Interim Report as at June 30, 2006

WCM

WCM

Key Figures and Ratios

Balance sheet – Key figures and ratios		30.6.2006	31.12.2005	Change
Balance sheet total	(€ million)	1,037.3	1,118.8	-7.3%
Noncurrent assets	(€ million)	470.6	481.3	-2.2%
Current assets	(€ million)	566.7	637.5	-11.1%
Equity	(€ million)	168.1	187.1	-10.1%
Noncurrent liabilities	(€ million)	581.0	367.5	58.1%
Current liabilities	(€ million)	288.2	564.2	-48.9%
Equity ratio		16.2%	16.7%	-

Cash Flow – Key figures and ratios		1.1. to 30.6.2006	1.1. to 30.6.2005	Change
Net cash used in operating activities	(€ million)	-24,109	-11,932	102.1%
Net cash used in investing activities	(€ million)	-6,364	-7,676	-17.1%
Net cash used in investing activities	(€ million)	-5,389	-72,158	-92.5%

Income Statement – key figures and other ratios		1.1. to 30.6.2006	1.1. to 30.6.2005	Change
Sales	(€ million)	461.2	452.2	2.0%
EBITDA	(€ million)	6.7	35.2	-
EBIT	(€ million)	-4.5	23.3	-
Net loss/profit before taxes (EBT)	(€ million)	-17.1	11.5	-
Return on equity before taxes*		-9.6%	4.9%	-
Consolidated net loss/profit for the period	(€ million)	-18.5	3.4	-
Staff costs	(€ million)	-153.6	-150.1	2.4%
Employees (at the reporting date)		6,607	6,345	4.1%

* EBT based on average equity during the period

Foreword by the Management Board

Dear shareholders, Ladies and Gentlemen,

Today you receive WCM's interim report for the period from January 1st to June 30th 2006.

The publication of the annual financial statements and the first interim report was delayed due to the preparation of the expert opinions on the second tax case which has been announced by the Financial Authorities in February 2006. For this reason, the Annual General Meeting was postponed until August.

After the corporate restructuring implemented at the beginning of the year was largely completed with the aim of simplifying internal operating interrelationships, the key operating business within our Group is now located at Klöckner-Werke AG. Due to this development in recent years, WCM AG today no longer carries out any operating and strategic activities. It is much more concerned with settling the outstanding legal disputes and selling the remaining assets to finally reduce the liabilities.

The coming months should see the disposal of MATERNUS-Kliniken AG and the sale of reaming properties that are still at WCM.

As a further result of the reorientation of WCM, the ongoing costs of the Company were steadily reduced in recent months. As only a few operating activities are still possible, no more staff costs have been incurred at WCM since this quarter. The expenses in our Company are now mainly limited to interest and advisory costs.

Following in-depth discussion with and in the various executive bodies and the amalgamation which is not possible in the short term from today's viewpoint, a repayment of liabilities is only realisable from the current position if WCM separates permanently from Klöckner-Werke AG and uses the potential purchase price for loan repayment.

This process has been introduced and in our opinion will lead to a proposal in the coming months, to be submitted firstly to the Supervisory Board and then to an Annual General Meeting, to receive the necessary approval for this disposal.

The Group's industrial activities, which are those in the KHS Group managed by Klöckner-Holding in the Filling and Packing Technology segment and four special machinery manufacturers in the Other Industrial Holdings division, recorded a sales increase of 2% to €405.9 million in the first half of 2006. Both incoming orders and earnings were in the target range. Incoming orders were below the expectations but improved by the end of the relevant period.

In the Filling and Packaging Technology division, earnings were down on the previous year. The reasons for this were the launch of new products on the foreign market, a lack of incoming orders due to a previously unknown price pressure, lower currency gains than the previous year, and higher selling costs. In contrast, the Other Industrial Holdings division increased significantly. Klöckner DESMA Elastomertechnik and Klöckner Hänsel Processing in particular posted good figures. Both closed the second quarter significantly up on the previous year. Rising incoming orders lead to the conclusion that all companies in the segment will continue to develop positively during the year and will achieve the planned improvements as against the previous year.

On August 7th, 2006, an agreement was reached with the Mecklenburg-Pomerania tax authorities. According to this, the original claim of €157 million will be abandoned. An outstanding amount of €14 million was calculated instead. This decision is an important success for WCM AG. A severe and potentially ruinous tax claim has thus been avoided.

Frankfurt/Main, August 2006

The Management Board

Business Development

Filling and Packaging Technology

The companies of the KHS Group are combined in this segment. The companies' activities comprise the business units filling technology, pasteurisation technology, filtration technology, labelling technology, transport technology, packaging and palleting technology, cleaning and filling technology for kegs as well as service activities.

The KHS Group consists of 30 companies worldwide. The Group focuses on designing, manufacturing and installing end-to-end beverage processing, filtration and filling and packaging systems for the food and non-food sector. In particular, the KHS Group wants to grow significantly outside the beverages industry in the coming years.

The KHS Group's incoming orders amounted to €326.9 million (previous year: €352.4 million). The main reason for the lower incoming orders was the fact that various projects, particularly in Germany and neighbouring foreign countries, could not be realised due to a previously unknown price aggression from competitors. In June and July, incoming orders were encouragingly once more higher that the previous year and above targets. The individual companies in the KHS Group developed differently in the first half-year. In particular, the foreign KHS subsidiaries are currently generating clear increases.

