

FINANCIAL
REPORT

for the 2nd quarter of
2006

“Creating value
through active
involvement”

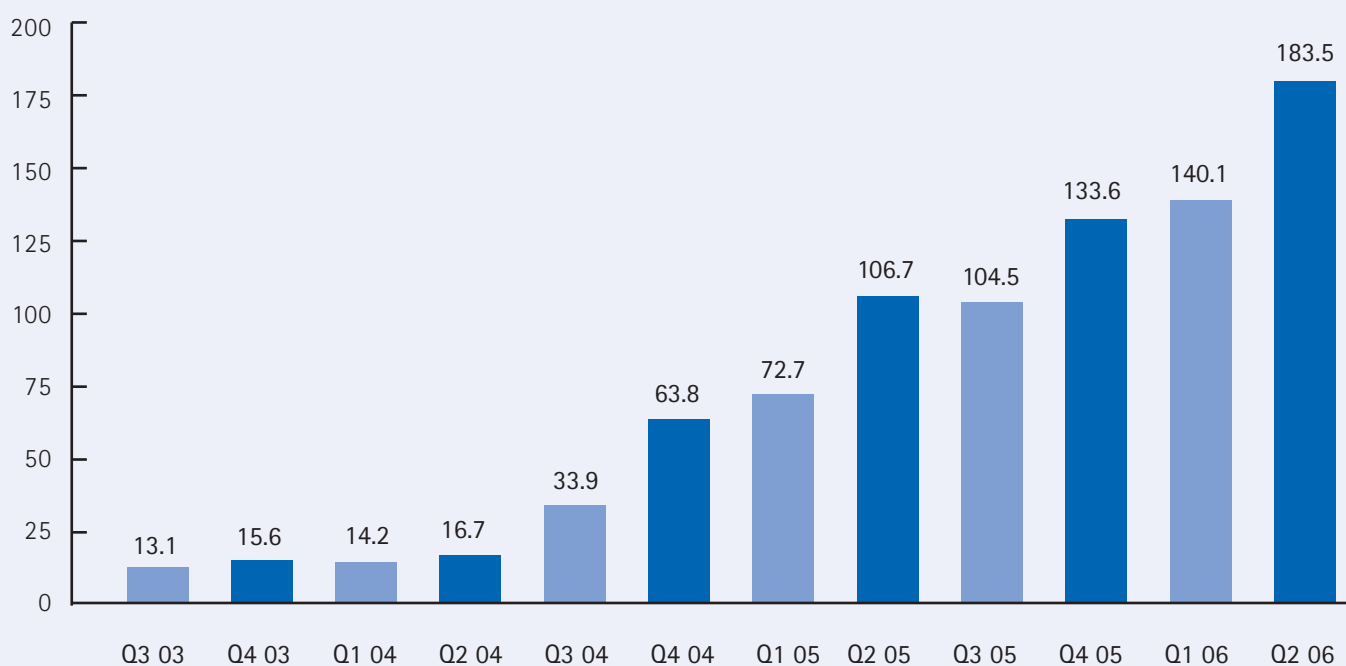


Key figures

EURm	1st half of 2006 Jan. 1 – June 30, 2006	1st half of 2005 Jan. 1 – June 30, 2005	Change (%)
Consolidated revenues	323.6	179.4	80.4
Earnings before interest, taxes, amortization, and depreciation (EBITDA)	50.3	30.4	65.5
Earnings before interest and taxes (EBIT)	39.5	24.5	61.2
Consolidated net profit	38.2	21.9	74.4
Earnings per share (diluted) in EUR	1.57	1.08	45.4
Earnings per share (undiluted) in EUR	1.58	1.08	46.3
Net cash flow	-5.1	4.2	

EURm	June 30, 2006	December 31, 2005	Change (%)
Shareholders' equity	171.0	142.2	20.3
Equity ratio	35.9	38.7	
Total assets	476.2	367.9	29.4
Workforce	2,860	2,568	11.4

Development of the quarterly revenues (in EURm)



Preface by the Executive Board

Dear shareholders, business partners, employees, and friends,

In the present report on the second quarter and the first half of fiscal 2006, ARQUES has the privilege of reviewing yet another successful quarter in its corporate history.

In the second quarter of 2006, ARQUES recorded consolidated revenues up 72% to EUR 183.5 million (prior year: EUR 106.7 million). EBITDA (earnings before interest, taxes, amortization, and depreciation) totaled EUR 27.4 million after EUR 25.2 million in the equivalent quarter last year (+ 8.7%).

In terms of the first half as a whole, ARQUES succeeded in increasing consolidated revenues by EUR 144.2 million to EUR 323.6 million (prior year: EUR 179.4 million), which represents a rise of 80.4% over the first half of 2005. EBITDA totaled EUR 50.3 million after EUR 30.4 million in the equivalent period last year, which represents an increase of 65.5%.

The results of the sanitary ware specialist GF Schwab, the camping equipment vendor Fritz Berger, and the Cologne-based print shop J.P. Bachem were incorporated in the balance sheet for the first time.

Changes in the portfolio of subsidiaries

On the acquisitions side, the business operations of the camping and outdoor specialist Fritz Berger were acquired from KarstadtQuelle on May 1. Following on from the acquisition of Golf House in June 2005, this is already the second transaction we have carried out involving the trading conglomerate. After the preceding two acquisitions from the U.S. Masco Group, this underscores once more how ARQUES has established itself as a competent partner

for major corporations. Fritz Berger generates annual revenues of approximately EUR 40 million through more than 16 retail outlets, its mail-order operation, and its more than 50 stationary sales partners.

With retroactive effect from June 30, 2006, ARQUES sold Heinrich Heiland, which manufactures transportation protection covers, to a group of French investors. Heiland had been acquired at the end of February for a symbolic price, so the sale gave rise to a profit of 100%, or EUR 0.5 million.

On August 1, ARQUES' ddp subsidiary – the second-biggest German news agency – acquired pwe Verlag GmbH from Hubert Burda Medien. By acquiring pwe Verlag GmbH, ddp photo service has expanded its product portfolio in the field of celebrities and lifestyle with exclusive photos of national and international stars, giving it a total portfolio of more than 1.5 million photos.

You will find a detailed description of the development of the individual ARQUES subsidiaries on page 6 and the following of the present report. We decided to publish revenue and earnings at subsidiary level in this report.

Stock split completed

The Annual Shareholders Meeting of ARQUES Industries AG held on May 30 in Munich passed resolutions increasing the Company's capital stock to 24,266,670.00 and authorizing an associated stock split at a ratio of 1:10. The split was carried out on July 10 and the share price adjusted accordingly at the same date. Furthermore, Dr. Georg Obermeier and Dr. Rudolf Falter were elected at the meeting to succeed Steven Wilkinson and Dr. Friedrich-Carl Wachs on the Supervisory Board. At its constituent

meeting, the Supervisory Board elected Professor Michael Judis to act as chairman and Bernhard Riedel as his deputy.

At the Annual Shareholders Meeting, ARQUES also outlined its plan for the European roll-out and presented the respective representatives of the future ARQUES subsidiaries covering the regions of Austria, Iberia, and Switzerland.

Outlook

For the second half of the year, we are looking to press ahead with the restructuring of our newer subsidiaries, further develop our already successful, older subsidiaries and expand our portfolio of subsidiaries at the same time with new acquisitions.

We would like at this point to reiterate our communicated target of generating revenues in excess of one billion euros on an annualized basis.

With regard to the announced sale of the ARQUES real estate, intensive negotiations are currently under way with a number of potential buyers. This process is currently in the due diligence phase. The Executive Board is confident of being able to announce preliminary concrete results in the not too distant future.

