FINANCIAL REPORT for the 1st quarter of 2006

"Creating value through active involvement"

ARQUES INDUSTRIES AG

Introduction by the Executive Board

Dear shareholders, dear employees, dear Arquees.

The business activities of ARQUES Industries AG in the first quarter of 2006 have followed on seamlessly from the successes achieved in 2005, as documented by the present interim report.

In the first quarter of 2006 consolidated revenues almost doubled compared to the equivalent period last year and amounted to EUR 140.1 million (previous year: 72.7 million). Earnings before interest, taxes, amortization and depreciation (EBITDA) rose by 338.5% to EUR 22.8 million (previous year: EUR 5.2 million). Earnings before interest and taxes (EBIT) increased by 460.6% to EUR 18.5 million compared with the first quarter of 2005 (previous year: EUR 3.3 million). Earnings per share of EUR 8.28 (previous year: EUR 1.14) were generated for the first quarter of the current year (+ 626.3%).

In what is traditionally a weak first quarter for acquisitions, ARQUES was able to acquire no less than five companies. By way of comparison, no acquisitions were reported during the equivalent period last year.

The successful acquisitions of the last six months have added to the portfolio companies reporting losses at first, and hence also generating negative cash flows. Consequently, the good cash flows from the older subsidiaries are offset by negative cash flows from subsidiaries that were added to the corporate group over the winter of 2005 and in the first quarter of 2006. Furthermore, with GolfHouse, Missel, and SKS, ARQUES has companies in the portfolio, whose first quarter is always weaker than an average month due to the weather.

Moreover, the first quarter was marked by brisk investment activities. Thus it proved possible to reduce the existing accounts payable in the corporate group alone by EUR 9.6 million. In many cases, this helped to found eligibility for cash discounts. At the same time, accounts receivable increased by EUR 4.6 million due to the massive rise in the volume of revenues. Inventories were increased by EUR 1.3 million in order to ensure stock availability in response to stronger new orders and to secure price advantages on the procurement markets. A total of EUR 15.5 million was invested in working capital as a result of this alone, which was posted as net cash used to this amount.

Heinrich Heiland, which manufactures transportation protection covers, has been part of the ARQUES portfolio since February 2006. Rohner, a Swiss custom chemicals specialist, was acquired from Dynamit Nobel in March. Our print holding ARQUANA International Print & Media AG has added Cologne-based Druckerei J.P. Bachem to its stable. ARQUES succeeded in acquiring a niche supplier and global market leader for core shooters in the form of Mannheim-based plant manufacturer Hottinger Maschinenbau GmbH. Georg Fischer Schwab GmbH, a premium brand in sanitary ware acquired from the Swiss Georg Fischer AG conglomerate, will be integrated into ARQUES's Missel subsidiary with a view to exploiting large-scale synergies.

With these moves, ARQUES was able to exceed its original target of EUR 50 million in new revenues from acquisitions for the first quarter of 2006 by no less than 140%, with the total standing at EUR 120 million. At the same time, ARQUES increased its annualized annual revenues to EUR 720 million with the new subsidiaries. The high number of new acquisitions completed by ARQUES in the first three months of the year also shows how we have established ourselves as a competent, accepted partner to international corporations for strategic corporate spin-offs. ARQUES acquired companies from corporations like Dynamit Nobel and Vienna-based Constantia Packaging AG, among others. In April, moreover, ARQUES acquired Fritz Berger, the largest mailorder specialist for camping, caravanning, and leisure in Europe, from the KarstadtQuelle Group. Following the acquisition of Golf House in June 2005, Fritz Berger is already the second company taken over from KarstadtQuelle.

Thus we are drawing ever closer to our annual target for 2006 of achieving annualized consolidated revenues of EUR 1 billion. This goal is planned on the basis of us acquiring companies with total revenues of at least EUR 400 million in 2006 - of which more than EUR 150 million had already been posted by the reporting date. The well-filled acquisition pipeline gives us every reason to believe that we will indeed meet our targets.

The restructuring schemes in our subsidiaries have generally fared better than expected in the first quarter of the year. You will find detailed descriptions of the progress we have made with restructuring the individual ARQUES subsidiaries in the first quarter 2006 starting on page 5 of the present report.

The planned disposal of the real estate and properties of the ARQUES Group is progressing on schedule. Various offer structures are currently being reviewed. The documentation of the real estate portfolio is complete and can be obtained from the Company on CD.

With annualized annual revenues of EUR 720 million after the first quarter, ARQUES has expanded upon its position as one of the biggest companies listed in the SDAX. This is also reflected in the share price. Following on from an opening price of EUR 99.50 (XETRA) on January 2, 2006, the first quarter was closed on March 31, 2006 at a price of EUR 118.89 (+19.5%). The ARQUES share reached a new historic high on April 26, with a closing price of EUR 158.99. Furthermore, no less than three analysts considerably raised their target price for ARQUES in April. ARQUES has also responded to the growing interest among institutional investors by holding investor meetings and running roadshows.

