# Annual Financial Statement 2005

RÜCKER AG

Content

**Group Management Report
of Rücker Aktiengesellschaft
for the Financial Year from
January 1, 2005 to December 31, 2005**

## I. Course of Business

The course of business of the Rücker group of the year 2005 was shaped within by a restrained development in the area of automotive and a strong growing area of aviation. The economic activity, becoming stable world wide, but in Germany only positive because of exports, influenced the automotive industry correspondingly, which reacted by capacity adjustments. The aviation industries profited from a strong demand for new aeroplanes. The lacking demand within the automotive business (-5.0 %) was more than compensated by the strong increase in the aviation business (+81.5 %). The customers of the Rücker group are international groups of the automotive, aviation and electronics industries as well as their suppliers, all relying on our quality and experience. We are providing to those our competences, which are being continually developed further, within the network of the world wide acting Rücker group.

During the financial year 2005 the result of last year was clearly exceeded, the EBIT was improved from EUR -0.7 million in the year 2004 to EUR 6.6 million. The EBITDA rose from EUR 7.5 million in the previous year to EUR 14.6 million in the reporting year.

These figures are based on the international accounting IFRS to which the company conversed during the financial year. Last year the reporting was according to US-GAAP. From this some differences to the already published figures, presented within the notes, occurred. Simultaneously the executive board prepared a dependence report for the year 2005.

The financial year 2005 was shaped by a mixed order situation and a heterogeneous performance of the different business units. At some locations, especially within Aviation, the plan was exceeded, at other locations the aims were not achieved. The measures taken by the executive board during the year 2004: Adjustment of structural costs and extension of the aviation business clearly brought positive impulses.

Result of these measurements is the clearly improved performance as compared to last year.

## II. Market and Competition

The market for development services itself developed quite differently during the reporting year. In the area automotive there was in total a clear decline. On the other hand the market for aviation projects developed very strongly. Here we successfully seized occurring market chances .

The market of automotive industries is extremely competitive. Therefore competition in the areas served by the Rücker group intensified further and is increasingly marked by company co-operations and takeovers. However, with our international positioning we think we are well guarded to meet these increased challenges successfully in the future, too. We were able to extend the area of aviation. Our aim is to spur the national and international expansion of Rücker AG further and to establish the company even better in the leading group of international development service providers.

The field of aviation was spun off from Rücker GmbH as at January 1, 2005 and concentrated within a new company, the Rücker Aerospace GmbH. Between the two companies there is a profit and loss transfer agreement.

On April 8, 2005 80 % of the shares of Silver - AeroSpace B.V. and Incat Aircraft Design B.V., Haarlem, The Netherlands, were acquired.

## III. Investment Focus

During the year 2005 we invested further into the extension of the IT infrastructure. The high performance data networks at our disposal serve the internal communication between our locations; however, also the communication with our customers is in the future even faster, more transparent and more effective made possible.

## IV. Research and Development

Research and Development play a major role within the industries in which the Rücker group operates. Therefore we were again integrated into research and development projects of our customers in the year 2005.

## V. Business Development

The sales within the Rücker group rose during the reporting year from EUR 138.0 million to EUR 155.6 million. This corresponds to an increase of 12.8 %.

The trend to outsource development services was continued with some customers of the automotive sector. An especially strong increase was in the sector aviation. The whole development confirms the adopted strategy of offered services and internationalization as well as the expansion of important future divisions.

The group result (EBIT) for 2005 is about EUR 6.6 million. It was mainly influenced by a strong increase in sales and adjustments on the side of costs.

The group net profit as at December 31, 2005 was EUR 1.7 million.

The average number of employees was clearly increased during the year. As at balance sheet date the group had 2,221 employees.

In the course of the transition of the accounting from US-GAAP to IFRS the business segments were newly defined, too:

Within the top selling field of automotive design the decrease was about 5 %. The reason for this was the decrease in demand with some customers. Renowned automobile manufacturers announced large model offensives for the coming years. External developers like the Rücker group will take profit from the fact that the automobile manufacturers cannot cope with this increasing number of models and vehicle derivatives using only their internal capacities. However, at the time being only 20 % of the total volume are contracted out to external developers by the automobile manufacturers. Here there is a clear potential for future growth. New models will be used by the manufacturers to fortify market shares and to win new markets. Additionally there is a shortening of development cycles, since the intervals between market launch of a model and its replacement by a new one become increasingly shorter. Short development cycles mean for the Rücker AG a further increase in demand for development services.

Aviation grew over proportionally during the last financial year with 81.5 %. New projects with the construction of aeroplanes play an important role here. The launch of the model A380 by Airbus led to an increase of plane orders of which we benefited from.

The Rücker group generated during the year 2005 89 % of all its sales within the Euro zone. The share of the division automotive in the total sales sunk during the business year from 78.4 % in the previous year to 66.0 %, while the share of the aviation segment rose from 19.5 % in the previous year to 31.4 % in the year 2005.

## VI. Net Assets and Financial Position

The balance sheet total of Rücker group rose to EUR 86.7 million (previous year EUR 82.8 million). This increase was mainly caused by higher trade receivables. The fixed assets were EUR 39.6 million, the liquid funds were EUR 12.2 million.

The largest debt item is the equity capital with EUR 29.1 million. With an equity ratio of 33.6 % Rücker AG has a solid structure of the balance sheet, both in the sector-specific comparison and compared to other middle market stocks.

The operative cash flow from current business operations was about EUR 7.0 million. The liquidity was further improved during the second half year. Securing liquidity is an important objective of the business policy, mainly by further reduction of existing receivables during the year.

## VII. Chances and Risks for the Future Development

Even if the Rücker group is also oriented towards other industries, besides automotive and aviation, the largest part of the sales is still being generated with customers from these areas. Should these customers cut down their expenses for research and development or their investments Rücker would be subject to additional price pressure and the capacity utilization would be affected. With a then possible planning variance also the results of operations of the company could be influenced. Further infringements of the company’s development could come from problems with the recruitment of qualified personnel since it is difficult to find engineers who can be employed for the customer orders.

However, the executive board assumes that because of the better than expected incoming order situation and the clearly positive aviation business these risks will not occur.

Both to be able to counteract the shown risks timely and to be able to meet the requirements of KonTraG (Law on Controls and Transparency within the Area of Companies) we introduced a group wide risk management system in the year 2000 which was further improved in subsequent years.

This system is integrated into our current reporting system. With the recognition of important risks these are reported to the executive board which for its part informs the supervisory board at the overrun of certain threshold values in order to be able to take countermeasures timely.

The chances are in the multitude of planned new models in the areas of aviation and automotive which might, even at short notice, lead to a clear increase of the volume.

**VIII. Outlook**

After the discernible increase of the result in the year 2005 it is our main goal to further expand the business of the whole company on the basis of the existing structure.

As far as the trends to outsource development services as well as the shortening of model cycles are continued we expect further growth.

Objective for 2006 will be the further extension of existing customer relations nationally and internationally. Further investments into hardware and software are planned to fortify in a future oriented manner the technological leadership of the company.

After the balance sheet date there were no material new developments which were not taken into consideration with the preparation of the financial statements.

With the strategic course setting during the past financial year we will use the synergies between the group companies in an optimal way. Should the current positive situation of incoming orders be continued in the year 2006 we assume that the profit situation will be influenced by this, too.

## IX. Declaration of the Executive Board of Rücker AG according to § 312 para. 3 AktG (German Stock Corporation Law)

We declare concludingly that our company received an appropriate consideration out of all legal transactions concluded during the financial year 2005 considering the circumstances known to us at the moment of conclusion. No measurements were taken or omitted which would have discriminated our company.

Wiesbaden, March 10, 2006

Rücker Aktiengesellschaft

| | |
|---|---|
| ............................................... | ...................................... |
| Wolfgang Rücker | Jürgen Vogt |
| -Director- | -Director- |

**Rücker Aktiengesellschaft, Wiesbaden**

**Consolidated Financial Statements for the Financial Year from January 1, to December 31, 2005**

**Consolidated Balance Sheet**

| | | 12/31/2005 kEUR | 12/31/2004 kEUR |
|---|---|---|---|
| A1 | Intangible Assets | 13,349 | 13,556 |
| A2 | Tangible Assets | 24,927 | 25,087 |
| A3 | Financial Assets | 1,322 | 468 |
| A4 | Deferred Taxes | 6,032 | 5,580 |
| **Noncurrent Assets** | | **45,630** | **44,691** |
| A5 | Inventories (Work in Process) | 1 | 569 |
| A6 | Trade Receivables | 21,037 | 15,164 |
| A7 | Other Receivables | 5,952 | 9,585 |
| A8 | Claims on Tax Refund | 306 | 112 |
| A9 | Securities | 162 | 167 |
| A10 | Financial Assets / Cash and Cash Equivalents | 12,199 | 11,434 |
| A11 | Prepaid Expenses | 1,387 | 1,103 |
| **Current Assets** | | **41,044** | **38,134** |
| **ASSETS** | | **86,674** | **82,825** |

| | | | |
|---|---|---|---|
| P1 | Subscribed Capital | 8,379 | 8,379 |
| P2 | Capital Reserves | 15,153 | 15,150 |
| P3 | Own Shares | -784 | -800 |
| P4 | Recognized Income / Expenses | -883 | -68 |
| P5 | Revenue Reserves | 7,161 | 5,728 |
| P6 | Equity attributable to minority interest | 102 | 28 |
| **Shareholders' Equity** | | **29,128** | **28,417** |
| P7 | Non-current Bank Liabilities and Other Financial Liabilities | 14,664 | 13,377 |
| P8 | Provisions for Pensions | 4,488 | 2,927 |
| P9 | Government Grants | 67 | 63 |
| P10 | Provisions for Taxes on Income Long Term | 23 | 0 |
| P11 | Other Non-current Provisions | 465 | 529 |
| P12 | Deferred Taxes | 1,185 | 1,171 |
| **Non-current Liabilities** | | **20,892** | **18,067** |
| P13 | Short Term Bank Liabilities and Other Financial Liabilities | 10,926 | 10,584 |
| P14 | Trade Payables | 5,395 | 6,493 |
| P15 | Other Liabilities | 17,496 | 16,085 |
| P16 | Liabilities from Taxes on Income | 1,230 | 710 |
| P17 | Government Grants | 29 | 0 |
| P18 | Current Provisions | 603 | 2,022 |
| P19 | Deferred Income and Other Commitments | 975 | 447 |
| **Current Liabilities** | | **36,654** | **36,341** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | **86,674** | **82,825** |

**Rücker Aktiengesellschaft, Wiesbaden**

**Consolidated Financial Statements for the Financial Year from January 1, to December 31, 2005**

**Consolidated Statement of Profit and Loss**

| | | 2005<br>kEUR | 2004<br>kEUR |
|---|---|---|---|
| G1 | **Sales** | **155,602** | **137,965** |
| G2 | Cost of Sales | -127,149 | -114,961 |
| | **Gross Profit** | **28,453** | **23,004** |
| G3 | Other Operating Income | 5,834 | 3,727 |
| G4 | Research and Development | 0 | -82 |
| G5 | Distribution Expenses | -5,861 | -5,730 |
| G6 | Administration Expenses | -18,616 | -19,835 |
| G7 | Other Operating Expenses | -2,580 | -1,746 |
| G8 | Depreciation on Goodwill | -637 | -3 |
| | **Operating Result (EBIT)** | **6,593** | **-665** |
| G9 | Financial Result | -3,063 | -2,746 |
| | **Result Before Taxes on Income** | **3,530** | **-3,411** |
| G10 | Income Tax | -1,864 | -474 |
| | **Group Profit for the Year (Previous Year: Loss)** | **1,666** | **-3,885** |
| | company | 1,592 | -3,882 |
| | of which profits attributable to minority shareholders | 74 | -3 |

| | | |
|---|---|---|
| Average Number of Shares (undiluted) | 8,283,599 | 8,283,566 |
| Earnings per Share in EUR (undiluted) | 0.19 | -0.47 |
| | | |
| Average Number of Shares (diluted) | 8,684,849 | 8,283,566 |
| Earnings per Share in EUR (diluted) | 0.18 | -0.47 |