Dear shareholders, we would like to thank you for both your encouragement and your confidence in us. Together with you, we are very much looking forward to the second half of the year, which we are entering with justified optimism.

Best regards,
The Executive Board of ARQUES Industries AG



Dr. Martin Vorderwülbecke



Dr. Dr. Peter Löw (Chairman)



Markus Zöllner

Note:

In order to better accommodate the rising information demands of the capital market, ARQUES Industries AG has decided, to disclose the half-year operating results of the company's subsidiaries. In the present Group Management Report, a table appears at the end of every section on the subsidiaries, presenting the revenues, the earnings before interest, taxes, depreciation and amortization (EBITDA) and the earnings before taxes (EBT) of each subsidiary for the first half of 2006 or rather since affiliation to the company.

These figures are sub-group operating results determined in accordance with IFRS on the subsidiary level before Group consolidation, corrected only for the interest expenses and income on intercompany loans within the Group. The IFRS figures were calculated on the basis of the uniform Group accounting rules of ARQUES Industries AG. The results of ARQUANA and/or SKW represent the results of the independent sub-groups.

In accordance with the ARQUES philosophy, those companies that were only recently acquired usually have negative earnings and therefore harbor considerable restructuring potential. In those subsidiaries with a medium-term holding period, the adopted measures have not yet been completely implemented and therefore the restructuring potential of those companies has not yet been fully utilized. In those companies that have been in the ARQUES portfolio for a longer period of time, the restructuring measures have been completed and the principal focus is on revenue growth.

In the future, ARQUES will communicate the operating results of its subsidiaries to the capital market twice a year. This shortened reporting period is more useful than a full-year reporting period for purposes of evaluating the progress of restructuring measures because the speed of the restructuring process can be communicated more accurately.

The new reporting format also includes an indication of the holding period in months, counted from the month of initial consolidation to June 30, 2006, and a statement about the current focus of activity in the company in question. The Management Report also contains information on the revenues and earnings of each subsidiary at the time when it was acquired, determined in accordance with the local accounting standards applicable in every case. This data derives from the annual financial statements and the information provided to ARQUES by the seller in connection with the acquisition.

Group Management Report (Update)

Global economy set for growth in 2006

According to the latest estimate from the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF), the global economy continued to expand in the second quarter of 2006. This positive development was achieved despite negative influences on the commodities side together with fears about rising inflation and higher interest rates. The IMF forecast calls for the international gross domestic product (GDP) to increase by 4.9% this year after 4.8% in 2005. The analysis of the IMF is that the global economy is now expanding across a far broader regional basis than last year. Although the Asian economies (excluding Japan) are still leading the way with growth of 7.9% after 8.2% last year, the industrialized nations are set to expand rapidly in 2006 as well. According to the OECD, the United States will remain the motor of the world economy, growing by 3.6%. Japan has confirmed its positive trend and could, if the IMF forecasts prove accurate, grow by 2.8% in 2006. The euro area is expected to expand by 2.0% this year after 1.3% in 2005. On the back of growth possibly reaching 2.4% after 1.7% last year, Germany will have a particularly important role to play in 2006, according to the OECD. Alongside greater domestic demand, the German economy will again be driven largely by external demand boosted by the growth of the global economy.

Changes in the structure of the subsidiaries

The prime focus for ARQUES in the second quarter was on the intensive restructuring and development of its existing subsidiaries. The individual measures are described in detail below.

A notable achievement on the acquisitions side was the purchase at May 1, 2006 of the business operations of Fritz Berger GmbH, Europe's largest mail-order specialist for camping, caravanning, and leisure goods with its main activities in Germany.

On the exit side, the Company can report the sale of Heinrich Heiland GmbH, which manufactures transportation protection covers, to a group of French investors with effect from June 30, 2006. Heiland had been acquired at the end of February for a symbolic price; ARQUES invested EUR 0.5 million in the company's equity and provided additional liquidity as part of its restructuring program. The sale gave rise to a profit of 100%, or EUR 0.5 million. Heiland's business activities had been cut back sharply by closing down the remaining production capacity in Germany and bundling its operational activities in one of the two plants in Bratislava. It was no longer worthwhile for ARQUES to increase the company's productivity and operating efficiency any further due to its sub-critical size. Heinrich Heiland was therefore sold to a strategic investor.

On August 1, ddp – the second-biggest German news agency – acquired pwe Verlag GmbH from Hubert Burda Medien. By acquiring pwe Verlag GmbH (a well-known brand of this publisher being Deutscher Fernsehdienst defd), ddp photo service has expanded its product portfolio in the field of celebrities and lifestyle with exclusive photos of national and international stars, giving it a total portfolio of more than 1.5 million photos.

Net asset value of the investment portfolio

The value of ARQUES portfolio of subsidiaries at the reporting date of June 30, 2006 is as follows:

Company name	Net Asset Value (in EUR millions)
1. teutonia	7.6
2. SKW	110.7
3. Missel	15.0
4. ddp	16.8
5. SKS Stakusit	13.9
6. Jahnel-Kestermann	12.8
7. Golf House	10.6
8. Evotape	4.2
9. Sommer	23.8
10. tiskon	8.4
11. Xerius	2.5
12. ARQUANA	51.7
Companies acquired in 2006	
Rohner, Hottinger, Schwab, Fritz Berger	25.0
Total	303.0

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, tiskon AG Infosystems, and Xerius AG were included in the calculations with a proportionate market capitalization at June 30, 2006.

Notes to the Consolidated Cash Flow Statement in the first half of 2006

	Q1 '06 Jan. 1 to Mar. 31, 2006	Q2 '06 Apr. 01 to June 30, 2006	1st Half '06 Jan. 01 to June 30, 2006
EUR '000			
Income from ordinary activities (EBT)	18,015	20,503	38,518
Reversal of negative goodwill	-22,750	-18,677	-41,427
Depreciation/amortization of property, plant and equipment and intangible assets	4,321	6,399	10,720
Increase (+)/ decrease (-) in provisions for pensions	167	-1,827	-1,660
Profit (-)/loss (+) from the sale of fixed assets	-390	649	259
Profit (-)/loss (+) from the sale of financial assets	-2,489	-2,517	-5,006
Issue of share options	90	43	133
Income from associated companies	0	-315	-315
Net interest income	694	640	1,334
Interest received	55	562	617
Interest paid	-289	-1,155	-1,444
Income taxes paid	<u>-22</u>	<u>-715</u>	<u>-737</u>
Gross cash flow	-2,598	3,590	992
Change in working capital			
Increase (-)/ decrease (+) in inventories	-1,335	5,622	4,287
Increase (-)/ decrease (+) in trade receivables and other receivables	-4,610	-2,668	-7,278
Increase (+)/ decrease (-) in trade accounts payable, other liabilities and other provisions	-9,550	7,527	-2,023
Increase (+)/ decrease (-) in other balance sheet items	<u>934</u>	<u>-2,009</u>	<u>-1,075</u>
Net cash provided (+)/used (-) by operating activities (net cash flow)	-17,159	12,062	-5,097
Cash paid for business combinations	-1,515	-2,441	-3,956
Cash acquired from business combinations	5,366	3,040	8,406
Proceeds from the sale of shares in companies	1,725	486	2,211
Proceeds from the sale of non-current assets	532	2,243	2,775
Purchases of non-current assets	<u>-3,502</u>	<u>-8,635</u>	<u>-12,137</u>
Net cash used (-) in investing activities	2,606	-5,307	-2,701
Proceeds from the issuance of current financial liabilities	5,913	722	6,635
Proceeds from the issuance (+)/repayment (-) of non-current financial liabilities	626	1,684	2,310
Outflows for the repayment of liabilities from finance leases	-606	-1,815	-2,421
Dividend payment	<u>0</u>	<u>-4,975</u>	<u>-4,975</u>
Net cash provided (+)/used (-) by financing activities	5,933	-4,384	1,549
Cash and cash equivalents at the beginning of the period	43,521	34,901	43,521
IAS 3.61ff Adjustment		-2,087	-2,087
Change in cash and cash equivalents	<u>-8,620</u>	<u>2,371</u>	<u>-6,249</u>
Cash and cash equivalents at the end of the period	34,901	35,185	35,185

News from the subsidiaries

teutonia Kinderwagenfabrik GmbH



Holding period: 27 months

Focus: Revenue growth

teutonia succeeded in following on seamlessly in the second quarter from the positive course of business of the first quarter. Overall, the new orders and revenues for the first half of 2006 were 30% higher than the prior-year figures. The operating result was clearly positive and above budget.

