# ANNUAL GENERAL MEETING
# OF IWKA AKTIENGESELLSCHAFT

May 16, 2007

Kongresshalle, Augsburg

REMARKS BY GERHARD WIEDEMANN,

CEO OF

IWKA AKTIENGESELLSCHAFT

Ladies and Gentlemen,

Speaking also for my colleagues on the Executive Board, I, too, would like to welcome you to the Annual General Meeting of IWKA Aktiengesellschaft. I extend a special welcome to the shareholders' representatives, to the representatives of the media and to our guests. We would like to use our meeting not just to look back at past events, but also to tell you about how our work will change in the next few months and about our goals.

Today's Annual General Meeting differs from the past in several respects:

- The IWKA Group in May 2007 is no longer comparable to the Group in 2006. As part of the restructuring of IWKA, we have made major changes over the past year.
- This is the first time we have invited you to Augsburg. Convening the Annual General Meeting in Augsburg was a logical step now that the business of IWKA is being managed from here.
- It is my privilege to welcome you as the new CEO of the Group.
  After just a brief term in office to date, my conclusion is this: It is very exciting to work for this company. And it is fun to experience the visible daily changes, to play a major role in shaping them and to set the company on its future course.

I would like to start by talking about the 2006 business year that has just ended, then comment on current business developments and finally explain our strategic agenda:

The year 2006 was a critical year for the IWKA Group. The restructuring of the company was completed. The IWKA Group divested itself from a number of companies and thereby sharpened its focus on the essentials.

Looking back at 2006 we can see how the changes began to take hold step by step. Operationally, business started to improve slowly. Orders received and sales revenues grew again in 2006. The overall result after taxes remained in negative territory, however, reflecting close to EUR 80 million in charges originating from discontinued operations.

Orders received for continuing operations in 2006 exceeded the 2005 total by 10.4%, coming in at EUR 1,619.8 million. The order backlog at the end of 2006 was EUR 668.5 million, significantly ahead of the prior year's figure of EUR 609.1 million. All three divisions shared in the favorable development of the business. The Packaging division is still shown under continuing operations in 2006.

Sales revenues of EUR 1,566.0 million exceeded the comparable figure for the prior year of EUR 1,435.9 million by 9.1 percent. This growth in sales revenue was also supported by all three divisions. Their growth ranged between 4 percent and 15 percent.

The expanding business volume led to higher earnings contributions from all divisions. As a result of improvements in the cost structure, the IWKA Group was able to report a clearly positive operating result in 2006. We generated EBIT of EUR 33.7 million, while the comparable figure at the end of 2005 was still a loss of EUR -42.9 million. The return on sales reached 2.2 percent – but here we still see the need and the potential for further improvement.

The regional breakdown of orders received was as follows: The North American market accounted for 31.8 percent. With a 29.8 percent share of orders received, Germany is IWKA's second-largest market after North America. The share of Asia/other regions grew to 14 percent, a gain of 3 percentage points. Here we are working to expand our market position.

In the reporting period, 60.9 percent of new orders came from our business partners in the automotive industry and its sub-suppliers. The food industry followed at 18.5 percent, pharmaceuticals and cosmetics were at 8.6 percent and the general mechanical and plant engineering sector accounted for 3.6 percent.

Let us look briefly at the three **divisions**:

The systems division expanded its business volume. This division remains an expert partner for the automotive industry but is increasingly developing expertise in complementary fields of application. The division was able to increase orders received in the 2006 business year by 7.7 percent. They came in at EUR 847.8 million compared to EUR 786.9 million in 2005. Sales revenues reached EUR 832.8 million, thus exceeding last year's EUR 772.5 million by 7.8 percent. The earnings contribution from the Systems division reached EUR 9.8 million after a negative EUR -14.5 in the prior year. In that prior period, however, the division had to absorb one-time expenses and scheduled start-up costs for our pay-on-production contract in the USA.

The restructuring measures initiated in 2005 and completed in 2006 also contributed to improved earnings in the Robotics division – as did the gratifying growth in orders received. In 2006, the division was able to achieve a year-on-year increase in orders received of 13.0 percent to EUR 382.3 million after EUR 338.4 in the prior year. The favorable business trend is as much due to growing orders from general industry as it is to new orders from carmakers. Sales revenues thus were also up 15.4 percent year-on-year. While the figure for 2005 was still EUR 323.6 million, a total of EUR 373.3 million was generated in the 2006 business year. The Robotics division made the greatest contribution to the results of the Group at EUR 22.4 million, compared to EUR -22.8 million in the prior year.

