



**IWKA Aktiengesellschaft Annual General Meeting**

**July 4, 2003**

**Karlsruhe Stadthalle**

**Statement by**

**Hans Fahr**

**Chairman of the Executive Board**

**IWKA Aktiengesellschaft**

**The spoken word shall prevail**

Dear shareholders,  
Honored guests,  
Ladies and gentlemen,

***“Mobile minds get things moving”***

I would like to take this statement from the film we just saw as the theme of my remarks. I will show you that the saying “Mobile minds get things moving” is not an empty cliché for us – it is what we live.

With that in mind, I would like to extend to you a warm welcome on behalf of my colleagues on the Executive Board to this year’s IWKA Aktiengesellschaft Annual General Meeting! We are very pleased that you have made your way to Karlsruhe, whether you are returning to us for a repeat visit or this is your first time here. I am pleased to see the great interest in our company in this impressive auditorium. By your participation, you express your solidarity with the company, IWKA, which we gratefully accept. I would also like to take a moment at this time to thank the press once more for attending.

The IWKA Group has held its ground well during the economically difficult year of 2002. Despite the recessive tendencies in Germany and many parts of the world, we have achieved our goals:

- Order receipts are 3.6 % and sales are 1.0 % above the previous year.
- Our operating profit, at EUR 73.4 million, has improved significantly over the previous year's level.
- We were able to reduce the net indebtedness of the Group by a considerable amount.

Under the umbrella of the management holding company IWKA Aktiengesellschaft, our companies have been able to show good development. Our Production Technology and Manufacturing Technology Divisions have benefited in the last year from vigorous order receipts from the automotive industry. The Production Technology Division was yet again able to increase its operating profit above the already high level of the previous year. The Manufacturing Technology Division, which like the Production Technology Division is more and more becoming a systems supplier for the automotive industry, posted satisfactory order receipts. The Process Technology Division has been and remains affected by structural changes in the energy and water industries; the internal changes and market adjustments that have been introduced are both a challenge and an opportunity. Finally, I come to our Packaging Technology Division: Both order receipts and sales revenue have increased in the last year. Operating profits have been again improved with respect to the previous year. The Packaging Technology Division is also increasingly developing into a systems supplier, because our customers are setting packaging tasks of greater and greater complexity to be solved. This approach, of becoming "systems suppliers for our

customers' process chains," is thus establishing itself in all of our divisions.

Dear shareholders and honored guests:

The lively interest in our Internet newsletter, our press releases as well as the diverse discussions between you and us testify to the great interest and growing trust between the shareholders and the company. We take your suggestions and critical remarks very seriously. They help us to find a road that is in your interest.

You will undoubtedly have read in our invitation about the upcoming changes in the Supervisory Board. The IWKA press release of May 24 reads,

"As the torch is passed to the next generation as Reinhard Engel, former Deputy Board Chairman of Buderus AG, and Dr. Mathias Kammüller, Spokesman of TRUMPF Werkzeugmaschinen GmbH + Co. KG, have been nominated as new shareholder representatives for election to the IWKA Aktiengesellschaft's Supervisory Board. Attorney Dr. Gerhard Beiten, who has served on the board for more than 22 years, and Dr. Wolf Hartmut Prellwitz, former company board chairman, will not be running for reelection." That was the announcement.

Allow me to take a moment to discuss the departure of Dr. Prellwitz from the IWKA AKTIENGESELLSCHAFT Supervisory Board at this point.

