

Interim Report

as of March 31, 2004

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Interim Report as of March 31, 2004

Karlsruhe, May 11, 2004

Current Business Year Off to a Good Start

Order Receipts And Profit Increase

IWKA's current business year has begun on a promising note. Order receipts for the first quarter of 2004 came in at EUR 752.3 million, beating last year's figure by 11.9 percent, or EUR 80.1 million. Sales revenue in the same period was EUR 461.4 million, about the same as the year before. The order backlog consequently rose to EUR 1,347.8 million. The IWKA Group's operating profit was again higher during the reporting period. EBIT was 10.1 percent above last year's level at EUR 8.7 million.

Economic Environment

The overall economic situation improved slightly during the first three months of the current business year. Signs of recovery were especially strong in the United States. The rate of expansion also rose in Asia, due to continued strong growth in China. Economists are already warning of an overheated economy.

Growth remains muted in the euro zone. Germany's economy hardly budged, and experts are once again forecasting only a tentative economic upswing for 2004. The latest projections for improvement in the real gross domestic product for 2004 came in at 1.5 percent. Business conditions are such that growth is expected to remain restrained in the immediate future.

Domestic demand is still projected to remain lukewarm in the mechanical and plant engineering sector, causing these companies to rely more and more on export orders.

Order Receipts, Sales Revenue, Order Backlog, Personnel

IWKA's current business year is off to a good start in spite of the restrained economic environment. Order receipts for the first quarter of 2004 came in at EUR 752.3 million, 11.9 percent, or EUR 80.1 million, higher than the previous year's EUR 672.2 million. Sales revenue for the first three months was EUR 461.4 million, about the same as last year's EUR 466.1 million. However, total output was higher than the year before. Export markets accounted for 69.6 percent of the IWKA Group's sales revenue. Order backlog increased to EUR 1,347.8 million and is thereby also higher than the previous year's EUR 1,297.8 million.

The positive development in order receipts came mainly from the Automation Technology Division, up 21.3 percent, and Packaging Technology, up 11.4 percent. Process Technology also booked 5.8 percent more orders than last year. As a result of a major order received in 2003 that was not repeated in the first quarter of 2004, Manufacturing Technology's order receipts were down 9.7 percent from the previous year's level.

As of March 31, 2004, the IWKA Group had 13,344 employees, compared to 13,231 persons as at 12/31/2003. Of these, 5,583 or 41.8 percent worked for foreign companies. There were 113 more employees than at the end of 2003. In spite of rationalization measures, personnel was added, primarily at KUKA Hungaria in Hungary, a KUKA Roboter Group company. Although personnel numbers were increased, personnel expenditure was reduced.

Capital Expenditure

IWKA invested EUR 14.2 million in tangible and intangible fixed assets in the first quarter, as compared to 14.4 million in 2003. One of the primary areas of focus for 2004 is capital expenditure to expand our market penetration, especially in Central America and China.

KUKA Flexible Production Systems Inc. invested in a Mexican facility in order to be closer to its customers' production locations and to take advantage of Mexico's lower wages. The plant started operations at the beginning of the year. VAG Armaturen GmbH is building a production plant in China in order to serve local market needs. The production hall of the

factory is presently under construction. Machinery and manufacturing equipment are on order. Capital expenditures for improvements in manufacturing quality and efficiency were also high on the list of priorities.

Research and Development

In the first quarter of this year, EUR 16 million were spent on research and development, seven percent more than last year. These outlays are supplemented by research and development work stemming from customer orders.

In the Automation Technology Division, KUKA Roboter again proved its innovation strength and its ability to penetrate new markets. The company pressed ahead with development of a stainless steel robot that will fulfill the extremely strict hygiene requirements for working with fresh food.

The Manufacturing Technology Division's companies successfully completed research and development projects associated with a directive to develop flexible, high-performance manufacturing systems according to target costs. Boehringer Werkzeugmaschinen displayed the NG 200 Laser at the METAV 2004 trade fair held in Munich. The combination lathe and laser-welding machine helps reduce unit costs and improves workpiece accuracy.