The internationality of this business is demonstrated by the following examples of orders: Commissions included a beer line for 60,000 glass bottles per hour or 75,000 cans per hour for Cerveceria India in Mayagüez (Puerto Rico). In addition, a cold aseptic filling system for PET bottles for filling tea were ordered by TAI Beverages in Ting Hsin (China) and by Vindija d. d. Prehrabena Industrija from Varazdin (Croatia). A 66,000 recyclable glass line was sold to Daesun Distilling Co. Ltd. in Busan (South Korea) and a further glass line for filling alcohol-free beer for 48,000 bottles per hour was ordered by Behnoush Co. from Teheran (Iran). A complete wine line for 12,000 bottles per hour went to WALDICO N. V. from Ghislenghien (Belgium).

Of particular significance in the “food and non-food” sector was the delivery of a filling system for 30,000 bottles per hour for a dairy product to a US company.

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At €354.5 million, sales exceeded the previous year by €8.7 million, while the total operating performance rose by 3.0% to €355.9 million. The operating result (EBIT) in the first half of 2006 was €1.9 million less than the previous year's (€11.1 million).

The number of employees in the KHS Group increased by 242 to 3,671 as against 30 June 2005. Somewhat over half of this increase results from the inclusion of new companies.

Other Industrial Holdings

The Other Industrial Holdings division comprises Klöckner DESMA Elastomertechnik (KDE), Klöckner DESMA Schuhmaschinen (KDS), REMAK Maschinenbau (REMAK) as well as Klöckner Hänsel Processing (KHP). The individual companies produce: rubber injection moulding machines (KDE), shoe machines (KDS), robotic systems for plastic machines (REMAK) and special-purpose machines for the confectionary industry (KHP). All companies operate in promising markets with overall growth and are market leaders in their respective sectors.

In the first six months of 2006, cumulative incoming orders for this segment totalled €63.4 million and were thus 32% higher than in the previous year. KDE provided the largest positive contribution to this. KDS also acquired further orders from China in the second quarter and thus, like KHP, clearly exceeds the previous year in incoming orders after the first half-year. REMAK continued to trail slightly below the previous year's level. However, an improvement in the industry sentiment was confirmed.

Sales in the Other Industrial Holdings segment were € 50.7 million. KDE and KHP contributed to higher sales than in the previous year. KDS and REMAK just fell short of the previous year's figures; however, both are beginning to show an upturn in business.

On the earnings side, the companies generated a positive operating result (EBIT) of €0.2 million after minus €1.6 million in the previous year. Within this segment, KDE achieved positive EBIT in the reporting period. The other companies clearly improved as against the previous year, but all still recorded slightly negative EBIT. All companies expect further improvements in the second half of the year based on the good incoming orders situation.

As at the end of the reporting period, 695 staff were employed in the Industrial Holdings segment, five fewer than in the previous year.

Other Financial Investments

This segment is made up of financial investments that are not part of the industrial core business, and which are therefore to be sold in the short to medium-term.

The segment's EBIT after six months amounted to €-4.3 million, and was thus on a par with the previous year's level. The main causes for the loss in the period under review are write-downs on an investment. 34 people were employed in the Other Financial Investments segment at the end of the reporting period (previous year: 25). The increase in the number of employees is due to the larger scope of consolidation.

MATERNUS-Kliniken

The MATERNUS-Kliniken Group increased its utilisation ratio in the second quarter from 86.7% in the previous year to 88.4%. Half-year sales also rose to €51.1 million (previous year: €50.7 million). The segment result (EBIT) amounted to €0.2 million (previous year: €1.5 million) due to lower interest expenses and repayments. Operating profit (EBT) improved to €-2.7 million (previous year: €-3.2 million). The MATERNUS-Kliniken Group has a total capacity of 3,894 beds as at 30 June 2006 (previous year: 3,752). The increase is due primarily to the opening of the "Am Steuerndieb" residential and care centre for senior citizens in Hanover in May 2006. The total capacity currently comprises 2,929 beds in the care segment and 965 beds in the rehabilitation segment. At the reporting date, 2,179 persons were employed in the MATERNUS Group (previous year: 2,162 employees).

Holding companies

The holding companies include WCM AG, WCM KG, Klöckner-Werke AG and Klöckner Mercator Maschinenbau GmbH. The administrative expenses for Group management and income and expenses that cannot be allocated to the individual segments are included in the Holdings segment.

The segment result (EBIT) declined from €12.9 million in the previous year to €-9.6 million. The WCM AG segment was chiefly responsible for the poorer result. The main reasons were higher consulting costs, particularly for the tax disputes. In addition, the previous period contains income from the agreement on the remaining liabilities from the SIRIUS investment and from the disposal of financial assets.

Outlook

The global economy will develop further until the end of the year with growth of around 4%. The drivers of this development are China, India, Russia, parts of South America and again the US. However, the risks for the development of the global economy have increased in recent months. Many experts continue to see the main problem in high oil prices, with the escalating Middle East conflict representing an additional burden.

Strong exports and growing domestic demand are continuing to accelerate the economic upturn in Germany in the second half of the year. The German economy will also increase significantly this year, according to the Association of German Chambers of Industry and Commerce (DIHK). The association is forecasting growth of up to 2%.

In the coming quarters, we will drive forward the reduction of liabilities by selling the remaining assets from the Other Financial Investments segment; further measures for loan repayment are currently being examined.

We expect above-average earnings growth compared with sales for our industrial activities, based on the figures for the second quarter in financial year 2006.

Industrial activities are currently benefiting from the favourable economic situation in both the Filling and Packaging Technology and the Other Industrial Holdings divisions. In addition, various discussions relating to the expansion of the product area as well as the penetration of further sales markets are nearing conclusion.

