IWKA INTERIM REPORT / 2ND QUARTER 2006

AUTOMATION MEANS PRODUCTIVITY.

AUTOMOTIVE

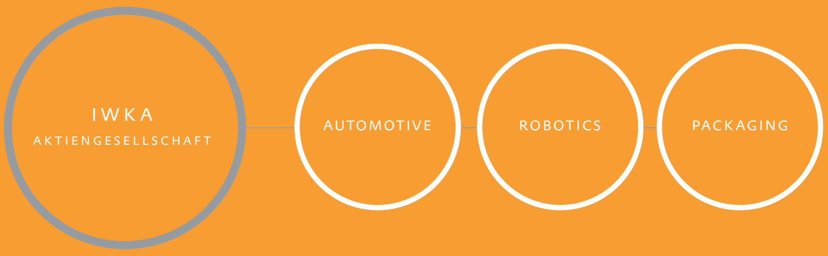
ROBOTICS

PACKAGING

IWKA automation technologies

AUTOMATION MOVES – AUTOMATION MEANS PRODUCTIVITY.

IWKA's automation and packaging technologies are used to fill and package food products for a wide variety of hygiene standards, right up to the strictest sterilization specifications. Fresh products do not spoil quickly and continue to taste fresh. Not only end users reap the enormous benefits – IWKA technology also cuts producers' production, storage and transportation costs.



IWKA AUTOMATION TECHNOLOGIES

Global success with innovative automation solutions. For many branches, and many markets. The core expertise of the IWKA companies lies in the Automotive, Robotics and Packaging business sectors. It is here that our technologies set worldwide standards. For many manufacturing companies, IWKA Automation Technologies means cost reduction, security of production and perfectly reproducible quality. IWKA Automation technologies are solutions for success.

in € millions	6 Months 2006	6 Months 2005	Change
Orders received*	853.6	757.4	12.7%
Order backlog* **	(June 30) 762.0	(Dec. 31) 609.1	25.1%
Sales revenues*	678.6	610.0	11.2%
thereof abroad in %	60.9%	64.2%	–
Total output*	703.9	688.3	2.3%
EBIT*	2.9	3.7	-21.6%
in % sales revenues	0.4%	0.6%	–
Result from continuing operations*	-9.7	-6.4	–
Result from discontinued operations	-52.5	15.4	–
Net after-tax result	-62.2	9.0	–
Earnings per share	-2.32	0.36	–
Earnings per share (continuing operations)	-0.35	-0.22	–
Capital Expenditure*	11.5	12.7	-9.4%
Employees*	(June 30) 7,491	(Dec. 31) 7,883	-5.0%

* Continuing operations (previous year comparable)
** Order backlog calculated on the basis of the PoC method

in € millions	2nd Quarter 2006	2nd Quarter 2005	Change
Orders received*	405.4	377.1	7.5%
Sales revenues*	363.1	339.1	7.1%
Total output*	368.3	378.8	-2.8%
EBIT*	3.3	6.3	-47.6%
Result from continuing operations*	-4.7	-2.3	–
Result from discontinued operations	-51.1	-1.8	–
Net-after tax result	-55.8	-4.1	–
Earnings per share	-2.09	-0.15	–
Earnings per share (continuing operations)	-0.17	-0.08	–
Capital expenditure*	5.9	6.0	-1.7%

* Continuing operations (previous year comparable)

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IWKA GROUP RESTRUCTURING BEARS FIRST FRUITS:

- Orders received and sales revenues significantly higher
- Several companies categorized as discontinued operations
- Loss from discontinued operations includes non liquidity-related valuation adjustments, which lead to a substantial deficit for the first half-year
- CEO Hein: "After a half-year of rigorous portfolio adjustments, we can see the first success of IWKA's restructuring"

AUTOMOTIVE

DYNAMIC STRATEGIES FOR THE AUTOMOTIVE SECTOR

AUTOMOTIVE ENGINEERING IS THE LARGEST BUSINESS AREA FOR IWKA. ANY COMPANY LOOKING FOR SUCCESS IN THIS DYNAMIC MARKET MUST MAKE BEST USE OF ITS CAPABILITIES. WITH THE COMPANIES OF THE KUKA WELDING EQUIPMENT GROUP IWKA CONCENTRATES SUCCESSFULLY ON THE AREAS BODY-IN-WHITE TECHNOLOGIES AND ENGINEERING SERVICES.

IWKA EQUITY

PRICE CORRECTION FOLLOWS STOCK MARKET RALLY

The upward trend of the stock markets, which had lasted for over three years, reversed itself during the second quarter of 2006. The sizeable market correction was driven by investor fears related to inflation and interest rates. Stocks that had previously enjoyed above-average price rises were hit particularly hard. After reaching an all-time high of 6,140 on May 9, 2006, the MDAX lost about 22 percent of its value within four weeks. IWKA's share price experienced a similar decline (-21.8 percent). The DAX correction was more moderate at -13.8 percent.