Given the well-filled acquisition pipeline and the lasting successes with the restructuring of our subsidiaries, we are taking a very optimistic view of the current fiscal year as a whole. Besides the imminent switch of ARQUANA from the OTC market to the Regulated Market, we also expect IPO of the SKW Stahl-Metallurgie Group to be completed in 2006.

Dear shareholders, we would like to thank you for the trust you have placed in us. Stay with us and enjoy the fruits of our successful business model. Together with you, we are very much looking forward to the rest of 2006.

Best regards,
The Executive Board of ARQUES Industries AG

Dr. Martin Vorderwülbecke | Dr. Dr. Peter Löw (Chairman) | Markus Zöllner

Net asset value of the investment portfolio

The value of ARQUES's portfolio of subsidiaries at the reporting date of March 31, 2006 is as follows:

Companies name	Net Asset Value (in EUR millions)
1. teutonia	7.6
2. SKW Group	110.7
3. Missel	15.6
4. ddp	14.5
5. SKS Stakusit	13.9
6. Jahnel-Kestermann	11.2
7. Golf House	10.8
8. Evotape	4.8
9. Sommer	25.9
10. tiscon	8.2
11. Xerius	2.9
12. ARQUANA	59.1
13. Heinrich Heiland	n/a*
14. Rohner	n/a*
15. Hottinger	n/a*
16. Schwab	n/a*
17. Fritz Berger	n/a*
Total	285.2

* In order to ensure an objective valuation base, the new subsidiaries are only included in the calculation of the net asset value for the portfolio of subsidiaries after a holding period of 3 months.

The value of the portfolio of subsidiaries of ARQUES Industries AG was determined on the basis of a "free cash flow to equity approach" compliant with the IDW S 1 standard "Grundsätze zur Durchführung von Unternehmensbewertungen" (principles for the execution of company valuations) published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW).

The listed subsidiaries ARQUANA International Print & Media AG, tiscon AG Infosystems, and Xerius AG were included in the calculations with a proportionate market capitalization at March 31, 2006.

Group Management Report (Update)

In the first quarter of 2006, economic activity as a whole was underpinned by a positive mood on the markets, triggered by optimistic forecasts for the current fiscal year and an ever more apparent upturn in the global economy, which also seems to be taking hold in Europe and Germany. Although the effects of expanding domestic demand have again failed to match expectations, a stronger increase in foreign trade has been recorded.

The Acquisition department at ARQUES did far more business in the first quarter. Across the corporate group as a whole, contracts were signed for the acquisition of five new companies and the acquisition of a further company from 2005 was closed. With total revenues of more than EUR 120 million from the new subsidiaries, consolidated annualized revenues for the ARQUES Group rose to EUR 720 million. Thus the budget for the acquisition business was exceeded by 140%. It is also pleasing to note that companies could once again be acquired from major corporations like Dynamit Nobel and Vienna-based Constantia Packaging AG. Thus ARQUES succeeded afresh in positioning itself as a partner to big corporations.

For the operational ARQUES subsidiaries, the first quarter of a given calendar year is the slowest for seasonal reasons. In particular, this affects companies like Golf House that are dependent on weather conditions and the construction-related subsidiaries such as Missel and SKS. As a result of the unexpectedly long winter, revenues in these segments only started rising again sharply in March. Countering the seasonal trend, however, teutonia was able to record one of its best quarters to date.

Evotape was able to take especially strong strides in the right direction, helping it to reach the break-even point in the first quarter, earlier than expected. Jahnel-Kestermann failed to match expectations, as a number of important projects were put back to the second quarter. The SKW Group was not quite able to meet its targets, although this can be attributed to a budgeted, but not yet realized non-recurring item arising from the reversal of a provision rather than any operational factors. Management believes it will be possible to realize this effect in the second quarter, or the third quarter at the latest.

As in the last few quarters, ddp again increased its revenues, which helped it to more than consolidate its position as the second-biggest German news agency.
Following on from a systematically implemented cost-cutting program in the first quarter, tiscon prepared itself for a new life as a company listed on the regulated market.
The ARQUANA Group continued its process of impressive consolidation. Two further companies were added to the stable in the form of Wanfried-Druck and Druckerei J.P. Bachem. Thus the internally set target of annualized revenues totaling EUR 200 million for 2006 has become a realistic possibility.

As expected, the numerous new acquisitions in the first quarter had a negative impact on results. The ARQUES business model calls for the acquisition of loss-making companies that continue to post losses for some time after the takeover. These losses are charged in full to operating results. At the same time, the losses are compensated or over-compensated by contributions to restructuring made by the sellers, which are taken to the income statement as income from the reversal of negative goodwill arising from capital consolidation at the time of inclusion in the corporate group.

teutonia Kinderwagenfabrik GmbH

teutonia succeeded in boosting its revenues considerably in the first quarter of 2006 and simultaneously winning new shares of the market. Thus the company remained on a consistently successful course after breaking even in the fourth quarter of 2005. This trend was started by product enhancements in the areas functionality, quality, and design that were unveiled at the "Kind + Jugend" trade show in September 2005. This enabled teutonia to underscore its positioning as a premium brand. The complete production run of a limited edition buggy produced especially for the soccer world cup was fully ordered by retailers in a very short time. Also in the first quarter, teutonia successfully expanded its international operations to France and South Korea.