**Rücker Aktiengesellschaft, Wiesbaden**

**Consolidated Financial Statements for the Financial Year from January 1, to December 31, 2005**

**Statement of Recognized Income and Expenses**

| | **2005**<br>kEUR | **2004**<br>kEUR |
|---|---|---|
| Differences from Currency Translation | -101 | 276 |
| Adjustment not Affecting Net Income from<br>Market Valuation of Financial Instruments | 23 | 38 |
| Adjustment not Affecting Net Income from<br>Valuation of Pension Commitments | -737 | 284 |
| **Changes of Values Recognized Directly Within Equity** | **-815** | **598** |
| Group Profit for the Year / Loss for the Year | 1,666 | -3,885 |
| **Sum of Period's Result and<br>Value Changes Recognized not Affecting Net Income of the Period** | **851** | **-3,287** |

**Rücker Aktiengesellschaft, Wiesbaden**

**Consolidated Financial Statements for the Financial Year from January 1, to December 31, 2005**

**Consolidated Statement of Cash Flows**

| | | | 2005 kEUR | 2004 kEUR |
|---|---|---|---|---|
| 1. | | Period's Result (including profits attributable to Minority Shareholders | 1,666 | -3,885 |
| 2. | +/- | Depreciation/reinstated write-down on Items of Fixed Assets | 8,027 | 8,196 |
| 3. | +/- | Increase/Decrease of Provisions and Accruals | -1,522 | 649 |
| 4. | +/- | Other Expenses/Income not Affecting Payments | 2,746 | 1,380 |
| 5. | -/+ | Income/Loss from the Disposal of Items of Fixed Assets | 7 | -23 |
| 6. | -/+ | Increase/Decrease of Inventories, of Trade Receivables and of Other Assets not Attributable to Investment Activities or Financial Activities | -3,597 | -2,074 |
| 7. | +/- | Increase/Decrease of Trade Payables and other Liabilities not Attributable to Investment Activities or Financial Activities | -338 | 2,282 |
| **8.** | **=** | **Cash Flow from Current Business Activities (Sum of 1 to 7)** | **6,989** | **6,525** |
| 9. | | Payments from Disposals of Items of Tangible Assets | 394 | 462 |
| 10. | - | Payments for Investments into Tangible Assets | -3,547 | -4,112 |
| 11. | + | Inpayments from Disposals of Items of Intangible Assets | 246 | 19 |
| 12. | - | Payments for Investments into Intangible Assets | -1,909 | -847 |
| 13. | + | Inpayments from Disposals of Items of Financial Assets | 319 | 199 |
| 14. | - | Payments for Investments into Financial Assets | -1,130 | -38 |
| 15. | + | Inpayments from the Sale of Consolidated Companies and Other Business Units | 0 | 300 |
| 16. | - | Payments for the Acquisition of Consolidated Companies and Other Business Units | -422 | -49 |
| **17.** | **=** | **Cash Flow from Investment Activities (Sum of 9 to 16)** | **-6,049** | **-4,066** |
| 18. | | Inpayments from Equity Contributions | 4 | 0 |
| 19. | - | Payments to Company's Owners and Minority Shareholders | 0 | 0 |
| 20. | + | Inpayments from the Issue of Bonds and from the Raising of (Financial-) Credits | 5,740 | 2,813 |
| 21. | - | Payments from the Redemption of Loans and (Financial-) Credits | -6,022 | -4,128 |
| **22.** | **=** | **Cash Flow from Financing Activities (Sum of 18 to 21)** | **-278** | **-1,315** |
| 23. | | Changes of Financial Funds Affecting Payments (Sum of 8, 17, 22) | 662 | 1,144 |
| 24. | +/- | Changes of Financial Funds from Changes of Exchange Rates, Consolidated Group, Valuations | 103 | 57 |
| 25. | + | Financial Funds at the Beginning of the Period | 11,434 | 10,233 |
| **26.** | **=** | **Financial Funds at the End of the Period (Sum of 23 to 25)** | **12,199** | **11,434** |

Additional Information:

| | | |
|---|---|---|
| Interest Paid: | 1,762 | 1,601 |
| Taxes on Income Paid: | 322 | 1,355 |
| Interest received: | 158 | 287 |
| Received Taxes on Income: | 2 | 571 |

**Rücker Aktiengesellschaft, Wiesbaden**

**Consolidated Financial Statements for the Financial Year from January 1, 2005 to December 31, 2005**

**Notes to Consolidated Financial Statements**

## A - Description of Business Activities

The Rücker AG, Kreuzberger Ring 40, 65205 Wiesbaden (Germany), (hereinafter referred to as "Rücker AG" or "company") offers development services globally by means of virtual design for companies of the automotive, components supplying, aviation and the electronics industries. The locations are mainly in Germany. However, the Rücker Group is also represented in many countries of Europe, Asia and the Americas.

## B - General

The consolidated financial statements of Rücker AG, Wiesbaden, as at December 31, 2005 were prepared under application of § 315 a HGB and according to the regulations valid at closing date of the International Accounting Standards Managing board (IASB), London. All International Financial Reporting Standards (IFRS) obligatory for the financial year 2005 as well as all International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly Standing Interpretations Committee (SIC), were applied in the form taken over from the European Union and last year's figures were adapted accordingly.

For the preparation of the first consolidated financial statements according to IFRS the IRFS 1 "First-Time Adoption of International Financial Reporting Standards" was applied. The date of transition to IFRS was January 1, 2004. The last financial statements according to US-GAAP were prepared for the reporting period ending at December 31, 2004.

Within the balance sheet and the statement of profit and loss individual items were summed up in order to improve the clarity of presentation. Those items are explained separately within the notes.

The group currency is the Euro (EUR). The consolidated financial statements were prepared in thousand Euro. All amounts, also those in the management report, are named in thousand Euro (kEUR) if not stated otherwise.

## C - Essential Methods of Accounting and Valuation

**Intangible Assets** (see fixed asset movement schedule page 33)

Intangible assets are being amortized according to the straight line method during their estimated effective lives of three to seven years. The Rücker AG examines regularly the value and considers all events or circumstances requiring a renewed estimation of effective lives or pointing to an impairment of value. All intangible assets of the company (except for the goodwill) are amortized regularly.

Computer software developed or acquired for internal use is being amortized during its estimated effective life, which is, as a rule, not longer than seven years.

**Cost of Research and Development**

Cost of research are recorded as expenditure during the period in which they were incurred. Cost of development are capitalized according to IAS 38 as intangible assets at the cost of acquisition and production, as far as the conditions of IAS 38.57 are given. The cost of acquisition and production comprise all cost directly attributable to the process of development as well as appropriate parts of the development-related overhead. Depreciation is made according to the straight line method during the estimated life span of the products developed.

The above refers within the Rücker group solely to expenses for software development. For this Rücker applies, under consideration of IAS 38.57, analogously the SOP 98-1 ("*Accounting for the Costs of Computer Software Developed or Optained for Internal Use"*), which is to be applied according to US-GAAP, and capitalizes the cost for software development incurred as soon as the research phase is finished and the technical feasibility is ensured. Disclosure within the balance sheet is made under intangible assets.

Since 2004 no development costs were capitalized.

**Goodwill**

IFRS 3 in accordance with IAS 36 "Impairment of Assets" (revised 2004) and IAS 38 "Intangible Assets" (revised 2004) is applied for the first time during the financial year 2004 for goodwill capitalized. The required impairment test was made as at January 1, 2004 (IFRS opening balance sheet) as well as at the 31st of Decembers 2004 and 2005. The impairment test was made on base of the current market values less disposal cost of the cash generating unit. According to IAS 36 the realizable amount less disposal cost of the cash generating unit, being the higher amount out of the net sales price respectively value in use (Present value of the future cash inflow from an asset), was compared with the book value of the goodwill of the cash generating unit. With this the DCF-method was applied.

The cash flows underlying the DCF-valuation are based on the current business plans of the next three financial years. With this previous experiences as well as future expectations are taken into consideration. Base for the perpetuity is the third year of planning, cleared from special items. The assumed discount factor is 9.34 %.

**Impairment of Assets**

Tangible and intangible assets (except for goodwill) are depreciated or amortized regularly. If matters or circumstances indicate that the book value of an asset might not be realizable any more this asset is depreciated irregularly. As soon as the book value of an asset is higher than the amount realizable, a debasement affecting net income is entered. The amount realizable is the higher between net sales price and the value in use of an asset.

The net sales price is the amount realizable from a sale at generally accepted market terms, less cost of realization. The value in use is the present value of the estimated future cash flows expected from the continual usage of the asset and its disposal at the end of its effective life. The amount realizable is established for each individual asset, or, if this is not possible, for the cash generating unit to which the asset belongs.

The goodwill is at least once a year subject to an impairment test.

**Finance Lease**

With leasing the beneficial ownership in the leased items is attributed to the group according to IAS 17, if the group bears all main risks and chances related to the possession of the leased item (finance lease). In these cases the company capitalizes assets and liabilities in the same amount within the balance sheet. This is the current market value of the leased item at the beginning of the lease or the present value of the minimum lease payments, whichever is lower. The methods and periods of depreciation correspond to those of comparable assets acquired. The corresponding leasing commitments are disclosed under other liabilities. The interest stock of the leasing payments is entered into the statement of profit and loss during the term of leasing.

As far as the beneficial ownership remains with the lessor (operating lease), the leased items are capitalized with the lessor. The lease expenditures are entered as expenses in the full amount.

## Financial Instruments

With Rücker the term “financial instruments“ comprises liquid funds, securities held for trade, trade receivables, trade payables, other debts and liabilities from finance leasing contracts. The individual methods of accounting according to IAS 39 in connection with IAS 32 are explained beneath the respective item.

Financial instruments are classified with the initial entering according to the economic content of the contractual agreement either as financial property value or financial liabilities or as equity instrument.

Financial instruments are classified as follows according to IAS 39:

- financial investments to be “held to maturity”
- assets at fair value held for trade purposes or financial liabilities
- loans and receivables lent by the company
- assets available for sale

Financial assets with fixed or determinable payments and fixed terms, which the company intends to keep until their final maturities are being classified as financial investments to be held until final maturity. Financial assets mainly acquired to gain profits from short term price fluctuations are being classified as financial investments to be held to maturity.

All other financial assets, except for loans and receivables extended by the company, are being classified as financial assets available for realization.

Financial investments to be “held to maturity” are capitalized under long term assets except for their being due within 12 months after the balance sheet date. Financial assets held for trade are capitalized under short term assets. Financial assets available for sale are being classified as short term assets if they are to be realized within 12 months after the balance sheet date.

With the initial capitalization a financial asset is being disclosed at the acquisition cost corresponding to the current value of the counter-performance given; transaction cost are being included. Financial assets available for sale or those held for trade are being valued in subsequent years at their current value without deduction of possible transaction costs and at their quoted price at balance sheet date.

Profits and losses from the valuation of a financial asset available for realization in comparison to its current value are being recorded directly within the equity, until the financial asset is realized, called in or otherwise disposed of or until for this financial asset an impairment was determined. Then, at this moment, the cumulative profit or loss, formerly recorded within the equity, is being included into the results of the period. Changes of the current value of financial assets held for trade are being recorded within the financial results. Financial investments to be held to maturity are being valued at their net book value under usage of the market rate method.

**Market Value of Financial Instruments**

The company determines the market value of the financial instruments used on the base of the following methods and assumptions:

*Cash and cash equivalents*: The book value of cash and cash equivalents disclosed within the balance sheet corresponds to their market value.

*Investments held as fixed assets*: The valuation of marketable debt issues and equity securities is based on the corresponding market value.

*Long- and short-term loan capital*: The outside funds received from short term credit intakes are being valued at their repayment amount. The discounting of long-term financial commitments of Rücker AG is made by the analysis of the discounted cash flows. This analysis bases on loan capital rates for comparable credit transactions currently charged to the company.

**Cash Equivalents**

The company regards all liquid financial assets, including all receivables due to call from factoring companies not being part of the group and with an initial term of up to three months as cash equivalents. As at December 31, 2005 the company classified the receivables from the outside factoring company, and being due at sight, of kEUR 2,801 (previous year: kEUR 5,565) as cash and cash equivalents.

**Factoring**

Certain trade receivables are being transferred to an outsider factoring company for a factorage. The total non-payment risk is being transferred to the factor, too. Therefore the company cannot be held liable in case of non-payment.

