

FINANCIAL REPORT FOR THE 2. QUARTER OF 2007

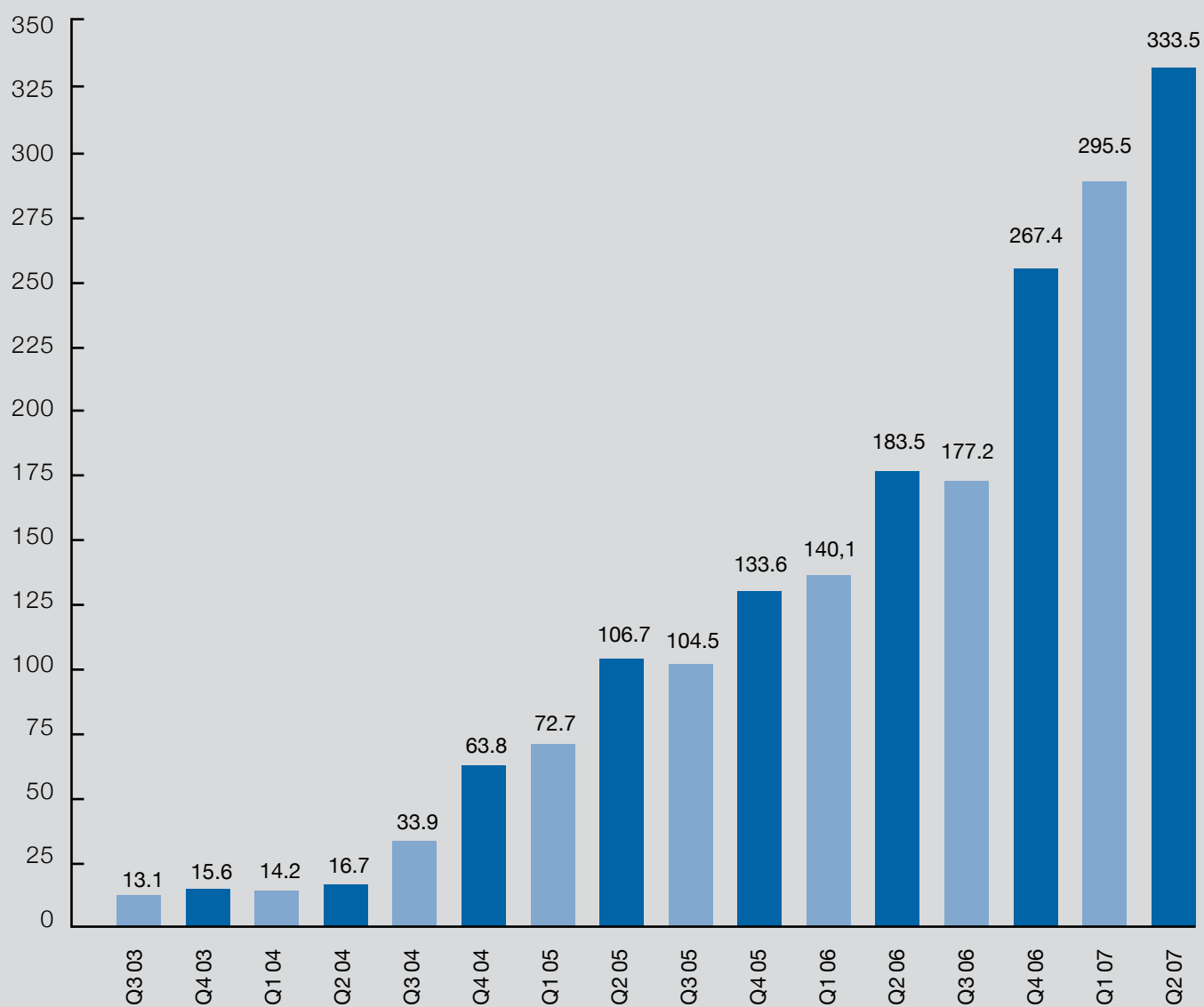
# Realising Potential

## KEY FIGURES

In EUR million	1st half of 01/01/2007 – 06/30/2007	1st half of 01/01/2006 – 06/30/2006	Change
Consolidated revenues	628.9	253.6	+ 148%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	50.8	49.2	+ 3%
Earnings before interest and taxes (EBIT)	35.1	42.9	- 18%
Consolidated net profit	30.0	41.9	- 28%
Earnings per share (diluted) in EUR	1.15	1.73	- 34%
Free cash flow	- 18.3	- 4.1	
	06/30/2007	12/31/2006	Change
Shareholders' equity	342.8	274.8	+ 25%
Equity ratio	38.5%	41.3%	
Total assets	891.3	665.3	+34%