Dr. Prellwitz was sent to IWKA from the Quandt Group in 1978. The company was in an extremely difficult phase; indeed it may be said that it was fighting for its very survival. Our company, which was founded in 1872 and had belonged for over 50 years, from 1928 to 1980, to the Quandt Group, was greatly strained during the 1970s by its conversion to a civil product line. And the result was numerous changes in the Executive Board. In 1979 you, Dr. Prellwitz, became Chairman of the Executive Board, and after just a short time were able to announce the following to the Annual General Meeting in June of 1979 – 24 years ago: “We believe we have the situation in hand once again.” In addition to selling off companies, you and your colleagues on the Executive Board began reorganizing the heterogeneous Group. (I quote:) “The challenges of the company’s situation became an enormous motivation,” you proudly reported later. Just two years after your appointment the company was in the black. Your subsequent appointment as Chairman of the Executive Board was a step in the direction of today’s decentralized organizational principle. A board member of a major German bank gave you courage in 1980 with the statement that the concept deserved to be called the “IWKA Model,” and it would certainly find many imitators. That is exactly what happened and you, Dr. Prellwitz, justifiably complain with a wink that legal and commercial business constructions cannot be patented and so earn no license fees.

For taking on the challenge of IWKA during a period of extreme economic emergency, leading the company as Executive Board Chairman until 1996 and standing at our side with moral and

practical support as Supervisory Board Chairman up until today you have earned our admiration as well as our thanks. You, Dr. Prellwitz, have with steadfast will managed to grow IWKA from a foundering defense technology concern into a highly efficient mechanical engineering systems supplier with great team spirit and inspired by the trust of the employees and people of the company, today's IWKA. For this life's work, I thank you both personally and in the name of the Executive board as well as the 13,000 employees of the Group and certainly in the name of the shareholders and guests who are present today!

Dear Dr. Prellwitz, please remain critical and attentive in your association with IWKA Aktiengesellschaft and the IWKA Group. We will be eager to continue to ask your advice in future. We know your sense of right and your attention to detail.

I thank Dr. Beiten not only for his advice and his ideas, which he contributed time and time again. You, Dr. Beiten, helped the Executive Board a great deal on legal questions during the years of our company's restructuring.

I thank the gentlemen on the employee side who are participating in the Annual General Meeting today for the last time; Mr. Drinkuth as Deputy Chairman, Mr. Becker, Mr. Kirsch and Mr. Wolf for everything they have done for IWKA. Mr. Becker, you served on the Supervisory Board for 25 years, Mr. Drinkuth 15 years, and Mr. Wolf and Mr. Kirsch for 10 years each.

Your many years of service on the Supervisory Board are a welcome sign of continuity; a continuity that is a particular advantage in special purpose machines and systems engineering - due to the long time from the project to the order to the realization - on the Supervisory Board as well.

There is much to read in the financial press these days about Corporate Governance in German corporations. A cursory reading might give the impression that the Corporate Governance Code of 2002 would bring about an abrupt change in direction. That is not so. IWKA, like all German corporations, has operated largely in accordance with the Corporate Governance Code for many years.

Even before the Corporate Governance Code came into force, it was IWKA's practice to proceed in accordance with these principles to a great extent. This applies especially to the cooperation between the Executive Board and the Supervisory Board. When the German Act on Corporate Control and Transparency of April 27, 1998 came into effect, the Company took the opportunity to improve its decision-making and monitoring processes; among other things, this applies to the expansion of the risk management system, which is also audited by the auditor. We only had to use the coming into force of the rules of the Corporate Governance Code to fine-tune and somewhat expand communications between the organs of the Company in light of these provisions. We allowed ourselves to be guided by the conviction that good Corporate Governance is not distinguished by mere compliance with the letters of the law

but by compliance with the rules in respect of substance! The difference between our previous and our present procedure is that today it is strictly formalized.

When the Executive Board and the Supervisory Board submitted the declaration of compliance, they reported only two deviations from the compulsory provisions of the Corporate Governance Code and even discovered a high degree of consonance with the recommendations made in this regulatory framework. The Supervisory Board's declaration of compliance is dated December 13, 2002 and that of the Executive Board is dated December 16, 2002. The combined declarations have been accessible to any interested parties since December 18, 2002 on the company's home page at [www.iwka.de](http://www.iwka.de). A declaration of conformity was presented at the Supervisory Board meeting, which took place shortly before this Annual General Meeting. The Executive Board submitted an identical declaration on the same day.