Consolidated Balance Sheet

Assets	30.6.2006 € thousand	31.12.2005 € thousand
Noncurrent assets		
Intangible assets	106,054	101,096
Property, plant and equipment	244,184	248,031
Investment property	34,077	35,229
Financial assets	42,694	53,054
Other assets	6,426	6,381
Deferred tax assets	37,166	37,505
	470,600	481,296
Current assets		
Inventories	202,503	197,303
Trade receivables and other receivables	222,415	258,555
Financial assets	18,458	18,748
Other assets	19,676	25,146
Income tax recoverable	29,575	29,378
Cash and cash equivalents	74,087	108,415
	566,714	637,545
	1,037,314	1,118,841

Liabilities	30.6.2006 € thousand	31.12.2005 € thousand
Sharholders' Equity		
Attributable to WCM AG shareholders		
Subscribed capital	288,825	288,825
Reserves	-267,350	-247,689
	21,475	41,136
Minority interests	146,670	146,003
	168,145	187,139
Noncurrent liabilities		
Provisions	223,511	225,277
Financial liabilities	346,232	130,868
Other liabilities	6,102	6,029
Tax liabilities	1,202	1,202
Deferred tax liabilities	3,906	4,110
	580,953	367,486
Current liabilities		
Provisions	73,178	84,393
Financial liabilities	35,761	253,530
Trade payables	89,387	130,183
Tax liabilities	43,227	44,254
Other liabilities	46,662	51,856
	288,216	564,216
	1,037,314	1,118,841

Consolidated Income Statement

	1.1.-30.06. 2006 € thousand	1.1.-30.6. 2005 € thousand	1.4.-30.6. 2006 € thousand	1.4.-30.6. 2005 € thousand
Sales	461,178	452,214	218,361	213,523
Changes in inventories and other own work capitalised	1,126	-3,238	182	1,624
Other operating income	28,003	53,674	13,908	42,311
Cost of materials	-235,160	-230,088	-110,414	-100,385
Staff costs	-153,641	-150,051	-75,451	-75,356
Other operating expenses	-91,404	-86,483	-42,840	-46,618
Investment income from companies valued at equity	0	0	0	0
Other investment income	-3,429	-787	-3,438	-803
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**6,673**	**35,241**	**308**	**34,296**
Depreciation and amortisation expense	-11,151	-11,900	-5,616	-6,040
Earnings before interest and taxes (EBIT)	**-4,478**	**23,341**	**-5,308**	**28,256**
Net interest income	-12,647	-11,881	-6,774	-6,587
Earnings before taxes (EBT)	**-17,125**	**11,460**	**-12,082**	**21,669**
Income taxes	-1,409	-8,091	-401	-6,195
Consolidated net loss for the period	**-18,534**	**3,369**	**-12,483**	**15,474**
Of which attributable to WCM AG shareholders	-16,663	3,569	-9,829	13,334
Of which attributable to minority interests	-1,871	-200	-2,655	2,140
Basic earnings per share (€/share)	-0.06	0.01	-0.03	0.05
Diluted earnings per share (€/share)	**-0.06**	**0.01**	**-0.03**	**0.05**

Consolidated Cash Flow Statement

	1.1.-30.06. 2006 € thousand	1.1.-30.06. 2005 € thousand
Cash inflows or outflows from operating activities	-24,109	-11,932
Cash inflows or outflows from investment activities	-6,364	-7,676
Cash inflows or outflows from in financing activities	-5,389	-72,158
Change in cash and cash equivalents	-35,862	-91,766
Change in cash and cash equivalents due to currency translation	-1,636	1,112
Changes in cash and cash equivalents due to consolidated Group (not including acquisition-related changes deducted from the purchase price)	3,170	0
Change in cash and cash equivalents	-34,328	-90,654
Cash and cash equivalents at the start of the period	108,415	163,057
Cash and cash equivalents at the end of the period	74,087	72,403

Consolidated Statement of Changes in Equity

	Subscribed capital € thousand	Reserves: Capital reserves € thousand	Reserves: Earnings reserves/ accumulated losses € thousand	Total other equity: Differences from currency translation € thousand	Total other equity: Fair value measurement of securities € thousand	Total other equity: Derivative financial instruments € thousand	Capital available to shareholders € thousand	Minority interests € thousand	Consolidated equity € thousand
January 1st, 2005	**288,825**	**221,683**	**-434,584**	**-2,895**	**2,897**	**218**	**76,144**	**158,666**	**234,810**
Changes in consolidated group	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	-10,073	-10,073
Consolidated net income for the period	0	0	3,569	0	0	0	3,569	-200	3,369
Actuarial gains and losses from pension obligations	0	0	0	0	0	0	0	0	0
Other changes in equity	0	0	0	6,423	966	-283	7,106	-2	7,104
June 30th, 2005	**288,825**	**221,683**	**-431,015**	**3,528**	**3,863**	**-65**	**86,819**	**148,391**	**235,210**
January 1st, 2006	**288,825**	**221,683**	**-473,267**	**1,993**	**1,902**	**0**	**41,136**	**146,003**	**187,139**
Changes in consolidated group	0	0	0	0	0	0	0	-531	-531
Dividends paid	0	0	0	0	0	0	0	0	0
Consolidated net loss for the period	0	0	-16,663	0	0	0	-16,663	-1,871	-18,534
Actuarial gains and losses from pension obligations	0	0	0	0	0	0	0	0	0
Other changes in equity	0	0	-135	-4,429	1,566	0	-2,998	3,069	71
June 30th, 2006	**288,825**	**221,683**	**-490,065**	**-2,436**	**3,468**	**0**	**21,475**	**146,670**	**168,145**