Information on the ARQUES share	
WKN	515600
ISIN	DE0005156004
Stock market code	AQU
Stock type	No-par bearer shares
Shares in issue at June 30, 2007	26,450,000
Capital stock at June 30, 2007	EUR 26,450,000
Closing price at June 30, 2007	EUR 32.03
Market capitalization at June 30, 2007	EUR 847,193,500
52-week high	EUR 39.95
52-week low	EUR 10.40
Earnings per share (01/01/2007 – 06/30/2007)	EUR 1.15

## Development of the quarterly revenues (in EUR million)



## Foreword by the Executive Board

Dear shareholders, employees and business partners:

In the present report on the second quarter and first six months of 2007, we are pleased to present another successful chapter of the ARQUES story. At EUR 628.9 million, the consolidated revenues for the first six months of 2007 were 148% higher than the corresponding year-ago figure. The EBITDA (earnings before interest, taxes, depreciation and amortization), at EUR 50.8 million, was 3.2% higher than the corresponding year-ago figure. In the first half of 2007, ARQUES acquired a total of seven companies with combined annual revenues of EUR 310 million. At the start of the second half, the company's acquisition activities increased substantially again, both in terms of the number of transactions and the size of the acquired companies. Including the five additional acquisitions and further company sales that occurred between the period closing date and the date of publication of this report, the annualized revenues of the ARQUES Group have risen to approximately EUR 3.65 billion. The original target revenues for the full year 2007 were only EUR 2 billion.

The company's earnings performance in the first six months of 2007 was typical of the ARQUES business model and in line with the company's expectations. As a turnaround specialist, ARQUES primarily seeks to acquire companies in crisis situations. The Group's earnings are typically burdened by the start-up losses and restructuring costs associated with turning these companies around. The budgeted start-up losses for all the companies acquired in 2007 came to more than EUR 7 million. The EBITDA for the six-month period ended June 30, 2007 amounted to EUR 50.8 million, higher than the corresponding year-ago figure of EUR 49.2 million. The EBITDA for the second quarter, at EUR 17.9 million, was lower than the corresponding year-ago figure of EUR 26.1 million.

### **ARQUES stands to benefit from recent developments in the capital markets**

With regard to acquisitions, ARQUES believes that private equity firms, which ARQUES is not, will have trouble borrowing money to purchase companies in the future. Motivated by an overriding desire for transaction security, large corporate groups will be looking for companies with highly skilled management personnel as potential buyers of their subsidiaries that require restructuring. Thus, ARQUES can only benefit from any credit squeeze that could result from the current turmoil in the financial markets. Also with regard to company sales, ARQUES does not see any weakening of its position in the future. The ARQUES business model is not based on selling its subsidiaries at the theoretically highest prices: In its most recent sales, teutonia and SKS Stakusit were sold to strategic buyers on a completely debt-free basis. The sale price for teutonia was 5.3 times the projected EBITDA for 2007 and the sale price for SKS Stakusit was 4.8 times the projected EBITDA for 2007. Even if the sale prices had been lower, ARQUES would have generated above-average returns on these investments, due to the low purchase prices paid by the company.

### Dynamic growth forecast for 2007 and 2008

In the third quarter to date, ARQUES has not only effected the acquisitions mentioned above, but two profitable company sales as well (SKW Metallurgie and SKS Stakusit). In consideration of these developments, as well as the other transactions that have been announced or are being negotiated and the continually growing volume of exit activities, ARQUES is raising its full-year revenue forecast for 2007 from EUR 1.5 billion to more than EUR 2 billion and its full-year EBITDA forecast for 2007 from EUR 180 million to EUR 200 million, for now.