SKW Stahl-Metallurgie Group

The SKW Group benefited in the first quarter of the year from robust growth in the global steel market. China - a market where SKW is not active - remains the driving force behind this development, but rising demand for steel has also been registered in SKW's markets, including India and the United States. SKW was not quite able to meet its targets in the first quarter, which can be attributed to a budgeted, but not yet realized non-recurring item rather than any operational factors.

SKW's new research and development program launched at the end of last year has started to bear fruit. PapCal, a patented product used to optimize steel refinement, has achieved the expected rise in revenues, and six further customers are currently running tests. Moreover, a further international patent was filed for "No Splash Tip" in the first quarter of 2006. Also a product of the R&D program, No Splash Tip helps to boost efficiency in steel production.

In addition, the SKW Group opened a new steel plant in southwestern India, increasing its capacity on the subcontinent by 100 percent at the same time as continuing the policy of expansion it has taken. The SKW Stahl-Metallurgie Group is currently reviewing various expansion options in a special business development program. The preparations for the flotation of the SKW Group scheduled for October 2006 are running on schedule.

E. Missel GmbH & Co. KG

Following extensive inspections, Missel obtained the necessary statutory permits for its innovative products in the field of fire protection in the first quarter. In addition, newly developed products in the field of solar insulation met with keen interest. Missel was not able to generate the revenue growth budgeted for the first three months of the year due to the long winter and the associated economic weakness in the construction industry.

A further strong brand for the sanitary ware segment was added at the end of March with the acquisition of Georg Fischer Schwab GmbH & Co. KG, whose operations are currently being integrated into Missel. Schwab and Missel collaborated with each other for the first time with a joint presence at the IFH trade show in Nuremberg. The work of integrating the operations of the two companies will be continued at full pace in the next few months with a view to exploiting further synergies shortly, especially in sales and distribution. A merger under company law and complete integration in the sense of a buy & build strategy is envisaged for the current fiscal year.

ddp Deutscher Depeschendienst GmbH

ddp succeeded in repeating the positive revenue trend of the prior year through the first quarter. A large two-digit percentage rise in revenues was posted compared with the equivalent period last year. Newly acquired customers in the classical subscription business contributed to this increase alongside strong sales of single images. ddp was able to boost its reputation with pictures of the Winter Olympics and the severe winter weather in Germany.

Furthermore, the use of new photo marketplaces on the internet (APIS) and distribution by the new colourpress.com subsidiary helped to reinforce the strong performance.

Colordruck Pforzheim GmbH & Co. KG

The restructuring of the print shop took a decisive step forward on March 1 with the purchase and commissioning of a further sheet-fed press. In addition, Colordruck's order books were distinctly fuller than at this point in the prior year, which meant that the company was operating at full capacity. An agreement was reached with the old shareholders of the print shop regarding incorporation into ARQUANA International Print & Media AG. The integration is expected to be completed in the next few months. At the present time, Colordruck Pforzheim still acts as a partner of ARQUANA.

SKS Stakusit Bautechnik GmbH

SKS was able to transition seamlessly from the positive development of 2005 to the first quarter of 2006. Despite the long winter and the economic difficulties of the construction industry, the manufacturer of insect protection systems and roller shutters systems posted vastly higher revenues than for the equivalent period last year. The international initiative already launched in 2005 forms the basis for this success. Thus SKS succeeded considerably reducing its dependence on the spluttering German market. Furthermore, SKS responded to the rising interest in convenience and quality from eastern Europe by forming a new subsidiary in Serbia.

Further adjustments and improvements on the production side, including the insourcing of profile extrusion, have made it possible to manufacture larger volumes without increasing the headcount and to enhance quality at the same time.

Jahnel-Kestermann Getriebewerke GmbH & Co. KG

The process of expanding service operations in the field of wind power plants was taken a stage further during the first quarter. An initial partnership with a service provider was successfully concluded in this area. Jahnel-Kestermann succeeded in acquiring a major customer outside Germany, thus further expanding its export activities. The addition of new staff in the wind power segment has opened up several new business opportunities. The product campaign in the field of ship propulsion systems has also proved very successful, with several customer orders being signed.

The fields of purchasing and sourcing remain problematic due to delivery bottlenecks. The conclusion of long-term master agreements will help to minimize this risk, however.

Golf House Direktversand GmbH

This company was able to increase revenues in the first quarter compared with the equivalent period last year. This set it clearly apart from its main competitors, who had to report massive drops in sales.

On the operating side, the implementation of a new concept for Golf House's retail outlets was the main activity. The new program calls for a modern, communicational, and above all strongly emotive layout to the individual stores. This was implemented for the first time with the reopening of the Golf House outlet in Düsseldorf in mid-March, which immediately led to a rise in customer numbers and an increase in average revenues per customer. Over the next twelve months, further stores will be redesigned and opened in accordance with this concept.

The revised Golf House catalogue was very well received by customers, suppliers, and the trade press. With the catalogue, Golf House succeeded in positioning itself as a viable partner for the industry and simultaneously laid the foundation for further cooperation agreements.

