Extraordinary general meeting

IWKA Aktiengesellschaft

November 9, 2005

Stadthalle Karlsruhe

Statement by the Chairman of the Executive Board of IWKA Aktiengesellschaft

Wolfgang-Dietrich Hein

The spoken word prevails!

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1. Welcome

Honored shareholders,

Honored guests, ladies and gentlemen,

On behalf of the Executive Board of IWKA Aktiengesellschaft, I cordially welcome you to Karlsruhe.

You were invited to today's extraordinary general assembly to elect new members to our Supervisory Board. We are delighted that you took the time to come to Karlsruhe, and I can see the undiminished interest in our company when I cast my eyes over this assembly, which is as large as always. You have demonstrated your commitment to IWKA Aktiengesellschaft by participating, and we are very grateful. I also want to thank the media, both for attending and for its fair reporting.

The occasion of this extraordinary meeting gives me an opportunity to present to you my views after my first seventy-five days at IWKA and to give you some preliminary information about how IWKA can address its current strategic issues and overcome the resulting operating weaknesses.

2. Strategy

We are presently conducting a comprehensive strategic analysis of the current situation, along with the strengths and opportunities of the IWKA Group. This affects each of the Group's companies, and over the course of the next few weeks, we will be able to report in detail about necessary adjustments and measures. Nevertheless, I will try today to give you a brief outline of our preliminary conclusions, to give you an indication of the direction in which we are heading.

You can see that we are presenting IWKA in a completely new light. Effective immediately, the Group will present a uniform, all-encompassing corporate image and identity as a way of expressing its renewed self-confidence. This will underscore the unity of the Group.

All IWKA companies will now operate in their target markets using the IWKA logo, together with the tagline "Automation Technologies", thereby ensuring brand recognition and bringing color to the Group's successful products and systems. The oval, which remains open on the right, demonstrates to you and the market that IWKA is in motion. The company has mastered the considerable pace of change. This drive, this energy, which is symbolized by our four traditional letters, signifies not only cohesion and success, but also our commitment to quality and performance.

Why did IWKA choose the tagline "IWKA Automation Technologies" as the Group's predominant theme?

"Automation" is the key to efficiency, higher product quality, lower energy and material consumption and therefore contributes significantly to improving a company's competitive strength. Using automation to provide intelligent solutions, achieve maximum productivity and outstanding quality, particularly in countries with advanced technological knowledge, is a key competitive advantage for innovative companies. Our customers know this and therefore avail themselves of the IWKA Group's skills, products and services.

From this perspective, we have been in the automation business for years.

Our knowledge enables us to offer sector-specific automation solutions to a wide range of secondary industries. In addition to tapping the growth potential remaining in our traditional fields of activity in process, manufacturing and packaging automation, we will also pursue and seize attractive new market opportunities. Although IWKA will remain an important partner for the automotive and especially the packaging industry in the future, we by no means will restrict ourselves to the automotive, robotics and packaging sectors.

There are clear advantages associated with the term "automation" when we talk about equity, because it leaves considerable room for listeners to have individual interpretations and perceptions of the related fields of activity of IWKA. At the same time, the term is connected with positive attributes such as high tech, innovation, progress and growth.

Positioning the company as an automation enterprise also makes it a member of an appealing peer group that commands commensurate higher ratios in the capital markets.

In addition, we have created a unifying identity that enables us to focus the Group on common goals. This has been missing to date.

The necessity of a clear strategic position became evident to me during my first weeks with the company.

For months now - maybe even for years - there has been an ongoing, highly exaggerated debate that is almost like a religious war about whether a packaging sector fits in with IWKA; whether robots are important to packaging technology or machine tools should be part of the automotive sector or not. In other words, whether IWKA's structure will remain the same or change, depending on who is on the Executive Board, or who our investors are.

As a result, the necessary vision and strategic direction were not properly prioritized.

We will solve this problem quickly.

At the same time, the short-term interests of some investors are in conflict with the required long-term orientation of a major industrial company, its customers and employees.