As far as the requirements of IAS 39.20 sec. a) are met the trade receivables are taken out of the books and other receivables against the factor are entered.

**Derivative Financial Instruments**

According to IAS 39 all derivative financial instruments are to be disclosed at market value at balance sheet date, irrespective of their purpose or of the intention in which they were agreed.

As far as the financial instruments used are effective cash flow hedges within the framework of a hedging relationship according to the regulations of IAS 39, the fluctuations of the current value do not effect the period result during the term of the derivative product.

As far as the financial instruments do not qualify as effective hedge according to IAS 39 all fluctuations of the current value effect immediately the statement of profit and loss as either a profit or a loss.

The group's hedging policy is to exclusively close derivative products for the hedging of interest and currency risks.

At balance sheet date there were no hedges for risks from interest- or foreign currency transactions at Rücker AG.

**Trade Receivables and Other Receivables**

Trade receivables and other receivables are being capitalized at nominal value, respectively acquisition cost. Trade receivables are being disclosed after a deduction of a valuation adjustment. With the establishment of the valuation adjustment the managing board relies on its knowledge of the customers' payment behavior, previous experiences and other current clues.

**Inventories (Work in Process)**

Among the inventories working hours for service orders not yet charged are being disclosed.

Cost of debt are not being included into the production cost but recorded as expenses during the respective period.

## Prepaid Expenses

Prepaid expenses comprise payments before the balance sheet date being expenses for a certain time after that date.

## Acquisitions and other Purchases in the sense of IFRS 3

Acquisitions are being disclosed according to the acquisition method. Accordingly the results of the acquired company are being included into the consolidated financial statements from the date of acquisition on.

## Pension Obligations

The valuation of pension obligations according to IAS 19 is based on the present value of potential pension method for achievement oriented old age provision plans under consideration of the “amendment“ of December 16, 2004. These new arrangements were already applied voluntarily with the financial statements for 2005 and for the year before. With the new arrangement the actuarial gains and losses are set off against the equity not affecting operating result.

The deferred taxes on the liabilities side which are to be considered in this context are also set off against the equity not affecting operating results.

## Government Grants

Investment allowances and subsidies are being accrued. The dissolution is made according to the assumed effective life of the assets concerned and in favor of the other operating income. Investment subsidies are connected to a series of requirements. These can be met, according to the current knowledge of the company.

**Other Provisions and Accruals** (see breakdown of provisions and accruals page 43)

Tax accruals and other provisions and accruals are made according to IAS 37, as far as from a past event a current legal or actual commitment toward third parties arises which leads probably to a future outflow of property and this outflow can be assessed reliably.

Long term provisions with a remaining term of more than one year are disclosed at their performance amount discounted to the balance sheet date.

## Liabilities

Liabilities are disclosed at their repayment amount.

**Deferred Income**

Deferrals refer to inflows before the balance sheet date, which are income for a certain time after that date.

**Tax Accrual and Deferral**

Tax accruals and deferrals are made for consolidations affecting net income as far as the differences in results will presumably be compensated in later financial years.

**Taxes on Income**

The taxes on income are capitalized according to the asset-and-liability-method. For future tax effects of differences between the valuations within the tax balance sheet and the consolidated balance sheet, tax loss carry forwards and amounts creditable against future tax liabilities deferred taxes are being capitalized. The effects of changes in tax rates on the calculated deferred taxes will be entered affecting net income within the period in which the respective change will become legally effective.

As far as the realization of deferred taxes is more on the improbable side no capitalization is made. Capitalized deferred taxes will be adjusted to a lower value if necessary.

Claims and liabilities of deferred taxes are entered independently from the moment in which the temporarily differences in accounting entries will presumably reverse. Claims and liabilities of deferred taxes are not discounted and they are disclosed within the balance sheet as long term assets, respectively liabilities.

**Own Shares**

The capitalization of own shares is made on the base of the acquisition cost method, in which the acquisition costs are deducted openly from the equity. Income from the sale of own shares is allocated to the capital reserves not affecting operating result. Losses from the sale of own shares are being set off against the income from the sale of own shares allocated to the capital reserves. Further losses are being set off against the net profit for the year.

**Contingent Liabilities and Claims**

Contingent liabilities are not disclosed within the financial statements. They are stated within the notes, except if there is the possibility of an outflow of resources with economic benefit is very unlikely.

Contingent Claims are not disclosed within the financial statements. However, they are being stated within the notes if the inflow of economic benefit is likely.

**Concentration of Credit Risk**

Significant concentrations of credit risk may arise mainly in connection with cash, cash equivalents and receivables. The company invests its available funds only in financial institutions of excellent credit standing. Receivables result mainly from business with automotive manufacturers in Germany. Credits are only extended after examination of the financial situation of the customers; securities are not required as a rule. The managing board monitors the delinquency risk and has, as far as necessary, made valuation adjustments.

**Estimations and Assumptions**

The preparation of the financial statements in conformity with the IFRS requires estimations and assumptions by the management. These affect the amounts disclosed within the balance sheet, the disclosure of contingent claims and liabilities at closing date and the disclosure of income and expenses during the period under report. The actual result may differ from these estimations and assumptions.

**Risk Management**

The risk management required by KonTraG (Law on Controls and Transparency within the Area of Companies) is part of the reporting system of Rücker AG.

For early recognition of risks Rücker AG has a unified risk management system group wide. This system controls registration, assessment and reporting of risks. The major aim of the risk management system of Rücker AG is to secure that especially developments or risks threatening the continued existence of the company are recognized as early as possible by the organs of the company (supervisory board and executive board) as well as the management in order to secure the permanently existence of the company by the timely introduction of suitable measurements. The central risk management function of the Rücker AG lies leadingly with the corporate director of finance.

The realization of the risk management process is made by the operative management. In this function the early identification, assessment, communication and covering of risks and chances in the place of their origin is the responsibility of the decentralized business units. By means of the monthly reporting new risks are named as well as the changes of already identified ones. Additionally, ratios are being analyzed on the base of monthly financial statements in order to be able to identify causes of risks early.

**Stock Option Plan**

The treatment of employee participation schemes is provided for in IFRS 2 (share-based payment). IFRS 2 is applicable for the first time for stocks, stock options and other equity instruments granted after the 7th of November 2002 and which were not yet exercisable at the date of the standard's entering into force (January 1, 2005).

The special meeting of shareholders resolved on March 27, 2000 the "Aktienoptionsplan Rücker 2000" ("Stock option plan Rücker 2000"). This option plan intends the issue of unalienable stock options for up to 615,000 common stocks to members of the executive board of Rücker AG, to members of the management of affiliated companies of Rücker AG and to branch heads and equated managers and to employees in managerial positions of Rücker AG and/or affiliated companies.

The option rights were to be issued until the end of 2003 in three annual tranches. The volume per tranche was limited to 50.0 % of the total volume of the stock option plan. The issue was made in the years 2000, 2001 and 2002.

The market value of the option rights issued during the years 2000 to 2002 was established at the moment of issue according to the Black-Scholes-option price model.

The exercise of the option rights is possible within five years after the end of the waiting period, which is two years after the allocation of the respectively granted option rights. The executive board may determine a longer waiting period of up to seven years with the consent of the supervisory board. The extension of the waiting period was not made with the option rights granted yet.

The exercise of the option rights is permitted exclusively within one of three possible exercise periods within a calendar year. Each exercise period lasts ten stock exchange work days, beginning with the respectively first stock exchange work day after the day of the ordinary shareholder's meeting, the day after the publication of the company data and balance sheet data for the 1st half year and the 3rd quarter of a year. As far as the end of a waiting period falls into an exercise period, this exercise period ends with the tenth stock exchange work day after the end of this waiting period.

The exercise price corresponds to the closing price of the Rücker AG stock at the Frankfurt Stock Exchange, Prime Standard, on the day of the granting of the option right by conclusion of the option rights contract, plus a premium of 5.0 % as performance goal. Differing from this corresponds the exercise price for option rights issued before exchange market listing to the initial offering price at introduction of the Rücker AG stock into the Frankfurt Stock Exchange, New Market, plus a premium of 10.0 % as performance goal.

The following table shows the stock development of the outstanding option rights during the financial year 2005:

| | Number of option rights for stocks of Rücker AG | Average exercise price EUR |
|---|---|---|
| Stock as at January 1, 2005 | 473,408 | 10.91 |
| Exercised during financial year 2005 | 1,200 | 3.00 |
| Forfeited during financial year 2005 | 37,125 | 9.51 |
| **Stock as at December 31, 2005** | **435,083** | **11.05** |

During the years 2003 and 2004 no further option rights were granted.

The following table shows the allocated options as at December 31, 2005:

| | Options in pieces | Exercise price in EUR |
|---|---|---|
| Accounted for the year 2000 | 208,216 | 22.00 |
| Accounted for the year 2001 | 214,550 | 6.72 |
| Accounted for the year 2002 | 188,534 | 3.00 |
| **Stock as at December 31, 2005** | **611,300** | |
| of which | | |
| - forfeited | 175,017 | |
| - exercised | 1,200 | |
| **Stock as at December 31, 2005** | **435,083** | |

**Market Value Establishment according to the Black-Scholes-Option Price Model**

| | **As at 2002** |
|---|---|
| Risk free investment rate of interest | 5.0 % |
| Expected dividend yield | 1.6 % |
| Expected volatility | 57.9 % |
| Expected term | 42 months |
| Market value (fair value) | EUR 1.04 |

**The distribution of expenses for stock options 2002 was made over 2 ½ years** (Qualifying period).

| | | |
|---|---|---|
| Accounted for 2003 | 73 | kEUR |
| Accounted for 2004 | 53 | kEUR |
| Accounted for 2005 | 15 | kEUR |
| **Total Sum** | **141** | **kEUR** |

During the Financial Year 2005 1,200 pieces stock options were exercised from the accounting of 2002, the share price was EUR 5.35 on the exercise date.

## D – Principles of Consolidation and Consolidated Group

### Principles of Consolidation

The consolidated financial statements comprise the annual financial statements of Rücker Aktiengesellschaft and its subsidiaries.

The **capital consolidation** is made under application of the acquisition method. A resulting difference on the assets side will be, as far as possible, attributed to the acquired assets. A further difference will be disclosed as goodwill. According to IFRS 1, the goodwill as at December 31, 2003 from the previous US-GAAP consolidated financial statements are taken into the IFRS opening balance sheet as at January 1, 2004. Since the goodwill is disclosed in the respective national currency the consolidation causes minor differences between the IFRS and the formerly applied US Generally Accepted Accounting Principles (US-GAAP). The adopted goodwill values were subject to an impairment test.

The **consolidation of debt** is made according to IFRS. Within the consolidated statement of profit and loss the expenses and the income are disclosed after the setting off of inter group processes.

With occurring profits between group companies the **intermediate results** are eliminated and deferred taxes are calculated on these.

**Currency Translation**

*Transactions and reserves in foreign currency*

Transactions in foreign currency are translated at the current market price at the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the current market price at balance sheet date. Translation differences from the translation of balance sheet items are recorded within the statement of profit and loss.

*Annual financial statements of foreign participations*

The functional currency of all foreign subsidiaries is the respective national currency.

The translation of foreign, not Euro-based financial statements, was made as follows:

The shares in consolidated companies and the equity capital are capitalized at historic prices, all other assets, the provisions and liabilities as well as accruals and deferrals are capitalized at the respective market price on reporting day. Income and expenses are translated at the annual average market price. Resulting translation differences are disclosed under a separate item within the shareholders´ capital.

