100.00%	c	
KUKA Service Solutions GmbH, Augsburg	Germany	EUR	130	100.00%	c	
KUKA Sistemas de Automatización S.A., Vilanova i la Geltrú	Spain	EUR	800	100.00%	c	
KUKA Sventsanläggningar + Robotar AB, Västra Frölunda	Sweden	SEK	350	100.00%	c	
KUKA Toledo Production Operations, LLC., Michigan	USA	USD	0	100.00%		
KUKA Werkzeugbau Schwarzenberg GmbH, Schwarzenberg	Germany	EUR	5,100	100.00%	c	
LN Manufacturing (Pty) Ltd., Port Elizabeth	South Africa	ZAR	0	36.00%	a	
Société Anonyme des Usines FARMAN, St. Cloud	France	EUR	1,373	100.00%	c	
Thompson Friction Welding Ltd., Halesowen	Great Britain	GBP	1,250	100.00%	c	
ARO S.A.S., Château-du-Loir	France	EUR	5,940	100.00%	c	
ARO Controls S.A.S., Château-du-Loir	France	EUR	40	100.00%	c	
ARO Española S.A., Barcelona	Spain	EUR	180	100.00%		
ARO Schweissmaschinen GmbH, Augsburg	Germany	EUR	300	100.00%	c	
ARO Soudométal Resistance Welding S.A.-N.V., Brussels	Belgium	EUR	198	100.00%	c	
Savair Inc., Chesterfield	USA	USD	6,000	100.00%	c	
IWKA Produktionstechnik GmbH, Eislingen/Fils	Germany	EUR	5,000	100.00%	c	
EX-CELL-O GmbH, Eislingen/Fils	Germany	EUR	17,000	100.00%	c	
EX-CELL-O Machine Tools, Inc., Sterling Heights	USA	USD	1	100.00%	c	
EX-CELL-O MACHINES S.A., Paris	France	EUR	1,220	100.00%	c	
GSN Maschinen-Anlagen-Service GmbH, Rottenburg	Germany	EUR	2,000	100.00%	c	
IWKA-PT Engineering GmbH, Eislingen/Fils	Germany	EUR	512	100.00%		
FMS Drehtechnik Schaffhausen AG, Schaffhausen	Switzerland	CHF	7,000	100.00%	c	
B & K Corporation, Saginaw	USA	USD	5,000	100.00%	c	
J. W. Froehlich (UK) Limited, Laindon	Great Britain	GBP	500	100.00%	c	
J. W. Froehlich Maschinenfabrik GmbH, Leinfelden-Echterdingen	Germany	EUR	3,600	100.00%	c	

Automotive Technology Division

thousands	Country	Currency	Nominal-capital	Interest	Cons.	PTA
LSW Maschinenfabrik GmbH, Bremen	Germany	EUR	3,000	90.00%	c	
IWKA HOLDING Corp., Sterling Heights	USA	USD	58,819	100.00%	c	
KUKA Dienstleistungs-GmbH, Augsburg	Germany	EUR	40	100.00%	c	