Consolidated Segment Reporting

Primary segment information as at June 30th, 2006	Filling and Packaging Technology 2006		Other Industrial Holdings 2006		Other Financial Investments 2006	
	1.1.-30.6. € thousand	1.4.-30.6. € thousand	1.1.-30.6. € thousand	1.4.-30.6. € thousand	1.1.-30.6. € thousand	1.4.-30.6. € thousand
Total sales	354,469	165,023	50,697	25,200	4,710	1,962
Previous year	345,752	157,223	51,146	28,166	5,952	2,051
Segment result (EBIT)	9,236	2,117	209	-133	-4,293	-3,471
Previous year	11,132	9,713	-1,639	-182	-4,211	-618
Number of employees (at the reporting date)	3,671	3,671	695	695	34	34
Previous year	3,429	3,429	700	700	25	25

	MATERNUS-Kliniken 2006		Holdings 2006		Reconciliation 2006		Total 2006	
	1.1.-30.6. € thousand	1.4.-30.6. € thousand	1.1.-30.6. € thousand	1.4.-30.6. € thousand	1.1.-30.6. € thousand	1.4.-30.6. € thousand	1.1.-30.6. € thousand	1.4.-30.6. € thousand
	51,060	25,954	251	215	-9	7	461,178	218,361
	50,739	25,739	126	56	-1,501	288	452,214	213,523
	243	648	-9,613	-4,333	-260	-136	-4,478	-5,308
	1,498	1,227	12,945	16,676	3,616	1,440	23,341	28,256
	2,179	2,179	28	28	0	0	6,607	6,607
	2,162	2,162	29	29	0	0	6,345	6,345

Notes

These financial statements for the first half of 2006 have been prepared using the same accounting policies as for the consolidated financial statements of WCM AG as at December 31st, 2005. All mandatory standards and interpretations of the International Accounting Standards Board (IASB) and its committees as at June 30th, 2006 have been applied. No early application of IFRSs yet to enter into force or their interpretations was made.

The interim financial report for the first half of 2006 complies with the provisions of IAS 34.

Assets and liabilities are measured in accordance with the going concern principle. The income statement is classified in accordance with the nature of expense method.

The key consolidation principles and accounting policies are explained below.

Scope of consolidation

The consolidated financial statements include all significant subsidiaries in which WCM AG, as the ultimate and controlling parent company, directly or indirectly exercises control in the sense of IAS 27.13.

As at June 30th, 2006, in addition to WCM AG, a total of 60 (December 31st, 2005: 63) German and 25 (December 31st, 2005: 17) foreign subsidiaries were fully consolidated in the consolidated financial statements.

Effective January 1st, 2006, the following eight companies that were not previously consolidated as they were considered immaterial were included in the Filling and Packaging Technology segment for the first time:

- KHS Italia S.r.l., Pero Milano (Italy)
- KHS Japan Corporation, Obiraki (Japan)
- KHS Machine and Equipment Co. Ltd., Quihungdao (China)
- KHS Makina Sanayi VE Ticaret LS, Istanbul (Turkey)
- KHS Nigeria Ltd., Lagos (Nigeria)
- KHS RUS OOO, Moscow (Russia)
- KHS s.r.o., Budweis (Czech Republic)
- Klöckner Holstein Seitz S. A., St. Cugat del Valles (Spain)

KHS Till GmbH, Kriftel and RECOMA GmbH, Dortmund were merged to form KHS AG, Dortmund. While the companies no longer exist as legally independent entities, they are still included in the consolidated financial statements.

In the Other Industrial Holdings segment, Klöckner DESMA Elastomertechnik GmbH (KDE), Fridingen extended its 60% holding in the German/Indian joint venture Klöckner DESMA Machinery Pvt. Ltd. (KDMPL), Ahmedabad/India to 100% in April 2006.

In return the Indian partner, the Mamata Group, received a 15% interest in the German parent company KDE. The Klöckner Group has a call option on these shares that can be exercised in 2011. The Mamata Group was granted a put option for the acquired shares that can be exercised under the same conditions.

Taking into consideration the put and call options for the Mamata Group's investment in KDE, after allocation of the purchase prices to identifiable assets, the acquisition of the remaining shares in KDMPL resulted in goodwill of €1.3 million. The fair values of the identifiable assets are largely the carrying amounts directly prior to the acquisition.

Furthermore, in the Other Industrial Holdings segment, the assets of GVG Grundbesitz- und Vermögensverwaltungsgesellschaft mbH & Co. Objekt Achim KG, Duisburg, were acquired by Klöckner Mercator Maschinenbau GmbH, Duisburg, by way of accrual.

The changes in the scope of consolidation had the following effects on the consolidated balance sheet as at June 30th, 2006:

Balance sheet	First-time consolidation 30.6.2006 € thousand
Noncurrent assets	-719
Current assets	4,746
Noncurrent liabilities	0
Current liabilities	1,894

The companies included in consolidation for the first time were exclusively KHS subsidiaries. The first-time inclusion of these companies had the following effects on the consolidated income statement for the period:

Income statement	First-time consolidation 1.1.-30.6.2006 € thousand
Sales	10,234
Cost of materials	-6,366
Staff costs	-1,793
EBIT	953
EBT	900

In the second half of 2005, eight companies in the Filling and Packaging Technology segment were included in the consolidated financial statements for the first time effective January 1st, 2005. In total, these companies only had an immaterial effect on the consolidated income statement.

In the MATERNUS-Kliniken and Other Financial Investments segments, there were no changes in the scope of consolidation as a result of the acquisition or disposal of subsidiaries.

Principles of Consolidation

The single entity financial statements of the companies included in the WCM financial statements are prepared in accordance with IFRS, applying uniform accounting policies.