The Packaging division, which has since been sold, also recorded favorable developments in 2006. Compared to 2005, orders received improved by 12.5 percent to EUR 436.0 million, after EUR 387.6 million in 2005. Sales revenues as at December 31, 2006 had risen to

EUR 403.9 million. This was a gain of 4.1 percent from EUR 387.9 million in the prior year. The Packaging division generated EUR 17.3 million in operating earnings for 2006 compared to EUR 7.3 million the year before.

The year 2006 – as I said earlier – was characterized by the streamlining of our portfolio. The following companies represent the principal divestitures:

- the Boehringer Group
- the ARO Group
- the J.W. Froehlich Group and
- the Bopp & Reuther Sicherheits-und Regelarmaturen Group

The sale of the above groups resulted in accounting losses equal to EUR 68.7 million. Including the operating losses of these companies in the amount of EUR 11.4 million, the result from discontinued operations in 2006 was EUR -80.1 million compared to EUR -88.4 million in the prior year. These accounting losses resulted partly from the fact that the companies we had to sell were reporting negative operating results.

The consolidated earnings after taxes of the IWKA Group for the 2006 business year were therefore EUR -69.4 million.

As a result of the net loss for the year of EUR -69.4 million, group equity declined to EUR 126.7 million. The equity ratio as at December 31, 2006 - that is, the ratio of equity to total balance sheet assets - remained at an unsatisfactory 11.8 per cent, compared to 12.2 percent a year earlier.

The return on capital employed (ROCE) was again positive, coming in at 10.1 percent. ROCE for the Robotics division already reached a remarkably high level of 24.3 percent. The Packing division and the Systems division still remained below this figure, reporting 11.8 percent and 9.7 percent respectively.

The IWKA Group had 8,123 employees as at December 31, 2006, compared to 7,939 at the same time a year earlier. Reductions in the workforce through personnel restructuring measures were offset by the addition of companies to the scope of consolidation as well as the start-up of the pay-on-production contract in Toledo, Ohio in the USA. Fifty-four percent of the workforce is employed in Germany, eighteen percent in North America and twenty-one percent in the remaining European countries (excluding Germany).

Let me add a word about IWKA's shareholder structure: A current analysis determined that 52.8 percent of IWKA shares are held by foreign investors, 30.7 percent are held by German private investors and 16.5 percent by German institutional investors. Our largest shareholders aside from Wyser Pratte/USA at about 9 percent are Fidelity/USA, Oppenheimer/USA and LBBW/Germany at more than 5 percent each and Unioninvest/Germany as well as Cominvest/Germany at more than 3 percent each.

As I already mentioned, **2006** was shaped by the process of **restructuring** the Group. As part of this necessary disinvestment process, the IWKA Group shed about one quarter of its consolidated sales revenues and of its workforce. The process was associated with corresponding accounting losses. But this is the past.

**The watchword for the year 2007 – that is the second phase of the realignment – is focus.** IWKA is focusing on robotics and systems technology. With the sale of the Packaging division, Group sales fell by approximately 25 percent. Some 30 percent of the workforce is no longer part of the Group. We were able to report the completion of the sale on April 20, commenting at the same time on the positive financial effect of the sale. A particularly critical analysis and review of the Group's status showed, that retaining the Packaging division would not significantly advance the Group, neither in strategic and operational nor in financial terms.

The Packaging division instead required an independent program of measures to further strengthen its competitive position.

We found the buyer, Odewald & Compagnie, to be an investor who made it somewhat easier for us to take this step. We are certain that our employees, managers and works councils will do everything in their power to continue to live up to the high standards of the Packing division under the new company name.

The sale has produced significant improvements in our fixed cost structure. Taking the existing liquidity into account, the Group is now debt-free for all practical purposes; the equity ratio has been significantly strengthened and – taking into account the expected effects from the sale of the Packaging division – now exceeds 20 percent. As a result, IWKA now enjoys a sound financial structure. This financial recovery also has a stabilizing effect on our relations with customers and suppliers. This is also having an effect on our day-to-day operations.

The process and the developments we have gone through were not run-of-the-mill. We are emerging from this process stronger than before! While our portfolio included 170 companies one year ago, the number now is less than 100.

The complexity of the Group has been reduced. The term “conglomerate", which was often used in connection with IWKA, has been consigned to the past.

Allow me to characterize the development of the Group this way:

- IWKA has completed its restructuring.
- The process of realigning the Group has been completed.
- IWKA rests on the basis of a sound financial structure.
- We are now seeking to embark on a phase of profitable growth.

The year 2007 will be a year of sharpening our focus. Apart from the sale of the Packaging division, the move of the Group’s headquarters from Karlsruhe to Augsburg is another expression of this sharper focus. It represents a move of the company’s headquarters to the location of the Group's operating activities. The entire business of the Group is managed from Augsburg. The physical proximity of the head office functions to the operating business is already bearing fruit. We are just beginning to realize the full potential of the location under the concept of “shared services”.