For 2008, ARQUES anticipates revenues of EUR 5.1 billion and EBITDA of EUR 275 million. These plan figures are based on the continuing increase in the company's acquisition activities, which are being fueled by the growth of the Group's established foreign subsidiaries, the further expansion of the Acquisitions Department in Starnberg, the formation of additional foreign subsidiaries and the favorable competition environment. The plan figures are also supported by concrete exit plans.

We wish to thank you, our shareholders, for the trust and confidence you have placed in us. We look forward to an eventful second half of the year, as we continue to do everything we can to bring about a further substantial increase in the value of ARQUES Industries AG.

Sincerely,

The Executive Board of ARQUES Industries AG

## CONSOLIDATED MANAGEMENT REPORT

### Global economy continues dynamic expansion in 2007

The most important economic research institutions predict that the global economy will continue its dynamic expansion in 2007. At the end of June, the International Monetary Fund (IMF) raised its estimate for global economic growth for 2007 from the earlier estimate of 4.9% to 5.2%. The strong economic growth is being fueled in particular by the fast-growing economies of eastern and south-eastern Asia. Accordingly, the economic growth forecasts have been raised significantly for China (+11.2% after the earlier estimate of +10.0%) and India (+9.0% after +7.3%). Among the traditional major economic regions of the so-called triad, the euro zone has taken over the role of growth engine from the United States. Thus, the Organization for Economic Cooperation and Development (OECD) predicts economic growth of 2.7% for the 27 countries of the European Union. This trend is being supported also by the firm upswing in Germany, where the IFO Institute anticipates GDP growth of 2.6% for 2007. As for the United States, the economists of the OECD expect the growth rate to slow down, for a gain of only 2.1% on the full year 2007. According to the IMF, the Japanese economy will perform better than originally expected, with GDP growth of 2.6% on the full year. The countries of Central and Eastern Europe are expected to experience overall GDP growth of 5.7%, led by strong economic growth in Russia (+7.0%).

### ARQUES Group

As planned, Dr. Martin Vorderwülbecke took over as Chairman of the Executive Board of ARQUES Industries AG on May 1, 2007. Dr. Vorderwülbecke, who had until then served as Chief Financial Officer and Vice Chairman of the Executive Board, has served on the ARQUES Executive Board since July 1, 2004. Prior to that post, he served on the company's Supervisory Board. ARQUES founder Dr. Dr. Peter Löw had announced already in February 2007 that he did not wish to renew his Executive Board contract, which was to expire on April 30, 2007.

In late May, ARQUES raised about EUR 47 million in fresh equity in connection with a capital increase. Some of the proceeds were used to finance the acquisition of the Actebis Group in the third quarter. This Group has annual revenues of EUR 2.5 billion. The acquisition of Actebis from the Otto Group was a very important step for ARQUES, both from a strategic and an operational perspective. With this transaction, ARQUES proved that acquisitions of companies with annual revenues in excess of one billion euros also belong to its core business. This transaction also made it clear that ARQUES has been recognized as a reliable partner in complex corporate spin-offs by such large corporations as Otto, Arcandor (former KarstadtQuelle) and Degussa.

At the annual shareholders' meeting of June 21, 2007 in Munich, Franz Graf von Meran was newly elected to the ARQUES Supervisory Board to replace Matthias Spindler, who resigned from the board. The annual shareholders' meeting ratified the appointments of the other Supervisory Board members, Dr. Georg Obermeier, Mr. Bernhard Riedel, Dr. Gerhard Fischer, Prof. Dr. Michael Judis and Dr. Rudolf Falter and elected Othmar Freiherr von Diemar as an alternate board member. In its constitutive meeting, the Supervisory Board elected Dr. Georg Obermeier as the Chairman and Mr. Bernhard Riedel as the Vice Chairman.