Acquired subsidiaries are reported using the purchase method in accordance with IFRS 3. Fully consolidated companies are consolidated by setting off the cost of the assets and liabilities acquired against the fair values of these assets and liabilities at the time of acquisition. The cost of the acquisition corresponds to the fair value of the assets given up, the equity finance instruments issued and the liabilities arising or taken over at the time of the transaction.

The recognisable assets, liabilities and contingent liabilities of the subsidiaries are valued at their full fair value, regardless of the size of any minority interests.

Intangible assets are reported separately from goodwill if these are separable from the enterprise or result from a contractual or other right. Goodwill is no longer amortised, but is instead subject to an impairment test performed annually, or more frequently if there is evidence to suggest an impairment. The annual impairment test of goodwill is generally performed in the fourth quarter of the financial year. Negative differences arising on the first-time consolidation are recognised in the income statement when they arise. The residual carrying amounts of the recognised goodwill are taken into account when calculating the profit or loss on deconsolidation.

Intra-group sales, expenses and income and all receivables, liabilities and provisions between the consolidated companies are offset against each other. Where noncurrent assets and inventories contain assets resulting from intra-group supplies, corresponding intercompany profits are eliminated.

Minority interests in consolidated shareholders' equity and the consolidated net result for the year are shown separately from the parent company's share in these items. Minority interests in partnerships, which are reported as external capital in accordance with IAS 32, are recognised under other noncurrent liabilities.

Currency Translation

The consolidated financial statements have been prepared in the reporting currency of euro. In accordance with IAS 21, the concept of the functional currency is applied for translating the financial statements of companies prepared in foreign currencies. The functional currency of the consolidated companies is the relevant national currency, as these companies manage their business activities on an independent financial, commercial and organisational basis.

Assets and liabilities are translated at the average rate as at the balance sheet date, shareholders' equity is translated using historic rates. Items in the income statement are translated using the average rate for the period. The resulting differences are reported in equity. If companies leave the consolidated group, existing exchange rate differences are reversed in profit or loss.

Transactions in the individual balance sheets of consolidated companies prepared in the local currency are reported in the foreign currency using the rate in force at the time of initial recognition. Monetary items (cash and cash equivalents, receivables and liabilities) in foreign currency are measured at the closing rate at the balance sheet date in accordance with IAS 21. Exchange differences arising on the translation of monetary items are reported in the income statement under other operating income or other operating expenses.

The following significant exchange rates were used in currency translation for the WCM Group:

		Closing rate		Average rate	
		30.6.2006	31.12.2005	1.1.-30.6. 2006	1.1.-30.6. 2005
US	USD	0.786596	0.847673	0.813856	0.778262
Brazil	BRL	0.361285	0.362753	0.369492	0.310352
UK	GBP	1.444878	1.459215	1.45528	1.455280
Australia	AUD	0.584215	0.620771	0.601812	0.606274
India	INR	0.017091	0.018769	0.017963	0.017966
Mexico	MXN	0.069589	0.079302	0.074228	0.073721
South Africa	ZAR	0.108876	0.133973	0.126752	0.125634

Intangible Assets

Intangible assets comprise goodwill, capitalised development costs, patents, software, licenses and similar rights. Intangible assets acquired are recognised at cost at the time of acquisition.

With the exception of goodwill, all intangible assets have a determinable useful life. Intangible assets are amortised on a straight-line basis over their period of use. The useful lives amount to between 3 and 15 years. If there is an indication of impairment, the intangible assets subject to impairment are tested for impairment and, if necessary, written down to the recoverable amount in accordance with IAS 36.

In accordance with IFRS 3 and IAS 38, goodwill is no longer amortised. Instead, IAS 36 requires that goodwill be subject to an impairment test performed annually, or more frequently if there is evidence to suggest that impairment exists, and, if necessary, written down to its recoverable amount (impairment only approach).

Development costs for future products are recognised at cost provided that these products will result in a probable economic benefit for the WCM Group. In the event that the requirements for recognition are not present, the expenses are recognised in the income statement in the year in which they arise.

Costs include all costs that can be directly attributed to the development process as well as appropriate parts of the development-related overheads. Finance costs are not capitalised. Development costs are amortised from the beginning of production over the forecast life of the developed system model, which generally amounts to five years.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less straight-line depreciation. Low value economic assets are written off in full in the year of acquisition and shown as disposals in the statement of changes in assets. Depreciation is charged on a straight-line basis in accordance with the assets' useful lives. The following useful lives are applied

	Useful life in years
Buildings	10 to 60
Leased buildings	3 to 25
Technical equipment and machinery	4 to 21
Other equipment, operating and office equipment	3 to 20

If there are indications of impairment, the corresponding assets are subject to an impairment test and, if necessary, written down to the recoverable amount in accordance with IAS 36. If the original reason for a previously recognised impairment ceases to apply, the assets are written up to their scheduled carrying amount.

Impairment Tests

Impairment tests are performed at least annually in the case of goodwill; however in the case of other intangible assets with limited useful lives and property, plant and equipment and other assets, only if there are specific indications of impairment. An impairment is recognised in the income statement to the extent that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is calculated individually for each asset. If this is not possible, it is calculated on the basis of cash generating units. The recoverable amount is the higher of the net realisable value and the value in use.

The net realisable value corresponds to the recoverable amount from the sale of an asset at normal conditions less costs of disposal. The value in use is calculated on the basis of the estimated cash flows from the use and disposal of an asset using the discounted cash flow process. The cash flows are derived from the medium-term corporate planning taking into account current developments. Cash flows are discounted to the balance sheet date using risk equivalent capitalisation rates. If the reason for an impairment recognised in the previous year no longer applies, with the exception of goodwill, assets are written up to their scheduled carrying amount.