Packaging Technology Division

thousands	Country	Currency	Nominal-capital	Interest	Cons.	PTA
IWKA Packaging GmbH, Karlsruhe	Germany	EUR	20,100	100.00%	c	x
A+F Automation + Fördertechnik GmbH, Kirchlengern	Germany	EUR	500	100.00%	c	x
Autoprod Inc., Clearwater	USA	USD	10	100.00%	c	
Benz & Hilgers GmbH, Neuss	Germany	EUR	5,500	100.00%	c	
BWI plc, Altrincham	Great Britain	GBP	2,330	100.00%	c	
ERCA Formseal Iberica S.A., Barcelona	Spain	EUR	60	100.00%	c	
ERCA Formseal S.A., Les Ulis	France	EUR	2,594	100.00%	c	
Fabrima Máquinas Automáticas Ltda, Sao Paulo	Brazil	BRL	1,500	100.00%	c	
GASTI Verpackungsmaschinen GmbH, Schwäbisch Hall	Germany	EUR	25	100.00%	c	x
HASSIA - Redatron GmbH, Butzbach	Germany	EUR	320	100.00%	c	x
Hassia Redatron Packaging Machinery Private Ltd., Pune	India	INR	42	100.00%		
Hassia USA Inc., Morganville	USA	USD	250	100.00%	c	
Hassia Verpackungsmaschinen GmbH, Ranstadt	Germany	EUR	2,100	100.00%	c	x
Hüttlin GmbH, Steinen	Germany	EUR	1,280	100.00%	c	
IWK Verpackungstechnik GmbH, Stutensee	Germany	EUR	3,000	100.00%	c	x
IWKA PacSystems Inc., Fairfield	USA	USD	300	100.00%	c	
Packaging Technologies Inc., Davenport	USA	USD	4,000	100.00%	c	
PAM-PAC Machines Private Ltd., Mumbai	India	INR	17,600	40.00%	e	
R.A. Jones & Co. Inc., Covington	USA	USD	250	100.00%	c	
TECMAR S.A., Mar del Plata	Argentina	ARS	90	51.00%		

Robot Technology Division

thousands	Country	Currency	Nominal-capital	Interest	Cons.	PTA
KUKA Roboter GmbH, Augsburg	Germany	EUR	10,000	100.00%	c	x
AMATEC Robotics GmbH, Germering	Germany	EUR	480	75.00%	c	
KUKA Automatisme + Robotique S.A.S, Villebon-sur-Yvette	France	EUR	1,500	100.00%	c	
KUKA Controls GmbH, Weingarten	Germany	EUR	500	100.00%	c	x
KUKA Development Laboratories Inc., Rochester Hills	USA	USD	4,876	100.00%	c	
KUKA Industrietechnik GmbH, Augsburg	Germany	EUR	520	100.00%	c	x
KUKA ProTec GmbH, Augsburg	Germany	EUR	1,950	100.00%	c	x
KUKA Robot Automation Korea Co. Ltd., Kyunggi Kunpo Sanbon	South Corea	KRW	450,000	100.00%		
KUKA Roboter do Brasil Ltda., Sao Paulo	Brazil	BRL	566	100.00%		
KUKA Roboter Italia S.p.A., Rivoli	Italy	EUR	1,400	85.00%	c	
KUKA Robotics Corporation, Sterling Heights	USA	USD	8,500	100.00%	c	
KUKA Robotics Hungária Ipari Kft., Taksony	Hungary	HUF	108,000	100.00%	c	
KUKA SysTec GmbH, Günzburg	Germany	EUR	1,500	100.00%	c	

Non-core Businesses Division

thousands	Country	Currency	Nominal-capital	Interest	Cons.	PTA
Bopp & Reuther Anlagen-Verwaltungsgesellschaft mbH, Mannheim	Germany	EUR	19,838	100.00%	c	
Bopp & Reuther Sicherheits- und Regelarmaturen GmbH, Mannheim	Germany	EUR	2,600	100.00%	c	
C. H. Zikesch Armaturentechnik GmbH, Essen	Germany	EUR	26	100.00%	c	
Boehringer Werkzeugmaschinen GmbH, Göppingen	Germany	EUR	16,000	100.00%	c	
Boehringer Werkzeugmaschinen Vertriebsgesellschaft mbH, Göppingen	Germany	EUR	1,600	100.00%	c	
George Fischer-Boehringer Corporation, Farmington Hills	USA	USD	50	100.00%	c	
UBJ Boehringer Inc., Missisauga	Canada	CAD	1,200	100.00%	c	
IWKA Balg- und Kompensatoren-Technologie GmbH, Stutensee	Germany	EUR	5,200	100.00%	c	
American BOA Incorporated, Cumming	USA	USD	25	85.10%	c	
Boa AG, Rothenburg	Switzerland	CHF	1,000	100.00%	c	
IWKA Regler und Kompensatoren Vertriebsgesellschaft m.b.H., Vienna	Austria	EUR	73	49.00%	e	
SFZ S.A., Chassieu	France	EUR	491	100.00%	c	
TUBEST S.A., Fère-en-Tardenois	France	EUR	1,768	100.00%	c	