In the resolution to be adopted by the Annual General Meeting today, we are proposing to change the name of the Group to KUKA Aktiengesellschaft. By changing the name of IWKA AG to KUKA AG, the “KUKA” trademark will enjoy positive feedback from greater name recognition in the stock market. Under this name, the stock will benefit in turn from the high name recognition of the “KUKA” brand in the operating business. KUKA stands for leadership in innovation and technology.

The third phase of the realignment is the **phase of profitable growth.** The figures for 1st Quarter that have been reported to you in the meantime are a good starting point for this. There will be an even greater concentration on the many varied uses of robotics in general industry. The Systems division will also expand its business on the basis of a broader range of customers.

Allow me to give you a duly brief summary of major developments in the **1st Quarter of the 2007 business year**:

- Orders received and sales revenues are significantly higher than in the prior year
- The EBIT margin is clearly positive at 3.4 percent
- For the first time in two years, we are starting with positive quarterly earnings after taxes

In the 1st Quarter 2007, the Packaging division is reported under discontinued operations while the division was still part of continuing operations in the 2006 business year.

The operating business of the IWKA Group improved noticeably in the 1st Quarter of the 2007 business year. The Group generated an EBIT from continuing operations of EUR 9.8 million. On a comparable basis, the EBIT for the prior year was EUR 1.9 million.

Orders received from continuing operations of the IWKA Group in the first quarter of the 2007 business year reflect a satisfactory trend. At EUR 436.9 million, they were significantly higher than the comparable figure for the prior year. The improvement was just short of EUR 90 million or 26 percent from the relevant comparable figure of EUR 347.6 million. Both the Systems division and the Robotics division made a substantial contribution to this achievement.

Sales revenues were significantly higher than the year before. At EUR 290.7 million, the year-on-year increase in sales posted was EUR 53.5 million or 23%. In this connection, the start-up of production runs for the pay-on-production contract (KTPO) in the USA had a significant effect. Based on total output, the cost of materials ratio was 59 percent. This figure is driven by a relatively high share of materials for KTPO in the first quarter. From the second quarter of 2007, materials for car body production will be supplied locally, so that both the reported cost of materials as well as reported sales will be significantly lower starting in April.

Earnings after taxes for the consolidated group came in at EUR 1.2 million and are thus back in positive territory for the first time, while the prior year had started with a loss.

Ladies and Gentlemen, I would now like to show you what we are planning for the **future**:

IWKA is focused on business segments that promise the potential for high growth and profits and – and I especially wish to emphasize this – in which our companies already occupy a position in the first rank of technology leaders or will be able to achieve such a position in the near future.

We see our core competencies to be in all sectors of applied robotics as well as the design and implementation of highly automated production systems. The development plans are guided by the goals of customer benefit, rational flexibility regarding product models and unit counts, cost and time-to-market advantages as well as the lowering of product lifecycle costs. The KUKA Roboter companies have completely restructured their research and development activities and have concentrated them at the Augsburg location. The physical proximity to manufacturing also ensures greater efficiency and a shorter time-to-market. KUKA Safe Robot Technology is one example of developments that will sustain our future. It guarantees safe interaction between humans and robots and serves as a platform for new applications.

Our strategic concepts are aimed at developing the growth potential of our Group in the Systems and Robotics divisions. We are participating in an extremely exciting field of industry ranging from stand-alone robots and highly automated systems equipped with a large number of robots right through to complete production plants. Robots will become ever more intelligent as their controllers, kinematics and sensors evolve. Based on this, service robots will take on ever more exciting tasks. And the combination of robot manufacturing and extensive experience in plant assembly is simply a challenge for our engineers. Let us profit from this!

In our business with the **automotive industry** we aim to broaden the customer base, especially in Asia and North America. In the past year we were already able to construct large reference plants with KUKA robotics as a core component both in India and in North America. For example, when KUKA systems shipped 312 KUKA robots to the Indian carmaker TATA, KUKA Roboter succeeded in becoming the number one supplier of robotics to the Indian automotive market in one single step. It is naturally easier for the individual customer if assembly plants and the related robots come from one location because short distances and rapid decisions on the part of the manufacturer are then standard procedure.

My second example: Since August 28, 2006, KUKA Plant & Systems has had virtually sole responsibility for manufacturing the complete body-in-white for the new Jeep Wrangler at Toledo/Ohio in the US. The opportunity of being able to supply the process technology and all of the components from our own inventory was exciting. Engineering, gripper systems, conveyers and, last but not least, the – 245 – KUKA robots that are being deployed for the first time end-to-end in a Chrysler car body plant are not only “Made in Germany,” but more precisely speaking, “Made by KUKA."