The exchange rates of important currencies as compared to the Euro changed as follows:

| 1 EUR | | Closing Rate | | Average Rate | |
|---|---|---|---|---|---|
| | | 12/31/2005 | 12/31/2004 | 12/31/2005 | 12/31/2004 |
| Switzerland | CHF | 1.555100 | 1.542900 | 1.548300 | 1.543800 |
| China | CNY | 9.547500 | 11.262700 | 10.198100 | 10.304700 |
| Czech Republic | CZK | 29.000000 | 30.464000 | 29.781800 | 31.891000 |
| Mexico | MXP | 12.605000 | 15.188100 | 13.564700 | 14.028200 |
| Poland | PLN | 3.860000 | 4.084500 | 4.023100 | 4.526800 |
| Brazil | BRL | 2.751500 | 3.615810 | 3.036700 | 3.637395 |
| Sweden | SEK | 9.388500 | 9.020600 | 9.282100 | 9.124300 |
| Slovakia | SKK | 37.880000 | 38.745000 | 38.599000 | 40.022000 |
| USA | USD | 1.179700 | 1.362100 | 1.244100 | 1.243900 |

**Consolidated Group**

In the following there is a survey of all material majority owned subsidiaries of Rücker AG. The participations are percentagewise as follows:

| Company | Corporate Seat | Capital share in % |
|---|---|---|
| Rücker GmbH | Wiesbaden, Germany | 100.0 |
| Rücker Akademie | Wiesbaden, Germany | 100.0 |
| Rücker EKS GmbH | Weingarten, Germany | 53.1 |
| Rücker Aerospace GmbH | Hamburg, Germany | 100.0 |
| VR-Leasing Malakon GmbH & Co Immo. KG | Eschborn, Germany | 85.0 |
| Rücker do Brasil Ltda. | Sao Bernardo do Campo,Brazil | 100.0 |
| Rücker Vehicle Design (Shanghai) Co.,Ltd. | Shanghai, China | 100.0 |
| Rücker France SARL | Toulouse, France | 100.0 |
| Rücker Italia S.R.L. | Robassomero, Italy | 100.0 |
| Star Design de Mexico S.A. de C.V. | Mexico City, Mexico | 100.0 |
| Rücker Ges. m.b.H. | Graz, Austria | 100.0 |
| Wolfgang Rücker Ges. m.b.H. | Vienna, Austria | 100.0 |
| Rücker Polska Sp.z oo. | Warsaw, Poland | 100.0 |
| Rücker Nord AB | Gothenborg, Sweden | 100.0 |
| Rücker GmbH | Arbon, Switzerland | 100.0 |
| Rücker SR spol. s r.o. | Bratislava, Slovakia | 100.0 |
| Rücker Lypsa S.L. | Barcelona, Spain | 100.0 |
| Rücker CR spol. S r.o. | Mlada Boleslav, Czech Republic | 100.0 |
| Star Design of Alabama Inc. | Birmingham, USA | 100.0 |
| Silver – AeroSpace B.V. | Haarlem, The Netherlands | 80.0 |
| Incat Aircraft Design B.V. | Haarlem, The Netherlands | 80.0 |

Silver - AeroSpace B.V. and Incat Aircraft Design B.V. were acquired on April 8, 2005. On December 1, 2005 all assets and liabilities of Incat Aircraft Design B.V. were transferred to Silver - AeroSpace B.V. by means of an asset deal.

**Subsidiaries of subordinate importance included at acquisition cost**

| | | |
|---|---|---|
| Star Design (UK) Ltd. | Cambridge, Great Britain | 99.9 |
| Rücker Korea Ltd. | Inchon, South Korea | 90.0 |
| PGP Cabin Production Group GmbH | Hamburg, Germany | 100.0 |

The subsidiaries included at acquisition cost are immaterial for the presentation of the net worth, the financial and income situation of the group.

The Rücker Training spol. s r.o. was liquidated and removed from the register on September 1, 2005.

On October 10, 2005 the shares in Rücker Korea were bought back so that the participation is now 90 %.

Rücker GmbH and Rücker Aerospace GmbH call upon the exemption to publish annual financial statements in accordance with § 264 para. 3 HGB.

## E- Main Effects from the Conversion to IFRS

A transition of the US-GAAP balance sheet as at January 1, 2004 and December 31, 2004 to IFRS is on page 29. The transition of the US-GAAP statement of profit and loss for the financial year 2004 to IFRS is on page 30. From the transitional calculations the mere reclassifications and the effects of the conversion can be seen separately.

In the process of preparing the IFRS opening balance sheet as at January 1, 2004, which is the starting point for the accounting according to IFRS, the company performed the following steps:

- Recognize all assets and liabilities whose recognition is required by IFRSs
- No recognize items as assets or liabilities if IFRSs do not permit such recognition
- Reclassify items that it recognized under US-GAAP as one type of asset, liability or component of equity but are different type of assets, libility or component of equity under IFRSs
- Apply IFRSs in measuring all recognized assets and liabilities

**Exercise of Rights of Election with the First-Time Adoption of IFRS**

IFRS 1 (First-Time Adoption of International Financial Reporting Standard) opens certain rights of election differing from the total retrospective adoption of IFRS within the framework of the preparation of an IFRS opening balance sheet. All changes resulting from the conversion were set off not affecting operating result with the revenue reserves within the IFRS opening balance sheet. With this rights of election were taken as follows:

- Within the IFRS opening balance sheet as at January 1, 2004 the goodwill was taken from the previous US-GAAP consolidated financial statements as at December 31, 2003. The goodwill was examined by an impairment test as to whether a non-scheduled depreciation was necessary. Since the goodwill is disclosed according to IFRS in national currency there are slight differences caused by the consolidation between IFRS and the previously applied US Generally Accepted Accounting Principles (US-GAAP).

- With the conversion of the accounting to IFRS Rücker AG used the exemption regulation of IFRS 1 concerning Employee Benefits so that in the moment of the conversion to IFRS all cumulated actuarial profits and losses were entered not affecting operating result into recognized income and expenses.

- Furthermore Rücker AG used its right of election to dissolve the cumulative translation differences as at January 1, 2004. Future gain or loss on a subsequent disposal of any foreign subsidiaries will not contain currency effects from the time before January 1, 2004, but those which originated after that date.

**Presentation of the Conversion Effects in Detail**

(a) The US-GAAP regulation SFAS 87 “Employee Benefits“ in order to capitalize pension obligations requires the capitalization of an “additional minimum pension liability“ as soon as a certain budgetary deficit is reached. In this connection there is to be capitalized an intangible asset (“intangible pension asset“) in the amount of the not yet result affecting entered expenses for periods of service from changes of plans (“unrecognized prior service cost“). If there are no “unrecognized prior service cost” or if these are not sufficient, the counter entry is to be made within the so called “other comprehensive income“, reduced by the effect of deferred taxes.

Since the regulation of IAS 19 “Employee Benefits“ does not contain the principle of the “additional minimum pension liability“ the intangible asset capitalized under US-GAAP in connection with the pensions assessment in the amount of kEUR 69 was not capitalized under IFRS.

The company entered the cumulated actuarial gains and losses in the amount of kEUR 977 originating from the first time assessment of the pension commitments according to IAS 19 “Employee Benefits“ completely at the moment of conversion to IFRS. Under consideration of the further differences from the assessment according to SFAS 87 and IAS 19.

(b) The conversion effect affecting net income as at January 1, 2004 on page 23 of the notes is as follows:

Changes of pension obligations: kEUR -174

The expenses from stock options resulting from the application of IFRS 2 to previous periods was kEUR 73 as at January 1, 2004.

(c) Further the following figures from qualified insurance contracts were deducted openly from the pension obligations according to IAS 19: As at January 1, 2004 kEUR 2,630, as at December 31, 2004 kEUR 2,846.

By the above mentioned conversion effects the deferred taxes on the asset side increased as at January 1, 2004 by kEUR 124.

(d) The currency reserves disclosed under the reserves not affecting result were set at January 1, 2004 to zero. An amount of kEUR 455 was taken out of the books against the revenue reserves.

(e) With the statement of Profit and Loss (P&L) of the year 2004 according to IFRS reclassifications were made compared to the US-GAAP P&L. These result from the fact that with the transition to the type of expenditure format of the local financial statements estimations were made under US-GAAP on group level, while the IFRS-P&L for the year 2004 may be derived directly from the cost accounting because of the implementation of a new cost accounting system.

# Transition Balance Sheet as at January 1, 2004 and December 31, 2004 from US-GAAP to IFRS

| ‹EUR | Remarks | US-GAAP | Reclassification | Conversion Effects | IFRS | | US-GAAP | Reclassification | Conversion Effects | IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| | | January 1, 2004 | | | | | December 31, 2004 | | | |
| **A S S E T S** | | | | | | | | | | |
| **Non-current Assets** | | | | | | | | | | |
| ntangible Assets | a) | 6,830 | -175 | -69 | 6,586 | | 4,720 | -175 | | 4,54 |
| Goodwill | | 8,982 | | | 8,982 | f) | 8,982 | 0 | 29 | 9,01 |
| Tangible Assets | | 26,519 | 175 | | 26,694 | | 24,912 | 175 | | 25,08 |
| Financial Assets | | 639 | 2 | | 641 | | 468 | 0 | | 46 |
| Deferred Taxes | b) | 5,029 | 903 | 122 | 6,054 | g) | 4,277 | 1,356 | -53 | 5,58 |
| Other Non-current Assets and Prepaid Expenses | | 2,703 | -2,703 | | | | 3,005 | -3,005 | | |
| **Non-current Assets** | | **50,702** | **-1,798** | **53** | **48,957** | | **46,364** | **-1,649** | **-24** | **44,69** |
| **Current Assets** | | | | | | | | | | |
| nventories (Work in Process) | | 635 | 1 | | 636 | | 569 | 0 | | 56 |
| Trade Receivables | | 15,772 | | | 15,772 | | 15,164 | 0 | | 15,16 |
| Other Receivables | | 8,908 | -1,145 | | 7,763 | | 10,727 | -1,142 | | 9,58 |
| Claims on Tax Refund | | 0 | 154 | | 154 | | 0 | 112 | | 11 |
| Securities | | 154 | | | 154 | | 167 | 0 | | 16 |
| Financial Assets / Cash and Cash Equivalents | | 10,233 | | | 10,233 | | 11,434 | 0 | | 11,43 |
| Prepaid Expenses | | | 1,061 | | 1,061 | | | 1,103 | | 1,10 |
| Vorausbezahlte Pensionskosten kurzfr. | | | | | 0 | | | 0 | | |
| Current Deferred Taxes | | 1,235 | -1,235 | | | | 797 | -797 | | |
| **Current Assets** | | **36,937** | **-1,164** | **0** | **35,773** | | **38,858** | **-724** | **0** | **38,13** |
| **Total Assets** | | **87,639** | **-2,962** | **53** | **84,730** | | **85,222** | **-2,373** | **-24** | **82,82** |
| **S H A R E H O L D E R S´ E Q U I T Y A N D L I A B I L I T I E S** | | **US-GAAP** | **Reclassificaton** | **:onversion Effect** | **IFRS** | | **US-GAAP** | **Reclassification** | **:onversion Effect** | **IFRS** |
| **Equity Capital** | | | | | | | | | | |
| Subscribed Capital | | 8,379 | | | 8,379 | | 8,379 | | | 8,37 |
| (8,379,194 individual share certificates with a calculated nominal value of EUR 1.00) | | | | | 0 | | | | | |
| Capital Reserves | | 39,578 | 73 | | 39,651 | | 15,024 | | 126 | 15,15 |
| Own Shares | | -800 | 0 | | -800 | | -800 | | | -80 |
| Recognized Income / Expenses | | -1,052 | 386 | | -666 | | -487 | | 419 | -6 |
| Revenue Reserves | | -14,311 | -459 | -174 | -14,944 | | 6,325 | | -597 | 5,72 |
| | e) | 31,794 | 0 | -174 | 31,620 | | 28,441 | 0 | -52 | 28,38 |
| Equity attrubutable to minority interest | | 20 | | | 20 | | 28 | | | 2 |
| **Shareholders´ Equity** | | **31,814** | | **-174** | **31,640** | k) | **28,469** | **0** | **-52** | **28,41** |
| **Non-current Liabilities** | | | | | | | | | | |
| Non-current Bank Liabilities and Other Financial Liabilities | | 9,754 | 925 | | 10,679 | | 9,582 | 617 | | 10,19 |
| Non-current Finance Leasing Liabilities | | 3,273 | | | 3,273 | | 3,178 | 0 | | 3,17 |
| Provision for Pensions | c) | 5,271 | -2,630 | 225 | 2,866 | h) | 5,797 | -2,934 | 64 | 2,92 |
| Government Grants | | | | | 0 | | | 63 | | 6 |
| Provisions for Taxes on Income Non-current | | | 21 | | 21 | | | 0 | | |
| Other Non-current Provisions | | 943 | -833 | | 110 | | 683 | -154 | | 52 |
| Liabilites on Deferred Taxes according to IAS 12 | d) | 499 | 754 | 2 | 1,255 | i) | 144 | 1,065 | -38 | 1,17 |
| **Non-current Liabilities** | | **19,740** | **-1,763** | **227** | **18,204** | | **19,384** | **-1,343** | **26** | **18,06** |
| **Current Liabilites** | | | | | | | | | | |
| Current Bank Liabilities and Other Financial Liabilities | | 8,964 | | | 8,964 | | 9,076 | 0 | | 9,07 |
| Current Finance Leasing Liabilities | | 2,300 | | | 2,300 | | 1,508 | 0 | | 1,50 |
| Trade Payables | | 4,652 | 629 | | 5,281 | j) | 5,285 | 1,207 | 1 | 6,49 |
| Other Liabilities | | 6,736 | 7,090 | | 13,826 | | 8,072 | 8,013 | | 16,08 |
| Liabilities from Taxes on Income | | 1,342 | -168 | | 1,174 | | 698 | 12 | | 71 |
| Current Provisions | | 11,005 | -9,370 | | 1,635 | | 12,152 | -10,130 | | 2,02 |
| Other Commitments | | | 1,380 | | 1,380 | | | 0 | | |
| Current Provisions for Deferred Taxes | | 1,086 | -1,086 | | 0 | | 506 | -506 | | |
| Payables to Affiliated Companies | | | | | 0 | | 72 | -72 | | |
| Deferred Charges | | | 326 | | 326 | j) | | 446 | 1 | 44 |
| **Total Current Liabilities** | | **36,085** | **-1,199** | **0** | **34,886** | | **37,369** | **-1,030** | **2** | **36,34** |
| **Total Shareholders´ Equity and Liabilities** | | **87,639** | **-2,962** | **53** | **84,730** | | **85,222** | **-2,373** | **-24** | **82,82** |