Leases

Leases at the WCM Group relate to developed land and plant, technical equipment and machinery and operating and office equipment. Leased noncurrent assets for which the Group company in question is the commercial owner (finance leases) are recognised in the balance sheet at the lower of the present value of the leasing instalments or fair value in accordance with IAS 17 and written off over their useful lives or contract duration, if this is shorter. The corresponding payment obligations from the leasing instalments are recognised in the balance sheet as liabilities. The lease payments are allocated to interest expenses and reduction of lease obligations in such a way as to generate a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance leases.

If the lessor remains the commercial owner of the property (operating lease), the lease instalments are recognised as an expense in the financial year.

Investment Property

Investment property includes all property held to generate rental income or capital appreciation that is not used in production or for administrative purposes. They are recognised at amortised cost in accordance with IAS 40 (cost model). Depreciable investment property is depreciated on a straight-line basis over a term of up to 60 years.

Fair values are estimated using recognised measurement methods or, if current market prices for similar properties exist, derived from these. Measurements are carried out by independent experts at regular intervals for most of the property holdings.

Financial Assets

Financial assets comprise shares in affiliated companies and investments as well as loans and other securities. All of these securities are classified as “available for sale”. The latter are valued at market value; changes in market values are recognised in equity. If indications of impairment exist, an impairment test is performed and any resulting impairment is recognised in the income statement.

Shares in partnerships are treated as debt instruments in accordance with IFRS provisions. Permanent impairments and reversals are recognised in the income statement.

If there are no market values and these values can also not be reliably estimated, measurement is at cost less any valuation allowances. For this reason, shares in affiliated, non-consolidated companies and other equity holdings are reported separately and at cost.

If “available for sale” securities are sold or impaired, the cumulative adjustments of the fair values previously recognised in equity are recorded as gains or losses on financial assets in the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when the Group makes money, goods or services directly available to a creditor without the intention of trading this receivable. These are classified as current assets, provided they have a time to maturity of less than twelve months after the reporting date. If the time to maturity exceeds twelve months, these are classified as noncurrent liabilities.

All purchases and disposals of financial assets are recognised at the trade date, i.e. the day when the Group is obliged to purchase or sell the asset. They are derecognised if the rights to payments from the investment lapse or are transferred and the Group also transfers substantially all risks and rewards incident to ownership.

Derivative Financial Instruments and Hedges

The WCM Group uses derivative financial instruments to hedge currency and interest rate change risks from operational transactions and in financing. The Group uses forward currency contracts and interest rate swaps to hedge against these risks. Derivative finance transactions are only concluded with banks with first-class credit ratings. The use of such transactions is regulated by a guideline and is subject to strict monitoring, in particular by means of a strict demarcation between the trading, processing and control functions.

Derivative financial instruments are measured at market value in accordance with IAS 39. Market value is calculated on the basis of information made available by the relevant banks. Derivative financial instruments with a positive fair value are reported in other current assets, while derivative financial investments with a negative fair value are recorded in other current liabilities.

Fair value hedges are designed to provide cover for changes in the value of an asset or a liability. As the corresponding change in value of the underlying transaction is recognised in the income statement, the opposite change in value of the derivative is also recognised as an expense or as income.

A cash flow hedge exists if the derivative guarantees the balancing of the risks of the future cash flows of an existing underlying transaction or almost certain future transactions. The effectiveness of the cash flow depends on how closely a specific underlying transaction is hedged with a corresponding derivative. If gains or losses on the measurement of a derivative match the underlying transaction, i.e. are hedge-effective, these are reported in equity. As soon as the underlying transaction matures, gains or losses on the derivative are reported in the income statement in the same way as on the underlying transaction. In contrast, gains on the non hedge-effective portion of a derivative are always reported in the income statement.

Deferred Taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognised on all temporary differences between the tax base and amounts recognised under IFRSs as well as on consolidation measures recognised in the income statement using the balance sheet-oriented liability method.

Deferred tax assets also include claims for tax relief resulting from the expected utilisation of existing loss carryforwards in subsequent years, the realisation of which can be guaranteed with sufficient certainty. Deferred taxes are calculated on the basis of the tax rates in force or expected in accordance with the legal situation in the individual countries at the time of realisation.

Inventories

Inventories are recognised at cost or net realisable value. In accordance with IAS 2, in addition to directly attributable direct costs, costs of inventories contain overheads attributable to the production process including appropriate depreciation of manufacturing facilities. If required, the net disposal value is used if this is lower.

The cost of such inventories, which are not ordinarily interchangeable, as well as the costs of goods or services produced and segregated for specific projects, should be assigned by specifically identifying their individual costs. The weighted average cost method or the first-in, first-out (FIFO) method is used for inventories of a similar nature and of similar use to the enterprise.

Customer-specific Contract Manufacturing

In accordance with IAS 11, contract sales and results for each contract are calculated using the percentage of completion method. The percentage of completion is determined by reference to the ratio between the contract costs and the estimated total costs at the relevant reporting date. The corresponding contract costs are recognised as an expense when they are incurred. If the result of a manufacturing contract cannot be reliably determined, revenue should be only recognised in the amount of contract costs incurred.

Advance payments are deducted from the future receivables due from contract manufacturing reported in trade and other receivables in the balance sheet. If the advance payments received for individual manufacturing orders exceed the future receivables due from contract manufacturing, the excess amount is reported in liabilities. If the total contract costs are expected to exceed the total contract revenues, the expected loss is immediately reported as an expense or a liability.

Receivables and Other Assets

Receivables and other assets are recognised at amortised cost. Recognisable risks are taken into account using appropriate valuation allowances. To the extent that the reasons for valuation allowances recognised in earlier periods no longer apply, valuation allowances are reversed. Receivables with no or low interest with a maturity of more than a year are discounted.