Evotape S.p.A.

Rising commodity prices teamed up with ongoing bottlenecks in certain raw materials to take the gloss off the positive development of the last quarter at the start of the year. This

resulted in production, and hence also revenues, remaining slightly below expectations in January. On the back of stronger sales activities, however, revenues picked up again rapidly toward end of the quarter, such that the highest monthly revenues since commercial activities were taken over by ARQUES were posted in March. Evotape managed to break even in the first quarter of 2006, earlier than expected.

The production output of the Italian adhesive tape manufacturer increased by around 10% as a result of optimization measures. Capacity utilization on the packaging side was very good, while the masking activities failed to match expectations. The problems with quality experienced here have now been completely eliminated.

In February, the company presented numerous product innovations and enhancements at the international IPACK-IMA trade show in Milan, with customers showing great interest.

Sommer Fahrzeugbau GmbH & Co. KG

The restructuring of the cost side of the Fahrzeugbau Group was completed at the end of the first quarter. In the first three months of the current year, production of delivery vehicles was transferred in full from Bielefeld to Laucha in Saxony-Anhalt. This entailed a further reduction in the workforce. In addition, an integrated production concept covering all facilities was implemented, vastly increasing both the productivity and capacity utilization levels of the individual plants.

Over the next few months, Sommer will concentrate on winning back old customers and gaining new ones. The realignment of the sales function, which was initiated in the fourth quarter of 2005, will play a central role in this. Despite initial successes, the planned effects have not been realized here yet. Alongside its core business of selling new vehicles, Sommer has been increasingly successful in establishing itself as a service provider for servicing and spare parts.

Hiring new people and re-staffing positions in the purchasing, finance, and service functions will help to accelerate the trend that can be observed.

tiscon AG Infosystems

The policy of avoiding costs that has been applied was systematically continued in the first quarter of 2006. The lower headcount coupled with a reduction in long-term rent liabilities as a result of subletting and savings in marketing and other administrative expenses resulted in a significant reduction in expenditures.

The IT industry is marked by ongoing downward pressure on prices. Against this backdrop, tiscon had not reached critical mass in terms of company size and was also heavily dependent on its main customer, Hewlett-Packard. For this reason, management had decided to spin off most of the operating business to a subsidiary. The disposal of this subsidiary is ready and now only requires the approval of the annual shareholder meeting. These restructuring steps again led to greater losses as budgeted.

A new business model is to be unveiled for the company during the course of 2006, building on the company's listing on the regulated market together with its solid liquidity base.

ARQUANA International Print & Media AG

Six print shops belonged to the print holding company ARQUANA at the end of the first quarter: Johler Druck, Evry Rotatives, Nord Offset Druck, the Sochor Group, Wanfried-Druck Kalden, and Druckerei J.P. Bachem.

The March acquisition of Druckerei J.P. Bachem GmbH & Co. KG in Cologne has added to the portfolio a profitable company in a strategically important market for ARQUANA in the western half of Germany. The company is also a perfect fit with ARQUANA in terms of machinery and customer base. Furthermore, ARQUANA opened up a new line of business by closing the acquisition of Wanfried-Druck Kalden GmbH in February 2006. Package printing is now an integral part of the company alongside rotary offset printing. Wanfried-Druck, which represents a bridgehead for further acquisitions in this fragmented segment, was quickly incorporated into ARQUANA. Long-term consolidation leadership in the packaging segment as well is a goal for ARQUANA.

Besides progress with the forward-looking strategy, the process of integrating the companies into the print holding was furthered as well. In the first quarter, standardizations were made in the fields of IT and processes, and the subsidiaries were hooked up to the Computer Center North at Johler Druck. In addition, the installation of the SYOGRA industry software was started throughout the corporate group to facilitate the central management of certain processes in the holding. Harmonizations were made in the reporting/controlling function, and medium-term Human Resources planning was completed in the holding as well as at management level in the individual print shops.

The sales function was given a central holding company in the form of ARQUANA Sales GmbH headed by ARQUANA sales director Jürgen Groth, and implementation of the umbrella brand concept was started. The goal is for all sales staff to be able to offer the complete services portfolio across all print locations and equipment with a view to acquiring new customers. A second central holding company, known as ARQUANA Technology GmbH, was set up in the first quarter of 2006 to coordinate the renovation and expansion of ARQUANA's mixed pool of machinery as well as the financing required to do this. Finally, ARQUEM Management GmbH was formed as a third central holding company tasked with Human Resources management in the corporate group.

Heinrich Heiland GmbH

Heinrich Heiland GmbH was acquired on February 23, 2006. Heiland is the top innovator in the manufacture and distribution of transportation protection covers for the automotive industry.

Immediately after the company was taken over, measures were initiated to stem the high current losses. The main activity here involved the closure of the heavily loss-making and previously subsidized facility in Germany, where small series of various types were manufactured primarily for the automotive industry. All 50 or so production staff in Germany were made redundant. At the same time, the Task Force started renegotiating contractual relationships with suppliers, which resulted not only in better purchasing terms but also in the waiving of considerable old liabilities. The process of consolidating the two Slovakian production facilities was similarly started in the first quarter. The large number of restructuring measures that have been initiated have made a major contribution to Heiland breaking even.