If there are deviations from the Code, they must be noted and explained. These apply to sections 7.1.1 and 7.1.2 of the Corporate Governance Code. First deviation: The Group financial statements and the interim reports are being established in accordance with the still governing provisions of the German Commercial Code. With regard to the accounting standards, we do not underestimate the necessity to establish annual financial statements and interim reports in accordance with internationally recognized rules in order to make transparency and comparability possible. IWKA has made the

required preparations and prepared trial statements so that we will immediately be able to publish our consolidated financial statements according to IAS at the stated time.

The second deviation has to do with the time of publication of our annual financial statements. Regarding the 90-day period (Section 7.1.2) we note that IWKA Aktiengesellschaft's annual financial statements and the Group financial statements are regularly submitted to the Supervisory Board by the Executive Board at the beginning of April, after they have been audited by the auditor, and are published by the Supervisory Board. The 90-day period is exceeded only slightly – it is a matter of a few days – which we do not see as a significant disadvantage.

In all other respects, IWKA complies with the principles of good corporate governance and has added a new chapter to our annual report entitled “Corporate Governance” on page 10.

Now I would like to return to our business and examine the most important figures for the year 2002 in greater detail:

The IWKA Group's order receipts rose to EUR 2,361 million as compared to EUR 2,280 million for 2001. This growth is mainly attributable to increased orders from the automotive industry in the Production Technology and Manufacturing Technology Divisions. Packaging Technology also increased its order receipts while the Process Technology division posted lower order receipts than in the previous year.

The European Union, Germany included, remains our most important market, accounting for a 54% share of our order receipts. In second place is North America with 24%. Order receipts from Asia and the rest of the world remained nearly constant at 8%.

The automobile industry and its component suppliers were once again the most important customers. They represented 59% of the orders for the financial year. The food industry was next with 12%, followed by the general mechanical engineering industry with 7%, the pharmaceutical and cosmetic industries with 5% and power and water distribution with 4%.

Sales revenue increased 1% to EUR 2,312 million as compared to EUR 2,290 million the previous year. Increased sales were posted by the Packaging Technology Division with a 4.3% increase and Process Technology with 2.4% while Production Technology remained at the previous year's level. Sales revenue increased in the Robot Group, but fell in the Welding Technology Group. Sales in the Manufacturing Technology Division fell 3.0%.

The order backlog for the end of 2002 remained stable despite the general economic slowdown at EUR 1,102 million. The calculated range of orders remains unchanged at six months.

Now I come, ladies and gentlemen, to the company's earnings situation. We have seen a welcome increase in the Group's operating profit (EBIT), which rose 6.5% to EUR 73.4 million.

The EBIT sales ratio also rose from 3.0% the previous year to 3.2% in 2002. Before goodwill depreciation, the operating profit (EBITA) is EUR 91.6 million with a corresponding return on sales of 4.0%.

Higher EBIT and a reduced financial loss led to an overall increase in earnings from ordinary activities by 25.8% to EUR 45.9 million.

As a result of the substantially greater tax expense, or better expressed, a normalized tax rate compared to the previous year, net income fell by EUR 8.7 million from EUR 31.2 million in the previous year to EUR 22.5 million.

Dear Shareholders:

The Executive Board of IWKA Aktiengesellschaft today proposes that the unretained profits be used to pay an unchanged dividend in the amount of EUR 0.66 per share, for a total dividend payment of EUR 17.6 million. Another EUR 16.0 million from the IWKA AKTIENGESELLSCHAFT net income are allocated to other revenue reserves. As IWKA shareholders, you have received an above average dividend yield for several years now. This makes IWKA one of the strongest securities for dividends on the German stock market, a fact that, alongside the falling net indebtedness of the IWKA Group, has been positively mentioned numerous times by analysts and financial reporters.