a) - 69 kEUR Intangible Assets from pensions not in IFRS
b) + 122 kEUR Deferred taxes for pensions since there is no add. min. liabilitiy in IFRS
c) + 225 kEUR Personnel provision obligations according to IFRS under balancing out of asset value
d) + 2 kEUR Deferred taxes on debt consolidation / was not calculated in US-GAAP
e) - 174 kEUR Sum of all effects

f) + 29 kEUR since goodwill is maintained in local currency
g) - 53 kEUR deferred taxes since there is no add. min. liabilitiy in IFRS
h) + 64 kEUR from increased personnel provision obligations
i) - 38 kEUR deferred taxes on personnel provision obligations
j) 1 kEUR + 1 kEUR Rounding difference
k) - 52 kEUR Sum of all effects

# Transition P&L as at December 31, 2004 from US-GAAP to IFRS

| kEUR | Remarks | US-GAAP | Reclass. | Conversion Effects | IFRS |
|---|---|---|---|---|---|
| Sales | | 137,965 | 0 | 0 | 137,965 |
| Cost of Sales | | -118,165 | 3,204 | 0 | -114,961 |
| **Gross Profit** | | **19,800** | **3,204** | **0** | **23,004** |
| Other Operating Income | | 0 | 3,727 | 0 | 3,727 |
| Research and Development | | -43 | -39 | 0 | -82 |
| Distribution Expenses | | -4,262 | -1,468 | 0 | -5,730 |
| Administration Expenses | (a) | -18,498 | -1,428 | 91 | -19,835 |
| Other Expenses | | 0 | -1,746 | 0 | -1,746 |
| Depreciation of Goodwill | | -3 | 0 | 0 | -3 |
| Other Income and Expenses | | 2,468 | -2,468 | 0 | 0 |
| **Operating Result** | | **-538** | **-217** | **91** | **-665** |
| Financial Result | | -2,963 | 217 | 0 | -2,746 |
| **Result before Taxes on Income** | | **-3,501** | **0** | **91** | **-3,411** |
| Income Taxes | (b) | -420 | 0 | -54 | -474 |
| **Group Loss for the Year** | | **-3,921** | **0** | **37** | **-3,885** |
| of which | | | | | |
| - Losses attributable to shareholders of parent company | | -3,918 | 0 | 37 | -3,882 |
| - Losses attributable to minority shareholders | | -3 | 0 | 0 | -3 |

**a) 144 kEUR - 53 kEUR = 91 kEUR**

- o 144 kEUR lower pension costs because of actuarial expertise and resulting higher deferred taxes
- o -53 kEUR Expenses from Stock Option 2004

**b) -54 kEUR**

- o -54 kEUR Share of deferred taxes on 144 kEUR lower pension costs

## F – Explanations Balance Sheet

### A 1 Intangible Assets

The purchase price for the group company Silver - AeroSpace B.V. acquired during the financial year was paid by the transfer of cash and by debt assumption. With this a goodwill was created of kEUR 637 which was amortized during the financial year 2005. This company added to the consolidated sales with kEUR 1,471. Because of the integration of the field services, the distribution and the controlling within our companies an operating result of the acquired business cannot be determined for factors inherent in the system. Therefore a separate disclosure is impossible.

With the determination of the fair value of the goodwills the company has to make material estimations on the number of years of future cash flows and of the discount rate of future periods. The number of years of future cash flows and the discount rate were established on the base of relevant market data. The planned sales and expenses are based on the company's budgets. Should the actual results differ from the estimated values or should the estimations made be changed in future periods material effects on the operating result of the group may occur.

No need to adjust the goodwills was identified by the impairment tests as at January 1, 2004 and December 31, 2004.

The impairment test as at December 31, 2005 showed a need to depreciate the goodwill of Silver - AeroSpace B.V, acquired in the year 2005, in the amount of kEUR 637.

The goodwill, classified according to subsidiaries, was:

| | **2005** | **2004** |
|---|---|---|
| Rücker Nord AB | 4,290 | 4,464 |
| Rücker Lypsa | 4,547 | 4,547 |
| | **8,837** | **9,011** |

The change of goodwill of Rücker Nord results from differences from currency translation.

### A 2 Tangible Assets

The tangible assets are valued at cost of acquisition or production less scheduled depreciation according to the straight line method during the total estimated effective life of the assets. The real estate is not being held as financial investment.

The scheduled depreciation is based on the following economic life:

25 years for buildings, three to 20 years for furnitures and fixtures.

### A 1 + A 2 Impairment of Assets

During the financial year 2005 no events or changed circumstances occurred, except for the above mentioned depreciation of the goodwill of Silver - AeroSpace B.V., pointing to the occurrence of unscheduled impairment of assets.

### A 3 Financial Assets

| | **2005** | **2004** |
|---|---|---|
| Lendings to related parties | 1,015 | 0 |
| Available-for-sale securities | 72 | 349 |
| Shares in affiliated companies, not consolidated | 148 | 119 |
| Lendings to third parties | 87 | 0 |
| | **1,322** | **468** |

## Consolidated Fixed Asset Movement Schedule

| | Cost of Acquisition and Production | | | | | | |
|---|---|---|---|---|---|---|---|
| | As at 01/01/2005 | Additions Consoli-dated Group | Additions | Disposals | Reclassifi-cation | Currency Effect | As at 31/12/2005 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| *1. Acquired and produced Software* | 17,190 | 382 | 1,915 | 3,240 | 145 | 208 | 16,600 |
| *2. Goodwill* | 18,647 | 637 | 0 | 0 | 0 | 539 | 19,823 |
| **A1 Intangible Assets** | 35,837 | 1,019 | 1,915 | 3,240 | 145 | 747 | 36,423 |
| *1. Land, Leasehold Rights and Buildings* | 14,041 | 0 | 0 | 0 | 66 | 79 | 14,186 |
| *2. Technical Equipment and Machinery* | 2,355 | 0 | 177 | 603 | -29 | 19 | 1,919 |
| *3. Other Equipment, Fixtures Fittings and Equipments* | 31,061 | 426 | 5,120 | 3,266 | -182 | 238 | 33,397 |
| *4. Machinery under Construction* | 0 | 0 | 80 | 1 | 0 | 0 | 79 |
| **A2 Tangible Assets** | 47,457 | 426 | 5,377 | 3,870 | -145 | 336 | 49,581 |
| *1. Loans* | 0 | 0 | 1,101 | 0 | 0 | 1 | 1,102 |
| *2. Available-for-sale Securities* | 414 | 0 | 0 | 313 | 0 | 0 | 101 |
| *3. Shares in Affiliated Companies* | 119 | 0 | 29 | 0 | 0 | 0 | 148 |
| **A3 Financial Assets** | 533 | 0 | 1,130 | 313 | 0 | 1 | 1,351 |
| **Total** | 83,827 | 1,445 | 8,422 | 7,423 | 0 | 1,084 | 87,355 |

| | Cumulated Depreciation | | | | | | | | Book Values | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01/01/2005 | Additions Consoli-dated Group | Additions | Disposals | Revalua-tion not affecting Result | Reclassifi-cation | Currency Effect | As at 31/12/2005 | 31/12/2005 | 31/12/2004 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| *1. Acquired and produced Software* | 12,470 | 116 | 2,199 | 2,994 | 0 | 132 | 165 | 12,088 | 4,512 | 4,545 |
| *2. Goodwill* | 9,636 | 0 | 637 | 0 | 0 | 0 | 713 | 10,986 | 8,837 | 9,011 |
| **A1 Intangible Assets** | 22,106 | 116 | 2,836 | 2,994 | 0 | 132 | 878 | 23,074 | 13,349 | 13,556 |
| *1. Land, Leasehold Rights and Buildings* | 2,347 | 0 | 383 | 0 | 0 | 31 | 60 | 2,821 | 11,365 | 11,694 |
| *2. Technical Equipment and Machinery* | 1,521 | 0 | 200 | 591 | 0 | -14 | 16 | 1,132 | 787 | 753 |
| *3. Other Equipment, Fixtures Fittings and Equipments* | 18,677 | 264 | 4,608 | 2,872 | 0 | -149 | 173 | 20,701 | 12,696 | 12,465 |
| *4. Machinery under Construction* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 79 | 175 |
| **A2 Tangible Assets** | 22,545 | 264 | 5,191 | 3,463 | 0 | -132 | 249 | 24,654 | 24,927 | 25,087 |
| *1. Loans* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,102 | 0 |
| *2. Available-for-sale Securities* | 65 | 0 | 0 | 0 | 36 | 0 | 0 | 29 | 72 | 349 |
| *3. Shares in Affiliated Companies* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 148 | 119 |
| **A3 Financial Assets** | 65 | 0 | 0 | 0 | 36 | 0 | 0 | 29 | 1,322 | 468 |
| **Total** | 44,716 | 380 | 8,027 | 6,457 | 36 | 0 | 1,127 | 47,757 | 39,598 | 39,111 |

### A 5 Inventories

| | 2005 | 2004 |
|---|---|---|
| Work in process not yet invoiced | **1** | **569** |

### A 6 Trade Receivables

Receivables are valued at nominal value less allowance for uncollectibles.

| | 2005 | 2004 |
|---|---|---|
| Gross trade receivables | 23,998 | 15,966 |
| Itemized allowances | -2,949 | -805 |
| General allowance | -12 | -3 |
| Trade receivables from related parties | 0 | 6 |
| | **21,037** | **15,164** |

### A 7 Other Receivables

| | 2005 | 2004 |
|---|---|---|
| Other receivables from third parties | 5,710 | 9,558 |
| Other receivables from related parties | 218 | 2 |
| Other receivables from organ members | 24 | 25 |
| | **5,952** | **9,585** |

### A 10 Financial Assets

| | 2005 | 2004 |
|---|---|---|
| Cash-on-hand | 55 | 76 |
| Bank balances | 9,343 | 5,793 |
| Receivables due at sight from the factor | 2,801 | 5,565 |
| | **12,199** | **11,434** |

### P 1 – P 6 Subscribed Capital

During the financial year 2005 no common shares were issued. The subscribed capital of Rücker Aktiengesellschaft is EUR 8,379,194 as at December 31, 2005. It is divided in 8,379,194 bearer share certificate with no nominal value.

The part of the capital stock attributed to the individual share as at December 31, 2005 is EUR 1.00.