The newly developed strollers featuring swiveling front wheels in particular are proving extremely popular and are making a disproportionately strong contribution to net income. The net income for the whole of last year has already been surpassed at the six-month point in some export markets. At the same time, preparations for the next changeover to the 2007 collection, which will be presented at the "Kind + Jugend" trade fair in September 2006, are in full swing.

The restructuring of the company is largely complete. ARQUES has brought teutonia onto a course of profitable growth. In line with ARQUES' subsidiary management policy, teutonia managing director Bernd Schell handed over control of the stroller manufacturer's day-to-day business to a management team he had formed. Ralf Bohnenberger and Christof K  chler now have overall charge of teutonia. Bernd Schell turned his attention to the newly acquired ARQUES subsidiary Fritz Berger GmbH with effect from the end of April.

EURm	First half 2006
	01/01/2006 – 06/30/2006
Revenue	9.2
EBITDA	0.8
EBT	0.5

The current operating margin (EBT) has climbed to 6%. For 2007, the company plans to achieve a target operating margin (EBT) of 10% on continued revenue growth.

When it was acquired in April 2004, the company had revenues (2003) of EUR 20 million and EBT of EUR -2.9 million.

SKW Stahl-Metallurgie Group



Holding period: 22 months

Focus: Revenue growth

Again in the second quarter of 2006, the SKW Group operated in the stable environment of the relevant steel markets in Europe and North America. The company was so successful in the second quarter that the budget targets for the first half of 2006 were exceeded by a wide margin despite unfavorable exchange rate developments.

The company pressed on with its R&D activities in the first half of 2006, developing additional applications for the patented product "PapCal" and winning new customers, especially in Asia, due to the outstanding properties of this product.

Some additional adjustments were made in the organizations of the national subsidiaries in the second quarter. At Affival Inc., for example, a service agreement with a former affiliated company was cancelled because it no longer met the company's needs. Instead, this company set up internally the functions provided under this agreement, those being customer service, purchasing and accounting. These changes have brought the company closer to its customers and boosted its administrative capacities. Moreover, the post of Purchasing Director was filled by a seasoned professional with more than 20 years of experience in the steel industry; in his most recent post, he was responsible for a purchasing budget of nearly US\$1 billion.

At the French production company Affival S.A.S., the sales force was strengthened with the hiring of a new Sales Director and a new Eastern Europe specialist. In the second quarter of 2006, the company acquired several new customers in new markets such as Turkey and Hungary.

Under the business development program launched at the beginning of the year as part of the company's growth strategy, various expansion possibilities have been identified.

First half 2006	
EURm	01/01/2006 – 06/30/2006
Revenue	99.3
EBITDA	6.5
EBT	5.6

The operating margin is slightly less than 6% (EBT). The half-year operating result contains restructuring expenses that will ultimately lead to a further improvement in the company's results.

E. Missel GmbH & Co. KG and Georg Fischer Schwab GmbH & Co. KG



Holding period: 20 months / 3 months

Focus: Integration of Georg Fischer Schwab

ARQUES acquired the prestigious sanitary wares manufacturer Georg Fischer Schwab GmbH & Co. KG, based in Pfullingen, on March 31, 2006. In the past quarter, Schwab generated a small loss by itself, but achieved a double-digit EBITDA margin in conjunction with E. Missel GmbH & Co. KG, which has been part of the ARQUES Group since the end of 2004. While Missel's revenues and earnings were slightly higher than the corresponding prior-year figures, Schwab achieved revenue growth of 15% as a result of the integration. The integration of Schwab into Missel by way of a corporate merger with retroactive effect to March 2006 should be completed by the end of the third quarter.

The two sales organizations of Missel and GF Schwab, which was acquired in March, were already consolidated at the end of April as part of the operational integration. This step served to reinforce Missel's capacity in Germany. The company expects cross-selling effects to help stimulate its revenues further.

Rapid progress has been made on integrating its operating activities, since Georg Fischer Schwab GmbH & Co. KG was acquired at March 31, 2006 as part of Missel GmbH's buy & build strategy. To cite one example, the two companies had a joint presence at the IFH/Intherm trade show in Nuremberg just two weeks after the takeover, with further joint stands at trade fairs

following. The administrative functions had already relocated from Pfullingen to the Missel facility at Fellbach, some 50 km distant, by the end of May. At the same time, the sales organizations of the two companies were bundled at the end of April, which considerably boosted distribution of the Schwab brand in Germany in particular. This already had a positive impact on revenues in June. Cross-selling effects are also expected to provide a further stimulus for sanitary ware specialist Schwab. Schwab already recorded outstanding export revenues in May and June. The resurrection of the Schwab brand has met with a very positive response, especially outside Germany. Intensive efforts are currently under way to deliver product enhancements and refinements with a view to boosting competitiveness.

On the sales side, Missel can report a major success in form of a listing with the market-leading technical insulation wholesaler. This opens up an important new distribution channel alongside SHA wholesaling (sanitary ware, heating, air conditioning) for the industrial vendor of sound and thermal insulation systems. New customers have also been acquired on the OEM side, which implies a further upturn in business – primarily in international markets. The roll-out of the new R90 fire-protection solutions has started successfully, with further extensions to the range due to be unveiled soon.

	First half 2006
EURm	01/01/2006 – 06/30/2006
Revenue	7.5
EBITDA	0.9
EBT	0.6

The positive result already contains the negative effects from Schwab, a company that was acquired in a money-losing situation in accordance with the ARQUES philosophy.

Significantly higher revenues are expected in the second half of the year alone as a result of the successful integration of the new company. The company intends to increase the stated operating margin of 8% (EBT) by means of restructuring Georg Fischer

Schwab. For 2007, the company plans to achieve a target operating margin of 10% (EBT).

When it was acquired at the end of 2004, Missel had annualized revenues of EUR 12 million and an operating result (EBIT) of EUR 0.7 million. In fiscal year 2005, Schwab generated revenues of EUR 8.7 million and EBT of EUR –3.2 million. ARQUES expects that the new subsidiary will reach the break-even mark in the second half of this year.

ddp Deutscher Depeschendienst GmbH



Holding period: 18 months

Focus: Revenue growth

The news agency ddp continued on a positive course in the second quarter of 2006, reporting its best quarterly results ever. In June, ddp generated revenues that translate to more than EUR 10 million on an annualized basis, for the first time in its history. The earnings performance was also better than budgeted, with the company reaching the break-even point on an EBITDA basis.

The major events in the first half of 2006 were the main factors driving the positive business performance of ddp. The year started with the extreme winter conditions dominating the news in Germany, followed by the Winter Olympics in Italy, while the FIFA World Cup overshadowed all other happenings in June. In order to achieve adequate coverage of these events, ddp employed large

numbers of text and photo journalists, which led to an increase in expenditures compared with last year. At the same time, revenues rose by 26.5% year-on-year. The main factors contributing to this success were a disproportionate rise in sales of individual images and the revenues from the Denmark-based photo agency colourpress.com that was acquired in August 2005 together with a pleasing increase in revenues from the classical market (supplying text and photo reports to newspapers and other media).