We want to free ourselves of these restraints and focus on growth and profits to increase the value of the company. This includes the recently launched program to improve investor relations.

In the future, IWKA's priority will be to focus on fields of activity that promise high growth and profitability and will invest in these areas. Conversely, we will systematically streamline our portfolio and eliminate business entities that are either not profitable, or insufficiently profitable.

This clear strategy, together with the liberty to shape the company along these lines, will enable us to meet the demands of our investors to a much greater extent than that we have to date, and will once more accelerate our progress.

Ladies and gentlemen,
The year 2005 has so far been marked by capital spending cutbacks and exceptionally difficult market conditions for the automotive businesses. This is reflected in the performance of some of the company's business segments. Today we published our interim report on the first nine months of the year. By no means are the present results satisfactory, and they have forced us to take an even harder tack in our ongoing restructuring program.

The cost reduction and efficiency improvement programs we launched (FOR-Productivity) were unable to offset the negative earnings in 2005 adequately.

Further cost cuts in 2005 are inescapable. As I stated earlier, together with a renowned consulting company we have hired, we are also examining each of the Group's business entities to confirm that it fits with the Group's new positioning strategy. This includes every company in the core businesses, as well as the IWKA holding company.

Honored shareholders,
I know that the recent circumstances and events at IWKA have caused you some moments of stress. The numerous announcements, personnel changes and the fact that we found it necessary to meet today here in Karlsruhe have raised questions and uncertainty in your minds. Some of this uncertainty has spilled over to the Group's employees, and I will make no secret of the fact that quite a number of sales meetings with customers begin with a discussion about the general political situation at IWKA. They quite legitimately ask whether IWKA is in trouble.

From my résumé you can see that I have successfully managed many reorganizations and restructuring programs in the past fifteen years. So I should be in a position to give an opinion. And today, it is relatively easy for me to give you a clear reply: IWKA Aktiengesellschaft is not a sick company! The Group has a solid foundation, is solidly financed and has considerable potential to grow. In my opinion, the major problem over the past number of years has been a management deficit.

As we all know, this can become the worst problem of all. If on top of this the management is unable to make decisions, it should come as no surprise that e.g. losing businesses in which we hold an interest have been retained in the portfolio for years. The redistribution of earnings within the Group is something we can no longer afford, and it belongs to the past. In the future, every Group division will have to meet the agreed targets.

In summary, let me review the four control levers at our disposal to improve performance:

- Valuating the entire portfolio including a coherent corporate story
- Assessing the value of the individual businesses and active portfolio management
- Defining challenging individual targets for the businesses
- Establishing performance-oriented management behavior

3. Group management

IWKA is a horizontally diversified group of companies with little expertise sharing between the three main business fields. The activities fall under the thematic heading of "automation technology".

Group management has to date focused on expansion and administration of the consolidated companies and its structure was decentralized. Unfortunately, the decentralization was taken too literally and the consolidated companies were left to operate without adequate direction. Group management's responsibility toward the companies they were controlling was neglected and available management tools were not used properly.

I see a need to change the Group management. It is essential that we develop it as a strategic management holding company and improve target achievement by integrating our excutives more effectively into the decision-making process. We expect that this will lead to a much more efficient management organization.

The holding company will be upgraded to a corporate center and will have the role of a strategic management holding company.

We will add real parenting value; e.g., for project and risk management, professional financial management, management development programs, brand strategy, strategic purchasing, opening up new export markets, etc.

We have already started to increase integration in the business areas themselves.

We have created a Group management team / executive committee that consists of the Executive Board of the holding company and the management directors of the Automotive, Robotics and Packaging Technology Divisions. This will finally meet the demands of the Supervisory Board, which has been demanding tighter management control for some time.

4. Q3 report

1.1 Group, Q3

1.1.1 Group, Q3: qualitative

The Group's total output was comparable to last year. Unfortunately, profit growth was unable to mirror this positive development. The reason for this is further margin erosion.