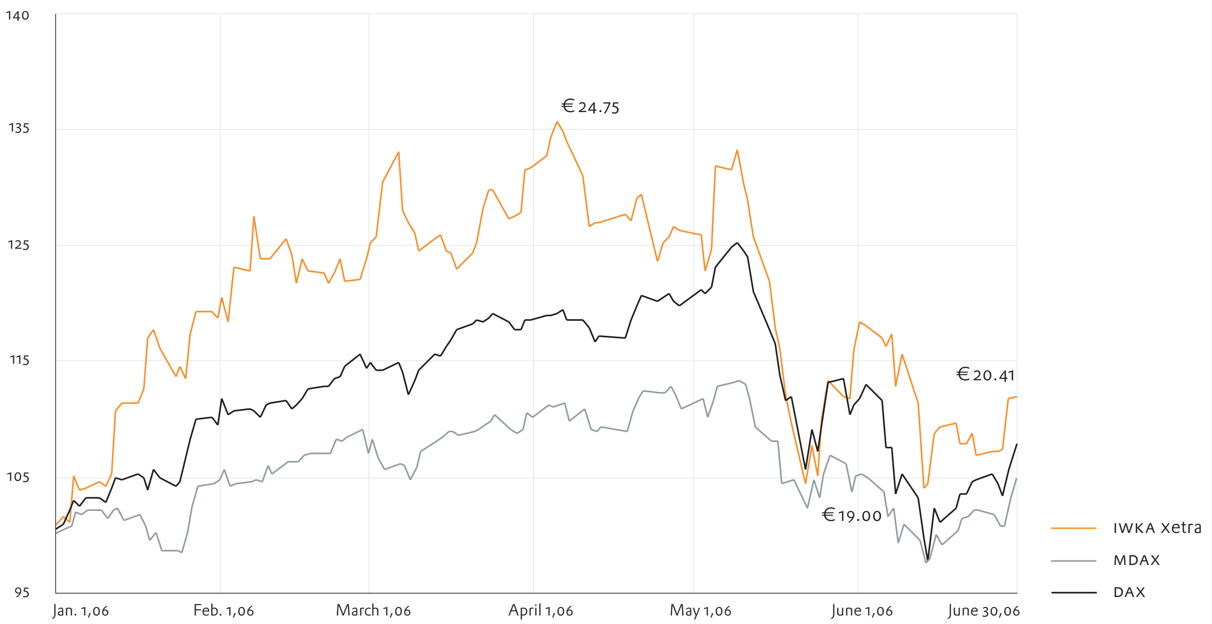
Despite this price correction in all markets, the MDAX still rose by 7.9 percent during the first half of 2006. The DAX also ended in positive territory, rising 5.1 percent in the same period. IWKA's share price has risen 11.8 percent since the beginning of the year, again beating the comparative indices.

IWKA shares again performed better than indices.

ANNUAL GENERAL MEETING 2006 APPROVES RESOLUTIONS

At this year's Annual General Meeting, which was held on June 1 in Karlsruhe, 37.8 percent of IWKA Aktiengesellschaft's shareholders were in attendance. A substantial majority of shareholders approved all of the Executive Board's resolutions. The Executive and Supervisory Board members were also discharged from responsibility by a substantial majority.

IWKA's share price
from January to June 2006 vs. the DAX and MDAX



GENERAL CONDITIONS

At the halfway mark of 2006, growth in the German economy appears to be somewhat more dynamic than had been forecast by the experts and research institutions. In June, the Ifo business survey reached its highest level since 1991. For the first time in recent memory, domestic demand for 2006 is expected to contribute more to GDP growth (forecast is 1.8 percent) than the still strong export business. General conditions for the second half of 2006 appear to be stable, particularly since the economies in the industrialized countries are trending upwards, although US economic growth recently slowed to a more moderate pace. Nevertheless, for the time being, economic growth in China is unlikely to slow. Experts are forecasting growth of over 10 percent and 9 percent in 2007. Japan continues to enjoy a strong economic revival. Other Asian countries, particularly India, as well as Latin America, are also expanding rapidly. According to expert forecasts, the world economy is likely to grow at a rate of 5 percent in 2006 and 4.5 percent in 2007.

Economic upswing continues.

BUSINESS TREND

The restructuring of the Group continues to dominate the 2006 business. ARO Group (Automotive division), GSN Maschinen-Anlagen-Service (Automotive) and HASSIA-Redatron (Packaging) were categorized as discontinued operations effective June 30, 2006.

Orders received from continuing operations have substantiated the positive trend of the first quarter. The order volume of € 853.6 million is in line with our expectations. It represents a delightful improvement of 12.7 percent over the € 757.4 million achieved in the first half of 2005. All three divisions contributed to the increase. The gain was made possible by IWKA's systematic implementation of programs aimed at improving the sales structure, together with the general economic conditions in key markets. The rise in orders received establishes a base for the earnings from operating activities during the current financial year.

Delightful improvement in orders received and sales.

Order backlog in continuing operations was calculated for the first time on the basis of the PoC method. This method of calculating order backlog uses the same sales numbers as those in the income statement. According to this method, order backlog at the end of the first half year is € 762.0 million, which is 25.1 percent higher than the € 609.1 million reported at the close of 2005.

Sales revenues from continuing operations of € 678.6 million also beat the prior year's comparable figure of € 610.0 million for the same period. The increase of 11.2 percent is mainly attributable to a rebound in shipments by the Robotics division, which started at the beginning of the year. The Automotive division also made up lost ground, while Packaging did not quite match last year's numbers.