Over the next few months, capacity utilization levels are to be improved by increasing production capacity and sales activities. The active marketing of Heiland's innovative multi-use cover is also intended to help take the company into the black in the near future.

Rohner AG

Rohner AG, which was acquired with effect from March 9, 2006, is a custom chemicals specialist based in Pratteln near Basel, Switzerland. The company is considered a specialist in fine chemicals, with an emphasis on pharmaceutical agents and life science products.

In the first weeks after the takeover, the restructuring work focused on reorganizing the entire company. In March, a redundancy program and accommodation of conflicting interests had already been agreed with the trade union, and a significant reduction in the headcount initiated. Further restructuring steps have been started, notably including the streamlining of the product portfolio, the creation of a professional sales organization, and the closure of production facilities no longer required for operating activities.

In the field of life science, Rohner is currently conducting talks with several international corporations regarding long-term cooperation agreements. In the field of fine chemicals, Rohner AG benefits from its location in the Basel chemicals triangle. The custom chemicals specialist aims to build on its positioning as a competent partner for major corporations in this segment.

Hottinger Maschinenbau GmbH

Hottinger Maschinenbau GmbH, which was acquired on March 30, 2006, specializes in the manufacture of core shooters employed for complex casting activities in the foundry industry.

In a short space of time, the task force was able to negotiate new purchasing conditions with suppliers and persuade them to waive large amounts of old liabilities. In addition, a restructuring package covering all employees was concluded on a contract-by-contract basis. These measures helped to radically reduce the current losses from ongoing operations.

A further planned step will see the task force stabilize sales and distribution. This move is intended to secure Hottinger's positioning as leading provider of quality products in its market segment.

Georg Fischer Schwab GmbH & Co. KG

This company was acquired with effect from March 31, 2006. The operating activities will be interlaced with the Missel subsidiary over the next few months with a view to efficiently exploiting all synergies, especially in sales and distribution. A merger under company law and complete integration in the sense of a buy & build strategy is envisaged for the current fiscal year.

ARQUES Value Invest Ltd.

To concentrate our internal financing activities, we have further expanded the international location on Malta. ARQUES Value Invest Ltd. is now responsible for coordinating the cash flows within the ARQUES Group Europe-wide.

OUTLOOK

The ARQUES subsidiaries have met the expectations placed on them in the first quarter overall, and even vastly exceeded them in some cases. The Executive Board assumes that the operating result will improve and further acquisitions will be made during the second quarter. A first milestone in this direction was reached on May 1, 2006 with the acquisition of Fritz Berger from KarstadtQuelle.

Consolidated Financial Statements of ARQUES Industries AG

Consolidated Income Statements January 1 - March 31, 2006

		Jan. 1 - Mar. 31, 2006	Jan. 1 - Mar. 31, 2005
		EUR `000	EUR `000
1.	Revenues	140,095	72,656
2.	Change in finished goods and work in progress	2,871	873
3.	Other own work capitalized	360	0
4.	Other operating income	28,389	3,676
5.	Cost of materials	-96,677	-50,081
6.	Personnel expenses	-31,006	-13,166
7.	Other operating expenses	-21,194	-8,771
8.	Earnings before interest, taxes, depreciation and amortization (EBITDA)	22,838	5,187
9.	Depreciation and amortization of intangible assets, property, plant and equipment	-4,321	-1,862
	Earnings before interest and taxes (EBIT)	18,517	3,325
10.	Income from associated companies	192	0
11.	Income from loans outstanding	0	120
12.	Other interest and similar income	151	35
13.	Interest and similar expenses	-845	-278
	Income from ordinary activities	18,015	3,202
14.	Income taxes	953	-1,011
15.	Income before minority interests	18,968	2,191
16.	Minority interest	1,125	129
17.	Net income	20,093	2,320
18.	Retained earnings carried forward	80,527	36,030
19.	Retained earnings	100,620	38,350
	Earnings per share		
	- Basic earnings per share (EUR)	8.28	1.14
	- Diluted earnings per share (EUR)	8.28	1.14

Consolidated Balance Sheet as of March 31, 2006

ASSETS

	Mar. 31, 2006	Mar. 31, 2005
	EUR `000	EUR `000
Non-current assets		
Intangible assets	11,648	8,189
Property, plant and equipment	142,131	125,558
Investment property	2,288	2,288
Shares in associated companies	3,603	3,603
Financial assets	1,481	1,013
Other long-term assets	112	0
Deferred tax assets	9,230	11,361
Total non-current assets	170,493	152,012
Current assets		
Inventories	75,196	58,559
Receivables from percentage of completion	4,092	2,876
Trade accounts receivable	85,709	76,700
Financial assets available for sale	73	73
Other assets	24,873	16,641
Tax refund claims	114	73
Cash and cash equivalents	34,901	43,521
	224,958	198,443
Non-current assets held for sale	9,468	9,468
Total current assets	234,426	207,911
Total assets	404,919	359,923