With falling corporate profits and disappearing investor confidence, the German stock markets have seen significant price drops now for the third year in a row. The DAX lost 44.0% over the year 2002. The MDAX, the index for mid caps, fell by 30.2%, while the IWKA equity posted a 23.4% decline, which is comparatively good in this difficult environment. In 2003 the equity has run better than the comparative indices and at EUR 13.20 the IWKA equity is far above the year's starting value. The reasons for this performance are improved business development and the stable business prospects of the IWKA Group. Most recently, IWKA's share price has exhibited above-average performance, a fact, which you as shareholders have certainly been pleased to note and which makes the IWKA share interesting for a new engagement.

The stock market environment in Germany has been restructured in the last year and some existing segments dissolved. All stocks are now classified into a Prime Standard and a General Standard. At the same time, the number of companies listed on the MDAX has been reduced from 70 to 50. IWKA Aktiengesellschaft met the selection criteria and remains a member of the MDAX in the Prime Standard. The latest analysis of our shareholder structure of March 2003 shows that German private investors value our stock highly. Their ownership of IWKA's common stock has risen from 53 % to 54.9 %. Foreign investors are also taking an increased interest in our company, increasing their ownership from 13 % to 22 %.

Before we take a closer look at the year's development in the individual divisions, I would like to say a few words regarding the main items on the balance sheet and Group income statement for 2002:

The Group annual financial statements cover 99 companies including the IWKA AKTIENGESELLSCHAFT with 51 companies based abroad and 48 located in Germany.

The IWKA Group's total assets were EUR 61.4 million lower than the previous year, falling to EUR 1,515.3 million. Despite an unchanged business volume over the previous year, current assets were reduced by EUR 80.2 million to EUR 960.7 million. Fixed assets also decreased by EUR 17.6 million to EUR 510.9 million, mostly due to the scheduled amortization of goodwill.

On the liability side of the consolidated balance sheet, total liabilities due to banks and liabilities similar to bonds were clearly reduced again in fiscal 2002. In comparison to the previous year these items were down 20.7% to EUR 386.6 million. Netted against lower cash and cash equivalents, IWKA Group net debt fell from EUR 311.9 million in 2001 to EUR 248.4 million in 2002 as of December 31. The gearing of net debt to equity was 64.3% for the first time since the acquisitions made in 1999 and was back to an acceptable level. At the same time, equity was further increased by the rise in revenue reserves of EUR 18.8 million. The equity ratio rose accordingly from 23.3% the previous year to 25.5%

During fiscal 2002, the IWKA Group invested EUR 64.0 million in tangible and intangible assets as against EUR 53.1 million the year before. Almost half the budget was dedicated to refurbishing machinery.

Another third of the budget was invested in expanding information and communication technology. The digital factory is an important and high-profile concept for IWKA in this area. The digital factory is the virtual construction of a manufacturing line before building it. We use the digital factory as a development and service platform to shorten the planning and maintenance times for our manufacturing systems, which helps improve quality and decrease costs.

To be successful, IWKA focuses primarily on creativity and innovation. With short innovation cycles, the companies of the IWKA Group open up new areas of demand, creating growth in their markets and keeping the competition at a distance as well. IWKA concentrates its innovative potential on selected key technologies that are important to the automotive, consumer and energy markets. This is how the Group maintains its position as a technology leader in its markets, without losing sight of its customer orientation and economic efficiency.

About 500 employees work for the technological future of the Group in the Research and Development departments of the various companies. Expenditures for development during the reporting year reached EUR 60.3 million, or 2.6% of sales. IWKA Research and Development activities also include

development and problem-solving for customers on an individual order basis. This means that our actual expenditure for R&D is significantly higher.