Reduced capital spending, particularly on the part of our major automotive industry customers is producing saturated market conditions, and many orders were signed despite promising to be major headaches. Although IWKA's companies have responded with programs to improve the efficiency of their processes, the results to date fall short.

Further adjustments are planned or are being implemented. As the chairman of the Executive Board, I must now ask myself whether we are targeting the right markets, booking the right orders and whether our companies are properly structured to remain competitive. In the past, a number of the Group's successful companies focused only on the future and neglected to consolidate their progress.

We are now moving forward with this consolidation.

1.1.2 Group, Q3: quantitative

Declining orders received and severe margin pressure in the automotive sector are strongly affecting the year 2005, causing earnings from ordinary activities in all divisions that service the automotive industry to deteriorate significantly. Cost overruns for major projects in the EX-CELL-O Group are also affecting the Group's consolidated earnings to September 30. There will be additional expenses related to organizational restructuring and divestments because of the ongoing portfolio renewal. These one-time effects are weighing heavily on profits. Orders received and sales revenues were unable to match the prior year's level, while total output was 2.1 percent higher, as I outlined earlier. Order backlog was considerably higher than the 2004 year-end level.

Total orders received from continuing operations to end of September were EUR 1,504.1 million, 2.8 percent lower than the comparable prior year's level. Strong competitive pressure forced the business units to accept considerably lower margins than in the past in order to secure orders. The sluggish capital spending of many carmakers strongly affected the Robot Technology Division in particular.

Sales revenues from continuing operations in the first nine months (excluding the EX-CELL-O Group) reached EUR 1,322.2 million, down just 1.3 percent from last year's equivalent period. In particular, the Robot Technology Division reported a decline, with sales down EUR 105.6 million from from last year's equivalent period. Compared to the same period last year, the Automotive Technology Division's sales were up EUR 45.7 million and the Packaging Technology Division reported an increase of EUR 16.0 million.

As of September 30, the Group had 11,409 employees, 166 less than at the end of 2004.

The revenues and costs for companies that are intended for disposal are separately disclosed in the income statement of the IWKA Group and are shown under discontinued operations in accordance with International Financial Reporting Standards (IFRS). For the current year, this affects companies belonging to the EX-CELL-O Group, which are shown as discontinued operations in the September 30 interim report. For continuing operations, earnings from operating activities were EUR 42.0 million lower than during the first nine months of 2004. EBIT to September 30 of this year was EUR 14.6 million. While the Packaging Technology Division's operating profit was better than last year, the Automotive Technology Division's current EBIT is sharply lower than what it was for the same period last year. The Robot Technology Division is even reporting negative results because of the precipitous drop in sales.

Result from continuing operations for the first nine months is EUR 1.1 million. Result from discontinued operations is EUR - 25.6 million.

I will now present the individual segments.

1.2 Automotive Technology, Q3

1.2.1 Automotive Technology, Q3: qualitative

The Automotive Technology Division's systems engineering and assembly group primarily supplies car-body production systems. The main technology used in this area is spot welding. With KUKA Werkzeugbau in Schwarzenberg, the group has also set up a manufacturing company of press tools for steel and aluminum parts over the past twelve years. It is one of the most important leaders in this field of technology, and the integration of machine tool manufacturing and systems engineering is exactly what supports the car-body process chain. The wide range of flexible production systems offered by the group is enhanced by field service and engineering services. More recently, greater emphasis was placed on assembly technology. All these aspects position the Automotive Technology Division as a systems supplier with a customer-oriented service concept.

A few global players and a number of smaller companies compete in this market. Although the minor competitors have limited resources, it makes them able to maintain continuous pressure on the price level. Nor should the carmakers' internal machine tool and systems departments be underestimated. The largest markets for systems engineering and assembly align with the production capacities of the automotive industry in Europe, the United States and Japan. The Chinese and Indian automotive markets also have significant potential to grow in the next few years.