EARNINGS, FINANCIAL AND ASSETS SITUATION

During the first half of 2006, the IWKA Group generated a positive EBIT of € 2.9 million from continuing operations. Excluding the budgeted start-up costs for the KTPO pay-on-production contract, operating earnings in the core business fields improved as expected. In 2006, the company has therefore returned to profitability after several quarters of operating losses in the year 2005. The improved results were driven by the substantial earnings growth in the Robotics division.

Group total output rose to € 703.9 million from € 688.3 million a year earlier. Cost of materials on the income statement rose from 53 percent in 2005 to the current 55 percent. The increase was due to the outsourcing of large packages to subsuppliers in the automotive systems business. Because of a slight rise in short-term interest rates, interest expenses at € -8.6 million were higher than the previous year. Earnings from continuing operations therefore fell to € -9.7 million from € -6.4 million in 2005.

During the first half of 2006, IWKA Aktiengesellschaft continued to make progress with the restructuring it initiated in 2005 on the way to becoming an automation group. The Boehringer Group had already been recategorized as discontinued operations as of December 31, 2005. Non-liquidity related valuation adjustments were undertaken on the asset side of the balance sheets of the ARO Group, GSN Maschinen-Anlagen-Service GmbH and HASSIA-Redatron GmbH in connection with their reclassification as discontinued operations. The negative result of € -52.5 million from discontinued operations led to a reported loss after taxes of € -62.2 million for the Group. The surplus of € 9.0 million as of June 30, 2005 was mainly the result of profits generated from the sale of the RMG and VAG Groups.

The recategorization of several companies leads to valuation adjustments and to a substantial deficit for the first half of 2006.

Total assets as of June 30, 2006 fell to € 1,210.6 million from € 1,553.3 million on December 31, 2005. This is primarily caused by the disposal of EX-CELL-O and BKT, as well as the sale of J.W. Froehlich in the second quarter. On the liability side of the balance sheet, liabilities from discontinued operations in conjunction with divestments and other provisions related to restructuring measures declined. The placement of the convertible bond issue in April 2006 caused long-term financial liabilities and equity to increase. As a result, the Group's financial structure has improved. However, as result of the reported losses from discontinued operations, the equity ratio declined to 11.0 percent.

EMPLOYEES

As of June 30, 2006, the IWKA Group had 7,491 employees in continuing operations, which compares to 7,883 persons as of December 31, 2005. Of these, 43 percent work for foreign operations. The workforce reduction of 5 percent is mainly the result of personnel restructuring measures introduced in the Robotics division in 2005. In comparison, the number of employees in the Automotive division remained relatively constant, because additional staff had to be hired for the start-up of the pay-on-production contract in Toledo, Ohio. The total number of persons on the Group's payroll including discontinued operations was 9,121 as of June 30.

FIRST HALF OF 2006:

The Automotive division booked sizable projects from BMW and DaimlerChrysler. The start of production of the Jeep Wrangler in the USA generated start-up costs.

The Robotics division managed profit turnaround with increasing sales and decreasing personal costs.

Packaging Technologies generated higher orders received and positive results.

TECHNOLOGY OF THE FUTURE – ROBOTICS

MODERN, HIGH-TECH SOLUTIONS CAN NO LONGER BE IMAGINED WITHOUT ROBOTS AS THE CORE ELEMENT. THE KUKA ROBOT GROUP DESIGNS, MANUFACTURES AND MARKETS INDUSTRIAL ROBOTS AND CONTROL SYSTEMS AND ASSOCIATED SERVICES IN THIS SECTOR. INNOVATIVE LEADERSHIP IS GUARANTEED BY A CONTINUOUS EXPANSION OF THE PRODUCT RANGE FOR NEW MARKETS IN GENERAL INDUSTRY BASED ON HIGHLY DEVELOPED TECHNICAL SOLUTIONS FOR THE AUTOMOBILE INDUSTRY.

AUTOMOTIVE DIVISION

Key Figures

in € millions	2nd Quarter 2006	2nd Quarter 2005	6 Months 2006	6 Months 2005	Change
Orders received	231.4	217.4	479.9	418.0	14.8%
Order backlog*	–	–	(June 30) 532.6	(Dec. 31) 400.6	33.0%
Sales revenues	178.1	169.7	323.6	298.1	8.6%
Total output	181.4	184.3	341.1	342.6	-0.4%
EBIT	-4.2	3.6	-4.7	4.5	–
in % of sales revenues	-2.4%	2.1%	-1.5%	1.5%	
Employees	–	–	(June 30) 3,259	(Dec. 31) 3,366	-3.2%

* Order backlog calculated on the basis of the PoC method

The Automotive division's companies generated higher orders received in the first half of 2006. The total volume was € 479.9 million, significantly higher than the € 418.0 million achieved during the same period a year earlier.

Sales revenues also rose over the prior year, coming in at € 323.6 million, 8.6 percent higher than the € 298.1 million generated in 2005.

The division's operating earnings were affected by the start-up phase of the KTPO pay-on-production contract in Toledo/Ohio, as well as significant price pressure, particularly in assembly technology (LSW) and pressing tools (KWS). EBIT came in at € -4.7 million. This includes earnings charges of € 6.8 million for the start-up of the KPTO pay-on-production contract for the Jeep Wrangler in the United States.

