Annual General Meeting of IWKA Aktiengesellschaft

June 3, 2005

Stadthalle Karlsruhe (town hall)

Statement by the

Executive Board of

IWKA Aktiengesellschaft

The spoken word prevails!

Honored shareholders,

Distinguished guests,

Ladies and gentlemen,

Just eleven months ago, we presented the new structure of the IWKA Group to you from this same podium. The time has now come for us to tell you what the new IWKA is capable of, which requirements it fulfills, which are still outstanding and what remains in flux. On this note and in the name of my fellow board members, I welcome you to the annual general meeting of IWKA Aktiengesellschaft. We are very pleased that you took the time to come to Karlsruhe, and I can see that there is a great deal of interest in our company when I look at this impressive assembly. 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.

In 2004, the IWKA Group embarked on a restructuring program to enhance the company's profile. It will concentrate on core businesses that have strong market positions and use robotics as a crossover technology.

The company's focus is on the automotive technology and packaging technology markets. Its core competencies are in engineering, system integration, robotics and automation, as well as in the broad field of product-related services, up to and including general contracting. Already a leading international supplier to the automotive industry, IWKA is also aiming to become a "best-in-class" systems integrator serving international customers in the packaging technology sector – because profitable growth in the mechanical and plant engineering sector is only achievable for a company with an industry-leading technology position.

Our new organizational structure reflects this strategy. The IWKA Group consists of three strong divisions that are able to "cross-pollinate" and complement one another. These are the Automotive Technology, Packaging Technology and Robot Technology Divisions.

The Automotive Technology Division is comprised of the car-body production systems unit and the assembly systems for engines and gear boxes (powertrain) business. We combined these two business areas into a single unit for good reason; the work these companies do for their customers consists of flawless project business. The companies in the new division have the mutual task of countering margin pressures with higher productivity and a commitment to innovation. This will enable the Automotive Technology Division to expand its leadership position in its current markets and organically grow its market share.

The Group's Packaging Technology Division is also well positioned in its market. Over the past year, we have systematically focused its companies, which previously acted independently for the most part, on the target markets pharmaceuticals/cosmetics, food and dairy in order to boost earnings power. This new structure not only enhances collaboration and synergies between the companies, but also strengthens their systems expertise. A common sales and service infrastructure has expanded their market presence. A few weeks ago we received positive feedback from our customers on the occasion of the world's largest packaging trade show, Interpack.

In order to grow market share on the strength of innovative solutions, IWKA Packaging will sharpen its focus on applying robotics crossover technologies. Robots provide an efficient automation option for packaging solutions - more and more customers are recognizing this fact. Robotics control technology can be beneficially integrated into packaging systems. Furthermore, our in-house experience and competence as systems integrators and project managers in the automotive systems engineering sector will now flow into our Packaging Technology Division.

The new Robot Technology Division is an independent business entity that has as equally important a position as the company's other divisions. The IWKA Group has a technologically strong global market position in robotics. We will continue to systematically expand robotics as a crossover technology and foundation for the Group. Robotics offers a realm of entirely new concepts and solutions. It gives us the opportunity to develop a wide range of applications for general industry based on our highly innovative business with the automotive industry, thereby enabling us to penetrate entirely new markets. Examples of new opportunities for robotics can be found in the food industry, in cold storage facilities, in medicine, as well as logistics and entertainment.

Of course, our three-pillar-strategy also demands that we regularly examine the individual building blocks of these pillars, as well as auditing their performance. Each and every element must meet our demands for productivity, profitability and securing the future of the Group. These considerations currently apply in particular to the cutting technology of our EX-CELL-O and Boehringer companies.

But not all of the changes and measures we initiated have been fully implemented after a mere eleven months. I will therefore immediately preempt any questioning of this model: we currently see no reason to do so. The model has ample potential for further development in the future on the basis of new ideas.

I would now like to take you on a somewhat detailed conceptual tour of IWKA's three core business areas, as well as having a final look at the non-core businesses. The non-core businesses are comprised of the companies of the former Process Technology Division and the Göppingen-based Boehringer Group. During 2004, we sold many of these companies or established the prerequisite conditions for an early sale by systematically improving their profitability.

In doing so, we took important steps toward reducing both capital employed and complexity. What has transpired in the time between June 2004 and today?

- Marcon Ingenieurgesellschaft mbH, based in Hamburg was sold in a deal signed on June 25, 2004, with an effective date of January 1, 2004.

- Bopp & Reuther Messtechnik GmbH and WPD Wartungs- und Prüfungsdienst GmbH, both located in Speyer, along with three other subsidiaries, were sold retroactive to January 1, 2004 under a contract signed on June 30, 2004.