The Packaging Technology Division brought a number of new developments to a state of market readiness during the first quarter. The focus was on standardization and modular machine design. Manesty, based in the UK, recently presented a new tablet press called the Xpress300. R.A.Jones, located in the United States, expanded its cartoner product family.

Important development work was also carried out in the systems integration area. IWKA, together with the Automation Technology Division's KUKA Roboter, ARO and Farman companies and the Manufacturing Technology Division's companies were jointly featured at the Paris "Industrie 2004" trade fair. The significance of robotics as the Group's crossover technology was especially highlighted at the show.

Earnings, Net Assets and Financial Position

The IWKA Group was again able to improve its operating profit in the first three months. EBIT rose to EUR 8.7 million, a 10.1 percent increase over the previous year's EUR 7.9 million. The Group's interest expenses were further reduced. This led to an increase in earnings from ordinary activities of EUR 3.6 million compared with EUR 1.9 million last year.

There was good news regarding the IWKA Group's net income during the fiscal quarter. The tax quota came in lower, supported by a more uniform profit structure. Net after-tax profit rose to EUR 0.6 million, compared with a loss of EUR 1.6 million during the same period last year. Earnings per share, adjusted for amortization on goodwill, were EUR 0.20 compared with EUR 0.11 a year earlier.

Continued growth in the Automation Technology Division contributed to the Group's higher operating profit. But the Production Technology Division also had a higher operating profit, as did Process Technology, which was able to show significant operating profit improvement compared with the same period last year. The Packaging Technology Division finished with a loss as a result of lower sales revenue. But here too, positive trends are expected starting with the second quarter.

Key Figures IWKA Group 1st quarter 2004

<i>in Euro million</i>	<i>3 months 2004</i>	<i>3 months 2003</i>	<i>Change</i>
Order receipts	752.3	672.2	11.9
abroad in %	57.0%	60.0%	
Order backlog	1,347.8	1,297.8	3.9%
Sales revenue	461.4	466.1	-1.0%
abroad in %	69.6%	57.9%	--
Total output	543.8	534.6	1.7%
EBITA	13.3	12.5	6.4%
in % of sales revenue	2.9%	2.7%	--
EBIT	8.7	7.9	10.1%
in % of sales revenue	1.9%	1.7%	--
Profit from ordinary activities	3.6	1.9	--
Net after tax profit	0.6	-1.6	--
Profit per share	0.02	-0.06	--
Capital expenditure	14.2	14.4	-1.4%
Employees	13,344 (3/31)	13,231 (12/31)	0.9%
abroad in %	41.8%	40.9%	--

Outlook

The positive start to the current business year and the high-level results of the first quarter put us well on the road to achieving this year's order receipts, sales revenue and profit targets during the next three fiscal quarters. The Group's high order backlog lends support to this trend.

IWKA is on the right path with our disciplined cost reduction programs and our focus on core competencies. Considerable effort is being put into both programs.

Our technological expertise and our market positions enable us to grow our systems integrator business profitably throughout the world, a fact confirmed by the Group's positive development during the first quarter. IWKA expects continued improvement in operating profit, as long as there are no major changes in general business conditions.