Consolidated Balance Sheet as of March 31, 2006

SHAREHOLDERS` EQUITY AND LIABILITIES

	Mar. 31, 2006	Mar. 31, 2005
	EUR `000	EUR `000
Shareholders' equity		
Subscribed capital	2,427	2,427
Additional paid-in capital	53,284	53,284
Reserves	4,866	4,866
Other cumulative shareholders' equity	100,883	81,005
	161,460	141,582
Minority interest	-4,664	1,120
Total shareholders' equity	156,796	142,702
Non-current liabilities		
Provisions for pensions	20,215	15,707
Provisions	5,478	3,858
Financial liabilities	18,356	17,730
Liabilities from finance leases	10,849	10,936
Other liabilities	964	1,998
Deferred tax liabilities	24,433	24,818
Total non-current liabilities	80,295	75,047
Current liabilities		
Provisions	28,091	12,930
Financial liabilities	26,113	20,200
Trade accounts payable	76,123	72,882
Tax liabilities	6,633	6,236
Other liabilities	30,868	29,926
Total non-current liabilities	167,828	142,174
Total shareholders` equity and liabilities	404,919	359,923

Statement of Changes in Shareholders`Equity

EUR`000	Subscribed captial	Additional paid-in capital	Retained earnings	Other cumulative shareholders' equity	Minority interest	Total shareholders' equity
December 31, 2004	2,027	9,905	3,230	35,265	1,474	51,901
Net income Q1 2005				2,191	129	2,320
Currency translation				53		53
Other changes				840	-841	-1
Changes in minority interest					-157	-157
March 31, 2005	2,027	9,905	3,230	38,349	605	54,116
December 31, 2005	2,427	53,284	4,866	81,005	1,120	142,702
Net income Q1 2006				18,968	1,125	20,093
Share option plan				90		90
Currency translation				-319		-319
Changes in minority interest				1,125	-6,909	-5,784
Other changes				14		14
March 31, 2006	2,427	53,284	4,866	100,883	-4,664	156,796

Consolidated Cash Flow Statement January 1 – March 31, 2006

	from Jan. 1 - Mar. 31 2006* EUR`000	from Jan. 1 - Mar. 31 2006* EUR`000
Income from ordinary activities	18,015	3,202
Recognition of negative goodwill	-22,750	-873
Depreciation/amortization of property, plant and equipment, and intangible assets	4,321	1,862
Increase (+)/decrease (-) in provisions for pensions	167	26
Profit (-)/loss (+) from the sale of fixed assets	-390	0
Profit (-)/loss (+) from the sale of financial assets	-2,489	-43
Issue of share options	90	0
Income from associated companies	0	-120
Net interest income	694	243
Interest received	55	2
Interest paid	-289	-98
Income tax paid	-22	-599
Gross cash flow	-2,598	3,602
Change in working capital		
Increase (-)/ decrease (+) in inventories	-1,335	-1,397
Increase (-)/ decrease (+) in trade receivables and other receivables	-4,610	2,181
Increase (+)/ decrease (-) in trade accounts payable, other liabilities and other provisions	-9,550	2,031
Increase (+)/ decrease (-) in other balance sheet items	934	379
Net cash provided - (+)/- used (-) by operating activities (net cash flow)	-17,159	6,796
Cash paid for business combinations	-1,515	-592
Cash acquired from business combinations	5,366	258
Proceeds from the sale of shares in companies	1,725	0
Proceeds from the sale of non-current assets	532	18
Purchases of non-current assets	-3,502	-1,529
Net cash provided- (+)/-used (-) in investing activities	2,606	-1,845
Proceeds from the issuance of current financial liabilities	5,913	191
Proceeds from the issuance (+)/repayment (-) of non-current financial liabilities	626	-2,607
Proceeds from the issuance of liabilities from finance lease	-606	-277
Net cash provided- (+)/-used(-) by financing activities	5,933	-2,693
Cash and cash equivalents at the beginning of the period	43,521	12,860
Change in cash and cash equivalents	-8,620	2,258
Cash and cash equivalents at the end of the period	34,901	15.118

* last year's figures adjusted

Notes to the interim report at March 31, 2006

The interim report of the ARQUES Group has been prepared in accordance with the provisions and regulations of the International Financial Reporting Standards (IFRS), as applicable in the European Union, and the interpretations of the International Financial Reporting Committee (IFRIC). The statements made in section B "Summary of the essential accounting policies" in the notes to the consolidated financial statements at December 31, 2005 are also applicable for the present, unaudited interim report at March 31, 2006.

A. Adjustments to the comparison information from the 2004 consolidated financial statements in accordance with IAS 8

Due to the decision by the German Federal Financial Supervisory Authority (BaFin) in Frankfurt of January 27, 2006 and an audit agreed by ARQUES by mutual consent with the German Audit Office (Deutsche Prüfstelle für Rechnungslegung, DPR), in the 2005 consolidated financial statements, ARQUES has adjusted items in the balance sheet and income statement for the 2004 consolidated financial statements. These adjustments were described in detail in the notes to the consolidated financial statements for 2005.