The number of people employed by the division was relatively constant at 3,259 as of midyear. On December 31, 2005 the figure was 3,366. The increase in staff for the pay-on-production contract in the United States was largely offset by job cuts at KUKA Werkzeugbau in Schwarzenberg (KWS).

Big order from India.

In India, IWKA Automotive took an important step toward strengthening its Asian business. KUKA Schweissanlagen will deliver car body production systems to automaker Tata for a future midrange model and KUKA Roboter will supply about 300 robots. The contract was signed recently.

The division also booked other important orders from major customers during the second quarter. For example, KUKA Schweissanlagen received orders from BMW and DaimlerChrysler. KUKA Schwarzenberg will build several pressing tools for VW. KUKA Flex/USA was awarded a contract by DaimlerChrysler to build a number of systems in a factory in the United States.

The Automotive division expects business operations to remain stable during the current financial year, but orders on hand and any new orders received will continue to be affected by strong pressure from competitors. The year 2006 will be dominated by the production start-up of the pay-on-production contract to build car bodies in Toledo/Ohio, which will occur during the second half of the year.

ROBOTICS DIVISION

Key figures

in € millions	2nd Quarter 2006	2nd Quarter 2005	6 Months 2006	6 Months 2005	Change
Orders received	85.2	87.0	188.0	177.2	6.1%
Order backlog*	–	–	(June 30) 76.9	(Dec. 31) 73.9	4.1%
Sales revenues	91.8	77.2	187.8	142.5	31.8%
Total output	96.9	95.3	189.4	165.2	14.6%
EBIT	6.0	1.6	10.2	-2.0	–
in % of sales revenues	6.5%	2.1%	5.4%	-1.4%	
Employees	–	–	(June 30) 1,728	(Dec. 31) 1,936	-10.8%

* Order backlog calculated on the basis of the PoC method

Successful profit turnaround.

The far-reaching restructuring measures implemented in the Robotics division in 2005 are reflected in a tighter organizational structure for the current business. Three companies were merged with KUKA Roboter GmbH retroactive to January 1, 2006: KUKA Controls, KUKA Industrietechnik and Amatec. The operating business of KUKA Systec will henceforth also be managed by KUKA Roboter in Augsburg. As a result, manufacturing and development activities are now bundled.

Orders received and sales revenues growth is very satisfactory. Orders received as of June 30, 2006 were € 188.0 million, 6.1 percent higher than the prior year's € 177.2 million. Sales revenues at the end of the first half-year were € 187.8 million, considerably higher than the € 142.5 million achieved in the same period a year earlier. An especially high number of project orders were finalized after completion of the restructuring.

As a result of the improving business situation, earnings at the half-year mark have returned well into positive territory, ending at € 10.2 million compared to € -2.0 million on June 30, 2005.

The personnel restructuring measures introduced at the end of 2005 became effective during the first half of 2006. The number of employees fell to 1,728 as of June 30, 2006, 10.8 percent less than at the end of 2005.

The positive business trend is the result of new orders from carmakers and their suppliers, as well as an increasing number of orders from general industry. KUKA Roboter's strategy of expanding its portfolio to include products for general industry and to focus more on customers outside the automotive sector has proven to be correct.

KUKA Roboter saw major orders coming from carmakers during the second quarter of 2006. These included bookings from DaimlerChrysler for the C-Class, from VW/Audi for the A4 and from Ford for the Mondeo. As already indicated in the Automotive division report, KUKA Roboter received its first order from the Indian automaker Tata.

KUKA Roboter expects its business to stabilize further during the current financial year, whereby here too, the effects of extreme competitive pressure in the automotive sector will impact earnings quality.

PACKAGING DIVISION

Key figures

in € millions	2nd Quarter 2006	2nd Quarter 2005	6 Months 2006	6 Months 2005	Change
Orders received	97.6	98.5	204.8	194.5	5.3%
Order backlog*	–	–	(June 30) 161.3	(Dec. 31) 142.1	13.5%
Sales revenues	101.1	104.2	181.8	188.2	-3.4%
Total output	98.0	107.3	188.0	195.3	-3.7%
EBIT	3.9	4.6	1.8	5.9	-69.5%
in % of sales revenues	3.9%	4.4%	1.0%	3.1%	
Employees	–	–	(June 30) 2,436	(Dec. 31) 2,476	-1.6%

* Order backlog calculated on the basis of the PoC method

The Packaging division's orders received were higher during the first half of 2006. IWKA Packaging companies generated orders received of € 204.8 million. During the same period last year, the number was € 194.5 million. In the pharmaceuticals/cosmetics and the dairy sub-segments, the orders received level was significantly higher than last year (especially from IWK Verpackungstechnik, Hüttlin and ERCA).

However, sales revenues did not match those of the first half of 2005 due to project-related invoicing dates. The division achieved revenues of € 181.8 million in the first six months, 3.4 percent less than the € 188.2 million generated a year earlier. As of June 30, 2006, IWKA Packaging reported slightly positive earnings of € 1.8 million compared to the € 5.9 million posted in 2005. Sales from the higher backlog will rise operating earnings over the course of the year.

The number of employees was 1.6 percent lower than the level at the end of 2005 as a result of restructuring measures. As of June 30, 2006, 2,436 people were employed compared to 2,476 on December 31, 2005.

Substantial increases in the pharma/cosmetics and dairy segments.