## Changes in the structure of equity holdings

ARQUES finalized the agreement on the acquisition of Degussa's antioxidant activities in the second quarter. Going forward, ARQUES will continue to operate this company under the name Oxiris. Oxiris has its own production facilities in Spain (in Sant Celoni, close to Barcelona) and in England (Knottingley), and a sales and distribution office, with laboratory, in Germany (Ludwigshafen). At this latter site, the company also produces antioxidants under contract for a business partner (so-called toll manufacturing). Antioxidants are used to protect products against harmful effects like oxidation, embrittlement, resinification, color changes and/or odor changes. The purchased entities generated revenues of EUR 60 million in 2006.

ARQUES announced the acquisition of the Austrian clothing store chain Schöps in early April of this year. Schöps is one of the biggest and best-known clothing store chains in Austria, with a wide-ranging network of stores. The company generated revenues of approximately EUR 70 million in 2006.

ARQUES acquired the Spanish primary steel processor Capresa in late April. Capresa's customers are mainly found in the automotive industry. Its plants are located in La Llagosta, in the vicinity of Barcelona, and in Mexico (Capre-Mex). The product portfolio comprises spring steel, carbon steel and free-cutting steel, as well as various special steel alloys, which are cut and formed according to the customers' specifications. Capresa generated revenues of about EUR 50 million in the past business year.

\* Subsidiaries for which the budgets and medium-term financial plans have not yet been sufficiently concretized, as is often the case with newly acquired companies, have not been valued.

## Company values of ARQUES portfolio companies ("Net asset values")

The company values of the ARQUES portfolio companies at August 15, 2007 are as follows:

Name of corporate group	August 15, 2007 Company value (in EUR millions)
Missel/Schwab	24
ddp	16.9
Jahnel-Kestermann	35
Golf House	11.2
Evotape	4.4
Sommer	22.8
tiscon	37.4
Xerius	6.4
ARQUANA	8.7
Hottinger	5
Fritz Berger	13.1
Rohner	11
Farbendruck Weber	8.5
Oxxynova	57.7
BEA TDL	5.7
Wanfried-Druck Kalden	8.4
Van Netten	12.1
Capresa	2.1
Oxiris	8.5
Schöps	5
BEA Electrics (formerly SAG Austria)	*
Assumption of control pending:	
Rohé	*
Actebis	196.8
<b>TOTAL:</b>	<b>500.7</b>

The enterprise values of the portfolio companies of ARQUES Industries AG were calculated on the basis of the “free cash flow-to-equity” method prescribed in the accounting standard IDW S 1: “Grundsätze zur Durchführung von Unternehmensbewertungen” of the German standards association Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW).

The calculations were performed on the basis of the operating budgets of the subsidiaries and the resulting medium-term financial plans. The free cash flows were discounted by application of the relevant interest rate for the company, which was determined by means of the Capital Asset Pricing Model (CAPM) using current capital markets data. The beta factor and interest rate were agreed with the independent auditor in connection with the initial consolidation of each subsidiary.

Shares in exchange-listed companies were included in the calculations at the Group's share of their market capitalization.

The enterprise values of the portfolio companies are not the same as the stated values in the consolidated financial statements. In most cases, the carrying amount of these investments is much lower than the enterprise value because the investments are carried at amortized cost.



## Notes on the subsidiaries

### SKW Stahl Metallurgie AG



#### Company situation, business developments, restructuring and development measures

As part of its core business, SKW Metallurgie develops, manufactures and distributes metallurgy products used in the desulphurization and refining of pig iron and steel. Buoyed by the positive performance of the steel industry, and the substantial pick-up in industrial production in nearly all sectors of the economy, the demand for steel and metallurgy products, as the markets served by SKW Metallurgie, has grown substantially, especially in the fast-growing economies of the emerging markets. These trends bode well for the traditional business activities of SKW Metallurgie and for the activities of the ESM Group, which is to be acquired by SKW Metallurgie, as announced by SKW in July 2007. Also, the industrial sectors supplied by the “Quab” segment, which was acquired in January 2007, including companies that produce industrial starch for the papermaking industry in particular, are also experiencing positive growth rates, though not as strong as in the steel sector.

As for its business development, the SKW Metallurgie Group performed very well in the first six months of 2007. Revenues were more than 10% higher than the corresponding year-ago period and the gross profit margin was likewise significantly higher. SKW Metallurgie’s EBITDA (earnings before interest, taxes, depreciation and amortization) was about 75% higher than the corresponding

year-ago period, due in part to the first-time consolidation of the Quab business in the first quarter and also in part to the operational successes in the segments of Powder & Granulates and Cored Wires.