- Heinrichs Messtechnik, based in Cologne, was sold on July 2, 2004 with an effective date of January 1, 2005.
- Mannheim-based VAG-Armaturen GmbH, the largest company of the former Bopp & Reuther Group, Jihomoravská armaturka spol. sr.o., located in Hodonin, as well as our non-consolidated participation in China were sold to the private equity investment company Equita effective January 1, 2005 in a deal concluded on December 10, 2004.
- We also sold our fifty percent stake in Muffenrohr GmbH, based in Ottersweier, to the St. Gobain Group during the 2004 financial year.
- Kassel-based RMG Regel- und Messtechnik GmbH and nineteen other companies we owned or in which we held an interest were sold to the private equity investor Triton effective January 1, 2005 in a deal signed on December 23, 2004.

As a result, not much remains of the former IWKA Process Technology Division at the end of one year. Two companies remain to be sold: Bopp & Reuther Sicherheits- und Regelarmaturen GmbH in Mannheim and Balg- und Kompensatoren GmbH in Stutensee.

In 2004, the complete non-core businesses reported orders received at EUR 470 million, an increase of 3.4 percent over the prior year's EUR 454 million. Sales revenues, at EUR 443 million, were at about the same level as 2003's value of EUR 445 million. This increase was enough to offset the lost business volume from the companies no longer included in IWKA's consolidated group of companies during the 2004 business year. As a result of restructuring programs introduced over the past few years, we were able to substantially increase EBIT, which rose from EUR -3.9 million in 2003 to EUR 12.6 million. The division had a total of 3,363 employees as of December 31, 2004.

It would be easy to underestimate the complexity of such a divestment process and let it be governed strictly by a stopwatch. We could have done this, only then we would not have optimized the management of the shareholders' capital and would have had to throw our employees onto the street. Customers and suppliers would have reacted with uncertainty. No, despite media pressure, we chose to follow the path of first improving the performance of the companies before offering them for sale. We are proud of the fact that each of the companies we sold has solid prospects for an independent future.

Without pre-empting the outlook, I would like to jump ahead just a little bit at this point. IWKA is committed to the divestment of the former Process Technology Division and will do so in a systematic manner. We will continue to improve the performance of these companies and at the same time look for suitable purchasers. We have no interest in making ourselves look good by hastily and superficially disposing of our holdings. Instead, we want to maintain and obtain full value for our shareholders.

Ladies and gentlemen, the next stop on our tour is **Robot Technology**. Why did we position robot technology at the focal point of IWKA's future? Why is it so important?

Some would say: "Because Mr. Wyser-Pratte told us to." Mr. Wyser-Pratte's preference for our robots showed that he has good intuition. We agreed then and still agree now. We grew our robot business from very modest beginnings. In the early days we lost a lot of money. The evolution of the KUKA Roboter Group from a small niche player to the global robot manufacturer it is today is a remarkable success story. KUKA Roboter has been an independent GmbH since 1996.

The slide shows you the growth of the unit quantities of robots built in Augsburg for the automotive industry over the years. You can see that it is not a steady business. In the following slide, the gray columns indicate how the automotive industry business is being supplemented by the general industry market.

Industrial robots represent the backbone of automation. There are currently at least 800,000 industrial robots in operation around the world. Germany is the European leader. Fifty-six percent of Germany's installed base of robots is used by the automotive industry. More than 60,000 KUKA robots are in operation today. This makes KUKA a world leader!

Our strategy for the Robot Technology Division is logical and consistent:

1. KUKA Roboter is and will remain a highly innovative and respected automotive industry partner. As a high-tech enterprise, it will continue to offer the automotive industry proven innovations, designs and solutions to improve productivity, thereby adding considerable value to the carmakers' processes. Let me give you a real-world example:
   One of the most interesting robot applications in the automotive industry is the concept of "cooperating robots", which are used to optimize carmaking and make the process more flexible. The concept is based on using several coordinated robots operating in synchronism to weld, join and glue together car parts. The most important thing here is absolutely precise coordination, which is required to make the process safe. Benefits include reduced cycle times and the sharing of heavy payloads by two robots. This increases the flexibility of the system and therefore also its efficiency.

2. We are expanding business with the general industry, the non-automotive sector. This is being achieved by offering completely new solution packages, innovative ideas, expertise and service. We have not yet exhausted the wide range of application possibilities for KUKA robots by far. KUKA is taking advantage of the opportunity to deepen its penetration of this market. Supported by an appropriate R&D package, KUKA will offer customers in the non-automotive sector highly efficient solutions.
   One example of success is in the area of plastics processing machines. Today, KUKA Roboter's portfolio of seventeen different shelf-mounted robots represents the widest product range in this market. Only a very small number of injection molding machines in operation today have as yet been automated. Our robots for this business sector feature a remarkably long reach despite their low height, which is a requirement for both loading and unloading injection molding machines. This sets the stage for penetration of a market sector in which there are still enormous market opportunities.