Trade and other receivables are reported as current assets in the balance sheet. If the individual business cycles of the group enterprises are such that part amounts will not be realised in the next twelve months, these amounts are indicated in the notes to the consolidated financial statements.

Pension Provisions

The Group operates various pension schemes for employees of the companies of the WCM Group. These are generally based on the period of service and remuneration of the employees. The pension obligations result from defined benefit pension schemes and contain both obligations from current pensions and benefits from future pensions. In accordance with IAS 19, these are calculated using the projected unit credit method. An actuarial report is produced for this purpose in the fourth quarter of each financial year. Actuarial gains and losses are recognised as part of the pension provision in the year they arise and included in the presentation of all gains and losses included in the consolidated financial statements in accordance with IAS 19.93B.

Past service costs are reported under staff costs, the interest portion of the increase in the provision as net interest income. Plan assets in the sense of IAS 19 are deducted from the pension obligations.

Other Provisions

In accordance with IAS 37, provisions are recognised if a legal or constructive obligation exists, actual utilisation is more likely than not and the net cash outflow can be reliably estimated.

Provisions are recognised at the probable value of utilisation. If the effect is significant, noncurrent provisions are discounted.

Liabilities

Liabilities are recognised at the initial carrying amount. Any difference between the amount paid and the amount repayable on maturity is amortised.

Contingent Liabilities

Contingent liabilities represent possible liabilities to third parties resulting from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities can also arise as a result of a present obligation resulting from past events that is however not recognised due to the fact that an outflow of resources is not probable or the amount of the obligation cannot be estimated with sufficient certainty.

Government Grants

Government grants essentially relate to investment subsidies for whose realisation the subsidy providers require certain conditions to be met. Grants extended for the procurement or manufacture of assets are deducted from the carrying amount of these assets in the balance sheet. Grants relating to income are reported under other operating income. Income subsidies granted over several years are recognised as deferred income and reported under other liabilities.

Income Recognition

Income is recognised when the supplies and services owed have been performed and the associated risks have been transferred to the customers. Rebates, bonuses and discounts are deducted from income. Sales for long-term construction contracts are recognised in accordance with the percentage-of-completion method. Please see the notes on long-term construction contracts. The breakdown of sales by business sector and region is presented in segment reporting.

Borrowing Costs

In the Group, borrowing costs are recognised in income in the period in which they are incurred. Borrowing costs that can be directly allocated to the construction or manufacture of a qualifying asset are also not capitalised and are recognised as part of the cost.

Use of Estimates

The preparation of consolidated interim financial statements requires assumptions and estimates that affect the recognition, measurement and reporting of assets, liabilities, contingent liabilities, income and expenses. The assumptions and estimates primarily relate to the assessment of the impairment of lease assets and financial assets, the calculation of the percentage-of-completion in contract manufacturing, the recognition and measurement of provisions as well as the realisability of future tax benefits. The assumptions and estimates are founded on premises that are based on the knowledge currently available in each case. Circumstances at the

time of the preparation of the consolidated interim financial statements and the expected realistic future development of the global and industry-specific environment of WCM Group companies in particular were taken into account in the assessment of future business developments. Although these assumptions and estimates are made on the basis of the knowledge available at the time, actual events may differ from these assumptions and estimates. If the original basis of estimate changes, the effects of such changes are generally recognised in the income statement.

Changes in estimates of amounts reported in prior interim periods of the current financial year have no material effect on the current interim reporting period.

Segment Reporting

The following segments are shown in the segment reporting:

- Filling and Packaging Technology
- Other Industrial Holdings
- Other Financial Investments
- MATERNUS-Kliniken
- Holdings.

Amounts representing cross-segmental transactions are shown in the "reconciliation" column. These are eliminated on consolidation. The development of business activities of the individual segments in the interim reporting period is explained in the section "Business development".

Cash Flow Statement

In the cash flow statement, the cash flows are divided into the areas operating, investing and financing activities. Currency adjustments are reported in the items to which they are attributable. The cash flow statement exclusively reports cash and cash equivalents.

Subscription Rights of Members of Executive Bodies and Employees

As at the reporting date, as in the previous year, 1,330,000 shares had been issued to members of the Management Board and WCM Group executives as part of a contingent capital increase. The contingent capital increase is only implemented to the extent that the holders of stock options exercise these options.

Related Party Disclosures

WCM AG sublet an office to a related shareholder. The amount of the sublease (€146 thousand p.a.) is equal to the amount of rent to be paid by the Company. The sublease was terminated on April 30th, 2006.

WCM AG was granted a loan in several tranches by HSH Nordbank AG, Hamburg, totalling €221.9 million. On February 1st, 2006, HSH Nordbank AG sold a partial amount of €30.0 million of this loan to WCM AG's related party KPE Holding GmbH, Hamburg.

The Management Board and the Supervisory Board

Prof. Dieter H. Vogel resigned his office as the Chairman of the Supervisory Board as at January 31st, 2006. Mr. Rainer Laufs was elected as the new Chairman of the Supervisory Board.

Mr. Robert Buchalik, Düsseldorf lawyer and managing director of mbb consult GmbH, Düsseldorf, was appointed as a further member of the Supervisory Board by the Frankfurt/Main Local Court.

Notes on the Net Assets, Financial Position and Results of Operations

Total assets at June 30th, 2006 were €1,037.3 million and thus €81.5 million lower than at December 31st, 2005.