Whereas the operational focus was on integrating the Quab activities in the first few months of the year, as the first half proceeded, the company turned its attention to making preparations for the acquisition of the ESM Group, which was announced in July 2007. The U.S. company ESM Group is the market leader in the segment of pig iron desulphurization in North America. Thanks to this acquisition, SKW Metallurgie assumed the place of world market leader in this segment. The ESM Group is also active in the segments of secondary metallurgy, in which it is one of the biggest suppliers in North America, and in the areas of mold maintenance for continuous casting lines, project engineering for desulphurization plants and specialty magnesium products. ESM has six production sites, all of which located in the United States and in Canada, except for one located in China. The ESM Group expects to generate revenues of USD 150 million in 2007, on a profitable basis. The date of initial consolidation will depend on the transaction closing date, which is expected for mid-September.

#### Outlook

In June, ARQUES Industries AG sold about 300,000 shares of SKW Metallurgie, thereby reducing its shareholding in this company to slightly less than 50%. In response to strong demand among institutional investors for shares in SKW Metallurgie, ARQUES then sold the rest of its shares in July. As of the third quarter, therefore, SKW Metallurgie will no longer be included within the consolidation group of the ARQUES Group. All together, ARQUES generated proceeds of more than EUR 90 million on the SKW transaction in 2007.

## Missel &amp; Schwab



## Company situation, business developments, restructuring and development measures

Missel is an industrial supplier of sound, thermal and fire insulation systems for pipes and floors, and of high-quality sanitary wares. Thanks to the mild winter in Central Europe and the predominantly revived construction industry, at least in the early months of the year, Missel got off to a very good start on the year. In the subsequent months, however, economic growth in the company's target industry began to slow, with new orders received in May coming out below the corresponding year-ago figure, according to the German Federal Office of Statistics. Nonetheless, Missel's revenues in the first six months of 2007 were significantly higher, on the whole, than in the corresponding year-ago period. The company's earnings were also higher than the year-ago figure, even though the outstanding growth rate of 60% registered in the first quarter could not be matched in the second quarter. As a positive sign, the revenue gains were seen in all product segments of Missel and Schwab brands. In particular, Missel's new fire protection insulating sleeves sold especially well in the first half of 2007.

In the second quarter, Missel completed the backlog of orders that was left over from the first quarter. Missel, which is based in Fellbach, close to Stuttgart, also initiated measures to increase its capacity and ensure unrestricted delivery capability. Currently, Missel is building a plant for applying special films to insulation materials. Furthermore, the company's cooperation with a German partner in the area of injection-molding technology was further optimized. New employees were hired in Purchasing and Sales.

With regard to its sales and distribution activities, Missel participated in numerous regional company fairs of its top customers in Germany and successfully pursued a course of internationalization. In these efforts, Missel benefited from the strong recognition of the Schwab brand name outside Germany, where the company generates already 60% of its sales today. In May 2007, for example, 1200 Duplo XS dry construction elements from Schwab were used in the construction of a senior living facility in Jerusalem; in the same month, Schwab delivered more than 4,600 toilet tanks to the Kingdom of Bahrain, where they will be installed in a large-scale island construction project. Besides the Middle East, Missel stepped up its sales and distribution activities in other areas as well, including Eastern Europe, Italy (where a large retail chain was acquired as a new customer) and Russia.

## Outlook

Having expanded its research and development capacities, the company intends to introduce new products to the market under the Missel and Schwab brand names in the further course of the year. Furthermore, the company continued to develop new fire protection products. In the implementation of its internationalization strategy, Missel will benefit even more from the excellent reputation of the Schwab brand name. Also, the company is making preparations to enter the fast-growing market of China. The optimization of the newly introduced CRM system is to be completed in the second half of this year. Missel expects that it will generate even higher revenues and improve its earnings situation in the second half of the year.

## ddp Deutscher Depeschendienst



### Company situation, business developments, restructuring and development measures

The revenues of the news agency ddp in the first six months of 2007 were nearly 20% higher than the corresponding year-ago figure. The company's earnings have been positive and ahead of budget.

