

**- TRANSLATION FOR CONVENIENCE -**

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We herewith invite the shareholders of our Company to the

**Ordinary Annual General Meeting**

to be held in Karlsruhe, at the Stadthalle - Brahmssaal – in the Karlsruhe Congress Center, Festplatz

**on June 1, 2006 at 10:00 a.m.**

**Agenda**

**1. Presentation of the adopted Annual Financial Statements and Management Report as well as the approved Consolidated Financial Statements and Consolidated Management Report for the Group for the 2005 financial year, together with the Report of the Supervisory Board.**

**2. Discharge from responsibility of the members of the Executive Board**

The Executive Board and Supervisory Board propose that the members of the Executive Board including those members who have left the Executive Board be discharged from responsibility for the 2005 financial year.

**3. Discharge from responsibility of the Supervisory Board**

The Executive Board and Supervisory Board propose that the members of the Supervisory Board including those members who have left the Supervisory Board be discharged from responsibility for the 2005 financial year.

**4. Resolution concerning the revocation of tranches I, II and III of authorised capital according to § 4 para. 5, 6 and 7 of the Articles of Incorporation and creation of new authorised capital together with the authorisation of a partial exclusion of subscription rights as well as a corresponding amendment of the Articles of Incorporation.**

The authorisation of tranches I, II and III reflected in § 4 para. 5, 6 and 7 of the Articles of Incorporation has lapsed as of the end of July 7, 2005.

The Executive Board and the Supervisory Board propose the adoption of the following resolutions:

- a) § 4 para. 5, 6 and 7 of the Articles of Incorporation are revoked.

The previous § 4 para. 8 of the Articles of Incorporation shall now be § 4 para. 6.

- b) The Executive Board shall be authorised, subject to the approval of the Supervisory Board, to increase the share capital of the Company on one or several occasions not later than May 31, 2011 by a total of up to EUR 34,500,000.00 by issuing new bearer shares against cash contributions and/or contributions in kind.

In this connection, the shareholders are to be granted subscription rights. However, the Executive Board shall be authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders

- for possible fractional amounts;
- to the extent that this is necessary in order to grant to the holders of warrants and / or convertible debentures with attached conversion or option rights issued by IWKA Aktiengesellschaft or companies within its Group on the basis of the resolution of the Annual General Meeting of July 4, 2003 subscription rights to new shares to the extent to which they would be entitled after having exercised such conversion or option rights.
- for capital increases against contributions in cash, if the issue price of the new shares is not substantially lower than the stock market price of the shares already floated at the time that the issue price for the new shares is set, with the date for the setting of such price to be as close as possible to the placing of the shares, and if the shares issued subject to the exclusion of the subscription rights according to § 186 para. 3, sentence 4 AktG (German Stock Corporation Act) in total do not exceed 10% of the share capital, and indeed do not do so either on the date that this authorisation becomes effective or on the date on which it is exercised. Shares shall be counted against these limits to the extent that they are treasury shares disposed of excluding shareholders subscription rights on the basis of an authorisation – pursuant to § 71 para. 1 Item 8 in conjunction with § 186 para. 3 sentence 4 AktG – that is in force, or takes the place of an authorisation in force, at the time that the present authorisation becomes effective. Furthermore those shares that have been issued or are to be issued in order to service debentures with attached conversion and option rights that were issued by IWKA Aktiengesellschaft or companies within its

Group on the basis of the resolution of the Annual General Meeting of July 4, 2003 must be counted against this limit, provided these debentures were issued during the period that this authorisation is in effect and subject to the exclusion of subscription rights according to the relevant application of § 186 para. 3 sentence 4 AktG.

- for capital increases against contributions in kind in connection with the merger of companies or the acquisition of companies or parts of companies or participations in companies.

The further content of the rights embodied in the shares and the terms and conditions for the issuance of shares shall be decided by the Executive Board with the approval of Supervisory Board. The Supervisory Board shall be authorised to amend the Articles of Incorporation to the extent that the authorisation for the capital increase is used, or that such authorisation lapses.