Three of the adjustments described in the notes to the consolidated financial statements for 2005 have an impact on the consolidated income statements for the period from January 1 to March 31, 2005:

- The disclosure of a higher amount for the fair value of the non-current assets of Affival S.A.S. (France) resulted in additional depreciation charges of kEUR 116.
- The identification of finance leases as part of the initial consolidation of the Colordruck Group in accordance with IAS 17 has given rise to higher depreciation charges of kEUR 266, higher interest expenses of kEUR 99, and lower other operating expenses of kEUR 376.
- In addition, the income of kEUR 873 from the reversal of negative goodwill from capital consolidation was reclassified to other operating income.

The following reconciliation shows the effects of the above adjustments on the consolidated income statements for the period from January 1 to March 31, 2005:

		Consolidated financial statements 1/1-3/31/2005	Adjustment compliant with IAS 8	Consolidated financial statements 1/1-3/31/2005 adjusted
1.	Revenues	72,656		72,656
2.	Change in finished goods and work in progress	873		873
3,	Other operating income	2,803	873	3,676
4.	Cost of materials	-50,081		-50,081
5.	Personnel expenses	-13,166		-13,166
6.	Other operating expenses	-9,147	376	-8,771
7.	Earnings before interest, taxes, depreciation and amortization (EBITDA)	3,938	1,249	5,187
8.	Depreciation and amortization of intangible assets, property, plant and equipment	-1,480	-382	-1,862
	Earnings before interest and taxes (EBIT)	2,458	867	3,325
9.	Income from loans outstanding and associated companies	120		120
10.	Other interest and similar income	35		35
11.	Income and similar expenses	-179	-99	-278
	Income from ordinary activities	2,434	768	3,202
12.	Income taxes	-1,011		-1,011
13.	Income before minority interests	1,423	768	2,191
14.	Minority interest	129		129
	Income from the reversal of negative goodwill from capital consolidation (2004 structure)	873	-873	0
15.	Net income	2,425	-105	2,320
16.	Retained earnings carried forward	40,389	-4,359	36,030
17.	Retained earnings	42,814	-4,464	38,350
	Undiluted and diluted earnings per share in EUR	1.2		1.14

B. Net assets and financial position

The balance sheet total of the Company at March 31, 2006 amounts to kEUR 404,919 (Dec. 31, 2005: kEUR 359,923). The increase can be attributed primarily to substantial investment activities in the first quarter 2006. As in the previous year, the primary assets are comprised of property, plant and equipment amounting to kEUR 142,131, or 35.1% of total assets. Trade receivables amount to kEUR 85.709 compared with kEUR 76,700 last year. At the end of the first quarter of 2006, liquid funds totaling kEUR 34,901 were available to the corporate group, compared with kEUR 43,521 last year. The 19.8% reduction in liquid funds can be attributed primarily to the repayment of liabilities.

The equity ratio in the corporate group remained practically constant at 38.7% after 39.7% at December 31, 2005 (including minority interest).

The following table shows the development of the corporate group's balance sheet structure:

	Q1 '06 EUR m	Q1 '06 %	2005 EUR m	2005 %
Long-term assets	170.5	42.1	152.0	42.2
Short-term assets, excl. liquid assets	199.5	49.3	164.4	45.7
Liquid assets	34.9	8.6	43.5	12.1
Total assets	404.9	100.0	359.9	100.0
Shareholders' equity	156.8	38.7	142.7	39.7
Long-term liabilities	80.3	19.8	75.0	20.7
Short-term liabilities	167.8	41.5	142.2	39.6
Total liabilities	404.9	100.0	359.9	100.00

The revenues of the ARQUES Group increased by EUR 67.4 million, or 92.8%, over the equivalent period last year, to EUR 140.1 million.

REVENUES	Q1 '06 EUR m	Q1 '05 EUR m	Change in %
Steel	69.2	48.9	+ 41.5
Print	29.6	6.3	+ 369.8
Industrial Production	25.7	11.9	+ 116.0
Holding	0.1	0.1	0.0
Other	15.5	5.4	+ 187.0
Total	140.1	72.6	+ 93.0

Cash-Flow

The corporate group incurred a cash outflow from operating activities of EUR 17.2 million. For the most part, this cash flow is affected by inventories, trade accounts receivable, and trade accounts payable. Inventories and accounts receivable increased by a total of EUR 35.1 million overall. Of this amount, EUR 29.1 million relates to the changes in the consolidation scope of the ARQUES Group. However, the ARQUES Group invested EUR 6.0 million in inventories and accounts receivable. Liabilities (including other liabilities and other provisions) increased by EUR 29.3 million due additions to the consolidated group. The settlement of EUR 9.4 million liabilities during that same period resulted consequently in an increase of liabilities of EUR 19.9 Mio.

Overall, the gross cash flow - excluding the corresponding proceeds from acquisition activities (restructuring contributions) - shows an outflow of EUR 2.6 million. The first quarter was marked by brisk investment activities. Thus it proved possible to reduce the existing accounts payable in the corporate group alone by EUR 9.6 million. In many cases, this helped to found eligibility for cash discounts. At the same time, accounts receivable increased by EUR 4.6 million due to the massive rise in the volume of revenues. Inventories were increased by EUR 1.3 million in order to ensure stock availability in response to stronger new orders and to secure price advantages on the procurement markets. A total of EUR 15.5 million was invested in working capital as a result of this alone, which was posted as net cash used to this amount.