Our research and development work follows four basic guidelines:

- further developing systems expertise
- opening up new markets
- further developing the digital factory
- and finally concentrating the portfolio on profitable products

At 50 percent of the total, the Production Technology Division accounts for the largest portion of the IWKA Group's development budget. The most research-intensive company is KUKA Roboter GmbH, which provides the key product for flexible automation technology with its industrial robots, as well as the crossover technology for the IWKA product range with its PC-based control technology. With a view to developing innovative car-making technologies, the IWKA Group is a shareholder in INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme mbH, Berlin.

Our R & D expenditures are essential to the constant pursuit of our definitive key technologies:

- Robotics
- Metal forming technology
- Joining technology
- Packaging technology
- Cutting technology

- Assembly technology
- Measurement and control technology

In these fields, our companies have developed highly innovative products and system solutions that stand out from the competition and that make it clear time and again how much potential lies in the creative work by the employees of our companies.

This brings me to our most enduring key to success – our employees. The commitment and contributions of our employees are the basis of our success. As of December 31, 2002 IWKA had 13,089 employees worldwide up from 12,823 the same day a year earlier. The increase is attributable to the first-time consolidation of companies, particularly in Eastern Europe. Staff levels in Process Technology and Packaging Technology Divisions decreased. 5,378 employees or 41% are working in IWKA companies outside of Germany. In order to secure our future, we have placed a very high value on vocational training of our younger employees. At the present time 396 young people – that is 5% of our German staff – are in training at our German companies. The majority of them are employed in the traditional areas of metalworking, electronics, mechatronics and commerce.

To provide a better understanding of the positive overall situation, I will now turn to the progress of our individual divisions:

Despite restrained growth projections for the automotive industry, the Production Technology Division again improved its order receipts over the previous year, going from EUR 994.7 million to EUR 1,035.2 million. Sales revenue increased to EUR 1,020.3 million compared to EUR 1,018.6 million the previous year. The Production Technology Division is the largest division of the IWKA Group, and with its 44% share of orders received has a significant impact on profit. EBIT amounted to EUR 58.8 million, considerably above the year before.

The IWKA Group benefits from the automotive industry's strategy of continued diversification, aimed at producing the broadest possible brand portfolio. As the number of models increases, this leads to lower quantities per vehicle type. And vehicle life cycles are becoming ever shorter. This greatly increases planning and design work, while the number of units produced per vehicle type goes down. IWKA Production Technology Division has responded to these changes by offering highly flexible production systems, which can be used for a wide variety of models. This, with modern project management methods and high-performance engineering tools helps speed up production starts for new models. Unlike pure automotive components suppliers, the IWKA Production Technology Division, like the IWKA Manufacturing Technology Division, is not so closely dependant on automotive industry sales figures, but relies more on the rate of change within carmakers' model policies.

KUKA Roboter is also achieving some important successes in new markets. In 2002, the KUKA Roboter Group considerably increased its order receipts and sales. A total of 7,500 robots were manufactured during that year. As a result, the Group continues to be the number three producer of industrial robots in the world and number one in Germany. In addition, KUKA Roboter continues to be the market leader in the European automotive industry. KUKA Roboter is the leader in innovation strength and development capability.

Several major contracts were received in 2002 from carmakers Audi, BMW, DaimlerChrysler, Ford and VW.

For example, 600 robots from Augsburg will be used to assemble a new A-class model for DaimlerChrysler in Rastatt.

KUKA Roboter has also achieved some important successes in new markets, such as in the meat processing industry, for example. Other new applications include durability tests for car and aircraft seats as well as our entry into medical technology, where robots in California handle x-ray machines and position patients. Key customers were acquired for the "KUKA Motion" control concept. The new entertainment business concept has also seen successful development. For example, we introduced ten "Robocoasters" at Legoland in Denmark, we had a product placement in the latest James Bond film, which you may have seen.