- c) § 4 para. 5 of the Articles of Incorporation shall be revised as follows:

“(5) The Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company’s share capital on one or several occasions not later than May 31, 2011 by up to a total of EUR 34,500,000.00 by issuing new bearer shares against cash contributions and/or contributions in kind.

In this connection, the shareholders are to be granted subscription rights. However, the Executive Board shall be authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders

- for possible fractional amounts;
- to the extent that this is necessary in order to grant to the holders of warrants and / or convertible debentures with attached conversion or option rights issued by IWKA Aktiengesellschaft or companies within its Group on the basis of the resolution of the Annual General Meeting of July 4, 2003 subscription rights to new shares to the extent to which they would be entitled after having exercised such conversion or option rights.
- for capital increases against contributions in cash, if the issue price of the new shares is not substantially lower than the stock market price of the shares already floated at the time that the issue price for the new shares is set, with the date for the setting of such price to be as close as possible to the placing of the shares, and if the shares issued subject to the exclusion of the subscription rights according to § 186 para. 3, sentence 4 AktG (German Stock Corporation Act) in total do not exceed 10% of the share capital, and indeed do not do so either on the date that this authorisation becomes effective or on the date on which it is exercised. Shares shall be counted against these limits to the extent that they are treasury shares disposed of excluding shareholders subscription rights on the basis of an authorisation – pursuant to § 71 para. 1 Item 8 in conjunction with § 186 para. 3 sentence 4 AktG – that is in force, or takes the place of an authorisation in force, at the time that the present authorisation becomes effective. Furthermore those shares that have been issued or are to be issued in order to service debentures with attached conversion and option rights that were issued by IWKA Aktiengesellschaft or companies within its

Group on the basis of the resolution of the Annual General Meeting of July 4, 2003 must be counted against this limit, provided these debentures were issued during the period that this authorisation is in effect and subject to the exclusion of subscription rights according to the relevant application of § 186 para. 3 sentence 4 AktG.

- for capital increases against contributions in kind for the purpose of acquiring companies or participations in companies.

The further content of the rights embodied in the shares and the terms and conditions for the issuance of shares shall be decided by the Executive Board with the approval of Supervisory Board. The Supervisory Board is authorised to amend the Articles of Incorporation to the extent that the authorisation for the Capital Increase is used or that such authorisation lapses

**Report by the Executive Board to the Annual General Meeting pursuant to § 203 para. 2 sentence 2 in conjunction with § 186 para. 4 sentence 2 AktG regarding agenda item 4 concerning the reasons for the exclusion of subscription rights in connection with agenda item 4**

The authorisations proposed under agenda item 4 to exclude subscription rights with respect to fractional amounts are required in order to be able to establish a workable subscription ratio. The shares excluded from the subscription right of the shareholders as free fractions will be used for sale on the open market or otherwise in the best possible manner for the company. This particular application of the exclusion of subscription rights will merely serve to simplify the technical execution of a capital increase.

The exclusion of subscription rights for the benefit of holders of warrants and / or convertible debentures issued on the basis of the resolution of the Annual General Meeting of July 4, 2003 has the advantage that if this authorisation is used, it will not be necessary to discount the conversion and/or option price in accordance with the so-called anti-dilution clauses under the conversion and/or option terms, and that the holders of warrants and/or convertible debentures are instead granted subscription rights to the extent to which they would be entitled after having exercised such conversion or option rights.

The possibility of an exclusion of subscription rights is further provided for capital increases against cash contributions by up to 10% of share capital. This possibility is intended to put the Executive Board in a position, subject to the approval of the Supervisory Board, to respond on short notice to financing needs as they arise, and to implement strategic decisions. This possibility of excluding subscription rights as explicitly provided for by law puts Management in a position to take advantage of favorable stock market conditions on short notice, and, by doing so, to achieve the highest possible issue amount and thus the greatest possible strengthening of the equity base through close-to-market pricing. The authorisation encompasses an amount of up to 10% of the company's share capital. In the event that this possibility for a capital increase is used, Management will limit any possible discounting of the issue price from the quoted price on the stock market to the effect that there will be no substantially unfavorable difference from the latter. Experience shows that because of

the possibility of faster action, such a capital increase results in a higher inflow of funds than a comparable capital increase subject to the subscription rights of the shareholders. Thus it is in the interest of the company and that of the shareholders. Shares shall be counted against these limits (10 percent of share capital) to the extent that they are treasury shares disposed of excluding shareholders subscription rights on the basis of an authorisation – pursuant to § 71 para. 1 Item 8 in conjunction with § 186 para. 3 sentence 4 AktG – that is in force, or takes the place of an authorisation in force, at the time that the present authorisation becomes effective.