On August 1, ddp acquired pwe Verlag GmbH from Hubert Burda Medien. By acquiring pwe Verlag GmbH, ddp photo service has expanded its product portfolio in the field of celebrities and lifestyle with exclusive photos of national and international stars, giving it a total portfolio of more than 1.5 million photos.

EURm	First half 2006 01/01/2006 – 06/30/2006
Revenue	4.7
EBITDA	0
EBT	-0.3

With the acquisition of pwe Verlag GmbH, ddp achieved the necessary critical mass. The company expects to generate a positive EBITDA in the second half of 2006.

This company was acquired in an insolvency situation at the end of 2004.

SKS Stakusit Bautechnik GmbH



Holding period: 15 months

Focus: Revenue growth

The revenues and earnings of the SKS Group for the first half of 2006 were both significantly higher than the corresponding prior-year figures. Thus, SKS Stakusit has continued on the course of positive development that began in 2005. SKS achieved revenue growth of 15% in the international markets, vindicating the business strategy adopted since the company was acquired by ARQUES in the first quarter of 2005. SKS Stakusit intends to step up this growth trend by establishing and expanding its own foreign subsidiaries and/or by entering into local partnerships.

The SKS Stakusit brand was further reinforced in the second quarter. The internally restructured processes are running efficiently and stably, even under the high seasonal workload. The investments made in production facilities have resulted in larger output volumes and much greater quality as well as higher productivity. The manufacturer of roller shutters and insect protection systems is gearing itself up for further growth primarily outside Germany in response to the slowly recovering market in Germany and the good export conditions enjoyed by the SKS Group on account of its existing international orientation. The main task in this respect is to exploit existing market presences and the strong name recognition of the SKS Stakusit brand in order to boost revenues outside Germany at a profitable level. At the same time, the aim is to enter further export markets.

EURm	First half 2006 01/01/2006 – 06/30/2006
Revenue	17.0
EBITDA	0.4
EBT	0.06

The half-year operating results have been strongly influenced by seasonal effects. In the first quarter, for instance, the company's revenues were quite low due to weather conditions. However, the (budgeted) losses from the first quarter were offset in the second quarter. For the second half of the year, the management is anticipating higher results.

This company was acquired in 2005. At that time, the revenues (2004) amounted to EUR 41 million and the EBT was negative at EUR -1.3 million.

Jahnel-Kestermann Getriebewerke GmbH & Co. KG



Holding period: 15 months

Focus: Capacity expansion

The reorganization of Jahnel-Kestermann was clearly reflected in the operating results for the first half of 2006. The new orders received in the first half were 90% higher and the revenues were approximately 70% higher than the corresponding prior-year figures. Jahnel-Kestermann generated a significant positive EBITDA and a slightly negative EBT.

Since being acquired by ARQUES, the company has stepped up its international activities, expanded its service business and strengthened its technology position in the area of gears for wind power plants. In this respect, the company is benefiting primarily from the expanding international business in the field of wind power plants and shipbuilding. The new propulsion concepts implemented by the Bochum-based company for shipbuilding have helped to underpin the positive development. Jahnel-Kestermann succeeded in reaching new customers at international wind exhibitions like the ones in Hamburg and Pittsburgh, USA. This has already led to first new orders. A large proportion of the manufacturing capacity is already earmarked for orders after the conclusion of the first half of 2006. The prevailing bottleneck in the supply of input materials due to the strong global demand for steel goods and roller bearings continues to cause problems.

Jahnel-Kestermann has expanded its position as a competent and innovative manufacturer of drive solutions by hiring skilled new staff. Furthermore, the company is increasingly looking to pass on expertise in-house. Jahnel-Kestermann has hired five trainees ten years after terminating its last training programs, and had already taken on three apprentices last year.

EURm	First half 2006 01/01/2006 – 06/30/2006
Revenue	17.6
EBITDA	0.9
EBT	-0.2

When it was acquired in 2005, this company had revenues (2004) of EUR 35 million and negative EBT of EUR -3 million.

In view of the excellent order situation, the management anticipates higher revenues and results for the second half of 2006.

Golf House Direktversand GmbH



Holding period: 13 months

Focus: Revenue growth

Despite the general restraint of retail consumers, Golf House's second-quarter revenues, relative to its selling space, were higher than the corresponding prior-year figure. Three Golf House stores were closed at the end of 2005. On an EBITDA basis, the break-even point was exceeded.

This development was driven by the application of a new design concept in individual branches which is also earmarked for implementation in the other outlets. Furthermore, a new Golf House outlet was opened under the new branch concept in Kuchen (Baden-Württemberg) in April to market surplus stock at the end of the season. Strong partners were acquired for the facility in the form of Runners Point and Bally.

Moreover, a skills program for the Golf House staff has been initiated. Under the slogan "train the trainer," specialists are regularly holding courses training up outlet managers comprehensively in various areas, including sales, leadership, and customer orientation. The managers then put this knowledge into practice locally together with their staff.

The business of this company is subject to seasonal fluctuations. Because sporting activities are restricted in the winter, the second half of the year is much stronger than the first half.

EURm	First half 2006
	01/01/2006 – 06/30/2006
Revenue	9.9
EBITDA	0.2
EBT	0

When it was acquired in 2005, the company had net revenues (2004) of EUR 23 million and earnings before taxes of EUR -2.2 million.

Evotape S.p.A.



Holding period: 13 months

Focus: Margin improvement

In the second quarter, Evotape was able to continue the positive earnings trend and achieve overall positive results despite the continued rise in commodity prices in the second quarter. The higher production costs were more than offset by price increases and by an intensification of selling activities. Consequently, the company exceeded its budgeted production quantities and made up the deficits from the first quarter.

The production output of both plants was further increased. Both plants operated at full capacity and in some cases special shifts were run to accommodate the high volume of orders. The plants' capacity utilization will be equally high in the months following the summer break.

An important milestone of the capital expenditure program was completed at the Castelforte plant: the commissioning of a new

flexographic printing machine that can print multi-colored text and images on packaging tape, significantly enhancing the quality and expanding the capacity of this product group. In view of the fact that the new machine has been operating at full capacity ever since being commissioned, the management anticipates that the capital investment of more than EUR 600,000 will be recouped quickly.

EURm	First half 2006 01/01/2006 – 06/30/2006
Revenue	35.1
EBITDA	1.4
EBT	0.9

When it was acquired in 2005, the company had annualized revenues (2004) of EUR 65 million and a negative EBITA of EUR -9 million. The restructuring program has not yet been completed.

Sommer Fahrzeugbau GmbH & Co. KG



Holding period: 10 months

Focus: Restructuring

Following on from a highly successful first quarter, Sommer was not able to meet the high expectations in the second quarter. Revenues and therefore earnings fell short of the budgeted values, mainly as a result of the very strong downward pressure on prices in the domestic market and the restricted availability of certain vehicle chassis, which form the basis for production. Despite this, the Fahrzeugbau Group almost managed to achieve the expected savings on the cost side. The implementation of the integrated

production concept across all facilities resulted in greater efficiency and enhanced quality in the individual plants.

The reconstruction of the sales force yielded considerable success in the second quarter, primarily outside Germany. Thus Sommer fared better than expected in France, for instance. In Russia, Sommer is benefiting from rapid market growth. The plant in Novgorod, Russia, is currently operating at full capacity. There is also growing interest in Sommer special vehicles, as the company experienced at the Komtrans exhibition for commercial vehicles in Moscow, for instance. In response, management has initiated measures aimed at boosting production capacity by 50%.