IWKA Equity

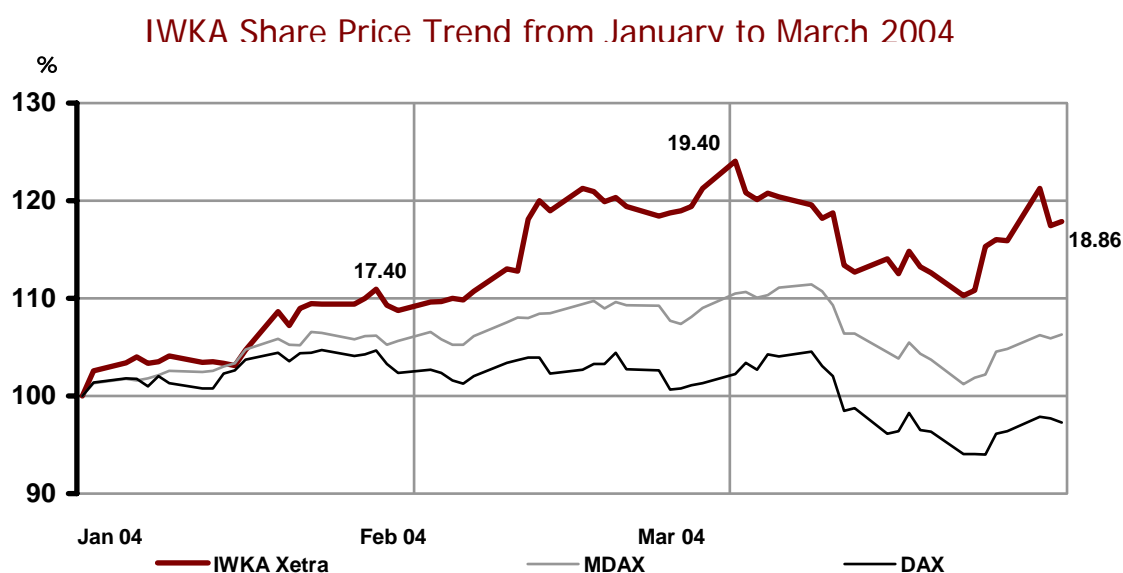
Once again, the IWKA equity outperformed the MDax and Dax indices during the first two months of the current year. Above all, the following items from the annual report for fiscal 2003 boosted the share price:

- significant improvement in operating profit,
- concentration on and expansion of the IWKA Group's core competencies and
- sale of non-core businesses.

On March 1st, the share price reached its highest level of the first quarter, closing at EUR 19.85.

However, thereafter there were increasing signs in Germany of renewed economic weakness. Hope for a sustained economic recovery abated. Together with the March 11th attacks in Madrid, this led to an overall decline in the stock market that also impacted the IWKA equity.

Nevertheless, the IWKA equity's price jumped 17.9 percent from January 1st to March 31st, 2004, while the MDax rose a mere 6.3 percent and the Dax fell 2.7 percent during the same period.



Development in the Divisions

Automation Technology

<i>in Euro million</i>	<i>3 Months 2004</i>	<i>3 Months 2003</i>	<i>Change</i>
Order receipts	432.7	356.7	21.3%
Sales revenue	226.1	217.7	3.9%
EBITA	15.7	14.8	6.1%
in % of sales revenue	6.9%	6.8%	--
EBIT	14.6	13.7	6.6%
in % of sales revenue	6.5%	6.3%	--
Employees	5,332 (3/31)	5,219 (12/31)	2.2%

The Automation Technology Division continued its dynamic development. The division's order receipts rose from the previous year's EUR 356.7 million to EUR 432.7 million. Sales revenue was also greater than the previous year's high value of EUR 217.7 million, reaching EUR 226.1 million. The significant rise was mainly driven by the welding systems business. The positive development is also reflected in the EBIT of EUR 14.6 million, which surpassed the previous year's level of EUR 13.7 million. There were 5,332 employees, 113 more than the closing figure in 2003. The increase is due to expanded manufacturing capacity at KUKA Hungaria in Hungary.

KUKA Schweissanlagen had an outstanding first quarter with higher order receipts and sales revenue. The group booked orders from DaimlerChrysler for the Sprinter's successor and from Volvo for the new V 70 model. The KUKA Roboter Group added to the previous year's successes. Major orders were received from VW for manufacturing the Passat and Golf plus, as well as from Ford for production of the Focus. The KUKA Roboter Group also benefited from growth in order receipts from the general industry. Order receipts for welding guns came in at about the same level as the previous year. Higher order receipt levels in the North American market supported this business development.