Prominent international companies placed orders with IWKA Packaging Systems in the second quarter. For example, Colgate in Mexico ordered a tube-filler system from the pharmaceuticals/cosmetics business unit. In the food subsegment, Packaging Technologies received a major order from van Houten, and R.A. Jones booked one from Modelo Zacatecas. In the dairy area, HASSIA received orders for a thermoforming machine from ConAgra in the United States as well as Tine in Norway. Gasti was awarded another order from Pinar in Turkey, as well as Seoul Dairy in South Korea. ERCA was able to land various orders from New Zealand and Chile.

IWKA Packaging expects further interesting orders for its companies during the course of the current financial year. Sales revenues will be higher in the second half-year than during the first six months. A corresponding significant operating earnings contribution is expected.

NON-CORE BUSINESSES / DISCONTINUED OPERATIONS

The IWKA Group sees its mandate as opening up new avenues for industrial companies all over the world, as well as improving their productivity and cost structures by applying its automation technologies. Our core business focus is on the automotive, robotics and packaging industries. The ability of the company to master the future is strengthened by cutting out business activities that do not fit into these areas of competency or that do not meet the return on investment targets. IWKA continues to see the restructuring of the portfolio as an important step toward becoming a highly profitable technology company.

As announced, the portfolio will be further streamlined in 2006. The business activities of the ARO Group, GSN Maschinen-Anlagen-Service GmbH and HASSIA-Redatron GmbH were categorized as discontinued operations effective June 30, 2006.

In addition to the aforementioned companies, discontinued operations also include the Boehringer Group as of June 30, 2006. The latter was assigned to discontinued operations on December 31, 2005. The results from the disposal of B & R-Sicherheits- und Regelarmaturen-Group and the J.W. Froehlich Group are also included in the earnings numbers. The loss of € 52.5 million from discontinued operations as of June 30 includes non liquidity-related write-downs.

Negotiations to sell the companies grouped under discontinued operations have begun. As part of the current divestment program, the Automotive division's J.W. Froehlich Maschinenfabrik was sold on June 26, 2006 by way of a management buyout. The effective date of the sale is June 30, 2006. The company develops, manufactures and sells test stands and systems for engines and gearboxes, as well as transfer, assembly and leak-test machines. J.W. Froehlich Vermögensverwaltung GmbH is the purchaser.

CAPITAL EXPENDITURE, RESEARCH AND DEVELOPMENT, RISK MANAGEMENT

IWKA's continuing operations invested € 11.5 million in property, plant and equipment and intangible assets in the first half year, as compared to € 12.7 million at the same time in 2005. A key focus of the capital spending was optimizing business processes.

KUKA Roboter unveiled a completely new dimension in robotics at the "Automatica" trade fair in Munich in May 2006. KUKA's lightweight robot, which made its public debut together with other new developments, is a result of tight cooperation between industry (KUKA Roboter) and researchers (German Aerospace Center). Thanks to its fine sensors, it is able to yield to humans or obstructions and "learns" when it is guided through its motions. KUKA's prototype lightweight robot will now be used by university researchers to help find new fields of application for robots.

KUKA's new lightweight robot can "learn".

The chemical and pharmaceutical industry's leading international trade show "Achema" presented an opportunity for IWKA Packaging's pharmaceuticals subsegment to demonstrate its performance capabilities. Among other things, Manesty, one of the segment's companies, presented its new Containment-Coater, which guarantees contamination-free coating of strong pills and integrates intelligent solutions for loading and unloading the pills.

A detailed description of the risks to which the company is exposed and our risk management system can be found starting at page 62 of the 2005 financial report. The majority of the statements made in the report apply here as well. We are presently not aware of any risks that threaten the existence of the IWKA Group.

OUTLOOK

We are cautiously assessing the economic climate for the coming months as positive. The risks have increased and above all, they continue to drive energy prices higher. Nevertheless, the world economy continues to grow. As an exporting nation, Germany can reap the benefits and now again appears to be developing the ability to grow internally. The boom in the emerging markets will continue to stimulate the economic growth of the industrialized nations. A slight weakening in demand from the Chinese growth market, which has repeatedly been predicted by experts, has yet to be seen. India, another growth market important to IWKA, is exhibiting equally dynamic growth.

The automotive sector in Germany, which is especially important to the IWKA Group, is making good headway with the introduction of many new models. On the other hand, automotive sales in the United States have sagged. Overall, competitive pressure remains strong, and there is concern that the increasing tax burden in Germany along with the rapidly accelerating fuel prices could lead to a serious slump in 2007.

IWKA Automotive offers carmakers and their subsuppliers technological solutions that contribute to higher productivity and better efficiency. Pay-on-production contracts will become increasingly important to operations management as the value chain is reshaped. KUKA Roboter will continue to play a leading role as a partner to the automotive industry, but also increasingly in new fields of application for robotics. Growth in orders received in the Packaging division and positive market developments are creating the right conditions to enable IWKA Packaging to strengthen its market position after completing the still ongoing optimization of its value-added processes.

Positive operating results can be expected at year's end.

IWKA is restructuring the Group's finances by converting short-term loans into long-term financial liabilities through the recent placement of a convertible bond. This supports IWKA's restructuring program and ensures growth in international markets. At the halfway mark of the financial year, IWKA can confirm the forecast for its operations: the trend in orders received and sales revenue in the current business year leads us to expect a positive operating result as projected. On the other hand, the charges from discontinued operations will lead to another substantial loss in the after-tax results.