IWKA Production Technology Division focuses mainly on production systems that produce engines and gearboxes for the

automotive industry and its suppliers. The Group continues to expand its systems business, including field service and other services. The Group offers complete process chains for manufacturing, assembling and testing automobile power trains. Despite a weak economy, the division has been able to perform against the trend. Order receipts increased by 5.7% to EUR 491.3 million compared with EUR 464.9 million the previous year. Sales reached EUR 461.8 million following EUR 476.1 million in 2001 for a 3.0% decrease. EBIT improved over the previous year to EUR 2.1 million.

Expansion of EX-CELL-O's technological leadership in the areas of direct driven machining centers, dry processing, and precision machining led to a noticeable improvement in the company's competitive position. Improvements in the precision machining area were primarily achieved due to the further development of machine tool and machining technology. EX-CELL-O received an order to supply 43 machining centers and five transfer machines for the production of cylinder blocks and cylinder heads at the Mitsubishi-DaimlerChrysler factory in Köllda, East Germany. The scope of the contract includes design, realization and linking of the entire production systems. The individual modules were manufactured in 2002 and assembly of the production system is now under way at the customer's factory.

Our assembly and testing technology group has shown continued positive development. J.W. Froehlich developed the concept of a mobile container test stand. This test stand can be

quickly moved around to various locations as needed for production engine testing without any major setup and teardown requirements. In 2002, J.W. Froehlich delivered four container test stands to OPEL Austria in Vienna.

At the beginning of 2003, DaimlerChrysler Powertrain honored three companies with its special award for 2002. One of these companies was J.W. Froehlich.

We now come to the Process Technology Division. IWKA Process Technology Division companies supply customers in the power station, oil, natural gas, and water industries, as well as the chemical and automotive industries. Order receipts in this business area fell by 1.2% to EUR 353.2 million during the past business year. However, sales revenue increased by 2.4% to EUR 356.3 million compared with EUR 348.1 million the previous year. The Process Technology Division's share of sales for the Group increased slightly to 15.4% from the previous year's figure of 15%. The division posted an operating loss of EUR 4.9 million.

Bopp & Reuther Group companies were able to increase their order receipts during the reporting year. In order to effect a lasting improvement of the unsatisfactory earnings situation, the restructuring measures already introduced were continued. VAG-Armaturen GmbH was able to strengthen its leading position in standard product and project business. Overseas business was good, particularly in Asia and South America, and helped to compensate for the declining domestic business. As a

supplier of safety and control valves for power stations and the chemical industry, Bopp & Reuther Sicherheits- und Regelarmaturen was able to expand its market share in this area both in Germany and abroad during the reporting year. Bopp & Reuther Messtechnik, active mainly in the area of flow measurement, has again made structural and personnel adjustments in a difficult market environment.

The companies of the RMG group were able to continue to expand their business. Although investments in domestic gas distribution networks have been falling for several years, the RMG Group has significantly expanded its export business. Because of strong systems capability and a well-rounded product portfolio in the low and high-pressure areas, the Group is in a position to design and execute turnkey projects of any size. The Group was successful in acquiring orders in Eastern Europe and China amounting to over EUR 7 million in 2002. In the current year, RMG Regel + Messtechnik has received an order valued at over 7.8 million US dollars from the China Pipeline Engineering Corporation. A 3,900 km long high-pressure pipeline is being built from the Shangan-Ning gas fields in Xin Yiang Province to Shanghai to provide the infrastructure required to supply China with natural gas. RMG has made an important step forward for the future in the Chinese market by securing this order, which comprises the delivery of almost 80 gas pressure regulating systems including facilities for compressor stations.

The IWKA Balg- und Kompensatoren Group BKT (BKT stands for Balg- und Kompensatorentechnologie, which is German for bellows and expansion joint technology), headquartered in Stutensee, struggled with sinking demand during the last year, which led to capacity adjustments, particularly in the second half of the year. The main applications for metal bellows and metal hoses are components for exhaust gas recirculation and decoupling in automotive engines. More than ever before, the BKT Group sees itself as a systems supplier and offers complete exhaust modules instead of individual components. The expansion joint business for gas carriers, which is operated by SFZ of France, has had good development.