**Authorized Capital**

The authority granted to the executive board with shareholder's resolution of March 27, 2000 to increase the capital stock with the approval of the supervisory board by up to EUR 3,075,000 by the issue of bearer share certificates for contribution in cash or in kind until March 26, 2003, was changed by shareholder's resolution of May 28, 2001. The executive board was authorized to increase the capital stock with the supervisory board's approval by up to EUR 4,066,597 by once or repeated issue of up to 4,066,597 new bearer share certificates for contribution in cash or in kind until March 27, 2006 (Authorized capital). The new shares are meant to be taken up by banks with the commitment to offer them to the shareholders for purchase. However, the executive board is authorized to exempt residual amounts from the shareholders' stock rights. Further is the executive board authorized to exclude the shareholder's stock right in order to

- issue up to 813,319 new bearer share certificates at a price not materially underrunning the stock exchange price of the company's shares at the time of the fixing of the issue prices,

- issue up to 4,066,597 new bearer share certificates in the course of a capital increase for contribution in kind for the purpose of acquisition of new enterprises or invest into enterprises by the company or by a 100 % subsidiary against transfer of shares of the company or

- transfer up to 300,000 new bearer share certificates as employee stocks.

The supervisory board was authorized to change the statutes with respect to the capital increase from approved capital.

The meeting of the supervisory board of December 4, 2000 approved of the planned capital increase of Rücker AG in the amount of EUR 133,194 for contribution in kind of 18.6 % of the shares in Intro GmbH. 32.4 % of the company were acquired against cash.

The executive board of Rücker AG resolved on December 4, 2000, in the course of the authorization according to § 5 para. 1 of the statutes in the version of March 27, 2000 and with the supervisory board's approval of December 4, 2000, to increase the capital stock of the company by EUR 133,194 to EUR 8,133,194 for contribution in kind of the share in Intro GmbH. The transfer of the share in Intro GmbH to Rücker AG was made on November 21, 2000, the entry of the capital increase into the commercial register at the local court Wiesbaden was made on February 21, 2001.

The supervisory board approved of a further planned capital increase of Rücker AG in its meeting of June 29, 2001 in the amount of EUR 246,000 against contribution in kind of 26.5 % of the shares in LYPSA. 73.5 % of the company were acquired against cash.

The executive board of Rücker AG resolved on June 21, 2001, in the course of the authorization according to § 5 para. 1 of the statutes in the version of May 28, 2001 and with the supervisory board's approval of June 29, 2001, to increase the capital stock of the company by EUR 246,000 to EUR 8,379,194 for contribution in kind of the share in Rücker Lypsa.

The contribution in kind was completed the transfer of the shares of LYPSA to Rücker AG on June 12, 2001, the entry of the capital increase into the commercial register was made on September 12, 2001.

The approved capital is now EUR 3,687,403.

**Conditional Capital I**

The special meeting of shareholders on March 27, 2000 resolved a qualified increase of the capital stock by up to EUR 615,000.00 by the issue of up to 615,000 new bearer share certificates. The qualified increase is only performed as far as in the course of the stock option plan Rücker 2000 stock options out of the conditional but unissued capital are being issued and the bearers take them up. For further details we refer to the explanations on the stock option plan. The new shares are entitled to dividend with the start of the financial year in which they are issued. The qualified capital increase served the setup of the stock option plan Rücker 2000.

The resolutions on the approved capital and the qualified capital increase were entered into the commercial register at the local court Wiesbaden on May 10, 2000.

During the financial year 2000 have been issued 208,216, during the financial year 2001 have been issued 214,550 and during the financial year 2002 have been issued 188,534 stock rights according to § 192 para. 2 No. 3 AktG (German Stock Corporation Law) to employees and managers.

**Conditional Capital II and III**

The shareholders' meeting authorized the executive board on May 28, 2001 to issue until May 27, 2006, with the approval of the supervisory board, up to 1,000,000 pieces of warrants without bonds on bearer share certificates of Rücker AG.

Furthermore the executive board was authorized by the shareholders' meeting to issue to the bearer until May 27, 2006 up to 2,000,000 pieces convertible bonds and/or option bonds.

## Transition of Equity Capital as at December 31, 2005

| | Subscribed Capital | | Capital Reserves | Own Shares | Recognized Income and Expenses | Revenue Reserves | Minortiy Interest | Sum Equity |
|---|---|---|---|---|---|---|---|---|
| | Pieces | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **As at December 31, 2003 according to US-GAAP** | **8,379,194** | **8,379** | **39,578** | **-800** | **-1,052** | **-14,311** | **20** | **31,814** |
| Reclassifications | | | | | | | | |
| Elimination of Currency Reserves | 0 | 0 | 0 | 0 | 455 | -455 | 0 | 0 |
| Conversion Effect OCI Pensions US-GAAP | 0 | 0 | 0 | 0 | 479 | -479 | 0 | 0 |
| Conversion Effect Actuarial Gains/Losses Pensions | 0 | 0 | 0 | 0 | -977 | 977 | 0 | 0 |
| Share of Deferred Taxes Actuarial Gains/Losses Pensions | 0 | 0 | 0 | 0 | 391 | -391 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 38 | -38 | 0 | 0 |
| Conversion Effects | | | | | | | | |
| Pensions | 0 | 0 | 0 | 0 | 0 | -174 | 0 | -174 |
| Expenses from Stock Options | 0 | 0 | 73 | 0 | 0 | -73 | 0 | 0 |
| **As at January 1, 2004 according to IFRS** | **8,379,194** | **8,379** | **39,651** | **-800** | **-666** | **-14,944** | **20** | **31,640** |
| Group Profit for the Year | 0 | 0 | 0 | 0 | 0 | -3,882 | -3 | -3,885 |
| Distribution of Capital Reserve | 0 | 0 | -24,554 | 0 | 0 | 24,554 | 0 | 0 |
| Addition of Minority Interest EKS | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 11 |
| Recognized Income / Expenses | | | | | | | | |
| Actuarial Gains/Losses Pensions | 0 | 0 | 0 | 0 | 474 | 0 | 0 | 474 |
| Share of Deferred Taxes Actuarial Profits/Losses Pensions | 0 | 0 | 0 | 0 | -190 | 0 | 0 | -190 |
| Market Valuation of Securities | 0 | 0 | 0 | 0 | 57 | 0 | 0 | 57 |
| Share Deferred Taxes (Securities) | 0 | 0 | 0 | 0 | -19 | 0 | 0 | -19 |
| Difference Amount from Currency Translation | 0 | 0 | 0 | 0 | 276 | 0 | 0 | 276 |
| Other Changes | | | | | | | | |
| Expenses from Stock Options | 0 | 0 | 53 | 0 | 0 | 0 | 0 | 53 |
| **As at December 31, 2004** | **8,379,194** | **8,379** | **15,150** | **-800** | **-68** | **5,728** | **28** | **28,417** |
| Group Profit for the Year | 0 | 0 | 0 | 0 | 0 | 1,592 | 74 | 1,666 |
| Recognized Income / Expenses | | | | | | | | |
| Market Valuation of Securities | 0 | 0 | 0 | 0 | 36 | 0 | 0 | 36 |
| Share Deferred Taxes (Securities) | 0 | 0 | 0 | 0 | -13 | 0 | 0 | -13 |
| Actuarial Gains/Losses Pensions | 0 | 0 | 0 | 0 | -1,232 | 0 | 0 | -1,232 |
| Share of Deferred Taxes Actuarial Gains/Losses Pensions | 0 | 0 | 0 | 0 | 495 | 0 | 0 | 495 |
| Difference Amount from Currency Translation | 0 | 0 | 0 | 0 | -101 | 0 | 0 | -101 |
| **Other Changes** | | | | | | | | |
| Expenses Employees Stock Options | 0 | 0 | 15 | 0 | 0 | 0 | 0 | 15 |
| Reclassification of Minority Intrest, Silver - AeroSpace B.V.* | 0 | 0 | 0 | 0 | 0 | -159 | 0 | -159 |
| Servicing of Employee Stock Options from Own Shares | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 4 |
| Loss from Disposal of Own Shares Reclassified into Capital Reserve | 0 | 0 | -12 | 12 | 0 | 0 | 0 | 0 |
| **As at December 31, 2005** | **8,379,194** | **8,379** | **15,153** | **-784** | **-883** | **7,161** | **102** | **29,128** |

* The negative minority intrest resulting from the consolidation of Silver - AeroSpace B.V. must not be disclosed under minorities, but has to be set off against the group shareholders´ equity.

**Recognized Income and Expenses**

The components of the recognized income and expenses are as follows:

| | Currency | Pensions | Securities | Sum |
|---|---|---|---|---|
| **As at December 31, 2003 according to US-GAAP** | **-455** | **-479** | **-118** | **-1,052** |
| Dissolving of currency reserves | 455 | | | 455 |
| Conversion effect of Pensions | | 479 | | 479 |
| Actuarial gains/losses from pensions (gross) | | -977 | | -977 |
| - on which deferred taxes | | 391 | | 391 |
| Others | | | 38 | 38 |
| **As at January 1, 2004 according to IFRS** | **0** | **-586** | **-80** | **-666** |
| Difference from currency translation | 276 | | | 276 |
| Actuarial gains/losses from pensions (gross) | | 474 | | 474 |
| - on which deferred taxes | | -190 | | -190 |
| Market valuation of securities (gross) | | | 57 | 57 |
| - on which deferred taxes | | | -19 | -19 |
| **As at December 31, 2004 according to IFRS** | **276** | **-302** | **-42** | **-68** |
| Difference from currency translation | -101 | | | -101 |
| Actuarial gains/losses from pensions (gross) | | -1,232 | | -1,232 |
| - on which deferred taxes | | 495 | | 495 |
| Market valuation of securities (gross) | | | 36 | 36 |
| - on which deferred taxes | | | -13 | -13 |
| **As at December 31, 2005** | **175** | **-1,039** | **-19** | **-883** |

**P 7 Long Term Bank Liabilities and Other Financial Liabilities**

| | 2005 | 2004 |
|---|---|---|
| Lendings from banks | 10.886 | 9.582 |
| Lendings from third parties | 1.028 | 617 |
| Leasing liabilities intangible assets | 22 | 36 |
| Leasing liabilities tangible assets and real estate | 2.728 | 3.142 |
| | **14.664** | **13.377** |

**P 13 Short Term Bank Liabilities and Other Financial Liabilities**

| | 2005 | 2004 |
|---|---|---|
| Lendings from banks | 8,561 | 9,076 |
| Leasing liabilities intangible assets | 35 | 202 |
| Leasing liabilities tangible assets and real estate | 1,667 | 1,306 |
| Lendings from third parties | 663 | 0 |
| | **10,926** | **10,584** |

| **Maturity of long term bank liabilities and other financial liabilities** | **2005** | **2004** |
|---|---|---|
| Year n + 2 | 3,618 | 2,376 |
| Year n + 3 | 1,946 | 1,730 |
| Year n + 4 | 1,184 | 1,287 |
| Year n + 5 | 1,123 | 900 |
| Subsequent years | 6,793 | 7,084 |
| | **14,664** | **13,377** |

| **Maturity of long term leasing liabilities** | **2005** | **2004** |
|---|---|---|
| Year n + 2 | 1,302 | 1,193 |
| Year n + 3 | 617 | 742 |
| Year n + 4 | 284 | 382 |
| Year n + 5 | 356 | 316 |
| Subsequent years | 191 | 545 |
| | **2,750** | **3,178** |

Among the lendings from banks (short and long term) there is a credit for real estate in the amount of kEUR 7,273, repayable in monthly installments of kEUR 65 and at an interest rate of 5.27 % per year.

Furthermore there is among the lendings from banks an interest subsidized investment loan with a final maturity in the year 2008 and an interest rate of 5,12 % per year and in the amount of kEUR 486.

For the bank lendings the group gave the following collateral:

- Negative pledge of Rücker AG with regard to pledge and sale of shares in Rücker GmbH
- Pledge of shares in Rücker Akademie GmbH by Rücker AG
- First mortgages in a total amount of EUR 1.7 million on two pieces of land
- Encumbered registered land charge in a total amount of EUR 9.0 million on one piece of land.