Non-core Businesses Division

thousands	Country	Currency	Nominal-capital	Interest	Cons.	PTA
RMG Regel + Meßtechnik GmbH, Kassel *	Germany	EUR	2,600	100.00%	c	
Bryan Donkin RMG Canada Limited, Woodstock *	Canada	CAD	109	100.00%	c	
Bryan Donkin RMG Gas Controls Ltd., Chesterfield *	Great Britain	GBP	5,000	100.00%	c	
Karl Wieser GmbH, Ebersberg *	Germany	EUR	250	100.00%	c	
RMG Meßtechnik GmbH, Butzbach *	Germany	EUR	300	100.00%	c	
RMG-GASELAN Regel + Meßtechnik GmbH, Fürstenwalde *	Germany	EUR	600	100.00%	c	
WÄGA Wärme-Gastechnik GmbH, Kassel *	Germany	EUR	150	100.00%	c	
Zaklad Urzadzen Gazowniczych GAZOMET Sp. zo. o., Rawicz *	Poland	PLN	19,600	100.00%	c	
VAG-Armaturen GmbH, Mannheim *	Germany	EUR	1,050	100.00%	c	x
Jihomoravská armaturka spol. sr.o., Hodonin *	Czech Republic	CZK	152,120	100.00%	c	
HEINRICHS Messtechnik GmbH, Cologne *	Germany	EUR	450	100.00%	c	
XENI, Inc. (vorm. Inex Vision Systems, Inc.), Clearwater *	USA	USD	1	100.00%	c	

Other

thousands	Country	Currency	Nominal-capital	Interest	Cons.	PTA
IWKA Anlagen-Verwaltungsgesellschaft mbH, Karlsruhe	Germany	EUR	2,050	100.00%	c	x
IWKA Informationssysteme GmbH, Karlsruhe	Germany	EUR	130	100.00%	c	

PTA companies with whom IWKA Aktiengesellschaft maintains a profit/loss transfer and control agreement as at December 31, 2004 and that have made use of the exemption option pursuant to section 264 para. 3 German Commercial Code (HGB)
c fully consolidated companies as at December 31, 2004
e consolidated by the equity method as at December 31, 2004
a associated companies as at December 31, 2004
* Discontinued Operations (date of transaction see page 94f.)

IWKA Aktiengesellschaft Balance Sheet and Income Statement

IWKA Aktiengesellschaft

Balance Sheet

as at Dec. 31, 2004

Assets

in EUR thousands	Dec. 31, 2004	Dec. 31, 2003
Non-current assets		
Intangible assets	2,169	192
Tangible assets	34,726	36,308
Financial assets	251,322	278,285
	288,217	**314,785**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	281,732	253,495
Receivables from companies, in which participations are held	0	612
Other receivables and assets	1,272	7,993
	283,004	262,100
Cash and cash equivalents	100,059	76,513
	383,063	**338,613**
Prepaid expenses and deferred charges	68	86
	671,348	**653,484**

Equity and liabilities

in EUR thousands	Dec. 31, 2004	Dec. 31, 2003
Equity		
Subscribed capital	69,160	69,160
Capital reserve	133,387	133,387
Revenue reserves	157,643	152,797
Net retained earnings	17,556	17,556
	377,746	**372,900**
Provisions and Accruals		
Pension provisions	10,247	10,239
Provision for Taxes	42,337	39,696
Other provisions	14,452	22,710
	67,036	**72,645**
Liabilities		
Liabilities due to banks	71,228	40,791
Liabilities similar to bonds	49,385	85,444
Trade payables	2,785	640
Accounts payable to affiliated companies	89,179	76,570
Liabilities due to provident funds	2,843	2,950
Other liabilities	11,146	1,544
	226,566	**207,939**
	671,348	**653,484**