Last but not least, ladies and gentlemen, we now come to the Packaging Technology Division. The Packaging Technology Division is increasingly becoming a systems supplier for complex packaging tasks. This division has continued to show positive development, with both order receipts and sales revenue rising, and brought in 20% of the IWKA Group's total order receipts. Its operating profit followed this trend, increasing to EUR 10.1 million.

Nearly all of the companies of this division compete worldwide. 87% of its order receipts came from outside Germany. Business with the food industry benefited from a number of new products, including in North America. This led to correspondingly strong investment in new packaging solutions. The Group's companies participated in the ongoing trend toward convenience foods, original snack food packaging and eating on the run.

Packaging machines for the dairy industry were supplied to Western Europe, USA, Russia and China over the past year. Using an environmentally friendly aseptic filling technique integrated in our machines, products such as yogurt have a shelf life of up to twelve months – even outside the refrigerator. For many years, DuPont has sponsored an annual competition called “Innovation in Food Processing and Packaging Technology.” Hassia, our subsidiary in Ranstadt, received the gold trophy for the food sector in 2002.

R.A. Jones USA supplied the first continuous, high-performance stand-up pouch machine for powder products to a leading American customer in the food industry during the reporting year. The machine packages up to 500 stand-up pouches per minute.

During 2002, IWK Verpackungstechnik of Stutensee increased its business overall with the pharmaceutical and cosmetics industries. It was able to take advantage of its technological leadership in high-performance tube filling machines and cartoners. Because the company focuses on the pharmaceutical and cosmetics markets, the ten largest globally active customers in this branch account for two-thirds of the company’s order receipts. Its customer list reads like a Who’s Who of the largest international cosmetics and pharmaceutical brands.

Dear shareholders and honored guests,

I have told you something about the development of our four divisions. The breadth and interrelatedness of our product lines, consisting on the one hand of systems engineering, industrial robots, machine tools, tooling design and assembly technology for the automotive industry and on the other hand of control devices, measuring equipment, valves and the diverse area of packaging machinery underscores our expertise and contributes greatly to our Group's ongoing commitment as a systems supplier. The IWKA Group is on the right course. Our decentralized structure – our companies know their markets better than anyone – and our presence in four business sectors allow us to be flexible and react to current market conditions. We are prepared for the market!

Let us now go back to our starting statement:

*“Mobile minds get things moving”*

What does this mean? Does it mean accomplishments in our companies or are we moving towards becoming an even larger unit? I will give you a clear and simple answer: At the center of our work in the year 2003 is the strategic positioning of our Group – the inward consolidation, debt reduction, playing to our strengths and finally focusing on results. An expansion course is not on our agenda. And so I will report to you where we stand at half-time in the year 2003, how we must assert ourselves during a time of great economic uncertainty and under conditions of zero growth in Germany, and what market indicators we must deal with.

The newly consolidated companies Gazomet (Poland), with 321 employees (Process Technology Division) and HLS Ingenieurbüro GmbH & Co. KG of Augsburg, with 172 employees (Production Technology Division) have raised our employee count to 13,386. Disregarding the newly consolidated companies, the employee count is reduced to 12,893 so that at the end of the first six months we are 196 persons below the level on 12/31/2002.

Considering the economic environment, the IWKA Group has started the year 2003 well. The Production Technology Division has continued its positive development. Our welding technology group was once again able to bring in higher order receipts than in the previous year. This has been made possible in part by orders from BMW, Ford and, most recently, DaimlerChrysler. Order receipts in the KUKA Roboter Group are also above the previous year's. Carmaker orders in particular drove this rise, while there was no discernible increase in demand from general industry.