The goal is to create a new, more flexible IWKA that is seen as a proactive company by the world market. By implementing the announced programs without compromise, IWKA has generated freedom to maneuver, which will allow the company to react flexibly to continuously changing challenges.

PACKAGING

PACKAGING – SYSTEMATIC SUCCESS

FLEXIBILITY, RELIABILITY AND INNOVATIVE STRENGTH – THE SUCCESS OF THE IWKA COMPANIES IN THE PACKAGING SECTOR IS BUILT ON THESE THREE COLUMNS. THE MAIN ACTIVITIES OF THIS BUSINESS SECTOR INCLUDE THE DESIGN AND CONSTRUCTION OF PACKAGING MACHINES FOR THE DAIRY INDUSTRY AND FOR THE PHARMACEUTICAL, COSMETICS AND FOODSTUFFS INDUSTRIES. BUT THE INCREASING DEVELOPMENT OF THE DIVISION INTO A SYSTEM PARTNER ALSO PLAYS A DECISIVE ROLE, AND IS REFLECTED IN NUMEROUS PROJECT MANAGEMENT TASKS FOR THE REALISATION OF COMPLETE PACKAGING LINES.

IWKA GROUP INCOME STATEMENT

for the period Jan. – June 30, 2006

in € millions	6 Months, 2006	6 Months, 2005
Sales revenues	**678.6**	**610.0**
Changes in inventories of finished goods and work in process	22.5	73.4
Own costs capitalized	2.8	4.9
Total output	**703.9**	**688.3**
Other operating income	17.0	17.4
Cost of materials	-390.4	-365.9
Personnel expense	-223.2	-224.3
Depreciation / amortization on intangible and tangible assets	-16.9	-16.9
Other operating expenses	-87.5	-94.9
Earnings from operating activities (EBIT)	**2.9**	**3.7**
Income from participations	0.7	0.6
Net interest income / expense	-8.6	-7.3
Earnings before tax	**-5.0**	**-3.0**
Taxes on income	-4.7	-3.4
Result from continuing operations	**-9.7**	**-6.4**
Result from discontinued operations	**-52.5**	**15.4**
Net after-tax result	**-62.2**	**9.0**
Minority interests in profits	0.5	0.5
Earnings per share (in € after minority interests)	-2.32	0.36
Earnings per share continuing operat. (in € after minority interests)	-0.35	-0.22

in € million	2nd Quarter 2006	2nd Quarter 2005
Sales revenues	**363.1**	**339.1**
Changes in inventories of finished goods and work in process	3.5	37.2
Own costs capitalized	1.7	2.5
Total output	**368.3**	**378.8**
Other operating income	10.4	6.8
Cost of materials	-211.6	-203.9
Personnel expense	-110.3	-113.2
Depreciation / amortization on intangible and tangible assets	-8.3	-8.6
Other operating expenses	-45.2	-53.6
Earnings from operating activities (EBIT)	**3.3**	**6.3**
Income from participations	0.7	0.6
Net interest income / expense	-4.3	-3.9
Earnings before tax	**-0.3**	**3.0**
Taxes on income	-4.4	-5.3
Result from continuing operations	**-4.7**	**-2.3**
Result from discontinued operations	**-51.1**	**-1.8**
Net after-tax result	**-55.8**	**-4.1**
Minority interests in profits	0.2	0.2
Earnings per share (in € after minority interests)	-2.09	-0.15
Earnings per share continuing operat. (in € after minority interests)	-0.17	-0.08

IWKA GROUP BALANCE SHEET

as of June 30, 2006

Assets

in € millions	June 30, 2006	Dec. 31, 2005
Non-current assets		
Intangible assets	135.7	148.0
Tangible assets	157.0	192.2
Participations in associated companies	3.0	3.0
Other financial assets	10.6	11.7
	306.3	**354.9**
Deferred taxes	**47.5**	**54.5**
Current assets		
Inventories	284.1	278.0
Receivables and other assets		
Trade receivables	231.5	292.6
Receivables from long-term contracts	124.2	116.6
Receivables from affiliated companies	9.9	17.5
Other assets. prepaid expenses and deferred charges	47.2	31.2
	412.8	**457.9**
Cash and cash equivalents	26.8	118.4
	723.7	**854.3**
Assets of discontinued operations	**133.1**	**289.6**
	1,210.6	**1,553.3**

Equity and Liabilities

in € millions	June 30, 2006	Dec. 31, 2005
Equity	**133.7**	**189.1**
Non-current liabilities and provisions		
Long-term financial liabilities	94.7	53.0
Other long-term liabilities	0.8	12.2
Pension provisions and similar obligations	132.8	137.8
Deferred taxes	6.0	8.0
	234.3	**211.0**
Current liabilities and provisions		
Short-term financial liabilities	133.8	227.5
Trade payables	156.0	172.0
Advances received	119.9	107.4
Liabilities from long-term contracts	76.3	88.6
Accounts payable to affiliated companies	7.6	3.0
Other short-term liabilities and deferred income	89.1	126.3
Provision for taxes	24.6	26.8
Other provisions	138.6	209.8
	745.9	**961.4**
Liabilities from discontinued operations	**96.7**	**191.8**
	1,210.6	**1,553.3**