Noncurrent assets fell by €10.7 million to €470.6 million in the first half of 2006. The €10.4 million reduction in noncurrent financial assets related primarily to the disposal of shares in the non-consolidated Twin Squares S. A., Brussels, the assets of which were assumed by RSE AG as part of its liquidation and the reduction in loans to investment companies. The carrying amounts of property, plant and equipment declined by €3.8 million due to depreciation, while intangible assets increased by €5.0 million, primarily as a result of capitalised development expenses of €3.6 million.

Current assets declined by €70.8 million to €566.7 million. At €36.1 million, the strongest decline was recorded in trade receivables and other receivables. Trade receivables fell by €19.3 million and receivables from contract manufacturing declined by €16.2 million. At €34.3 million, cash and cash equivalents were also down as a result of a significant reduction in supplier liabilities. Other current assets fell by €5.5 million as against December 31st, 2005, primarily as a result of the decline in sales tax receivables and receivables due from suppliers. However, inventories increased by €5.2 million.

On the liabilities side of the balance sheet, noncurrent liabilities rose by €213.5 million to €581.0 million. This is solely due to the €215.4 million rise in noncurrent financial liabilities. Following the expiry of previous loan commitments, a new loan agreement was concluded with HSH Nordbank AG in January 2006. The loan is granted until July 31st, 2007 at the longest and must be repaid without a fixed repayment structure from excess income, including from the WCM Group's sale of assets.

Current liabilities declined by €276.0 million to €288.2 million. As a result of the prolongation of the loan commitment from HSH Nordbank AG, financial liabilities previously reported as current are now reported as noncurrent. Largely as a result of this, net current financial liabilities declined by €217.8 million to €35.8 million. Trade payables were also reduced by €40.8 million to €89.4 million. At €47.6 million, liabilities to suppliers were down by €26.9 million due to the reduced utilisation of supplier loans. Contract manufacturing liabilities were

also down by €13.1 million to €41.6 million. Current provisions declined by €11.2 million to €73.2 million, primarily as a result of their utilisation for finance expenses and contract risks.

The contingent liabilities of the WCM Group have not significantly changed as against December 31st, 2005.

In the first half of 2006, the equity of the WCM Group declined by €19.0 million to €168.1 million. This reduction relates almost exclusively to the Group's share of equity, which declined by €19.7 million. In turn, €16.7 million of this relates to the share of WCM shareholders in the consolidated net loss for the period and €3.0 million to equity reductions, primarily as a result of negative currency differences.

The financial situation of the WCM Group is characterised by a reduction in funds of €34.3 million (2005: €-90.7 million). At €24.1 million, the net cash used in operating activities was mainly due to the reduction in trade payables and the consolidated net loss for the period. Funds of €6.4 million were used for investments in property, plant and equipment and intangible assets. Net cash used in financing activities amounted to €-5.4 million in the period under review. The changes in cash and cash equivalents in the prior-year period primarily related to the settlement of the sale of the residential property business unit.

In the first half of 2006, Group EBIT amounted to €-4.5 million, after a profit of €23.3 million in the same period of the previous year.

Total operating performance increased by €13.3 million to €462.3 million in the first half of 2006. It should be noted that the first-time inclusion of companies in the Filling and Packaging Technology segment accounted for €10.2 million of this. These companies generated costs of materials of €6.4 million and staff costs of €1.8 million.

Other operating income was down €25.7 million as against the previous year. In the previous year, income of €20.9 million was recognised from an agreement on the residual liabilities of the SIRIUS investment. In addition, income of €3.4 million was generated from the disposal of financial assets.

The cost of materials increased by €5.1 million to €235.2 million. The share of costs of materials in total operating performance was reduced from 51.2% in the same period of the previous year to 50.9%. Staff costs rose by €3.6 million in the first half of 2006. In addition to wage and salary increases of around 2.5%, this was due to the new personnel structure and overtime payments.

The €4.9 million increase in other operating expenses is primarily due to consulting costs, selling expenses and exchange rate losses. At €-3.4 million, net other investment income is down €2.6 million year-on-year. Due to the termination of RSE Projektmanagement AG's investment in the Dallgow Döberitz project, write-downs of €3.7 million on shares and loans were required.

In the first half of 2006, EBT amounted to €-17.1 million, after a profit of €11.5 million in the same period of the previous year. At €-12.6 million, net interest income was down €0.8 million year-on-year due to lower interest income.

As a result of the reduced current tax expense and the change in deferred taxes, the income tax expense was down by €6.7 million to €1.4 million. The consolidated net loss for the first half of 2006 amounted to €-18.5 million, after a profit of €3.4 million in the first half of 2005.

Events After the End of the Interim Reporting Period

On July 5th, 2006, the Annual General Meeting of Klöckner-Werke AG resolved to withdraw 14,652,000 treasury shares. Thus, a significant condition subsequent of the restructuring agreements concluded at the end of 2005 is no longer applicable.

On August 7th, 2006, an agreement was reached with the Mecklenburg-Pomerania Tax Authorities regarding the external tax audit ongoing since 2003 at the subsidiary HM Vermögensverwaltungsgesellschaft mbH & Co. Beteiligungs-KG regarding tax claims of €157 million. On the basis of the actual agreement reached, the claims were reduced to €14 million, for which corresponding provisions exist.

Financial Calendar

Report on Q3 2006	10 November 2006
Annual Report 2006	March 2007
Report on Q1 2007	May 2007

Imprint

WCM BETEILIGUNGS- UND GRUNDBESITZ-AKTIENGESELLSCHAFT

Opernplatz 2
60313 Frankfurt/Main
SCN 780100
ISIN DE 0007801003

Tel: +49 (0) 69 900 26 0
Fax: +49 (0) 69 900 26 110
E-mail: info@wcm.de
Internet www.wcm.de
IR: +49 (0) 69 900 26 510

www.**wcm**.de