Order receipts in Manufacturing Technology did not reach the previous year's levels. One positive item was the order for the setup and maintenance of the new Mitsubishi- DaimlerChrysler engine plant in Thüringia. Also positive is the EX-CELL-O order for two cylinder block lines for General Motors. Boehringer Werkzeugmaschinen GmbH, however, was unable to maintain the comparatively high order level of the previous year in crankshaft machines, clearly reflecting the generally modest

demand. The Boehringer Group therefore had to adjust capacities to match order volumes in order to better respond to market events with a flexible cost structure. The Assembly and Testing Technology Group also reported lower order receipts than in the previous year, although there is a large number of major projects on the market.

In the Process Technology Division, the steps taken at Bopp & Reuther and at BKT in Stutensee are showing their first fruits. We have put one leg of this wearisome journey behind us. We are in the process of realizing our objectives for the Bopp & Reuther Group. Weak domestic demand was counteracted by increased efforts in exports. The Balg- und Kompensatoren Group was able to increase its business volume once more after the difficult year 2002. The RMG Group posted higher order receipts from abroad, winning major orders, e.g., from China, to achieve a stable order backlog.

The Packaging Technology Division posted lower order receipts by 17 % for the first half year compared to the previous year. A clear reluctance to order new projects can be observed due to a weak economy. Despite a number of projects to compete for on the market, customers are hesitant to place orders. The companies are expecting stronger order placements in the second half of the year, particularly in the United States. Hüttlin posted high order receipts for the 1st quarter 2003, including more than five production lines for granulate coatings. Hassia Verpackungsmaschinen, which recently celebrated its 50-year anniversary, received additional orders from China for

thermoforming, filling and sealing machines with packaging units for the dairy market.

The Packaging Technology Division will not be able to maintain its previous high level of order receipts in 2003. Consequently, we will also not be able to achieve the same level of sales in 2003 that we achieved the last year.

Ladies and gentlemen, IWKA has had greater success in both the year 2002 and in 2003 than many others on the market in overcoming the present economic challenges. Why is this so? The main reason is the strong market position we hold in our core business fields. And our presence in various markets helps balance the risks of both sectoral and overall economic fluctuations.

As I told you at the outset, we have started the year 2003 at a high level for order receipts. As we know, we were able to report an increase of 3.6 % in order receipts for 2002. Our order receipts for the 1st quarter 2003 were 5.5 % above and at the mid-point 4.2 % the previous year's. However, economic and currency effects as a result of the falling dollar lead us to expect order receipts at the end of the year that will not completely reach the high level of the previous year.

In the first quarter, our sales revenues were still 5.2 % below the previous year's level, with 4.1 % higher total output. At the halfway point our sales revenue is 2.0 % above the previous year's. By the year's end we expect sales revenue at the same

level as last year's. Unfortunately we cannot apply our full strength, because, due to the weak dollar, some of that performance and sales revenue will not be apparent.

The EUR 48 million higher order backlog compared to 06/30/2002 secures a calculated range through 06/30/2003 of 6.7 months and helps ensure the continued existence of our plants.

Different effects can be seen for the individual divisions. Sales revenue in the Production Technology Division will increase. In Manufacturing Technology we expect sales revenue at last year's level and a slight drop in Process Technology. The currency effect and the weak economy will have the greatest effect on the Packaging Technology Division, for which we predict a decreased sales revenue.

Our business development allows us to achieve an operating profit on the same order of magnitude as in the previous year. A complicating factor is the weak exchange rate of the US dollar. However, our international presence will enable us to compensate for currency effects for the most part.

Since the latest tax regulations temporarily do not allow any corporate tax reductions for dividends, our tax burden will automatically – i.e., no matter whether we earn more or less – increase by EUR 3.1 million. As a result of this burden, our net income after taxes will be correspondingly less than the previous year's.

The structure of the IWKA Group supports the flexibility and adaptability of our companies. As a systems supplier, we have long since left the function of a pure machine builder behind us and have taken a top position with innovative products, systems and high-quality services. This is essential for us to be able to continue our success in global competition with the help of our committed employees.

Thank you very much for your attention!