In the third quarter, Sommer will unveil its latest developments at the IAA International Motor Show for Commercial Vehicles in Hanover, using the industry's biggest occasion to push sales as well. At the same time, Sommer is set to reinforce its activities on attractive export markets.

By reason of IFRS accounting rules, additional valuation

EURm	First half 2006 01/01/2006 – 06/30/2006
Revenue	23.5
EBITDA	-0.5
EBT	-2.3

adjustments in the amount of EUR 1.028 million were charged against EBT in connection with the initial consolidation. Under IFRS rules, the planned profits on orders which had been procured at the acquisition date must be capitalized at that date. In the Sommer Group, such profits had been allocated in 2005 to income from the reversal of negative consolidation differences. When the orders were completed, the capitalized amounts were recognized in the operating result in the form of valuation adjustments.

The management anticipates positive earnings in the second half of the year. Additional non-recurring effects are expected to result from real estate sales.

tiscon AG Infosystems



Holding period: 8 months

Focus: Separation of the remaining operating business

Some of the operating business was spun off to a subsidiary as planned in the second quarter. The sale of this subsidiary already prepared in the first quarter was implemented to such an extent that only the approval of the Annual Shareholders Meeting is outstanding. The Annual Shareholders Meeting passed a corresponding resolution on July 25. The sale of the operating business resulted in non-recurring charges against income. Furthermore, the adopted policy of avoiding costs was systematically continued. The rent liabilities could be reduced further by concluding an attractive subletting agreement, so that a lower level of vacancy-induced losses can be expected in the future.

The intention is to unveil a new business model for the company during the course of 2006, building on its listing on the regulated market together with its strong liquidity base.

EURm	First half 2006 01/01/2006 – 06/30/2006
Revenue	2.9
EBITDA	-0.9
EBT	-0.9

The losses resulted almost exclusively from the closure of unprofitable business units. These losses were easily absorbed by the cash funds of more than EUR 5 million at the date of acquisition, so that considerable liquidity remains in the company. Therefore, the company anticipates a much improved earnings situation in the second half.

ARQUANA International Print & Media AG



Holding period: 12 months

Focus: Market consolidation

The first six months of 2006 were characterized by the further expansion of the ARQUANA Group. Besides acquiring the Cologne-based web offset print shop J. P. Bachem GmbH & Co. KG in the strategically important western part of Germany in March, the company entered a new line of business – package printing – by acquiring Wanfried Druck Kalden GmbH from the Austria-based Constantia Group. This segment is just as fragmented as the rotary offset market and offers outstanding opportunities for a consolidator like ARQUANA. Furthermore, the Colordruck Group Pforzheim – previously a strategic partner in the ARQUES Group – was folded into ARQUANA with effect from June 30, 2006. The complete company now encompasses seven print shops in three countries (Germany, France, and Austria), with annualized annual revenues of EUR 190 million and approximately 950 employees.

As part of the integration and realignment of the companies and the harmonization of processes, the centrally managed sales function was expanded further in the form of ARQUANA Sales GmbH, which covers the services provided by all group companies, and a central planning function introduced.

The foundation was laid for sustainable cross-company gains and initial synergies realized by bundling the purchasing activities and creating a central purchasing function for paper and additives. The company invested systematically in the

harmonization of its IT systems. Among other things, this included rolling out the Syogra ERP system across the board.

Business was satisfactory in operational terms, running to plan despite the downward pressure on prices and margins that pervades the industry. All print shops were operating at almost full capacity, which provided for stable revenues. Highly qualified new managing directors with relevant experience were found for five of the seven print shops. Besides having responsibility for their own operations, they have also been entrusted with co-responsibility for melding together the corporate group. Good progress could be made on staffing at the second management level.

An initial capital increase comprising 164,712 new shares was successfully placed on the capital market in the spring. The company benefited from an inflow of liquid assets amounting to EUR 5.7 million as a result. During the second quarter, the company prepared for a change of segment from OTC to the regulated market (Prime Standard) on the Frankfurt Stock Exchange, which is scheduled for completion in the third quarter. The requisite prospectus has been prepared and the corresponding application submitted to the Federal Financial Supervisory Authority (BaFin) on July 18, 2006.

EURm	First half 2006 01/01/2006 – 06/30/2006
Revenue	56.5
EBITDA	7.4
thereof: Income from the reversal of negative goodwill	5.7
EBT	3.3

ARQUANA is the only company that presents, in its sub-group financial statements according to IFRS, income from the reversal of negative consolidation differences arising from equity consolidation. These differences emanate from the acquisition of Colordruck Pforzheim and Druckerei J.P. Bachem.

The outlook calls for strong revenue gains, the integration of the new subsidiaries and the creation of a central corporate structure for the group. A substantially higher EBT is expected for the full year.

Rohner AG



Holding period: 4 months

Focus: Restructuring

ARQUES acquired the Swiss specialty chemicals concern Rohner AG on March 9, 2006. Rohner AG produces intermediate products for pharmaceutical companies and customers in the specialty chemicals sector. Rohner is currently in the first restructuring phase and is still operating at a loss. The turnaround plan adopted in the same month as the acquisition is currently being implemented on the operational level. Other important steps in the turnaround process are to concentrate production in only two factory halls instead of four, to streamline the product portfolio and reduce the workforce in conjunction with a layoff mitigation plan for employees. These measures should be fully implemented by the end of the year.

In the medium term, the challenge for Rohner is to position itself in the right market niche for its production facilities. As a Swiss SME, the company needs to establish itself on the global marketplace in innovation fields where there is demand for syntheses involving relatively small quantities of active substances and high expectations in terms of complexity and quality. In parallel to identifying such innovation fields, a largely new and

much stronger sales team is currently being built up. The goal is to enable Rohner to acquire new international customers.

EURm	03/01/2006 – 06/30/2006
Revenue	13.1
EBITDA	-0.3
EBT	-0.6

In accordance with the ARQUES philosophy, Rohner was acquired in a loss situation and therefore its operating results are still negative at this time following the acquisition. The restructuring work has begun with full intensity. Additional losses are expected in the second half of the year, but they can be covered by the turnaround fund contributed by the seller.

Hottinger Maschinenbau GmbH



Holding period: 4 months

Focus: Restructuring

The Mannheim-based plant contractor Hottinger Maschinenbau GmbH was acquired with effect from March 30, 2006. Hottinger is currently in the first restructuring phase and is not yet profitable. Initial restructuring measures were initiated as soon as the plant contractor was acquired in March 2006. At the same time, work was stepped up on the operational side, which meant that a major order that had come to a standstill under the previous owner could be completed on time. The core shooters are currently being installed on the customer's premises.

The order books are expected to improve over the next few months on the back of expanded sales activities. In response to this, a staff reorganization was carried out at first in order to permanently strengthen the sales force. Furthermore, the Mannheim-based company has intensified its sales activities in South and Central America and reactivated its customer contacts in China. In Mexico, its most important international market, Hottinger has entered into a long-term cooperation deal with a strong sales and service partner. In addition, after-sales service and the spare parts business are being expanded with the sustained help of the task force.

Based on an improved cost structure brought about by successful restructuring measures, management assumes that the company will return to the black before the end of this fiscal year after years of problems.

EURm	03/01/2006 – 06/30/2006
Revenue	2.5
EBITDA	-0.2
EBT	-0.2

In accordance with the ARQUES philosophy, Hottinger was acquired in a loss situation and therefore its operating results are still negative at this time following the acquisition. The restructuring work has begun with full intensity. The company expects to reach break-even in the second half of the year.