IWKA GROUP CASH FLOW STATEMENT

in € millions	6 Months, 2006	6 Months, 2005
Net after-tax result	**-62.2**	**9.0**
Result from the disposal of discontinued operations	49.3	-16.8
Depreciation / amortization on fixed assets	20.0	25.6
Other non-payment-related expenses / income	5.2	-1.5
Cash flow	**12.3**	**16.3**
Result on the disposal of assets	-0.3	-1.6
Changes in provisions	-39.1	-28.1
Changes in inventories	-32.8	-94.5
Changes in receivables and deferred charges	-12.6	-81.0
Changes in liabilities and deferred income	-1.8	-17.1
Cash flow from operating activities	**-74.3**	**-206.0**
Payments from disposals of fixed assets	1.4	2.6
Payments for capital expenditure on intangible and tangible assets	-14.4	-20.5
Payments for investments in financial assets	-0.9	-1.7
Payments from the sale of consolidated companies and other business units	26.1	75.5
Cash flow from investing activities	**12.2**	**55.9**
Dividends payed	–	-17.6
Payment from the placement of a convertible bond	67.4	–
Changes in financial liabilities	-95.9	69.9
Cash flow from financing activities	**-28.5**	**52.3**
Payment-related change in cash and cash equivalents	**-90.6**	**-97.8**
Exchange-rate-related and other changes in cash and cash equivalents	-5.5	2.2
Change in cash and cash equivalents	**-96.1**	**-95.6**
Cash and cash equivalents at the beginning of the period (Jan.1)	125.8	136.6
Cash and cash equivalents at the end of the period (June 30)	**29.7**	**41.0**

DEVELOPMENT OF GROUP EQUITY

in € millions	Subscribed capital	Capital-reserve	Revenue reserves: Other revenue reserves	Revenue reserves: Translation gains/losses	Revenue reserves: Market valuation/hedges	Revenue reserves: Net retained earnings	Minority interests	Total
Jan. 1, 2005	**69.2**	**133.3**	**140.4**	**-3.7**	**-1.9**	**17.6**	**3.2**	**358.1**
IWKA Aktiengesellschaft dividend	–	–	–	–	–	-17.6	–	-17.6
Changes in ownership	–	–	-9.3	–	–	–	–	-9.3
Exchange-rate related differences	–	–	–	4.3	–	–	–	4.3
Other changes	–	–	–	–	0.4	–	0.2	0.6
Group net-after tax result for the period	–	–	9.5	–	–	–	-0.5	9.0
June 30, 2005	**69.2**	**133.3**	**140.6**	**0.6**	**-1.5**	**0.0**	**2.9**	**345.1**

in € millions	Subscribed capital	Capital-reserve	Revenue reserves: Other revenue reserves	Revenue reserves: Translation gains/losses	Revenue reserves: Market valuation/hedges	Revenue reserves: Net retained earnings	Minority interests	Total
Jan. 1, 2006	**69.2**	**99.5**	**19.5**	**0.5**	**-0.2**	**0.0**	**0.6**	**189.1**
Changes from convertible bond	–	11.4	–	–	–	–	–	11.4
Changes in ownership	–	–	-3.9	–	–	–	-0.2	-4.1
Exchange-rate related differences	–	–	–	-1.7	–	–	–	-1.7
Other changes	–	–	–	–	1.2	–	–	1.2
Group net-after tax result for the period	–	–	–	–	–	-61.7	-0.5	-62.2
June 30, 2006	**69.2**	**110.9**	**15.6**	**-1.2**	**1.0**	**-61.7**	**-0.1**	**133.7**

NOTES

IFRS/IAS Accounting Standards

IWKA Aktiengesellschaft has prepared its consolidated financial statements 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 interim report is therefore prepared in accordance with IAS 34. The prior year's figures have been determined in accordance with these same standards.

The Group's interim consolidated financial statements are not subjected to any audit review.

Scope of consolidation

The Group's interim report contain IWKA Aktiengesellschaft, 27 companies registered inside Germany and 42 firms domiciled outside Germany, on whose behalf IWKA Aktiengesellschaft exercises uniform control.

The following major changes have occurred since December 31, 2005:

All of the following subsidiaries categorized as discontinued operations in the 2005 annual report have been eliminated from the scope of consolidation in 2006:

- Flexible Solution Group (BTK Group)
  - IWKA Balg- und Kompensatoren-Technologie GmbH, Stutensee
  - American BOA Inc., Cumming/USA
  - BOA AG, Rothenburg/Switzerland
  - SAS Souplesse Fonctionnelle Systematique, Chassieu/France
  - Tubest Flexible Solutions S.A., Fere en Tardenois/France
- EX-CELL-O Group
  - EX-CELL-O GmbH, Eislingen/Fils
  - EX-CELL-O Machine Tools, Inc., Sterling Heights/USA
  - EX-CELL-O Machines S.A.S., Paris/France
- Bopp & Reuther Sicherheits- und Regelarmaturen GmbH, Mannheim, and C.H. Zikesch Armaturentechnik GmbH, Essen

J.W. Froehlich Group, consisting of J.W. Froehlich Maschinenfabrik GmbH, Leinfelden, and J.W. Froehlich (UK) Ltd., Laindon, were sold effective June 30, 2006 and are therefore eliminated from the scope of consolidation.