The demand for new systems and tooling depends primarily on the quantity and frequency of model changes. KUKA Schweissanlagen's systems engineering group is striving to be "best in class" in all target markets. The criteria the group uses to measure its success are: technology and systems expertise, innovation capacity and stronger customer relationships. The business unit applies trendsetting technologies to strengthen its position as an innovator in its partnerships with the automotive industry.

The following example demonstrates the next stage in the evolution of our welding group's business:
KUKA Schweissanlagen, specifically KUKA Toledo Production Operations based in the United States, has signed a performance contract with DaimlerChrysler within the scope of a pay-on-production model, to operate a

car-body manufacturing facility for the new Jeep Wrangler at the Jeep Wrangler plant in Toledo, Ohio. This contract is a completely new endeavor. It has taken our welding group to the next level and is a first for all parties involved.

Construction of the production facility at DaimlerChrysler in Toledo is now complete, training for the team of operators is in high gear and the preproduction models will be ready in the next few months. As the plant operator, KUKA Schweissanlagen will now be in a position to assess its technical performance day in and day out at site as it operates the production line and will receive very direct feedback from its own employees. The first construction phase calls for several hundred employees to weld together car bodies for the Jeep Wrangler using KUKA robots and ARO welding guns. We will be keeping a particularly close eye on this new business field.

We are currently also pursuing new business opportunities in aircraft construction and in logistics.

1.2.2 Automotive Technology, Q3: quantitative

The **Automotive Technology Division** had new orders received of EUR 752.2 million in the first nine months of 2005, which is EUR 11.5 million less than the corresponding prior year's period. The Automotive Technology Division's sales revenues during the reporting period were EUR 624.8 million, EUR 45.7 million above the previous year's result. Reduced capital spending and cost-cutting programs in the automotive sector have further intensified downward pressure on prices. This has had a negative impact on the business, and the Automotive Technology Division's earnings from operating activities have deteriorated accordingly. Sales were higher, and EBIT at the end of the third quarter was EUR 11.6 million.

1.3 Robot Technology, Q3

1.3.1 Robot Technology, Q3: qualitative

Against all expectations, the German robot market will suffer a considerable setback in 2005, as confirmed by the VDMA Association's Robotics and Automation sector in its current half-year report. As recently as March of this year, the robotics market was still on track and VDMA was projecting growth. Three months prior to year-end, the association faced the truth. The reasons for the collapse are the unrelenting sluggishness of the domestic economy, a slump in export orders and above all, a shortfall in capital spending by the automotive sector. During the first six months, sales of industrial robots in Germany to automotive customers and their subsupplier's tumbled by thirty-eight percent! Since the decline is attributable to missing new model introductions and the recent strategy of giving robots a new lease on life by refurbishing them, it is clear that there is actually no general crisis surrounding robot technology. In fact, for non-automotive, general industry applications, sales actually rose steadily. These sales now account for sixty percent of KUKA Robotertechnik's volume.

Nevertheless, it is evident that the general industry business with industrial robots outside the automotive industry and with non-industrial customers is still unable to offset the losses generated as a result of the cancelled and postponed orders from carmakers. This is why KUKA Robotertechnik is presently intensifying its efforts in markets outside the automotive industry.

Our efforts to explore the application possibilities for robots in the industrial and non-industrial sectors are in the very early stages.

Stable growth is forecasted for general industry robot applications. The present market size is 2.2 billion dollars. Even strong growth is projected for service robots used by industry and the private sector, where the market size is currently estimated at 0.8 billion dollars annually. The Asia-Pacific region will continue to have the highest growth rates in the automotive and general industry segment. We have the potential to grow in these regions.

The fields of medicine and logistics, which KUKA Roboter is pressing to enter, are good examples of other application areas. The success in the plastics processing sector is a good example of what is possible. KUKA Robotertechnik currently has the widest range of products on the market, offering seventeen different console robots, which sets the stage for further penetration of the market. The opportunities look very promising, because this sector is highly in need of automating. For example, only a very small part of the materials handling for injection molding machines is automated.