3. The Automotive Technology and Packaging Technology Divisions provide access to important markets for KUKA Roboter. We see no reason to limit these important, forward-looking sales channels.

4. A comprehensive cost reduction program being implemented by the Robot Technology Division's companies is establishing the fundamentals for the continued generation of above average EBIT margins.

In the final analysis, the innovation stimulus from the robotics business benefits all IWKA companies. As we said earlier, packaging technology is particularly fertile ground for new applications. Robotic handling systems are being integrated into more and more packaging lines. They help make packaging processes more efficient.

Robotics also makes its way into the packaging industry through its control technology. With our universal motion control system, "KUKA Motion Control", we are able to control manipulation, packaging and logistics processes synchronously and in parallel, in a single module.

Ladies and gentlemen, should we cut the link between robotics and packaging technology, as we have been repeatedly advised by one party over the past few months? You will have to search the market high and low to find a marriage of robots and packaging the way it exists in IWKA. I am unfortunately at a loss to explain why a successful and forward-looking integration should be dissolved.

With that we leave robotics and come to IWKA's second core business field, packaging technology.

"Discover the world of packaging": this was **IWKA Packaging**'s slogan at the world's largest packaging trade show, Interpack, which ended recently. Although the innovations at our impressive trade show booth in Düsseldorf were varied and multifaceted, they had one thing in common: They arise from our goal to become even better at meeting the needs of customers who are conducting business in a dynamic marketplace characterized by ever-changing demands. We want to add significant value to our customers' business; for example, with machines that are more flexible when changing package types, by integrating and applying robots on the basis of our motion control know-how or further technological enhancement of their processes.

The product and service portfolio of the IWKA Group's Packaging Technology Division makes it a leading supplier of packaging technology with international credentials. With locations in Europe, the United States and Asia, the business unit has a global presence that is continually being expanded to benefit our customers. Its core competence is the development of customer-specific solutions based on flexible standard machines, as well as special machines and systems. The various networked companies in the Packaging Technology Division offer integrated systems and offer customers an extremely capable end-to-end partnership - from feasibility studies to production start-up and beyond. IWKA Packaging's mandate is to offer systems that significantly shorten time-to-market for its customers' products.

The new structure has changed the inner workings of this business division. The group was streamlined and aligned with the pharmaceutical and cosmetics markets, together with the food and dairy industries. We are aiming to achieve leadership or expand our existing share in these markets by utilizing the technical expertise of our entire Group.

The new management has established the group's new strategy and has signed off on implementing it by initiating a number of cross-company projects. The focus is on utilizing existing resources, bundling expertise, improving sales and production efficiency, as well as expanding the portfolio of product-related services. Joint sales organizations are being established in the United States, Russia and China.

For example: In 2004, four of IWKA Packaging's companies were part of a project for the American baby food producer, Gerber. A thermoforming, filling and sealing machine from Hassia, a capping machine from Autoprod and cartoning and transportation systems from A+F were integrated along with third-party components to form a complete production line for baby food. US-based Jones Inc. managed the project. Here IWKA Packaging took on the role of a complete systems integrator, the same as we do in the automotive sector. The packaging machine business unit is evolving from a mechanical to a systems engineer.

Our largest division is Automotive Technology. It is a market leader throughout the world in its target sectors. Its companies are respected systems partners to carmakers and their subsuppliers. They design and build machines, forming tools and turnkey manufacturing lines for car body manufacturing. They also supply machines and systems to manufacture, assemble and test powertrains; i.e., vehicle engines and gearboxes.

The division includes companies such as KUKA Schweissanlagen, ARO Schweisszangen and KUKA Werkzeugbau (car-bodies) as well as EX-CELL-O (cutting technology), and US-based B & K (assembly technology).

Our aim is to become stronger and stronger in supplying systems for the carmakers' entire process chain. We have already achieved considerable success in car-body production systems. The powertrain business subsegment, together with machining technology and assembly and test equipment, is well-equipped to become a systems integrator and will hold its market share. Here too we will evolve from building machinery to supplying systems. Both business subsegments use the same business model; i.e., project expertise in systems engineering and assembly, and they serve the same customers.

The companies that comprise our car-body production systems unit will have to cope with the massive cost-cutting initiatives in the German and international carmaking industries. Capital spending is down. Our companies are also competing with the automotive manufacturers' own machine tool and plant systems builders; i.e., companies owned by our customers. This makes the situation even more difficult. It is therefore absolutely essential that we offer our customers forward-looking technological solutions that lead to higher productivity. In today's environment, innovative products are only of interest when there is clear evidence that there are cost benefits associated with their use.