Finally, the Executive Board is further authorised to exclude subscription rights also in the case of capital increases against contributions in kind. The proposed exclusion is to serve the purpose of enabling the acquisition of companies or participations in companies in exchange for the granting of shares in order to strengthen the business activities of the IWKA Group. This will put the company in a position to respond to emerging opportunities in a quick and flexible manner and, in suitable cases, to acquire companies or participations in companies – if necessary – in exchange for granting shares in the corporation. If the acquisition of participations by way of a capital increase against contributions in kind results in tax savings for the seller, or if the seller is more interested in acquiring shares in the company rather than in a cash payment for other reasons, this alternative strengthens the negotiating position of the company. Moreover, such an acquisition in exchange for the issuance of shares preserves the cash position of the company.

Management will only take advantage of the option of a capital increase against contributions in kind subject to the exclusion of subscription rights if the value of the newly issued shares and the value of the consideration, i.e. the participation to be acquired, are appropriately proportional. In this connection, the issue price of the shares to be newly issued will in principle be guided by the quoted price on the stock exchange.

The Executive Board will carefully examine on case-by-case basis whether it should make use of the authorisation for a capital increase and for the exclusion of subscription rights. It will only exclude subscription rights if one of the elements that are outlined in this report in abstract terms in fact occurs, and if the exclusion of subscription rights in the specific case is in the well-understood interest of the company. The Supervisory Board will also grant its approval to the use of the tranches of the authorised capital and the exclusion of subscription rights only if these conditions are satisfied. In this connection, the Executive Board and the Supervisory Board will examine on a case-by-case basis whether the exclusion of subscription rights is necessary, proper, appropriate and advisable in the interest of the company. The Executive Board shall report details concerning the use of the authorised capital to the Ordinary Annual General Meeting following the issuance of shares in the company.

## 5. Elections to the Supervisory Board

At the Supervisory Board Meeting of the Company on March 28, 2006, Dr. Herbert Demel, Member of the Supervisory Board of the Company, gave written notice of his resignation from his appointment for the sake of avoiding future conflicts of interest, such resignation to take effect at the end of the Ordinary Annual General Meeting on June 1, 2006

A successor to Dr. Demel must therefore be elected. In accordance with § 10 para. 4 sentence 1 of the Articles of Incorporation of the Company, the tenure of the member to be newly elected shall last for the remainder of the tenure of the Member leaving the Board, that is until the end of the Ordinary Annual General Meeting in 2008 that votes on the discharge of the Members of the Supervisory Board for the 2007 financial year.

In accordance with §§ 96 para. 1 and 101 para. 1 AktG in conjunction with § 7 para. 1 Item 1 Co-determination Act, the Supervisory Board is comprised of six members each representing shareholders and employees. The Annual General Meeting is not bound by nominations.

The Supervisory Board nominates for election to the Supervisory Board as shareholders' representative succeeding Dr. Demel effective as of the end of the Ordinary Annual General Meeting to be held on June 1, 2006:

Prof. Dr.-Ing. Gerd Hirzinger  
Director of the Institute of Robotics and Mechatronics of DLR  
Seefeld

## 6. Resolution concerning emoluments received by the Supervisory Board and a corresponding amendment of the Articles of Incorporation