As it is, we are playing a part in the transformation of the automotive industry. In addition to ever more rapid model changes, there has recently been an ever more rapid increase in the variety of models. Whereas twenty years ago we were satisfied with three or four basic models, the variety offered today is barely imaginable. Even though not every model requires its own assembly line and dedicated robots, we nevertheless feel the combined effects of model changes and model variety.

We also will continue to develop and systematically expand the **general industry** business; i.e., the business with all industry sectors outside of the automotive industry. The Robotics division is in the process of expanding its sales network and systems partners covering America and Asia. We have a history of cooperating with a number of systems partners over many years to our mutual benefit. The target markets are primarily the plastics processing industry, logistics and medical technology as well as the metals processing industry. In addition, new markets for robotics applications are continuously opening up.

The International Federation of Robotics is forecasting stable growth for robotics at a rate of 6 percent per annum for the next several years. Demand from general industry, above all, will grow year by year. In 2005, it already exceeded demand from the automotive sector. The demand for robots, particularly in industrial sectors such as logistics, food, plastics, the machine tool industry and medical technology, continues to grow steadily.

But the need for automation in the automotive industry also remains at a high level. For KUKA Roboter this means further growth in the automotive sector. By increasing the pace of implementing innovative solutions for the automotive industry, it will gain new customers worldwide. In this area, KUKA Roboter can build on business relationships that it has cultivated over many years.

At the same time, we will consistently continue to pursue a strategy of convincing general industry of the rationalization potential of robotics technology. Here, too, the prospects are good: Next to Japan, Europe is the world's second largest market for robotics, and Germany is the largest market in Europe. But even though the forecast for the domestic market is favorable, we expect the highest growth rates in Asia. Expanding our local presence at the customer location is therefore especially important.

The Systems division is currently directing attention to the expansion of its business in the aviation industry. As a result of growing demand for commercial airliners, there has recently been growing demand for automation solutions by the aviation industry. However, the main focus of the division will still be on the automotive industry. The strength of the relationship with the automotive industry was demonstrated by the 2006 "Production Equipment & Services" supplier award presented to KUKA. This prize is one of the most coveted awards presented by carmakers. DaimlerChrysler certifies that the KUKA companies foster a corporate culture of top performance and partnership based on trust, leading to above-average results and long-term success.

The Systems division is expecting to further strengthen its business during the current year. Europe will remain stable at a high level and the Russian and Eastern European markets will continue to become more and more attractive. The increased demand for smaller, more fuel-efficient vehicles, in particular, will force US manufacturers to develop new models and bring them to market. In Asia – especially in China and India – the trend toward increased automation will continue.

The diversification of activities within the automotive process chain as well as in the aerospace industry will help to cushion swings and fluctuations and to ensure growth.

**What do we expect for the current year?** The 2007 business year started off better than anticipated.

- We expect sales for the business year to exceed a volume of EUR 1.2 billion.
- We expect an EBIT margin of 4.2 percent for 2007. These figures are all exclusive of the recently sold Packaging division.
- We are targeting an equity ratio above 20 percent. The sale of the Packaging division will have an especially positive impact on this number.
- We also see good growth potential for the Group in the medium term. For Robotics, we are aiming at an annual increase in sales of approximately 10 percent per annum. In the Systems division we feel that a rise in sales of 5 percent is possible.
- However, growth for us also means profitable growth. We are therefore planning for a medium-term EBIT margin of 6 percent for the Group.

Ladies and Gentlemen,

Why am I so optimistic? Undoubtedly because of the numerous steps undertaken by management to move our new KUKA AG forward, both in quantitative and qualitative terms. In the 30 years that I have worked at the KUKA companies, I have played a part in shaping their growth from a DM-60-million company to the KUKA enterprises that now generate over

EUR 1 billion in sales revenues. I was there during the first steps of KUKA Roboter, and time and again, I had to answer the question: “Does it really make sense and can we afford to focus so much attention on robotics?” I am glad that I supported this strategy. Our outstanding position on the world market is the best possible proof that we chose the right direction. I am now in the happy position of being able to continue and tap the significant technological potential of my products for the foreseeable future.

I have confidence in the future of KUKA Aktiengesellschaft and I invite you to discover what is new and exciting in our world of KUKA!

Thank you for your attention.

Please allow me to take you away to this new and exciting world of KUKA for just two minutes.

Last Week, KUKA Robotics unveiled the KR 1000 titan, the world's largest robot. The KR 1000 titan is the world’s first industrial robot capable of lifting a payload of 1,000 kilograms – a payload of one tonne – with a reach of 3,200 mm, and at the same speed as its smaller sister model.

You are witnessing an attempt to make it into the Guinness Book of Records. You are witnessing a world premiere at the historic power plant in Rottweil: *(Film)*