In addition to receiving orders from VW and Ford last year, our KUKA Schweissanlagen group signed a deal with DaimlerChrysler for the planning and implementation of car-body production systems for the new Sprinter at its Düsseldorf and Ludwigsfelde/Berlin plants. The company will be the general contractor on this project. The engineering for the line will be a major challenge because of the large number of different models that will have to be managed: 250 different variants, with different wheelbases, lengths and design configurations, as well as different tonnages, will be assembled using these systems.

Laser welding was successfully integrated into the scope of supply on a large scale.

KUKA Schweissanlagen uses a lot of our robots, but does not sell them. The way this works in practice is that the automotive companies purchase the robot packages and free issue them to KUKA Schweissanlagen or other third-party assembly line builders. This fact is repeatedly overlooked. In the past we therefore often added together the sales revenues from robot manufacturing and systems assembly and identified it as pure robot sales. That is not really correct.

In the powertrain business unit, the EX-CELL-O group's German and American companies supply, among other things, complete manufacturing systems for highly efficient and flexible machining. Examples of end products include cylinder heads, cylinder blocks and gearbox housings. The company focuses on these international markets. The business unit also stands out for its innovative world-class testing equipment. J. W. Froehlich has been an industry leader for years and is a jewel of the IWKA Group. Assembly technology is also playing an increasingly important role in the powertrain business area. Assembly lines in automotive factories; for example, for front and rear axles, are often supplied by IWKA companies.

As you may gather from my talk, the IWKA's Executive Board is implementing and further developing the strategy approved by the Supervisory Board – to grow the company on the basis of three core businesses. I am certain that you will discern in our new structure the sustainability of our strategy, and the reasons behind our endeavors. They do not always align with the expectations of some shareholders with short-term investment goals.

At the last annual general meeting, the majority of shareholders voted in favor of the new structure of IWKA Aktiengesellschaft. As attentive followers of the fortunes of our company, you too were confronted with counter- and supplementary motions, as well as diverse opinions and interviews concerning our Group over the past few weeks. The Executive Board and Supervisory Board were also personally criticized in these motions and public statements. While reading these motions you may have gathered the impression that you are being invited today to the annual general meeting of a company that has been losing money for years. You must also have had a notion that you are dealing with people at the helm of the organization whose management goals are not aligned with the business success of the company.

The events culminated with an allegation by Mr. Wyser-Pratte that we were manipulating our financial statements. You may read the original English interview on the Internet. We categorically reject these legally questionable claims. A reputable chartered accounting company has reviewed the first-quarter results for the Robot Technology Division. This review confirms our published figures.

We especially object to the fact that you even include our customers in these disputes and accuse them of order award manipulation. Apart from the fact that these are false and implausible allegations, you are also inflicting damage on IWKA.

Furthermore, Mr. Wyser-Pratte, in an interview you created the impression that the Federal Financial Supervisory Authority indicated to you that your activities are not being considered as acting in concert with other shareholders. This is totally inaccurate. We have a letter from BaFin dated June 2, 2005, from which I quote an excerpt as follows:

"I am therefore unable to confirm the statement made by Mr. Wyser-Pratte in the interview with *Euro am Sonntag* on May 27, 2005 (…BaFin has already told us they don’t consider us acting in concert)".

The letter is signed by the vice president of BaFin.

Your claims and allegations, Mr. Wyser-Pratte, have very much offended our employees, customers, suppliers and the public. Our management team will employ all available means to defend ourselves against such attacks on IWKA. We reserve the right to take legal action.

I will now discuss the items presented in the counter and supplementary motions. The arguments explicitly outlined by Wyser-Pratte Management Co. Inc. do not justify the motions you have tabled.

1. Group consolidated EBIT margin

The IWKA Group's EBIT margin in 2004 was 4.8 percent. This EBIT margin was diluted by the non-core businesses companies.

The overall EBIT margin of our core business divisions Automotive Technology, Packaging Technology and Robot Technology was 5.2 percent. Based on the stated results we therefore cannot agree with the petitioner.

2. The Executive Board did not complete the sale of the former Process Technology Division by the end of the first quarter of 2005.

Our stated goal was to sell eighty to ninety percent of the Process Technology Division by the end of the first quarter of 2005. In fact, IWKA successfully divested of thirty-one companies during this time period (fourteen of which were consolidated). Seventy-five percent of the Bopp & Reuther Group, which to date had been generating losses, and all of the RMG Group were sold. The divestments were also successful from the point of view of the affected companies; these organizations are looking forward to a stable future. The sales generated book profits of EUR 10.8 million for IWKA. The two remaining businesses in this division are currently generating positive results. We will continue to actively implement the divestment process.