In accordance with section 5.4.7 of the German Corporate Governance Code as amended on June 2, 2005, Members of the Supervisory Board are to receive performance-oriented compensation in addition to fixed emoluments. The performance-oriented compensation should also include components related to the long-term success of the company. Taking rulings by the court of last instance into account, there is presently still significant legal uncertainty regarding the permissibility of variable compensation for the Supervisory Board. On the other hand, variable compensation based on the dividend has attracted criticism as not serving the intended purpose. For this reason, the Supervisory Board proposes that the Annual General Meeting adopts fixed emoluments for Members of the Supervisory Board until further notice. As soon as there is legal certainty with respect to the permissibility of adequate models for variable compensation for the Supervisory Board, it is intended to submit corresponding proposals to a future Annual General Meeting. Increased fixed compensation, coupled with the simultaneous elimination of the previous variable emoluments that have been tied to the dividend are to take the significantly greater demands on Members of the Supervisory Board in terms of issues and in terms of time into account.

The Executive Board and the Supervisory Board therefore propose the adoption of an amendment to the Articles of Incorporation as follows:

§ 17 (Emoluments received by the Supervisory Board) para.1 of the Articles of Incorporation is newly revised to read:

“(1) In addition to reimbursements of expenses, every Supervisory Board Member shall receive a fixed emolument. This shall amount to EUR 30,000.00. This compensation is payable after the end of the financial year.

**7. Resolution on the authorisation to purchase and use treasury shares pursuant to § 71, para. 1 no. 8 Stock Corporation Act**

The Executive Board and the Supervisory Board propose the adoption of a resolution as follows:

- a) The authorisation for the acquisition of treasury shares granted by the Annual General Meeting of June 3, 2005 and still in force until December 1, 2006 is hereby revoked.
- b) The company shall be authorised to acquire treasury shares up to a total amount of 10% of share capital existing at the time that this resolution is adopted.
- c) The acquisition of treasury shares shall be executed on the stock exchange, or within the framework of a public tender offer by the company extended to all shareholders. The consideration per share paid by the company may not exceed or fall short of – by more than 10% excluding incidental costs – the average closing price of the shares of the company in the XETRA trading system of Deutsche Börse AG (or a comparable successor system) on the last five trading days before the purchase of treasury stock or, in the case of a public tender offer, from the eighth to the fourth trading day (each inclusive) before the day of publication of the public tender offer. To the extent that the total volume of the offer is over-subscribed, the shares tendered must in each case be accepted on a pro-rata basis. Priority may be given to the acceptance of tenders of small lots of up to 100 company shares per company shareholder.
- d) The Executive Board shall be authorised
  - aa) subject to the approval of the Supervisory Board, to dispose of the acquired treasury stock to third parties subject to the exclusion of the subscription rights of the shareholders in connection with company mergers or the acquisition of companies, or parts of companies or participations in companies.
  - bb) subject to the approval of the Supervisory Board, to dispose of the acquired treasury stock subject to the exclusion of the subscription rights of the shareholders, by means other than the stock exchange or tender offer to all shareholders, if the shares are sold for cash at a price that is not substantially lower than the quoted stock market price of same-category shares at the time of the sale. However, this authorisation shall only be

effective subject to the proviso that the shares sold subject to the exclusion of the subscription rights according to § 186 para. 3, sentence 4 AktG may not, in total, exceed 10% of the share capital, and in fact do not do so either on the date that this authorisation becomes effective or on the date on which it is exercised. Shares to be counted against this limit of 10% include those shares

- that have been or will be issued subject to the exclusion of subscription rights according to the appropriate application of § 186 para. 3 sentence 4 AktG, in order to service debentures with attached conversion or option rights, provided that these debentures were issued or will be issued on the basis of an authorisation in effect as at the date that this authorisation becomes effective, or of an authorisation replacing it.
- that will be issued subject to the exclusion of subscription rights pursuant to § 186 para. 3 sentence 4 AktG by use of an authorisation to issue new shares under authorised capital that is in effect at the date on which this authorisation becomes effective, or by use of an authorisation replacing it.

cc) subject to the approval of the Supervisory Board, to use the acquired treasury stock, subject to the exclusion of the subscription rights of the shareholders, in order to introduce the company's stock on foreign stock exchanges on which it has not been listed to date.