Manufacturing Technology

<i>in Euro million</i>	<i>3 Months 2004</i>	<i>3 Months 2003</i>	<i>Change</i>
Order receipts	114.1	126.3	-9.7%
Sales revenue	79.4	84.9	-6.5%
EBITA	-1.1	-2.4	54.2%
in % of sales revenue	-1.4%	-2.8%	--
EBIT	-2.4	-3.7	35.1%
in % of sales revenue	-3.0%	-4.4%	--
Employees	2,030 (3/31)	2,026 (12/31)	0.2%

Order receipts in the Manufacturing Technology Division were EUR 114.1 million. This was slightly lower than the previous year's level of EUR 126.3 million, which had benefited from a major General Motors project. Nevertheless, order backlog at EUR 330 million remains high and additional orders are expected for the second quarter. The division's sales revenue on an accounting basis came in at EUR 79.4 million, still under the previous year's level of EUR 84.9 million. EBIT for the first quarter of 2004 improved by EUR 1.3 million over the previous year's equivalent time frame and is now at EUR -2.4 million. The number of employees was almost the same as at December 31, 2003. Compared to the same period last year, staff count fell by 100. This is mainly due to the restructuring undertaken by Boehringer Werkzeugmaschinen GmbH, which continues to be diligently implemented.

In the first quarter, orders for machine tools and manufacturing systems were received from VW Shanghai for a four-cylinder engine and further orders from VW Kassel and VW Salzgitter. The assembly and testing technology group also received more orders than the year before.

Overall, IWKA's Manufacturing Technology Division was able to strengthen its position as a systems integrator of manufacturing and assembly systems in the automotive power train sector.

Process Technology

<i>in Euro million</i>	<i>3 Months 2004</i>	<i>3 Months 2003</i>	<i>Change</i>
Order receipts	92.7	87.6	5.8%
Sales revenue	77.9	67.5	15.4%
EBITA	1.3	-3.5	--
in % of sales revenue	1.7%	-5.2%	--
EBIT	1.1	-3.7	--
in % of sales revenue	1.4%	-5.5%	--
Employees	3,038 (3/31)	2,996 (12/31)	1.4%

The programs implemented during the past years contributed to the significant improvement in business results for the Process Technology Division's companies. Order receipts, at EUR 92.7 million, were above last year's first quarter value of EUR 87.6 million. Sales rose 15.4 percent to EUR 77.9 million, compared with EUR 67.5 million in 2003. EBIT was positive in the first quarter, as it was at the end of 2003. At EUR 1.1 million, the result was significantly higher than the previous year's value of EUR -3.7 million. The Process Technology Division had 3,038 employees on March 31, 2004, forty-two more than at the end of 2003.

Bopp & Reuther companies' level of export orders received during the reporting period rose. This situation is a reflection of the previous year's intensive efforts to restructure its companies in alignment with market requirements and to develop a competitive product and market position.

The Balg- und Kompensatoren Group's order receipts were also higher than last year's. American BOA Inc. is currently building a manufacturing plant in the State of Michigan in order to be better able to address the requirements of major US manufacturers in the continuously expanding exhaust systems market. This is also the reason for the higher number of employees in this division.

The RMG Group also recorded stable growth in the first quarter of 2004. The increased order receipts include an additional phase in the shipments of gas pressure regulator stations for China's west-east gas pipeline.

Packaging Technology

<i>in Euro million</i>	<i>3 Months 2004</i>	<i>3 Months 2003</i>	<i>Change</i>
Order receipts	111.2	99.8	11.4%
Sales revenue	76.5	94.1	-18.7
EBITA	-2.9	1.1	--
in % of sales revenue	-3.8%	1.2%	--
EBIT	-5.0	-1.0	--
in % of sales revenue	-6.5%	-1.1%	--
Employees	2,851 (3/31)	2,900 (12/31)	-1.7%

The Packaging Technology Division's order receipts were 11.4 percent higher than the previous year and reached EUR 111.2 million compared with EUR 99.8 million a year earlier. An increasingly steadier demand has especially been evident since February and has continued on into April.