Accounting and valuation policies

The same valuation methodology and financial principles as those used in the consolidated financial statements for the 2005 business year were applied in preparing these interim financial statements and establishing the comparison figures to the prior year. A description of the principles is published in the notes of the 2005 Group consolidated financial statements. The latter are also available on the Internet at www.iwka.de.

Discontinued Operations

For the income statement, the numbers for all companies categorized as discontinued operations as of June 30, 2006 – and for the prior year – were summarized in accordance with IFRS 5 and shown as result from discontinued operations. Intangible assets and liabilities items have been categorized on the balance sheet as intangible assets from discontinued operations and liabilities from discontinued operations and have not been adjusted to align with the prior year's numbers.

As of June 30, 2006, the following companies are categorized as discontinued operations:

- The Boehringer Group and its member companies (as of Dec. 31, 2005):
  - Boehringer Werkzeugmaschinen GmbH, Göppingen
  - Boehringer Werkzeugmaschinen Vertriebsgesellschaft mbH, Göppingen
  - FMS Drehtechnik Schaffhausen AG, Schaffhausen/Switzerland
  - George Fischer-Boehringer Corp., Farmington Hills/USA
  - UBJ-Boehringer Inc., Mississauga/Canada
- The ARO Group (as of June 30, 2006):
  - ARO S.A.S., Chateau-du-Loir/France
  - ARO Controls S.A.S., Chateau-du-Loir/France
  - ARO Schweißmaschinen GmbH, Augsburg
  - ARO Soudometal Resistance Welding S.A.-N.V., Brussels/Belgium
  - Savair Inc., Chesterfield/USA
- GSN Maschinen-Anlagen-Service GmbH, Rottenburg (as of June 30, 2006)
- HASSIA-Redatron GmbH, Butzbach (as of June 30, 2006)

In addition, the prior year's numbers for discontinued operations still include the companies categorized as discontinued operations in the 2005 financial report. These include the EX-CELL-O Group, the BKT Group and the B & R-Sicherheits- und Regelarmaturen Group.

The earnings from discontinued operations as of June 30, 2006 therefore include the earnings contributions from the Boehringer Group, the ARO Group, GSN Maschinen-Anlagen-Service GmbH and HASSIA-Redatron GmbH.

The results from the disposal of B & R-Sicherheits- und Regelarmaturen-Group and the J.W. Froehlich Group are also included in the earnings numbers. The long-term intangible assets of the ARO Group, GSN Maschinen-Anlagen-Service GmbH and HASSIA-Redatron GmbH were devalued in accordance with IFRS 5. The total provision for the results from the disposal of discontinued operations is € 49.3 million.

Cash flow statement

The cash flow statement defines the flow of funds into and out of the IWKA Group in accordance with IAS 7. The amount recognized as cash and cash equivalents comprises bank balances, checks and cash on hand. This also includes cash and cash equivalents from discontinued operations.

Segment reporting

The major components of segment reporting with regard to the primary segments are included in the reports of the Automotive, Robotics and Packaging operating divisions.

Earning per share

Earnings per share were calculated by dividing the Group's net after-tax result adjusted for minority interests by the Group's 26.6 million outstanding shares. The earnings per share are diluted because of the conversion right of investors who purchased the convertible bonds placed by IWKA Aktiengesellschaft on April 24, 2006. The number of shares used to determine the diluted half-year earnings per share was 27,374,814. The diluted earnings per share are therefore €-2.24 per share.

Contingent liabilities and other financial obligations

There has been no material change in other financial obligations since December 31, 2005.

Events of major importance after the end of the reporting period

Mr. Dieter Schäfer, by mutual agreement with the Supervisory Board, will leave the Executive Board of the company as of August 31, 2006. In addition to his other duties, Wolfgang-Dietrich Hein, CEO, will now be head of the Packaging Division. The Supervisory Board's decision was made on August 3, 2006.

Karlsruhe, August 8, 2006
IWKA Aktiengesellschaft

THE EXECUTIVE BOARD

Note: The quarterly report contains forward-looking statements based on assumptions and estimates made by the management of IWKA Aktiengesellschaft. Although management is of the opinion that these assumptions and estimates are accurate, future actual developments and future actual results could deviate significantly from these assumptions and estimates due to a variety of different factors. Some of these factors could, for example, include a change in the overall economic climate, exchange rates and interest rates, as well as changed conditions in the markets themselves. IWKA Aktiengesellschaft makes no guarantees that future developments and actual future results will align with the assumptions and estimates contained in this report, nor does it accept any liability for same. Rising oil and other raw material prices dampened the effects of expansionary monetary policies and the low cost of capital.

FINANCIAL CALENDAR

Interim report for the first nine months	NOVEMBER 7, 2006
Preliminary figures for financial 2006	FEBRUARY 6, 2007
Press conference presenting the annual financial statements	MARCH 29, 2007
DVFA Analysts' Conference	MARCH 29, 2007
Interim report for the first quarter	MAY 8, 2007
Annual General Meeting	MAY 16, 2007
Interim report for the first six months	AUGUST 7, 2007
Interim report for the first nine months	NOVEMBER 6, 2007

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