3. Earnings in 2005

At the beginning of February, it was not yet apparent that the orders received situation in the automotive industry would deteriorate on such a broad front. Projects were increasingly postponed, particularly from March 2005 onwards, and verbal commitments that had already been made were retracted. At the same time, price pressures increased significantly. Both the Automotive Technology and Robot Technology Divisions are affected by these developments.

IWKA management immediately responded by stepping up the pace of our efficiency improvement program. We immediately informed the public and the financial markets of these developments by means of an Ad-hoc disclosure.

4. Exclusive concentration on the Robot Technology Division

Wyser-Pratte Management Co. Inc. is demanding that IWKA be radically cut back to only the Robot Technology Division. I am purposely saying "cut back" and not "focused". This is totally contrary to the Executive Board's goal of achieving a balanced market and risk strategy. The strategy is to manage the IWKA Group's

Automotive Technology, Packaging Technology and Robot Technology Divisions as core business activities. In particular, we want to expand the non-automotive segment of our Robot Technology Division as well as the Packaging Technology Division, in order to reduce our dependency on the automotive industry and give us the ability to address different market demand cycles.

According to the current first-quarter 2005 financial results, 14.2 percent of the IWKA Group's orders received stem from the Robot Technology Division. The Robot Technology Division employs 17.2 percent of our workers. Looking at it another way: if we implemented the proposed cutbacks, 9,500 employees could be facing an uncertain future. You can get a very good idea of what this would mean by taking IWKA's annual report and removing the pages dedicated to the Automotive Technology and Packaging Technology Divisions. What remains is the Robot Technology Division, with a total business volume of EUR 392 million in a cyclic business sector, as confirmed by an ABB board member in a recent newspaper interview. ABB is one of our strongest robot technology competitors. A further consequence of this scenario would also presumably be to quickly say goodbye to the MDAX market segment.

5. To the next motion: the *voting out and reelecting of Supervisory Board members*

Over the last ten months, the Supervisory Board met with us in several ordinary and extraordinary meetings to discuss the strategy and development of the Group. Appropriate goals were established for the Executive Board in conjunction with these meetings. From the point of view of joint responsibility and in view of the complete consensus within the supervisory committee, it seems illogical to demand the voting out of Supervisory Board members Reinhard Engel and Prof. Jürgen Hubbert.

No supervisory board member has been charged with a conflict of interest arising from a declaration of compliance in accordance with article 161 of the German Stock Corporation Act. I hereby categorically reject any allegations in this regard made by the petitioner in various interviews. I ask you: What possible conflicts of interest could there be between a banker and our company? There have been no significant corporate actions over the past few years, and our requirement for external financing has been steadily declining.

The allegation that Supervisory Board members attempted to influence the automotive industry with respect to contract prices is also a figment of the imagination. Prices are set in the marketplace by competitive pressures and not in a Supervisory Board meeting. And by the way, a Supervisory Board member dealing with our customers in the pharmaceutical industry would therefore have to be equally biased. Here I am thinking, also due to recent occurrences, about our long-term customer Pfizer, the world's largest pharmaceutical company.

Ladies and gentlemen, for the reasons stated we consider the tabled counter and supplementary motions to be unjustified and therefore recommend that you vote against them.

Ladies and gentlemen, an annual general meeting is an occasion to review the prior year. In the context of today's events, we must be careful not to forget the financial report.

We prepared our consolidated statements for the first time according to International Financial Reporting Standards (IFRS). The comparison figures from the previous year were also adjusted accordingly. The revenues and costs for companies that were sold by the end of 2004 were extracted from the results of the IWKA Group and shown under discontinued operations in accordance with IFRS rules. The results are summarized under discontinued operations on the income statement and as assets and liabilities from discontinued operations on the consolidated Group balance sheet. In order to allow you to compare the important key figures with the results according to HGB (German Commercial Code), we have prepared a table right at the beginning of the current financial report called "IWKA Group key figures".

Despite difficult economic conditions, the IWKA Group once more generated higher consolidated **earnings from operating activities (EBIT)** arising out of continuing operations and discontinued operations during the 2004 financial year. Although consolidated EBIT from the Group's continuing operations fell 7.0 million year-over-year, to EUR 101.8 million, EBIT including earnings from discontinued operations was 4.6 percent higher than the year before, rising from EUR 107.0 million to EUR 119.9 million.

The reported items that correspond individually to continuing operations and discontinued operations can be summarized as follows: in 2004, IWKA received **orders** totaling EUR 2.34 billion and thereby exceeded last year's result of EUR 2.30 billion by 1.6 percent. The Group's consolidated **sales revenues** were roughly at the same level as the prior year's EUR 2.34 billion, closing at EUR 2.35 billion. Orders received would have increased by 3 percent and sales revenues by 1.6 percent if the exchange rate had remained constant. Export orders accounted for fifty-seven percent of orders received as opposed to the prior year's sixty-two percent.