However, due to the weak level of order receipts in the fourth quarter of 2003, sales revenue at EUR 76.5 million was still much lower than the previous year's figure of EUR 94.1 million. Total output at EUR 91.3 million was also 9.9 percent weaker than in the previous comparable time frame. As a result, the division's EBIT at EUR -5.0 million was still under the previous year's level of EUR -1.0 million. Because of the long order cycles, an improvement in the result is not expected until the start of the second half of the business year.

The number of employees compared to the end of 2003 fell by an additional forty-nine persons. As a result of the market weakness to date, a number of companies took steps to align their capacities.

R.A. Jones, based in the United States, successfully completed development of a new sleeve during the first quarter. The company has already received its first orders for this type of machine.

ERCA-FORMSEAL of France secured an order for an innovative dairy project during the reporting period. To meet the project requirements, ERCA developed and patented a new thermoforming process that enables the formation of specially designed cups. This technology opens new doors in the market.

IWK Verpackungstechnik received another order from Colgate for a high-speed tube-filling machine.

IWKA Group Income Statement

<i>in Euro million</i>	<i>3 Months 2004</i>	<i>3 Months 2003</i>
Sales revenue	461.4	466.1
Changes in inventories of finished goods and work in process	81.4	68.5
Own costs capitalized	1.0	0.0
Total output	543.8	534.6
Other operating income	7.5	7.7
Cost of materials	-285.0	-262.6
Personnel expense	-174.7	-177.1
Depreciation/amortization on intangible and tangible fixed assets	-17.4	-17.8
<i>thereof goodwill amortization</i>	-4.6	-4.6
Other operating expenses	-65.5	-76.9
Earnings from operating activities (EBIT)	8.7	7.9
Net income from investments	0.5	0.2
Net interest expense	-5.6	-6.2
Earnings from ordinary activities	3.6	1.9
Taxes on income	-3.0	-3.5
Net income	0.6	-1.6
Minority interests in profits	0.1	0.0

IWKA Group Balance Sheet

Assets

<i>in Euro million</i>	<i>3/31/2004</i>	<i>12/31/2003</i>
Fixed assets		
Intangible assets	183.6	188.1
<i>thereof Goodwill</i>	166.6	170.7
Tangible assets	282.5	278.3
Financial assets	23.4	22.6
	489.5	489.0
Current assets		
Inventories	717.6	634.8
less payments received on account	318.0	284.2
	399.6	350.6
Trade receivables	424.9	437.0
Other receivables and assets	76.7	68.2
Cash and cash equivalents	66.1	114.4
	967.3	970.2
Deferred taxes	39.8	39.0
Prepaid expenses and deferred charges	6.2	3.7
	1,502.8	1,501.9

Liabilities

<i>in Euro million</i>	<i>3/31/2004</i>	<i>12/31/2003</i>
Equity	390.0	387.8
Accruals		
Pension accruals and similar liabilities	99.9	98.7
Tax accruals	62.1	68.5
Other accruals	330.6	334.7
	492.6	501.9
Liabilities		
Liabilities due to banks and similar to bonds	349.7	339.7
Trade payables	184.6	180.5
Other liabilities	85.0	91.5
	619.3	611.7
Deferred income	0.9	0.5
	1,502.8	1,501.9