Fritz Berger GmbH



Holding period: 2 months

Focus: Restructuring

On May 1, 2006, ARQUES acquired the camping and outdoor specialist Fritz Berger as part of an asset deal. Since the acquisition, various cost reduction and restructuring measures have been initiated. Fritz Berger is currently in the first restructuring phase.

The company is market leader with strong name recognition in the camping/outdoor segment, and has three distribution channels: stationary activities, mail order (catalogue and internet), and wholesale. The Sport Berger GmbH subsidiary operates four specialist outlets, three of which are Jack Wolfskin franchises.

The markets for camping and outdoor products have been growing for years. Thus the number of RVs/caravans being registered has been rising steadily and the outdoor market has expanded at a similar rate. One uncertainty factor in these markets, however, is the weather, while operations are marked by strong seasonal swings, especially in terms of camping accessories.

The adjustment of the administrative organization and the definition of the future company strategy have already been completed. This includes retaining the three distribution channels, with future growth concentrating on the mail-order side, and

specifically online sales, as well as on stationary sales boosted by expanding and enhancing the quality of the outlet network. In part this involves putting the emphasis on areas that can present the entire product range, including clothing. The clothing segment will also be the focus of growth in the revamped range. Although the product range will continue to cover the needs of campers, it will be heavily streamlined to avoid unnecessary storage costs and cost of capital as well as surplus stock at the end of the season.

Thanks to the immediate measures initiated in marketing and sales, supported by the extremely good weather conditions, the company's second-quarter revenues were significantly higher than the corresponding prior-year figure. Targeted marketing actions and the adjustments made to the logistical processes led to a reduction of the unnecessarily high inventories already in the first few weeks.

It is expected that the measures initiated by the ARQUES management will bring about a further significant earnings improvement in 2007.

EURm	05/01/2006 - 06/30/2006
Revenue	11.2
EBITDA	1.0
EBT	0.7

The positive earnings situation following the acquisition was due in part to seasonal effects. The second quarter in particular is a strong sales month for vendors of camping and caravanning equipment. In addition, the acquisition itself led to structural changes in the business that had a direct positive impact on earnings. The management is expecting positive earnings in the second half of the year as well.

The predecessor company generated revenues of EUR 38 million and a negative operating result (EBT) of EUR -4.8 million in 2005.

Outlook

The restructuring of the existing subsidiaries will lead to further improvement in operating results in the second half of 2006. Seasonal effects will have a positive impact on numerous subsidiaries. Our acquisition pipeline is well filled, which implies that further highly promising transactions will take place.

With regard to the announced sale of the ARQUES real estate, intensive negotiations are currently under way with a number of potential buyers. The Executive Board is confident of being able to announce concrete results in the not too distant future.

Consolidated financial statements of ARQUES Industries AG

Consolidated Income Statements for the second quarter and first half of 2006

	1st Half '06 Jan. 1 – June 30, 2006	1st Half '05 Jan. 1 – June 30, 2005	Q2 '06 April 1 – June 30, 2006	Q2 '05 April 1 – June 30, 2005
	EUR'000	EUR'000	EUR'000	EUR'000
1. Revenues	323,561	179,364	183,466	106,708
2. Change in finished goods and work in process	-537	3,381	-3,408	2,508
3. Other own work capitalized	1,033	0	673	0
4. Other operating income	58,461	28,473	30,072	24,797
5. Cost of materials	-215,136	-122,664	-118,459	-72,583
6. Personnel expenses	-70,568	-34,512	-39,562	-21,346
7. Other operating expenses	<u>-46,557</u>	<u>-23,664</u>	<u>-25,363</u>	<u>-14,893</u>
8. Earnings before interest, taxes, depreciation and amortization (EBITDA)	50,257	30,378	27,419	25,191
9. Depreciation and amortization of intangible assets, property, plant and equipment	<u>-10,720</u>	<u>-5,845</u>	<u>-6,399</u>	<u>-3,983</u>
Earnings before interest and taxes (EBIT)	39,537	24,533	21,020	21,208
10. Income from associated companies	315	0	123	0
11. Income from loans outstanding	0	344	0	224
12. Other interest and similar income	400	110	249	75
13. Interest and similar expenses	<u>-1,734</u>	<u>-693</u>	<u>-889</u>	<u>-514</u>
Income from ordinary activities	38,518	24,294	20,503	21,092
14. Income taxes	<u>-922</u>	<u>-2,715</u>	<u>-1,875</u>	<u>-1,704</u>
15. Income before minority interests	37,596	21,579	18,628	19,388
16. Minority interest	<u>633</u>	<u>323</u>	<u>-492</u>	<u>194</u>
17. Net income	38,229	21,902	18,136	19,582
18. Retained earnings carried forward	<u>74,721</u>	<u>36,030</u>		
19. Retained earnings	112,950	57,932		
Earnings per share*				
- Basic earnings per share (EUR)	<u>1.58</u>	<u>1.08</u>	<u>0.75</u>	<u>0.81</u>
- Diluted earnings per share (EUR)	<u>1.57</u>	<u>1.08</u>	<u>0.75</u>	<u>0.81</u>

* EPS data adjusted to account for stock split.

Consolidated Balance Sheet as of June 30, 2006

ASSETS

	June 30, 2006	Dec. 31, 2005
	EUR'000	EUR'000
Non-current assets		
Intangible assets	15,412	8,216
Property, plant and equipment	156,721	130,823
Investment property	2,249	2,288
Shares in associated companies	3,755	3,603
Financial assets	4,517	1,013
Other long-term assets	83	0
Deferred tax assets	<u>12,923</u>	<u>13,451</u>
Total non-current assets	195,660	159,394
Current assets		
Inventories	92,706	58,239
Receivables from percentage of completion	8,235	2,876
Trade accounts receivable	86,746	77,679
Financial assets available for sale	73	73
Other assets	33,597	17,078
Tax refund claims	18	73
Cash and cash equivalents	<u>35,185</u>	<u>41,434</u>
	256,560	197,452
Non-current assets held for sale	<u>24,017</u>	<u>11,018</u>
Total current assets	280,577	208,470
Total assets	<u>476,237</u>	<u>367,864</u>

Consolidated Balance Sheet as of June 30, 2006

SHAREHOLDERS' EQUITY AND LIABILITIES

	June 30, 2006	Dec. 31, 2005
	EUR'000	EUR'000
Shareholders' equity		
Capital subscribed	2,427	2,427
Additional paid-in capital	53,284	53,284
Reserves	5,302	4,866
Other cumulative shareholders' equity	<u>112,888</u>	<u>80,603</u>
	173,901	141,180
Minority interest	<u>-2,915</u>	<u>997</u>
Total shareholders' equity	170,986	142,177
Non-current liabilities		
Provisions for pensions	24,312	15,707
Provisions	7,565	3,858
Financial liabilities	32,516	17,730
Liabilities from finance leases	19,164	19,760
Other liabilities	3,192	1,998
Deferred tax liabilities	<u>27,331</u>	<u>23,686</u>
Total non-current liabilities	114,080	82,739
Current liabilities		
Provisions	28,579	13,630
Financial liabilities	26,835	20,200
Trade accounts payable	85,971	73,907
Tax liabilities	6,495	6,236
Other liabilities	<u>43,291</u>	<u>28,975</u>
Total current liabilities	191,171	142,948
Total shareholders' equity and liabilities	<u>476,237</u>	<u>367,864</u>