- e) The price at which the company shares are issued subject to the exclusion of the subscription rights of the shareholders may not fall substantially short of the average closing price of the stock of the company in the XETRA trading system of Deutsche Börse AG (or a comparable successor system) on the last five trading days before the sale of the treasury stock or prior to the date of entering into a contract for the sale of the treasury stock.
- f) Treasury stock may also be acquired in order to be cancelled by being charged against net retained earnings or other revenue reserves. The Executive Board is authorised, subject to the approval of the Supervisory Board, to execute such cancellation without further resolution by the Annual General Meeting.
- g) This authorisation for the acquisition of treasury stock, as well as the resale or cancellation of such shares, may be used once or several times, in whole or in part.
- h) The authorisation shall be in effect until November 30, 2007.



## **Report by the Executive Board concerning the exclusion of subscription rights with respect to the disposal of treasury stock pursuant to § 71 para. 1 no. 8, § 186 para. 4 sentence 2 AktG in connection with Agenda Item 7**

Item 7 on the agenda encompasses a proposal to authorise the company to acquire treasury stock in the amount of up to 10% of the share capital existing at the time that the resolution is adopted.

According to § 71 para. 1 no. 8 AktG, treasury stock may also be purchased or sold by means other than the typical case of a purchase or sale on the stock exchange.

In addition to purchases on the stock exchange, the company is also to be granted the option of purchasing treasury shares by means of a public offer (tender process). The consideration per share paid by the company may not exceed or fall short of – by more than 10% excluding incidental costs – the average closing price of the shares of the company in the XETRA trading system of Deutsche Börse AG (or a comparable successor system) on the last five trading days before the purchase of treasury stock or, in the case of a public tender offer, from the eighth to the fourth trading day (each inclusive) before the day of publication of the public tender offer.

In a public tender offer, any shareholder of the company willing to sell can decide how many shares he wishes to offer and, in the case of the setting of a price range, at what price he wishes to offer them. If the volume of tenders at the set price exceeds the number of shares the company wishes to purchase, there must be an allocation of acceptances to the tenders. As part of this process it is to be possible to give priority to the acceptance of small-lot tenders or smaller portions of tenders. This possibility is designed to avoid odd numbers when determining the pro-rata shares to be purchased, as well as small residual amounts, thereby simplifying the technical execution.

The resale of treasury stock after purchase is to be possible subject to the exclusion of the subscription rights of the shareholders.

By this means, the Executive Board is to be put in a position of having treasury stock available in order to be able – subject to the approval of the Supervisory Board – to offer it as consideration in connection with company mergers or the acquisition of companies, or parts of companies, or participations in companies. In transactions of this kind, this form of consideration is demanded in various cases. The authorisation here proposed is therefore intended to give the company the flexibility needed in order to be able to take advantage of emerging opportunities to merge companies or to acquire companies or parts of companies or participations in companies in a quick and flexible manner. The Executive Board will report any use of this authorisation to the Annual General Meeting.

The proposed resolution also encompasses the authorisation to dispose of the acquired treasury stock subject to the exclusion of subscription rights by means other than the stock exchange also in cases other than those connected with the merger of companies, the acquisition of companies, parts of companies or participations in companies. A sale under exclusion of subscription rights is subject to the condition of the shares being sold for cash at a price that is not substantially lower than the stock market price of same-category shares of the company at the time of the sale. However, this authorisation shall only be effective subject to the proviso that the shares sold subject to the exclusion of the subscription rights according to § 186 para. 3, sentence 4 AktG may not, in total, exceed 10% of the share capital, and in fact do not do so either on the date that this authorisation becomes effective or on the date on which it is exercised. Shares to be counted against this limit of 10% include those shares

- that have been or will be issued subject to the exclusion of subscription rights pursuant to the appropriate application of § 186 para. 3 sentence 4 AktG in order to service debentures with attached conversion and option rights, provided that these debentures were issued or will be issued on the basis of an authorisation in effect as at the date on which this authorisation becomes effective or an authorisation replacing it.
- that will be issued subject to the exclusion of subscription rights pursuant to § 186 para. 3 sentence 4 AktG by use of an authorisation to issue new shares under authorised capital that is in effect at the date on which this authorisation becomes effective, or by use of an authorisation replacing it.