North America's share of the total business was twenty-two percent, which compares to twenty-seven percent last year. The European Union (excluding Germany) also contributed twenty-two percent, versus only eighteen percent a year earlier.

The most important customer sector during the reporting year was again the automotive industry and its subsuppliers. It contributed fifty-eight percent to orders received. The food industry was in second place at eleven percent.

Order backlog was EUR 1.01 billion as of December 31, 2004, which was comparable to the previous year's level of EUR 1.07 billion.

The commitment and capability of our **human resources** are key contributors to the success of our company, which is why the qualification of our employees is so very important to us. As of December 31, 2004, IWKA had 13,209 employees worldwide, versus 13,231 the same day a year earlier. At year-end, 5,537 people were employed by foreign companies, equivalent to about forty-two percent of the total workforce. The efforts of our employees, our managers and executives are the basis of our business success. We would like to take this opportunity to thank you for your enormous commitment, your diligence, your wealth of ideas and your loyalty to IWKA.

Overall, the IWKA Group's **consolidated net income** rose by 7.0 percent to EUR 48.8 million. The Executive and Supervisory Boards recommend to today's annual general meeting that EUR 17.6 million from retained earnings be distributed to shareholders. This corresponds to an unchanged **dividend** of EUR 0.66 per share, or 25.4 percent of total share capital.

We were very pleased with the changes in **net debt.** Short and long-term liabilities towards creditors minus cash and cash equivalents fell by about EUR 84 million, closing at EUR 141.1 million compared to EUR 225.0 million in 2003. Our **gearing** (ratio of net debt including pension provisions to equity) at the end of the 2004 financial year was 89 percent compared to 132.8 percent a year earlier.

We were delighted with the increase in **free cash flow**, which at EUR 94.5 million was about EUR 55 million higher than the year before. The main reasons are the improved year-end net results and considerably lower working capital.

Return on capital employed (**ROCE**) is a key variable that IWKA uses to assess the Group's performance, along with earnings before financing activity results and taxes (EBIT). In 2004, average capital employed declined a further EUR 23.2 million, falling from EUR 760.3 million in 2003 to EUR 737.1 million. IWKA's operating profit also rose, enabling return on capital employed to increase to 15.2 percent. As a result, IWKA Group's consolidated ROCE is significantly higher than the cost of capital and also above the Group's internal target.

During 2004, the IWKA Group **invested** EUR 67.5 million in property, plant and equipment and intangible assets, compared to EUR 69.4 million the year before.

The Group has expanded its marketing activities in China, South Africa and Mexico in order to improve its local presence and to take advantage of lower production costs. For example, EX-CELL-O opened a production plant in Changchun. KUKA Schweissanlagen built factories in China and Mexico and acquired shares in a plant construction company in South Africa.

The IWKA Group's **research and development** expenses during the financial year were EUR 59.3 million. This does not include expenditures for R&D developments that are part of customer orders. The total amount for R&D is therefore about five percent. To ensure that IWKA companies maintain their commitment to innovation, the company launched its "FORinnovation" program. This program was launched to systematically analyze, evaluate and continually improve each company's innovation process on an annual basis.

We have improved and made new inroads into communications with our shareholders. Examples include a redesigned financial report that contains more information, regular telephone conferences after the release of quarterly results and a significantly higher number of one-on-one discussions with investors and analysts in Europe's key financial centers.

It is standard practice at IWKA to conduct our affairs in accordance with the principles of the Transparency and Disclosure Law as well as the **German Corporate Governance Code**. This applies especially to the interaction between the Executive Board and the Supervisory Board. The Executive Board on April 14, 2005 and the Supervisory Board on April 15, 2005 submitted identical declarations of compliance for the financial year 2005. With respect to remuneration of the Executive Board, IWKA has deviated from its previous practice in the current financial report. For the first time, you will find the Chairman of the Executive Board's compensation itemized in the notes to the annual report.

All the business divisions ended the year 2004 with positive results. Earnings from operating activities in the Automotive Technology and Robot Technology Divisions were slightly below last year's. Despite challenging market conditions, the Packaging Technology Division's results were better. Operating earnings from the companies that are not part of our core business were significantly better than the prior year.

The **Automotive Technology Division**'s 2004 financial year was successful in spite of a difficult market environment. The business unit's forty-seven percent share represents the highest contribution to the Group's sales and it is one of the two primary contributors to operating profit. Despite higher sales in 2004, the division's EBIT of EUR 41.5 million was not quite able to match the prior year's level of EUR 43.0 million. Automotive Technology's return on sales in 2004 was 3.7 percent. Orders received rose from EUR 1,040 million in 2003 to EUR 1,097 million in 2004, an increase of 5.4 percent. Sales grew by 1.9 percent and reached EUR 1,119 million. Sales were particularly strong in the fourth quarter.