## P 8 Pension Obligations

The Pension Obligations are transitioned as follows:

| | 2005 | 2004 |
|---|---|---|
| As at the end of period | 7,252 | 5,773 |
| Plan assets according to IAS 19 | -2,764 | -2,846 |
| **Pension Obligations** | **4,488** | **2,927** |

### Changes of Pension Obligations

| | 2005 | 2004 |
|---|---|---|
| As at the beginning of the period under report (DBO) | 5,773 | 5,489 |
| Current service cost (incl. interest) | 464 | 822 |
| Performance paid with plans without disp. assets | -217 | -64 |
| Actuarial losses (pr.y. profits) | 1,232 | -474 |
| **As at the end of period** | **7,252** | **5,773** |

The pension benefits are secured by life-insurance policies. The expected interest corresponds to the minimum interest stated by the insurance company.

### Personnel Provision Expenses within the Income Statement

| | 2005 | 2004 |
|---|---|---|
| Current service cost | 165 | 373 |
| Interest expenses (contained within the interest income) | 299 | 296 |
| Amortization of: | | |
| Unrecognized service cost to be calculated subsequently | 0 | 153 |
| **Personnel Provision Expenses incl. Income and Refunds** | **464** | **822** |

### Actuarial Information

| | 2005 | 2004 |
|---|---|---|
| Discount rate | 4.25 % | 5.25 % |
| Increase of current pensions | 1.50 % | 2.00 % |
| Calculation base: Guideline tables | 2005 G | 1998 |
| Remuneration trend | 1.50 % | 1.50 % |

| | 2005 | 2004 |
|---|---|---|
| Active members | 137 | 178 |
| Candidates already retired | 90 | 74 |
| Persons on old age pension | 36 | 31 |

**The Pension Payments have the following Maturities:**

| | |
|---|---|
| Year 2006 | 141 |
| Year 2007 | 145 |
| Year 2008 | 147 |
| Year 2009 | 261 |
| Year 2010 to 2015 | 1,783 |
| | **2,477** |

**P 11 + P 18 Provisions and Accruals**

**P 11 Long Term Provisions**

| | 2005 | 2004 |
|---|---|---|
| Reserve for anticipated losses related to incomplete contracts | 0 | 62 |
| Other provisions | 1 | 1 |
| Provisions for employees | 464 | 466 |
| | **465** | **529** |

**P 18 Short Term Provisions**

| | 2005 | 2004 |
|---|---|---|
| Reserve for risks of litigation | 198 | 59 |
| Provisions for guarantees and liabilities | 0 | 34 |
| Other provisions | 405 | 1,929 |
| | **603** | **2,022** |

## Survey of Provisions and Accruals

| | As at 01/01/2005 | Addition | Retransfer | Consumption / Usage | Currency Effect | As at 31/12/2005 | Due within 1 Year | Due after 1 to 5 Years | Due after 5 Years |
|---|---|---|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Provisions for onerous Contracts | 62 | 0 | 9 | 52 | 0 | 1 | 0 | 1 | 0 |
| Other Provisions | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| Provisions and Accruals for Employees | 466 | 13 | 0 | 2 | -14 | 463 | 0 | 343 | 120 |
| **Non-current Provisions** | 529 | 13 | 9 | 54 | -14 | 465 | 0 | 345 | 120 |
| Provisions for Risks of Litigation | 59 | 120 | 0 | 0 | 19 | 198 | 198 | 0 | 0 |
| Provisions for Guarantee and Liability Commitments | 34 | 0 | 35 | 0 | 1 | 0 | 0 | 0 | 0 |
| Other Provisions | 1,929 | 461 | 462 | 1,579 | 56 | 405 | 405 | 0 | 0 |
| **Current Provisions** | 2,022 | 581 | 497 | 1,579 | 76 | 603 | 603 | 0 | 0 |

## P 14 Trade Payables, Short Term

| | 2005 | 2004 |
|---|---|---|
| Trade payables | 3,813 | 4,821 |
| Trade payables due to affiliated companies | 142 | 72 |
| Liabilities for outstanding invoices | | |
| - for shareholders' meeting | 50 | 50 |
| - for other outstanding invoices | 1,066 | 1,303 |
| - for year-end works | 235 | 247 |
| Trade payables due to related parties | 89 | 0 |
| | **5,395** | **6,493** |

## P 15 Other Liabilities, Short Term

| | 2005 | 2004 |
|---|---|---|
| Other liabilities to third parties | 3,652 | 2,988 |
| Liabilities other taxes | 4,332 | 4,931 |
| Other liabilities to employees, other | 392 | 453 |
| Other liabilities to employees – vacation | 1,506 | 1,357 |
| Other liabilities to employees – profit sharing | 2,700 | 1,771 |
| Other liabilities to employees – overtime | 2,048 | 1,793 |
| Other liabilities to employees – indemnities | 169 | 626 |
| Other liabilities from social security | 2,681 | 2,166 |
| Other liabilities to related parties | 16 | 0 |
| | **17,496** | **16,085** |

**A 4 + P 12**

Deferred taxes are capitalized for temporary differences between tax balance sheet and IFRS-balance sheet, as well as for accumulated losses brought forward.

**The Deferred Taxes on the Asset Side and on the Liabilities Side are attributed to the following Balance Sheet Items:**

| **Deferred Taxes** | Deferred | Accrued | Net |
|---|---|---|---|
| Intangible assets | 349 | 142 | 207 |
| Tangible assets | 316 | 1,928 | -1,612 |
| Other financial assets | 0 | 12 | -12 |
| Inventories | 12 | 619 | -607 |
| Trade receivables | 215 | 0 | 215 |
| Non-current bank liabilities and other Financial liabilities | 1,087 | 0 | 1,087 |
| Pension obligations | 1,039 | 0 | 1,039 |
| Non-current provisions | 0 | 283 | -283 |
| Current bank liabilities and other Financial liabilities | 615 | 0 | 615 |
| Trade payables | 20 | 20 | 0 |
| Other liabilities | 166 | 0 | 166 |
| Current provisions | 35 | 0 | 35 |
| Deferred income | 3 | 0 | 3 |
| Tax loss carry forward | 3,994 | 0 | 3,994 |
| **Subtotal** | **7,851** | **3,004** | **4,847** |
| of which can be set off | -1,819 | -1,819 | 0 |
| **Total** | **6,032** | **1,185** | **4,847** |

As at December 31, 2005 there are tax loss carry forwards in the amount of about EUR 10.8 million, which can be set off unlimitedly with future taxable profits and which lead to deferred taxes in the amount of kEUR 3,994.

For existing further loss carry forwards of EUR 9.3 million currently not usable because of the structure of the company for tax purposes no deferred taxes are taken into consideration.

**Transition of Deferred Taxes from the Expected to the Actual Tax Expenditures**

| | | |
|---|---|---|
| Profit or loss before taxes | | 3,530 |
| Expected taxes | | 1,413 |
| Taxation differences foreign countries | -201 | |
| Effects of depreciation of goodwill | 255 | |
| Tax free income | -50 | |
| Nondeductible expenses for tax purposes | 70 | |
| Changes of valuation adjustments on deferred taxes on the asset side | 605 | |
| Others | -228 | 451 |
| | | **1,864** |

**Litigations and Claims for Damages**

Risks from already commenced tax audits of subsidiaries are, as far as currently assessable, sufficiently provided for.

Additionally the company leads in the course of the normal business operation further litigations. The executive board assumes that these litigations probably do not cause material effects on the financial situation or the consolidated result beyond the provided amounts.

## G – Explanations on the P&L

### Preparation According to Type of Expenditure Format

Personnel expenses and cost of materials as well as amortizations and depreciations which would have to be disclosed in a statement of profit and loss classified according to the type of expenditure format are shown in the following table:

| | **2005** | **2004** |
|---|---|---|
| Personnel expenses | 97,963 | 89,806 |
| Cost of materials | 2,654 | 1,906 |
| Scheduled amortization and depreciation | 7,390 | 8,193 |
| Non-scheduled amortization and depreciation | 637 | 3 |

### In the Cost of Sales Accounting Format the above Items are stated as follows:

| | **2005** | **2004** |
|---|---|---|
| **Total personnel expenses** | **97,963** | **89,806** |
| of which in cost of sales line G 2 | 88,144 | 78,729 |
| of which in distribution expenses line G 5 | 1,868 | 2,269 |
| of which in administrative expenses line G 6 | 7,951 | 8,808 |
| **Cost of materials in cost of sales line G 2** | **2,654** | **1,906** |
| **Scheduled amortization and depreciation** | **7,390** | **8,193** |
| of which in cost of sales line G 2 | 5,925 | 6,215 |
| of which in distribution expenses line G 5 | 39 | 39 |
| of which in administrative expenses line G 6 | 1,426 | 1,939 |
| **Non-scheduled amortization and depreciation line G 8** | **637** | **3** |

The breakdown according to intangible assets and tangible assets is shown within the group fixed asset movement schedule.

### G 1 Sales

Income from service transactions were capitalized regarding their degree of completion as at balance sheet date according to IAS 18. The result from these transactions is:

a) The amount of income can be measured reliable

b) It is probable that economic benefits associated with the transaction will flow to the enterprise

c) The stage of completion of the transaction is reliably determined

d) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In the following there is a survey of the main customers the company achieves more than 10 % of the sales with each:

| | 2005 | 2004 |
|---|---|---|
| Customer A | 40,767 | 29,537 |
| Customer B | 22,643 | 22,783 |
| Customer C | 21,665 | 19,589 |
| Other customers | 70,527 | 66,056 |
| | **155,602** | **137,965** |

**G 3 Other Income**

| | 2005 | 2004 |
|---|---|---|
| Rental income | 2,033 | 529 |
| Cost transfer trainings | 660 | 0 |
| Income from bonuses from public authorities | 459 | 210 |
| Income from the dissolution of provisions | 506 | 671 |
| Income from exchange rates | 252 | 102 |
| Profit from the final consolidation | 0 | 224 |
| Others | 1,924 | 1,991 |
| **Total Other Income** | **5,834** | **3,727** |

**G 7 Other Expenses**

| | 2005 | 2004 |
|---|---|---|
| Losses from the sale of fixed assets | 30 | 166 |
| Losses from exchange rates | 328 | 321 |
| Repairs and maintenance | 263 | 386 |
| Other taxes | 548 | 199 |
| Other operating expenses related parties | 1,046 | 406 |
| Others | 365 | 268 |
| **Total Other Expenses** | **2,580** | **1,746** |

### G 9 Financial Results

| | 2005 | 2004 |
|---|---|---|
| Interest income | 122 | 122 |
| Dissolution of valuation allowance for investments | 0 | 53 |
| Exchange differences on financial assets | 1 | 24 |
| **Total Financial Income** | **123** | **199** |

| | 2005 | 2004 |
|---|---|---|
| Losses from the sale of securities | 21 | 30 |
| Exchange differences on financial assets | 47 | 26 |
| Interest expenses for lendings third parties | 1,040 | 855 |
| Interest expenses for pensions IAS 19 | 299 | 296 |
| Interest expenses from leasing | 392 | 417 |
| Other financial expenses | 1,387 | 1,321 |
| **Total Financial Expenses** | **3,186** | **2,945** |
| **Balance Financial Results** | **-3,063** | **-2,746** |

### G 10 Taxes

| | 2005 | 2004 |
|---|---|---|
| Taxes on income | 1,001 | 355 |
| Deferred taxes | 863 | 119 |
| **Total tax expenditures** | **1,864** | **474** |

### Earnings per Share

The following table shows the calculation of the Earnings per share (undiluted and diluted):

| | 2005 | 2004 |
|---|---|---|
| Net profit for the year (pr. y. net loss for the year) available for shareholders (in kEUR) | 1,592 | -3,882 |
| Average number of shares – undiluted – (in pieces) | 8,283,599 | 8,283,566 |
| **Earnings per Share in EUR** | **0,19** | **-0,47** |
| Average number of shares – diluted – (in pieces) | 8,684,849 | 8,283,566 |
| **Earnings per Share in EUR** | **0,18** | **-0,47** |

## H –Segment reporting

The following presentation gives a survey over regionally achieved sales, over the distribution of fixed assets according to locations of the company, the segment liabilities and the depreciation, amortization and valuation adjustments according to segments.