Statement of Changes in Shareholders' Equity

EUR'000	Subscribed capital	Additional paid-in capital	Reserves	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 first half year 2005				21,579	323	21,902
Share option plan				46		46
Currency translation				502		502
Changes in minority interest				323	829	1,152
Other changes				3		3
June 30, 2005	2,027	9,905	3,230	57,718	2,626	75,506
December 31, 2005	2,427	53,284	4,866	81,005	1,120	142,702
Adjustment per IFRS 3.61ff.				-402	-123	-525
December 31, 2005	2,427	53,284	4,866	80,603	997	142,177
Dividend payment 2005				-4,975		-4,975
Appropriation to retained earnings			436	-436		0
Net income first half year 2006				37,596	633	38,229
Share option plan				133		133
Currency translation				-690		-690
Change in minority interest				633	-4,545	-3,912
Other changes				24		24
June 30, 2006	2,427	53,284	5,302	112,888	-2,915	170,986

Consolidated Cash Flow Statement January 1 - June 30, 2006

EUR'000	from Jan. 1 to June 30, 2006 *	from Jan. 01 to June 30, 2005*
Income from ordinary activities (EBT)	38,518	24,294
Reversal of negative goodwill	-41,427	-14,111
Depreciation/amortization of property, plant and equipment and intangible assets	10,720	5,845
Increase (+)/ decrease (-) in provisions for pensions	-1,660	-463
Profit (-)/loss (+) from the sale of fixed assets	259	-92
Profit (-)/loss (+) from the sale of financial assets	-5,006	-4,441
Issue of share options	133	46
Income from associated companies	-315	-120
Net interest income	1,334	239
Interest received	617	454
Interest paid	-1,444	-598
Income taxes paid	<u>-737</u>	<u>-964</u>
Gross cash flow	992	10,089
Change in working capital		
Increase (-)/ decrease (+) in inventories	4,287	-7,563
Increase (-)/ decrease (+) in trade receivables and other receivables	-7,278	-6,655
Increase (+)/ decrease (-) in trade accounts payable, other liabilities and other provisions	-2,023	11,246
Increase (+)/ decrease (-) in other balance sheet items	<u>-1,075</u>	<u>-2,908</u>
Net cash provided (+)/used (-) by operating activities (net cash flow)	-5,097	4,209
Cash paid for business combinations	-3,956	-6,948
Cash acquired from business combinations	8,406	10,188
Cash given out on the sale of shares in companies	0	-4,454
Proceeds from the sale of shares in companies	2,211	2,100
Proceeds from the sale of non-current assets	2,775	1,098
Purchases of non-current assets	<u>-12,137</u>	<u>-2,807</u>
Net cash used (-) in investing activities	-2,701	-823
Proceeds from the issuance of current financial liabilities	6,635	4,902
Proceeds from the issuance (+)/repayment (-) of non-current financial liabilities	2,310	-731
Outflows for the repayment of liabilities from finance leases	-2,421	0
Dividend payment	<u>-4,975</u>	<u>0</u>
Net cash provided (+)/used (-) by financing activities	1,549	4,171
Cash and cash equivalents at the beginning of the period	41,434	12,860
Change in cash and cash equivalents	<u>-6,249</u>	<u>7,557</u>
Cash and cash equivalents at the end of the period	35,185	20,417

* Prior-year figures were adjusted.

Notes to the interim report at June 30, 2006

The interim report of the ARQUES Group has been prepared in accordance with the provisions and regulations of 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 Essential Accounting Policies" in the notes to the consolidated financial statements at December 31, 2005 are also applicable to the present, unaudited interim report at June 30, 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 report in the 2005 consolidated financial statements agreed by ARQUES by mutual consent with the German Audit Office (Deutsche Prüfstelle für Rechnungslegung, DPR), 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 statement for the period from January 1 to June 30, 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 232.
- 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 533, higher interest expenses of kEUR 194 and lower other operating expenses of kEUR 753.
- In addition, the income from the reversal of negative goodwill from capital consolidation was reclassified to other operating income in the amount of kEUR 14,411.

The reconciliation statement presented below shows the effects of the above-mentioned adjustments on the consolidated income statement for the period from January 1 to June 30, 2005:

EUR'000	Consolidated financial state- ments 01/01- 06/30/2005	Adjustment per IAS 8	Consolidated financial state- ments 01/01- 06/30/2005 adjusted
1. Revenues	179,364		179,364
2. Change in finished goods and work in progress	3,381		3,381
3. Other operating income	14,062	14,411	28,473
4. Cost of materials	-122,664		-122,664
5. Personnel expenses	-34,512		-34,512
6. Other operating expenses	-24,417	753	-23,664
7. Earnings before interest, taxes, depreciation and amortization (EBITDA)	15,214	15,164	30,378
8. Depreciation and amortization of intangible assets and property, plant and equipment	-5,080	-765	-5,845
Earnings before interest and taxes (EBIT)	10,134	14,399	24,533
9. Income from loans outstanding and associated companies	344		344
10. Other interest and similar income	110		110
11. Interest and similar expenses	-499	-194	-693
Income from ordinary activities	10,089	14,205	24,294
12. Income taxes	-2,715		-2,715
13. Income before minority interests	7,374	14,205	21,579
14. Minority interest	323		323
Income from the reversal of negative goodwill arising from capital consolidation (2004 structure)	14,411	-14,411	0
15. Net income	22,108	-206	21,902
16. Retained earnings carried forward	40,389	-4,359	36,030
17. Retained earnings	62,497	-4,565	57,932
Basic and diluted earnings per share (EUR)	1.09	-0.01	1.08

Adjustments to the comparison information from the 2005 consolidated financial statements

The values at January 1, 2006 were adjusted in accordance with IFRS 3.61ff. The purchase price allocation of the subsidiary Evry Rotatives S.A.S., which was acquired in the fourth quarter of 2005, was performed on a provisional basis in the consolidated financial statements at December 31, 2005, in accordance with IFRS 3.61ff. The adjustments represent the final purchase price allocation.

By virtue of the ARQUES business model, provisional purchase price allocations in accordance with IFRS 3.61ff will occur in the future as well. This results from the fact that the purchase price allocation process is time-intensive, complex and demanding and lengthens the time required for the independent auditor to conduct his audits. Depending on the complexity of the acquisition, this process could take several months. However, IFRS 3.61ff states that the values in question should be disclosed as soon as valid, provisional values are available, instead of waiting until the final purchase price allocation is complete. In view of qualitative characteristics of financial statements, timelines of information is more important than exact but delayed information.

The main adjustment at Evry Rotatives S.A.S related to a lease for the building, concerning which it was not sufficiently certain at the time of preparing the financial statements, in the opinion of the company, that the building would in fact be transferred to the Evry Rotatives S.A.S, and therefore it was decided not to enter provisional accounting values. At January 1, 2006, the adjustments resulting from the finished purchase price allocation process changed non-current assets by kEUR 7,382, short-term assets by kEUR 559, long-term liabilities by kEUR 7,692 and short-term liabilities by kEUR 774. The earnings impact at January 1, 2006 amounted to kEUR -402 and the minority interest was reduced by kEUR 123.

B. Net assets, financial position and earnings

The balance sheet total of the corporate group at June 30, 2006 amounted to kEUR 476,237 (prior year kEUR 367,864). The increase can be attributed primarily to the substantial investment activities in the first quarter of 2006. As in the previous year, the biggest component of assets was property, plant and equipment, amounting to kEUR 156,721 or 32.9% of total assets. As a result of acquisitions, inventories amounted to kEUR 92,706, as compared with kEUR 58,239 in the previous year, trade accounts receivable amounted to kEUR 86,746, as compared with kEUR 77,679. At the end of the second quarter 2006, the cash and cash equivalents of the corporate group amounted to kEUR 35,185, as compared with kEUR 41,434 in the previous year. The 15.1% reduction in cash and cash equivalents resulted primarily from the repayment of liabilities.