The interests of the shareholders with respect to their assets and voting rights are properly protected by this limitation and by the fact that the issue price is guided by the market price. The authorisation is in the interest of the Company because it allows greater flexibility. In particular, it makes it possible to issue shares in a targeted fashion to partners in cooperative ventures or to financial investors.

The authorisation further opens up the possibility of using treasury stock for the introduction on foreign stock exchanges on which IWKA Aktiengesellschaft has not been listed to date. This will make it possible to broaden the shareholder base outside of Germany and to make the share more attractive as an investment.

IWKA Aktiengesellschaft faces strong competition on the international capital markets. Adequate equity capital and the possibility of raising capital on the market at appropriate terms and conditions are of special importance for the future development of the business. IWKA Aktiengesellschaft will endeavor to broaden its shareholder base and to make investment in the stock of the company attractive. Accordingly the authorisation proposed here is designed to afford IWKA Aktiengesellschaft the necessary freedom of movement.

The company is to be empowered to cancel shares of treasury stock even without an additional resolution by the Annual General Meeting.

This authorisation for the acquisition of treasury stock, as well as the resale or cancellation of such shares, may be used once or several times, and also in part.

The authorisation shall be in effect until November 30, 2006.

## **8. Election of the Auditors**

The Supervisory Board proposes the re-election of Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditors for the 2006 financial year.

### Attendance at the Annual General Meeting

Shareholders shall be entitled to attend the Annual General Meeting and exercise voting rights who have given notice of attendance in text form no later than Friday, May 26, 2006, to the address below:

IWKA Aktiengesellschaft  
c/o Computershare GmbH  
Prannerstraße 8

80 333 Munich

The notice must be received at this address no later than Friday, May 26, 2006.

In addition, the shareholders shall be required to provide evidence of their right to attend the Annual General Meeting and to exercise voting rights. Such evidence shall refer to the twenty-first day before the Annual General Meeting. Therefore, it shall be dated to May 10, 2004 12:00 midnight/May 11, 2006 0.00 am. Confirmation of the shareholding prepared in writing by the financial institution or the financial services institution holding the shares as a depository shall be sufficient for this purpose. This must be provided in the German or the English language; it is to be issued to IWKA Aktiengesellschaft, c/o Computershare GmbH, Prannerstraße 8, 80 333 München and must be received at the above address no later than Friday, May 26, 2006. In relationship to the Company and for the purpose of attendance at the Annual General Meeting and the exercise of voting rights, only those who have provided such evidence shall be deemed to be shareholders.

#### Voting by Proxy

It is pointed out that shareholders who do not attend the Annual General Meeting in person, but have given notice of attendance and have provided evidence of their right to attend the Ordinary Annual General Meeting and to exercise their voting rights, may have their voting rights exercised by a financial institution, by a shareholders' association or by another party vested with a power of attorney; such proxies must be granted in writing.

The company wishes to make voting by proxy easier for its shareholders. It therefore offers its shareholders the opportunity to be represented by an employee nominated by IWKA Aktiengesellschaft. These proxies may be of particular interest to the shareholders if the financial institution will not act as a voting proxy. A proxy form, including instructions concerning the exercise of the power of attorney, is attached to the admission ticket that shareholders will receive upon request from their financial institution. The company employee may only exercise voting rights under the proxy to the extent that the shareholder gives explicit instructions. Without such instructions the proxy will be invalid.

Motions opposing Management proposals concerning a particular agenda item – pursuant to § 126 para. 1 AktG – and nominations – pursuant to § 127 AktG – must be addressed exclusively to:

Executive Board  
IWKA Aktiengesellschaft  
Reference: "Hauptversammlung"  
P.O. Box 34 09  
76020 Karlsruhe

Fax: 0721/143-243

e-mail: [hauptversammlung2006@iwka.de](mailto:hauptversammlung2006@iwka.de)

Opposing motions received in time at this address, as well as well as any possible responses by Management will immediately be made available to the shareholders on the internet at [www.iwka.de](http://www.iwka.de).

Karlsruhe, April 21, 2006

IWKA Aktiengesellschaft

The Executive Board