IWKA Group Cashflow Statement

<i>in Euro million</i>	<i>3 Months 2004</i>	<i>3 Months 2003</i>
Net income for the year	0.6	-1.6
Depreciation/amortization of fixed assets	17.4	17.8
Other non-payment-related expenses/income	-0.7	-0.3
Cashflow	17.3	15.9
Changes in		
accruals	-9.0	19.4
inventories less payments received on account	-49.0	-63.7
receivables and deferred charges	1.4	33.8
liabilities and deferred income	-4.3	-39.5
Cashflow from operating activities	-43.6	-34.1
Payments from disposals of fixed assets	0.6	0.3
Payments for capital expenditure on intangible and tangible assets	-14.2	-14.4
Payments for investments in financial assets	-1.1	-0.7
Payments for the acquisition of consolidated companies and other business units	0.0	-0.8
Cashflow from investing activities	-14.7	-15.6
Changes in equity	2.4	-4.2
Changes in fixed assets due to exchange rate differences	-3.2	4.2
Changes in financial liabilities	10.0	-3.8
Cashflow from financing activities	9.2	-3.8
Payment-related change in cash and cash equivalents	-49.1	-53.5
Exchange-rate-related and other changes in cash and cash equivalents	0.8	-0.9
Change in cash and cash equivalents	-48.3	-54.4
Cash and cash equivalents at the beginning of the period (01/01)	114.4	138.1
Cash and cash equivalents at the end of the period (03/31)	66.1	83.7

Development of IWKA Group Equity

<i>in Euro million</i>	<i>Subscribed capital</i>	<i>Capital reserve</i>	<i>Revenue reserves</i>	<i>Group net retained earnings</i>	<i>Minority interests</i>	<i>Total</i>
01/01/2003	69.2	133.3	162.6	17.6	3.9	386.6
IWKA AG dividend						0.0
Other changes			-4.8			-4.8
Group net income for the period			-1.6			-1.6
03/31/2003	69.2	133.3	156.2	17.6	3.9	380.2

<i>in Euro million</i>	<i>Subscribed capital</i>	<i>Capital reserve</i>	<i>Revenue reserves</i>	<i>Group net retained earnings</i>	<i>Minority interests</i>	<i>Total</i>
01/01/2004	69.2	133.3	163.6	17.6	4.1	387.8
IWKA AG dividend						0.0
Other changes			2.1		-0.5	1.6
Group net income for the period			0.5		0.1	0.6
03/31/2004	69.2	133.3	166.2	17.6	3.7	390.0

Explanatory Notes

Accounting Standards according to HGB (German Commercial Code)

The financial statements and the interim report for the IWKA Group in financial 2004 were prepared in accordance with the German Commercial Code and the Stock Corporation Act.

The interim report has been compiled in line with standard DRS 6 issued by the German Accounting Standards Committee.

The Group's interim report is not subjected to any audits.

Company Group

The Group's interim report contains IWKA Aktiengesellschaft, 46 companies registered in Germany and 48 firms domiciled outside Germany, on whose behalf IWKA Aktiengesellschaft exercises uniform control. The following major changes have occurred since December 31, 2003:

On January 1, 2004, KUKA Service Solutions GmbH, Augsburg, was included into the group of consolidated companies.

Accounting and Valuation Policies

The valuation methodology and financial principles used in the consolidated financial statements for the business year ending December 31, 2003 were basically applied in preparing this interim report and establishing the comparison figures to the previous year. A detailed description of the methodology is published in the appendix to our 2003 Annual Report. The report is also available on the Internet at <http://www.iwka.com>.

Cash Flow Statement

The Cash Flow Statement defines the IWKA Group's payment capability. The cash and cash equivalents are made up of cash at banks, checks and cash balances.

Earnings Per Share

Earnings per share were calculated by dividing the Group's net income by the number of outstanding shares (26.6 million).

Significant Events

At the end of the first quarter of 2004, there were no events of major importance.

Karlsruhe, May 2004

IWKA Aktiengesellschaft

The Executive Board

Financial Calendar

Annual General Meeting 2004, Karlsruhe	July 9, 2004
Disbursement of dividends	July 12, 2004
Interim Report for the first six months of 2004	August 10, 2004
Interim Report for the first nine months of 2004	November 9, 2004
Preliminary figures for financial 2004	February 8, 2005
Press conference presenting the annual financial statements, Karlsruhe	April 18, 2005
DVFA analysts conference, Frankfurt/Main	April 18, 2005
Interim Report for the first quarter of 2005	May 10, 2005
Annual General Meeting 2005, Karlsruhe	July 8, 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

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