Despite all of the positive future prospects, the KUKA Roboter Group will not be able to avoid a consolidation phase after years of profitable growth. At the same time, KUKA will accelerate product development focusing on new markets.

1.3.2 Robot Technology, Q3: quantitative

The **Robot Technology Division** was able to report orders received of EUR 196.3 million to the end of the third quarter. Due to project postponements and cancellations by automotive customers, the division was unable to match last year's order level. Orders received fell sharply; EUR 61.6 million below the prior year's reported third quarter cumulative total. Total sales for nine months leading up to September 30 were EUR 182.6 million, still substantially lower than the result reported at the end of the prior year's equivalent period. Costs are being continuously monitored and adjusted because of the declining sales volume. The Robot Technology Division's cumulative loss for the first three quarters of the financial year is EUR 2.3 million.

The company is expecting that in the coming months, automotive customers will continue to postpone orders. Alongside comprehensive restructuring measures, the Roboter Group will therefore intensively concentrate its development and sales activities on robotics applications outside the automotive industry. As I already explained, expenses for marketing and product development in the new business areas outside the automotive industry will increase.

1.4 Packaging Technology

1.4.1 Packaging Technology, Q3: qualitative

Packaging Technology's companies conduct business in the field of primary and secondary packaging and build end-packaging machines. Their primary customer base is mainly split between the food industry, dairy industry and pharmaceuticals/cosmetics at almost equal shares.

The packaging machine market is characterized by the fragmentation of its competitors, and the packaging equipment sector continues to be marked by increasingly intense competition and high cost pressures.

The rising importance of packaging as a communications tool, together with innovative packaging solutions, continually raises the level of diversity and complexity of the packages. This demands a great deal of flexibility. Being able to offer complete packaging lines and entire systems, from engineering right through to a wide range of products and associated services, will become even more important in the future.

Whereas the investment climate in the mature markets of Western Europe and the United States is restrained, which is tracking the general economic situation and market development, however, there is significant potential for growth in the Central and Eastern European markets, as well as in Asia. Above all, this includes China, which has become the second-largest packaging machine importer in the world. In other words, Packaging Technology has good growth potential from a market perspective. The higher the standard of living, the higher the consumption of packages per person, and Asia, Europe and Eastern Europe are growth markets.

IWKA Packaging Technology is part of our strategic focus and will grow:

We will concentrate on attractive primary segments and expand our market share

- We will improve our regional structure.
- Shared key account management offers sustainable reserve capacity.
- Expanding the use of common technologies within the group; e.g., modularizing subassemblies and machines, offers opportunities to improve efficiency and cut costs.
- Purchasing, manufacturing and design are other areas where there is a room to cut costs.

The Packaging Technology Division's companies, like all other IWKA companies, must pursue high growth and profits. I am sure that the Packaging Technology group consisting of about fifteen different companies will not continue to exist as it does today. Strategic acquisitions to complete the company's range of products and services are a possible option.

The orange circle indicates where we plan to go.

1.4.2 Packaging Technology, Q3: quantitative

The **Packaging Technology Division** had orders received to the end of September of EUR 296.2 million, less than at the end of September 2004. The main drop in orders received was in the pharmaceuticals/cosmetics area, although sales revenues did increase. Orders in the food subsegment were also slightly below last year's level, but sales revenues rose sharply. Orders received and sales revenues in the dairy subsegment were approximately the same as last year. Total sales revenues were EUR 288.8 million as of September 30, EUR 16.0 million higher than at the same time in 2004. The Packaging Technology Division's EBIT contributed EUR 8.5 million to the Group's consolidated earnings.

Earnings for 2005 are trending upward, but structural changes to the division that are needed to focus it on its future business will have a negative impact.