Orders received in the first three months of the new business year were only EUR 300 million as a result of the postponed investments discussed earlier. The division was unable to maintain the extraordinarily high level of the previous year’s first quarter, which had been impacted by a major order. This represents a drop of EUR 149.0 million, or 33.2 percent less than in the comparable prior year's reporting period. Sales revenues were EUR 213.7 million, slightly lower than last year's result. The EBIT of EUR 3.5 million was marginally below that achieved during the same quarter last year.

As I said earlier, EX-CELL-O achieved an excellent position from a technical and product perspective, but its organizational structure was unable to meet the needs of the business. Even though the order books for the current year are already quite full, EX-CELL-O will again have to report a loss in 2005, as it had already done in 2004. The company's entire organizational structure is currently being converted from functional to project-oriented, in order to enable it to effectively and rigorously manage future major projects. This alone will unfortunately not suffice. There will also have to be painful cuts. All options are presently being explored.

This is a good place to say a few words about our long established company, Boehringer, located in Göppingen. Boehringer will continue to execute its niche market strategy for crankshaft machines. The standard turning machine business has been separated and will be sold. During the first quarter of 2005, the Boehringer Group benefited from higher demand from abroad for crankshaft machining systems. Among others, the group won orders from General Motors in the United States and from KIA in Slovakia.

The program we initiated last year to systematically align **IWKA Packaging** with the target markets pharmaceuticals/cosmetics, food and dairy is starting to bear fruit. As a result, the business unit is reporting growth, even though the US dollar to euro exchange rate has been weighing on the business trend. The division's orders received last year were 4.5 percent higher than 2004's EUR 394 million, rising to EUR 412 million. Low order backlog at the start of 2004 affected sales revenues, which at EUR 392 million were still 6.1 percent under the prior year's EUR 417 million. The division's EBIT rose from EUR 12.5 million in 2003 to EUR 15.2 million in

2004. Return on sales is therefore 3.9 percent. The Packaging Technology Division had 2,708 employees as of December 31, 2004.

Orders received at the end of the first quarter of 2005 were EUR 99 million, 8.5 percent below the prior year's value of EUR 109 million. Order backlog increased from EUR 148 million at the end of 2004 to EUR 164 million as of March 31, 2005. Sales revenues came in at EUR 89 million, EUR 11 million higher than last year. All of the Packaging Technology Division's target market sectors contributed to the increase. EBIT was EUR 2.8 million higher than during the first quarter of 2004, reaching EUR 2.0 million compared to minus EUR 0.8 million in the prior year's first quarter.

The **Robot Technology Division** encountered significant project-related fluctuations in 2004. Orders received for the reporting period were lower than the previous year, ending at EUR 355 million compared to EUR 408 million in 2003. The shortfall in orders from the automotive industry was about EUR 60 million, which translates into 2,700 fewer robots! The division must now cope with this serious situation. On the other hand, 2004's sales revenue of EUR 392 million was slightly higher than the already very high EUR 372 million generated in 2003. Increases in orders received and sales revenue were particularly strong in the fourth quarter of 2004. The Robot Technology Division had 2,044 employees as of December 31, 2004. EBIT remained high at EUR 46 million, but was not able to match the EUR 48 million achieved last year. Return on sales was 11.7 percent.

During the first quarter of 2005, the Robot Technology Division again had to deal with a significant drop in demand because automotive industry projects were postponed and cancelled. Orders received were EUR 83 million, 14.2 % lower that in the first quarter of 2003. While in 2004 declining orders from the automotive industry could still be offset by orders received from the non-automotive sector, in 2005 this will no longer be entirely possible. The division is addressing these developments with a wide-ranging program to cut costs and improve performance.

Because of weak orders received levels during the latter part of last year and the first quarter of 2005, sales revenues were 32 million lower than during the same period in 2004 and ended at EUR 58 million. As a result, the Robot Technology Division's first quarter profits were negative EUR 3.6 million. This is a significant decline of EUR 12.3 million compared to the prior year.

In summary, the year 2004's generally difficult business conditions presented IWKA with some challenges – high steel prices and the weak US dollar, to name just two. I would like to summarize the most important facts one more time:

- **orders received and sales for the consolidated Group were slightly up from last year (+ 1.6 percent / + 0.6 percent)**
- **the consolidated Group's EBIT improved overall by 4.6 percent and reached EUR 111.9 million**
- **EBIT from continuing operations fell from EUR 108.8 million to EUR 101.8 million and in discontinued operations it rose from EUR -1.8 million to EUR +10.1 million.**
- **the Group's reported consolidated net income for 2004 was EUR 48.8 million, the highest it has ever been in IWKA's history!**
- **the consolidated Group operating profit margin improved to 4.8 percent; the EBIT margin generated in the core business areas, automotive technology, packaging technology and robot technology was 5.2 percent**
- **free cash flow more than doubled (EUR 39.4 million to EUR 94.5 million)**
- **debt was reduced by 37.3 percent; gearing (including pension provisions) declined to 89 percent compared to 133 percent last year**
- **return on capital employed (ROCE) exceeded the Group's internal target of fifteen percent**

Ladies and gentlemen, no bad year lies behind us. We can and will do even better. However, I am at a loss to explain why there is a motion for a vote of no discharge of the Executive and Supervisory Boards after the release of this annual financial report.