IWKA Aktiengesellschaft

Income Statement

for the period Jan. 1 - Dec. 31, 2004

in EUR thousands	2004	2003
Other operating income	22,810	23,631
Personnel expense	-8,235	-8,132
Depreciation/amortization on intangible and tangible assets	-1,954	-2,030
Other operating expenses	-11,714	-16,814
Net income from participations	50,036	38,272
Write-downs and write-ups of financial assets	-27,000	-5,000
Net interest income/expense	-829	-1,203
Earnings from ordinary activities	**23,114**	**28,724**
Taxes on income	-712	2,733
Net income for the year	**22,402**	**31,457**
Allocation to the revenue reserves	-4,846	-13,901
Net retained earnings	**17,556**	**17,556**

The balance sheet and income statement of IWKA Aktiengesellschaft are extracts from the complete annual financial statements of IWKA Aktiengesellschaft (AG Report).

These annual financial statements were audited by Ernst & Young AG, Stuttgart, and were certified without reservations in an opinion dated March 18, 2004.

The complete Annual Financial Statements of IWKA Aktiengesellschaft can be requested from IWKA Aktiengesellschaft, Investor Relations, Postfach 3409, 76020 Karlsruhe, Germany.

Glossary

Capital Employed	Capital employed comprises working capital as well as intangible assets and tangible assets. Thus Capital Employed represents the value of assets employed in the company.
Cash flow	Important key ratio for evaluating the financial strength and earning power of a company: Cash flow from operating activities (also operating cash flow) represents the excess inflow of cash generated from operating activities in the reporting period.
CGC	Corporate Governance Code: Catalogue of recommendations and suggestions of the German CGC Government Commission for German companies (since 2002)
Continuing Operations	Business activities being continued.
Corporate Governance	The customary international term for designating responsible company management and controlling designed to create long-term added value.
DAX	Bluechip-Index of the Deutsche Börse German stock exchange. It is composed of the 30 largest German equities by market capitalization and trading volume listed as Prime Standard.
Digital factory	Computer-aided planning, simulation and optimization of production facilities
Discontinued Operations	Companies that were disposed of in the course of the financial year.
EBIT	Earnings before interest and taxes: Earnings before income from financing activities and taxes
Equity capital ratio	The ratio of equity capital to total balance sheet assets
Earnings per share	Earnings per share are calculated by dividing earnings for the period attributable to ordinary equity holders by the average number of shares outstanding during the period.
Free cash flow	Free cash flow is calculated subtracting cash flow from investing activities from operating cash flow.
FORinnovation	IWKA program to enhance the capacity for innovation
FORproductivity	IWKA program to enhance productivity and efficiency
Free float	Percentage of share capital that is widely held
Gearing	Ratio of net indebtedness and pension accruals to equity capital
Goodwill amortization	Amortization of goodwill
HGB	German Commercial Code (Handelsgesetzbuch)
IFRS	International Financial Reporting Standards: Internationally recognized financial reporting standards designed to guarantee international comparability of Group consolidated financial statements and to achieve greater transparency
MAP	IWKA AG employee stock ownership program

Market capitalization	The market value of an exchange listed company This is calculated as the quoted price of the stock multiplied by the number of shares outstanding.
MDAX	This stock index is composed of 50 mid-cap manufacturing and service industry stocks below the DAX.
Net indebtedness	Short and long-term financial liabilities to financial institutions less cash and cash equivalents
Powertrain	Motor and transmission of a motor vehicle
ROCE	ROCE (return on capital employed) is the ratio of earnings from operating activities (EBIT) to capital employed. The calculation of ROCE uses an average figure for capital employed.
Value added	Overall output (sales revenues, other income, changes in inventory) less inputs and amortization/depreciation)
Working Capital	Working capital comprises inventories and receivables as well as other assets less short-term liabilities (without provision for taxes and short-term financial liabilities) plus other long-term liabilities.
WpHG	German German SecuritiesTrading Act (Wertpapierhandelsgesetz)