1.5 Non-core businesses

1.5.1 Non-core businesses, Q3: qualitative

Ladies and gentlemen,
IWKA has now been in the process of selling non-core businesses for about two years. For example, I remind you of the divestment in 2004 of the former Process Technology Division companies, the RMG group and the VAG group.

Counter to former strategic assessments, in 2005 we decided to add our machining businesses in the powertrain segment to the non-core activities.

This includes the EX-CELL-O group, where several problems have been compounded. EX-CELL-O's market has been extremely competitive for years, and the achievable margins are inadequate. In addition to this, management errors have made the situation worse.

For the third quarter of 2005, we are reporting an operating loss of EUR -20.5 million for the EX-CELL-O Group. We have informed our shareholders several times. The fact that management was unable to manage major projects properly is a key reason for our decision. One by one, we are proceeding to bring to a close the so-called “under construction zones”, even though we are forced to accept further cost overruns.

We have therefore decided to sell the EX-CELL-O Group and are presently conducting sales negotiations that look promising. We have signed a letter of intent with the interested purchaser and we are expecting to sign a contract before the end of this year.

The business impact will be reflected in the Group's consolidated financial statements, depending on when the sale is completed.

The divestment activities surrounding the Balg- und Kompensatoren Group in Stutensee and Bopp & Reuther Sicherheits- und Regelarmaturen are well underway.

I am sure you understand that I am unable to disclose details about these divestments until after the associated contractual conditions have been met.

We are also trying to sell the Boehringer Group, and here we are being helped by the success of our restructuring efforts, which have started to produce results. All of the companies that are intended for disposal - with the exception of the EX-CELL-O Group - have taken advantage of the past few years to improve their market performance and financial results, making them attractive prospects for investors.

5. Outlook

Where are we? What are the next steps? IWKA Aktiengesellschaft is in the midst of a major restructuring and renewal process. The Group is focusing more clearly on automation technologies. This strategy makes us more flexible with respect to customers, markets and the economic cycle. IWKA will continue to partner with and offer products and services to the automotive sector and the packaging industry, but an even higher priority will be to offer sector-specific automation solutions for the entire range of manufacturing industries, as well as for non-industrial customers.

In order to sharpen this focus, IWKA has launched a comprehensive product portfolio-streamlining program as already explained; above all to strengthen the packaging and robotics growth segments. We will inform you on any steps in our portfolio-streamlining program in a timely manner.

Reduced capital spending by our customers and cost cutting programs in the automotive industry, together with unrelenting pressure on prices will continue to affect our result from continuing operations strongly. As a result, the Automotive Technology and Robot Technology Divisions' EBIT during the 2005 financial year will be weaker than the previous year by more than was previously expected. Moreover, orders that the Robot Technology Division had expected to receive are being rescheduled for next year. The systematic streamlining of our portfolio, additional major expenses for restructuring and write-offs, as well as the negative developments in the economic environment lead us to expect a negative net after-tax result for this business year.

The restructuring measures will continue into 2006; however, we are confident that the ongoing consolidation of the Group will start to bear fruit in the second half of 2006.

From 2007 onward, the consistent reshaping of IWKA into an automation group with a streamlined organizational structure together with the expected revival of market demand will once more result in improved earnings.

Ladies and gentlemen,
I wish our employees and ultimately our entire Group, the necessary strength and determination to succeed on the path that lies ahead.

On behalf of the Executive Board, I would like to thank the shareholder representatives of the Supervisory Board of IWKA Aktiengesellschaft, who are seated at this podium for the last time, for their work on our supervisory committee. Some have served for well over ten years and I wish each of them the best of luck in the future, and above all, good health.

At the same time, I would like to use this opportunity to heartily welcome the new shareholder representatives to be elected, and wish them every success and the right touch when they take on their new assignments, which surely will not be easy. The Executive Board is looking forward to constructive and successful collaboration.

Honored shareholders and investors, I thank you for the understanding, knowledge and personal commitment you have shown in contributing to this process of realizing IWKA's potential. I also thank you, honored attendees at this extraordinary general meeting, for your attention during my talk.