With the primary segment reporting Rücker chose a geographical segmentation in “Euro“ and “Non Euro“, since the management of the group bases on this segmentations. The income from external customers are disclosed from the geographical point of view, if the location of the customer and the location of the asset differ.

The secondary segment reporting bases on divisions. Rücker is divided into three reporting segments: Automotive, Aviation and Others. The segments Automotive and Aviation, the main performers of the group, comprise development services for the automotive and the aviation industries, consisting mainly of two fields of operation: product development and technical design. Apart from that there are development services in connection with electronic components contained. The segment Others comprises activities in the fields environmental simulation, vehicle safety and software as well as training activities. An exception from this segmentation is the Rücker AG which was attributed to the field corporate assets, since the assets are used by several segments.

The valuation of the respective earning power and the attribute of resources are made on the base of the EBIT. All amounts to be eliminated on segment level refer to inter group business transactions. The accounting rules observed by the reporting segments correspond to the methods set forth under the explanations of main accounting and valuation methods.

The primary segment reporting is as follows:

| | **Euro** | **Non Euro** | **Eliminations within the group** | **Group** |
|---|---|---|---|---|
| **Sales according to location of assets as at December 31, 2005** | | | | |
| External sales | 138,329 | 17,273 | | 155,602 |
| Inter group sales | 1,027 | 6,117 | -7,144 | 0 |
| **Segment Sales** | **139,356** | **23,390** | **-7,144** | **155,602** |

| | Euro | Non-Euro | Eliminations within the group | Group |
|---|---|---|---|---|
| **Sales according to location of customers as at December 31, 2005** | | | | |
| External sales | **139,933** | **15,669** | | **155,602** |
| **Segment results according to location of assets as at December 31, 2005** | | | | |
| Operating result | 5,919 | 674 | | 6,593 |
| Financial expenses | | | | -3,063 |
| Tax expenditures | | | | -1,864 |
| Group Results | | | | 1,666 |
| Shareholder | | | | 1,592 |
| Minority share | | | | 74 |
| **Segment assets as at December 31, 2005** | **76,615** | **14,136** | **-4,077** | **86,674** |

**Acquisition Costs of the Period for Tangible Assets and Intangible Assets (Investments) until December 31, 2005**

| | Euro | Non-Euro | Eliminations within the group | Group |
|---|---|---|---|---|
| AC intangible assets | 1,632 | 283 | | 1,915 |
| AC tangible assets | 5,244 | 133 | | 5,377 |
| **Additions Fixed Assets** | **6,876** | **416** | | **7,292** |

Additions in foreign currency are translated at average rate of the year.

| | Euro | Non-Euro | Eliminations within the group | Group |
|---|---|---|---|---|
| **Segment Liabilities as at December 31, 2005** | **54,179** | **7,414** | **-4,047** | **57,546** |
| **Depreciation and Impairments as at December 31, 2005** | | | | |
| Scheduled depreciation | 6,852 | 538 | | 7,390 |
| Non-scheduled depreciation | 637 | | | 637 |
| **Total Depreciation** | **7,489** | **538** | | **8,027** |

**Segmentation According to Divisions – Secondary Segmental Information**

| As at December 31, 2005 | Automotive | Aviation | Other | Group |
|---|---|---|---|---|
| **Segment Sales** | **102,652** | **48,853** | **4,097** | **155,602** |
| **Segment Assets** | 51,462 | 19,421 | 10,912 | 81,795 |
| Not attributed assets | | | | 4,879 |
| **Total Assets** | | | | **86,674** |

**Acquisition Cost of the Period for Tangible Assets and Intangible Assets (Investments)**

| | | | | |
|---|---|---|---|---|
| AC intangible assets | 538 | 1,243 | 60 | 1,841 |
| AC tangible assets | 2,799 | 2,439 | 33 | 5,271 |
| **Additions Fixed Assets** | **3,337** | **3,682** | **93** | **7,112** |
| Not attributed AC | | | | 180 |
| **Total** | | | | **7,292** |

## I – Additional Information

### Related Party Transactions

The chairman of the executive board holds 4,903,115 (58.5 %) of the 8,379,194 issued shares, 1,153,115 (13.8 %) shares of which via a company in his possession. Therefore he has dominating influence on the management of the Rücker group.

To the chairman a commission on guaranty was paid during the financial year 2005 in the amount of kEUR 763 for standing surety for the company during the years 1999 to 2005.

The chairman has let real estate and other assets directly or indirectly to domestic subsidiaries and those abroad during the financial year 2005. The rental expenses and incidental expenses were kEUR 279. A foreign company has other receivables from the real estate company in the amount of kEUR 16 and other liabilities in the amount of kEUR 10.

Furthermore, a company in the possession of the chairman performed services for group companies for which administration cost in the amount of kEUR 264 were incurred, the other liabilities are kEUR 7. Further, there were car usage fees charged in the amount of kEUR 18, of which kEUR 2 were still liabilities at the end of the year. A foreign company extended a loan to a company in the possession of the chairman in the amount of kEUR 202.

A domestic company has other liabilities to the chairman in the amount of kEUR 9.

A foreign company has other receivables from its managers in the amount of kEUR 24.

No sales were achieved during the financial year 2005 with unconsolidated subsidiaries and no other operating income was collected. Other operating expenses in the form of management services were incurred in the amount of kEUR 142.

The Chairman was granted a loan during the financial year 2005 in the amount of kEUR 1,015, term until June 30, 2006. The interest rate is 7% per year, collateral is a depot of 100,000 shares of Rücker AG.

As at December 31, 2005 there were liabilities due to members of the supervisory board in the amount of kEUR 79.

## Contingencies and Other Financial Commitments

### Contingencies

The total sum of all contingencies against third parties was kEUR 7,280 as at December 31, 2005.

### Future Minimum Leasing Payments from Operating Leasing with Outside Third Parties and Not Consolidated Affiliated Companies:

| | **2005** | **2004** |
|---|---|---|
| Year n + 1 | 426 | 208 |
| Year n + 2 | 151 | 85 |
| Year n + 3 | 87 | 21 |
| **Sum of Minimum Leasing Payments** | **664** | **314** |

### Events Subsequent to the Balance Sheet Date

Events subsequent to the balance sheet date which brought new information and affect the financial position of the group at balance sheet date (giving new information on the value of capitalized items) are taken into consideration with the consolidated financial statements. Events subsequent to the balance sheet day which are not to be taken into consideration with the preparation of the consolidated financial statements are presented within the notes and the management report if they are of material importance.

### Interim Financial Reporting (IAS 34)

The balance sheet as at December 31, 2004 given within quarterly reports for purposes of comparison differs from the final one because of subsequent corrections:

There were reclassifications made between individual balance sheet items in order to achieve an IFRS conformal disclosure. Further, actuarial profits and losses from pension obligations existing as at December 31, 2004 in the amount of kEUR 474 resulting from the application of the IAS 19 amendment of December 16, 2004 were set off against the shareholders' equity not affecting operating result.

**Number of Employees**

The average number of employees is comprised as follows:

| | 2005 | 2004 |
|---|---|---|
| Employees | 2,132 | 1,903 |
| Managerial employees | 89 | 99 |
| **Total** | **2,221** | **2,002** |

**Executive Board**

The executive board is comprised as follows:

Wolfgang Rücker, merchant, Wiesbaden
- Director operative business (chairman) -

Jürgen Vogt, master's degree in business administration, Wiesbaden
- Director finance and accounting -

Authorized to represent the company are both directors jointly or together with an authorized representation.

**IAS 24.16 Statement on Remuneration of Members of the Management in Key Positions**

**Remuneration of the Management**

| | 2005 | 2004 |
|---|---|---|
| Salaries and other short term benefits | 739 | 738 |
| Benefits after the end of the employment relationship | 256 | 284 |
| **Total** | **995** | **1,022** |

**Supervisory Board**

| Name, Function | Profession, Other Assignments |
|---|---|
| Tomas Mielert<br>-Chairman- | Lawyer, tax consultant, auditor, Hofheim im Taunus and Wiesbaden<br><br>Legal counsel of the company<br>Further supervisory or advisory assignments:<br>-Ffynnon 23. Vermögensverwaltungs AG, Königstein (Member of supervisory board)<br>-MP Marketing Partner AG, Wiesbaden (Chairman of supervisory board)<br>- MTV Capital Invest AG, Frankfurt/M. (Chairman of supervisory board)<br>-Comperio AG, Wiesbaden (Chairman of supervisory board)<br>-IMP Computersysteme AG, Berlin (Member of supervisory board) |
| Dipl.-Ing. Otto Happich<br>– Deputy chairman<br>(since June 7, 2005)– | Entrepreneur, Wuppertal<br>Member of the company Johann Knupp, Solingen<br>Partner of the company Metapoint Partners, Peabody, MA, USA<br>Further supervisory or advisory assignments<br>-Firma Dr. Franz Schneider Kunststoff-werke GmbH & Co. KG<br>(Deputy chairman of advisory board) |
| Dr. Wolfgang Gerhardt | Chairman of the parliamentary party FDP, Berlin<br>Further supervisory or advisory assignments<br>Hallesche + Alte Leipziger Versicherung, Stuttgart<br>(Member of advisory board) |
| Dr. Christoph Schneider<br>(until June 7, 2005)<br>– Deputy chairman– | Business consultant, Krefeld |
| Dipl.-Ing. Roland Ehniß<br>(until June 7, 2005) | Executive Vice President<br>Robert Bosch Group, Stuttgart |
| Dipl.-Ing. Hermann Burst<br>(until June 7, 2005) | Business consultant, Rutesheim |

The remuneration of the members of the supervisory board was kEUR 80. Consulting services performed by a member of the supervisory board were remunerated in the amount of kEUR 122.

**Fees for Statutory Auditors**

The fees entered as expenses during the financial year are kEUR 129. Further services were not rendered by the statutory auditors.

**Declaration of Conformity according to § 161 AktG (German Stock Corporation Law)**

The executive board published the declaration of conformity according to § 161 AktG on the website of Rücker AG and thus made it available to the public.

**Declaration of the Executive Board of Rücker AG according to § 312 para. 3 AktG**

We declare concludingly that our company received an appropriate consideration out of all legal transactions concluded during the financial year 2005 considering the circumstances known to us at the moment of conclusion. No measurements were taken or omitted which would have discriminated our company.

**Proposed Appropriation of Profit**

Executive board and supervisory board suggest to the shareholders' meeting to distribute a dividend out of the net profit for the year of Rücker AG.

Wiesbaden, March 2006

Rücker Aktiengesellschaft

| | |
|---|---|
| Wolfgang Rücker | Jürgen Vogt |
| - Director - | - Director - |

**Rücker Aktiengesellschaft, Wiesbaden**

**Auditors' Report**

We have audited the consolidated financial statements prepared by Rücker Aktiengesellschaft and consisting of the balance sheet, the income statement, the presentation of recognized income and expenses, the cash flow statement and the notes to the consolidated financial statements of Rücker Aktiengesellschaft, Wiesbaden, as well as the report on the Group´s position for the financial year from 1 January 2005 to 31 December 2005. The preparation of the consolidated financial statements and the report on the Group´s position in accordance with IFRS as approved by the EU and the supplementary provisions defined in Section 315a (1) HGB are the responsibility of the Company´s management. Our responsibility is to express an opinion on the consolidated financial statements and the report on the Group's position on the basis of the audit performed by us.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These German audit standards require that we plan and perform the audit so that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with German accounting principles and the report on the Group´s position are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the consolidated financial statements and the report on the Group´s position are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of companies included in the consolidated financial statements, the definition of the consolidated group, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the report on the Group´s position. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

Our evaluation based on information arising from our audit indicates that the consolidated financial statements were prepared in accordance with IFRS as applied in the EU, and in compliance with the supplementary provisions of Section 315a (1) HGB. The consolidated financial statements present a true and fair view of the net assets, financial position and results of the Group. The report on the position of the Group is consistent with the consolidated financial statements. As a whole, it provides a suitable understanding of the Group´s position and suitably presents the opportunities and risks of future developments.

Wiesbaden, 10 March 2006

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| sgd. Schumacher<br>Wirtschaftsprüfer | sgd. Geis-Sändig<br>Wirtschaftsprüfer |