As I indicated earlier, on April 15, IWKA published an Ad-hoc disclosure regarding the dramatic deterioration of market conditions in the automotive industry and that this would impact our 2005 result. We are obliged in our reporting to immediately make public any changed circumstances.

At the same time we take action to counter the impact. Our FORproductivity program will offset some of the effects on the business volume and the margin erosion arising from the automotive industry. FORproductivity was launched just before the end of last year. We are now aggressively accelerating its implementation. IWKA has contracted a management consultant to act as an expert partner and work alongside us as we rigorously implement the cost reduction and efficiency improvement programs of our consolidated companies.

FORproductivity applies to all material companies in the IWKA Group and to all categories of costs. The total savings identified by the program's measures total EUR 32 million. Over and above that we intend to derive additional benefits from performance improvements and the streamlining of numerous processes.

We have determined that for the **year 2005** the orders received situation has deteriorated as a result of increasing price pressure and the restrained capital spending in the industry. It will continue. The developments directly impact our Automotive Technology and Robot Technology Divisions. As a result of these market trends, operating earnings in the Automotive Technology and Robot Technology Divisions will be below those of the previous year. We expect that higher business volume will result in improved earnings in the Packaging Technology Division. The facts we have discussed lead us to expect a weaker overall EBIT for the consolidated IWKA Group.

Ladies and gentlemen, what will be the focus of the Executive Board's work in the next 12 months?

1. We will aggressively implement the FORproductivity program to cut costs and raise efficiencies. This program is not designed to have only a one-time impact. The underlying individual measures will lead to sustainable productivity improvements. The program's data processing tool will continue to effectively support our controllers well into the future.

2. Solving the problem of an inadequate return on capital in the machining business by exploring all available options. We must concede that, at least from a financial aspect, we experienced a setback last year in our efforts to make this business area healthy. In fact, this inadequate return on capital is not a unique IWKA problem. None of the European competitors we are aware of made money in this industry last year. But this offers no consolation. We will therefore do whatever it takes to reduce the capital employed in this area and improve profitability.

3. We will continue to look for buyers for the remaining non-core businesses and if possible, wrap up this program. This will further reduce complexity and improve transparency. But we will not entertain any dumping of company value. We will decide for each individual case whether a sale or temporary continuation of the business results in a higher return for IWKA.

4. We will set the course for continued expansion of our packaging business. The basic objective is to achieve a sustainable EBIT margin of at least 5 percent and adequate organic growth. In parallel, we will check the possibilities of achieving growth by other means, in particular acquisitions, as a way to improve the position of the Packaging Technology Division in the IWKA Group.

We are confident that implementing these and other programs on the basis of our three-pillar-strategy will move us forward by a significant amount. However, this will only be achieved if we return to peace on all fronts and with all of IWKA's shareholders and others with vested interests, and if we work with one another constructively instead of destructively.

What are the projections for IWKA through 2005 and 2006?

Our strategy based on the three core business areas, Automotive Technology, IWKA Packaging and Robot Technology is right for the present and sustainable for the future. It provides opportunities for future growth in all three divisions; e.g., through further internationalization, pay-on-production models, product-related services and acquisitions.

The strategy does not mean that each of the three pillars and its individual components must or will stay the same. We will continue to monitor each individual component to ensure that it continues to meet the needs of the Group, or that it is an essential part required for us to achieve our strategic goals.

Automation represents IWKA's future. Robotics is the primary technology basis for this field. The Automotive Technology and Packaging Technology Divisions will systematically grow from machinery constructors to systems integrators. We will make more and more use of the potential synergies among the divisions.

It is realistic to expect IWKA to achieve an EBIT of six percent of sales revenues and a return on capital employed of at least eighteen percent before taxes on the basis of this strategy. IWKA will then also continue to be a company listed on the M-DAX.

Ladies and gentlemen, the IWKA Group's management is determined and motivated to change the company, to achieve further growth and to become even more successful. For this we need your cooperation and support. I therefore ask you to approve the Board's recommendations, items 1 to 9 on the agenda, and recommend that you vote against agenda items 10 to 12.

Thank you very much for your attention to my talk.