The equity ratio of the corporate group narrowed to 35.9%, after 38.7% at December 31, 2005 (including minority interest), due primarily to the distribution of a dividend totaling kEUR 4,957.

The balance sheet structure of the corporate group underwent the following changes:

	1st Half 06 EURm	1st Half 05 %	2005 EURm	2005 %
Non-current assets	195.6	41.1	159.4	43.3
Current assets, excluding cash and cash equivalents	245.4	51.5	167.1	45.4
Cash and cash equivalents	35.2	7.4	41.4	11.3
Total assets	476.2	100.0	367.9	100.0
Shareholders' equity	171.0	35.9	142.2	38.7
Non-current liabilities	114.1	24.0	82.8	22.5
Current liabilities	191.1	40.1	142.9	38.8
Total shareholders' equity and liabilities	476.2	100.0	367.9	100.0

At EUR 323.1 million, the revenues of the ARQUES Group were EUR 144.3 million or 80.5% higher than the corresponding prior-year figure.

REVENUES	1st Half '06 EUR m	1st Half '05 EUR m	Change in %
Steel	140.4	106.6	31.7
Print	69.9	18.9	269.8
Industrial Production	62.1	40.6	53.0
Holding	0.1	0.1	0.0
Other	51.1	13.1	290.1
Total	323.6	179.3	80.5

Cash-Flow

In the first half, the corporate group experienced a cash outflow for operating activities of EUR 5.1 million. There was a cash inflow of EUR 12.1 million in the second quarter and a cash outflow of EUR 17.2 million in the first quarter. The cash flow is primarily influenced by the development of inventories, trade accounts receivable and trade accounts payable. The inventories and accounts receivable together were EUR 65.4 million higher than the prior-year figure. Of this amount, EUR 62.4 million resulted from the changes in the scope of consolidation of the ARQUES Group. The accounts payable (including other liabilities and other provisions) were EUR 48.5 million higher than the prior-year figure, because of additions to the consolidated group of companies. Together with the EUR 2.0 million devoted to repaying liabilities in the same period, the liabilities increased on balance by EUR 46.5 million.

Despite the EUR 12.2 million in cash outflows for investments in non-current assets, the net cash outflow for investing activities was only EUR 2.7 million. This is because ARQUES acquired cash and cash equivalents of EUR 8.4 million in connection with the purchase of companies. After deducting the purchase prices paid of EUR 4.0 million, the above-mentioned investments in non-current assets of EUR 12.2 million and the sale proceeds in the amount of EUR 5.0 million, there remains the above-mentioned net cash outflow. The cash inflows from the acquisitions were mainly devoted to the purpose of successfully restructuring the purchased companies. The corresponding cash outflows for restructuring costs are stated in the cash flow statement items of gross cash flow and changes in working capital. These considerations illustrate the point that under the ARQUES business model, cash flow should be evaluated on a uniform basis, because the operating start-up losses and restructuring costs, as well as the required working capital financing are offset by the restructuring fund contributions of the sellers and by the favorable purchase prices.

From its financing activities, ARQUES experienced a cash inflow of EUR 1.5 million. The inflows consisted of the loan proceeds disbursed against assumption of financial liabilities, in the amount

of EUR 8.9 million, and the outflows consisted of repayments of liabilities under finance leases in the amount of EUR 2.4 million and for dividend payments in the amount of EUR 5.0 million.

Balance sheet and financial indicators

		1st Half '06 %	2005 %
Return on revenues	EBIT revenues	12.2	11.1
Fixed assets intensity	Property, plant and equipment and intangible assets balance sheet total	36.1	37.8
Liability structure	Short-term liabilities total liabilities	62.6	63.3
Financing ratio	Depreciation and amortization capital expenditure	88.1	106.9
Equity ratio	Shareholders' equity balance sheet total	35.9	38.7

C. Changes in the scope of consolidation

At the end of February 2006, ARQUES acquired the Wanfried Group, comprising Wanfried Druck Kalden GmbH (100%) and its wholly owned subsidiary Wanfried Packaging, through its exchange-listed subsidiary ARQUANA International Print & Media AG.

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%)).

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

In April 2006, ARQUES acquired the Bachem Group (Verwaltungs-

gesellschaft J. P. Bachem mbH (100%) and J. P. Bachem GmbH & Co. KG (100%)) through its exchange-listed subsidiary ARQUANA International Print & Media AG, and the Georg Fischer Schwab Group (Georg Fischer Schwab Management GmbH (100%), Georg Fischer Schwab Beteiligungs-GmbH (100%) and Georg Fischer Schwab GmbH & Co. KG).

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

In May, ARQUES acquired the business operations of Fritz Berger GmbH und Co KG, which also comprised the 100% equity interest in Sport Berger GmbH, as part of an asset deal. This was included in the consolidated financial statements with effect from May 1, 2006.

The purchase prices for the purchased companies amounted to kEUR 5,377. Of this amount, kEUR 2,590 was paid in cash and kEUR 2,787 was paid in the form of 77,040 treasury shares in ARQUANA

International Print & Media AG. In the case of one acquisition, a contractually fixed price of EUR 37.50 was applied, due to the narrow breadth of the market at this time, which made it inadmissible to use the market price method; in the case of one acquisition at a later time, the current stock market price was applied. Shareholder loans of kEUR 92,751 were acquired in connection with company acquisitions. The acquisition of companies gave rise to negative goodwill on capital consolidation in the amount of kEUR -41,427.

Rohner AG, the Hottinger Group, the Bachem Group, the Georg Fischer Schwab Group and the Fritz Beger Group were consolidated on the basis of provisional accounts. Because the IFRS conversion and the purchase price allocation are time-intensive activities, the company opted to use the best information available at the time of preparing the financial statements.

The losses of the purchased companies from the date of acquisition to June 30, 2006 amounted to kEUR -598. This total includes all start-up and takeover losses, as well as losses for restructuring activities. It does not contain the other operating income from the reversal of negative goodwill on capital consolidation. The revenues from January 1, 2006 to the acquisition date in every case totaled kEUR 33,768. The earnings contribution from January 1, 2006 to the acquisition date in every case was not calculated because the corresponding results are not relevant for consolidation. A retroactive conversion back to January 1, 2006 was not performed because the figures calculated for the prior months would not be comparable with those after the restructuring, due to the effects of the restructuring measures that have been initiated. Thus, such a conversion would have produced distorted results.

The assets and liabilities acquired are broken down in the table below:

	Book values in EUR'000	Fair values in EUR'000
Non-current assets		
Intangible assets	838	3,205
Land	3,107	3,889
Buildings	15,465	19,534
Plant and equipment	10,769	17,795
Other assets	4,635	4,635
Financial assets	430	472
Deferred tax assets	576	3,462
Current assets		
Inventories	37,343	38,754
Trade accounts receivable	18,434	18,434
Other assets	5,341	5,233
Cash and cash equivalents	8,356	8,356
Liabilities		
Provisions	-24,876	-32,007
Trade accounts payable	-7,647	-7,647
Other liabilities	-124,376	-126,046
Deferred tax liabilities	-21	-9,611
Net assets		-51,542
Minority interests		5,595
Net assets acquired		-45,947

The acquired cash and cash equivalents totaled kEUR 8,356, which led to an overall cash inflow of kEUR 5,766.

No operations were discontinued or sold in connection with the company acquisitions.

The disclosures pursuant to IFRS 3.70 are practicably impossible. Because of the restructuring measures initiated in the meantime, the calculated values would lead to distorted results, in the company's opinion.

The new, immaterial shelf companies acquired in the first half of 2006 are not separately broken out.

Financial calendar

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