ARQUES realized a cash inflow from investing activities of EUR 2.6 million. In fact, ARQUES succeeded in acquiring cash in the amount of EUR 5.4 million when purchasing the companies. After deducting the purchase price of EUR 1.5 million, capital spending of EUR 3.5 million and the recognition of proceeds from asset sales of EUR 2.3 million, the above-mentioned cash inflow remained. This cash inflow was used largely to restructure the companies acquired. The respective cash outflows for restructuring are disclosed in the cash flow items gross cash flow and change in working capital. At this point it becomes very clear that the cash flow should be looked at consistently, in accordance with the ARQUES business model, since the operating start-up losses and restructuring costs as well as the required working capital finance are offset by restructuring contributions made by the sellers and favorable purchase prices.

ARQUES recorded a cash inflow of EUR 5.9 million from financing activities. The inflows resulted almost exclusively from proceeds from short term financial liabilities.

Balance sheet and financial indicators

		Q1 '06 %	Q1 '05 %
Return on revenues	EBIT / Revenues	13.2	11.1
Fixed assets intensity	Property, plant and equipment, and intangible assets / Balance sheet total	38.8	37.2
Liability structure	Short-term liabilities / Total liabilities	67.6	65.5
Financing ratio	Depreciation and amortization / Capital expenditure	86.3	106.9
Equity ratio	Shareholders' equity / Balance sheet total	38.7	39.7

C. Changes in the scope of consolidation

At the end of February 2006, ARQUES' subsidiary ARQUANA International Print & Media AG acquired the Wanfried Group, comprising Wanfried Druck Kalden GmbH (100%) and its wholly owned subsidiary, Wanfried Packaging s.a.r.l.

In March 2006, ARQUES acquired Rohner AG (89%) and the Hottinger Group (Hottinger Maschinenbau GmbH & Co. KG (89%), Hottinger Verwaltungsgesellschaft mbH (100%), Hottinger Maschinenbau GmbH (100%), Grundstücksverwaltungsgesellschaft Wittener Strasse mbH (100%), and Hottinger North America Inc. (100%).

All the companies were included in the consolidated financial statements of ARQUES with effect from March 1, 2006.

The purchase price for the companies acquired was kEUR 1,638, of which kEUR 701 was paid in cash. 25,000 company-held shares in ARQUANA International Print & Media AG were issued at a price of

EUR 37.50, to the amount of kEUR 937. The published price was not used for reference at the time of the purchase due to the high proportion of company-held shares and the thinness of the market, and the therefore unreliable market pricing. Shareholder loans of kEUR 79,661 were acquired in the course of the purchase transactions. The acquisition of companies gave rise to negative goodwill from capital consolidation totaling kEUR -22,750.

Rohner AG and the Hottinger Group were included in the consolidated financial statements on the basis of provisional accounts. Since converting the accounts to IFRS and allocating the purchase price are time-intensive activities, the best information available at the time when the financial statements were prepared was used. The losses of the acquired companies from the date of acquisition to March 31, 2006 amounted to kEUR -2,048 This total already includes all start-up and takeover losses as well as the losses arising from restructuring. The other operating income from the reversal of negative goodwill from capital consolidation is not included. The revenues for the period from January 1, 2006 to the respective acquisition date amounted to kEUR 11,836. The profit contribution from January 1, 2006 to the respective acquisition date was not calculated, since the related results were not relevant for consolidation. A retroactive conversion as of January 1, 2006 was not performed, since the figures calculated for the prior months would not be comparable with those recorded after restructuring due to the restructuring measures, and would hence lead to distorted results.

The following table shows the breakdown of the acquired assets and liabilities:

	Book value in EUR'000	Fair Value in EUR'000
Non-current assets		
Intangible assets	330	468
Property	754	754
Buildings	10,279	11,819
Plant and equipment	7,139	5,529
Other assets	1,834	1,834
Financial assets	420	420
Deferred tax assets	76	964
Current assets		
Inventories	13,663	15,302
Trade accounts receivable	10,173	10,173
Other assets	3,674	3,674
Cash and cash equivalents	5,316	5,316
Liabilities		
Provisions	-19,140	-20,911
Trade accounts payable	-7,666	-7,666
Other liabilities	-85,243	-85,243
Deferred tax liabilities	-12	-4,295
Net assets		-61,862
Minority interests		6,589
Net assets acquired		-55,273

The acquired cash and cash equivalents totaled kEUR 5,316 which led to an overall cash inflow of kEUR 4,615.

No operations were discontinued or sold in the course of the purchase transactions.

Information in accordance with IFRS 3.70 is practically impossible to provide. In the Company's opinion, the values calculated on the basis of the restructuring measures introduced would lead to distorted results.

The acquisition of immaterial stock companies in the first quarter are disregarded in this statement.

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