An operational priority of ddp Deutscher Depeschendienst is to boost its revenues and earnings further. In the first six months of 2007, the news agency expanded its Media Services business and optimized its sales platform [www.ddp-direkt.de](http://www.ddp-direkt.de). Also, the company entered into a strategic cooperation with the Austrian PR agency *pressetext*, under which all the news of that agency's clients will be distributed via ddp's service [ddp.direkt](http://ddp.direkt).

In cooperation with a partner, ddp introduced an innovative, new sports offering, "All Sports live". This online module can be integrated with the websites of the company's customers free of charge. It offers a wide range of sports content, including a live ticker, summaries and tables and reports on major sports events. In this cooperation venture, ddp Deutscher Depeschendienst is responsible for marketing the advertising space of the online module. ddp also overhauled and optimized its own Internet presence. The new web site provides up-to-date reports from all the company's services. On the new website, the company's products and services are presented in a more manageable and informative manner, along with information on key contact persons.

Furthermore, ddp expanded its offering to include games and puzzles. In cooperation with the game and puzzle producer "Rätselschmiede," ddp now offers its subscribers a wide range of interesting content, from traditional crossword puzzles to picture puzzles, numerical puzzles and word games, as well as quizzes and sudoku games. In the segment of single-image sales, ddp initiated general optimization measures, especially with regard to purchasing expenses.

### Outlook

In the current business year, ddp intends to introduce additional text products and expand its PR channel [ddp.direkt](http://ddp.direkt) to distribute company and press reports, through strategic cooperation arrangements and other measures. By this means, the company's customer base will be expanded and its revenues and earnings further improved.

## SKS Stakusit



## Company situation, business developments, restructuring and development measures

SKS Stakusit is a manufacturer of roller shutter and insect protection systems, based in Duisburg. Like the construction industry in general, SKS Stakusit benefited from the mild winter months in Central Europe and from the improved state of the construction industry at the beginning of 2007. During the course of the first six months, however, the construction industry flattened out again, with the new orders received in May lower than the corresponding year-ago figure, according to the German Federal Statistical Office. Nonetheless, SKS's revenues and earnings for the first six months of 2007 were, on the whole, significantly higher than the corresponding year-ago figures and ahead of budget.

In the first six months of 2007, the company focused on intensifying its sales activities in selected foreign growth markets. SKS also took additional steps to optimize its finished products manufacturing segment. In this regard, an extrusion machine with the corresponding molds has already been delivered and the installation is supposed to be completed by the beginning of the third quarter. As a result, the Duisburg-based company will be even more capable of accommodating individual customer wishes. Also, the new machine is expected to bring about a lasting improvement in the company's profit margins.

SKS Stakusit also conducted further continuing education measures for its employees, in order to preserve and extend its market position as the technology leader.

## Outlook

In the further course of the year, SKS Stakusit intends to complete the co-extrusion project and conduct additional continuing education measures for its employees. The company also intends to intensify its sales activities in the French market. The new products resulting from the company's ongoing R&D program are to be introduced to the market in 2008.

On July 31, ARQUES announced the sale of Duisburg-based SKS Stakusit to a strategic investor from Austria. As of the third quarter, the company will no longer be included in the consolidation group of ARQUES Industries AG.

## Jahnel-Kestermann Getriebewerke



### Company situation, business developments, restructuring and development measures

Jahnel-Kestermann is a world-leading developer and manufacturer of high-performance gears for all industrial applications. The long-established company supplies customers throughout the world in a wide range of sectors, including wind power, shipbuilding and sugar and chocolate processing. In the first six months of 2007, Jahnel-Kestermann benefited from the continued strong growth of wind energy and from the continuing boom in shipbuilding (container and tanker ships). So far in 2007, the company's revenues are ahead of budget. The company's earnings have been burdened by the rising costs of raw materials, which could not be passed on to customers or only after a certain delay.

In the first six months of 2007, Jahnel-Kestermann continued to implement the biggest capital expenditure program in its history (EUR 7 million). To date, the company has purchased, installed and commissioned four new machines. Besides the massive increase in production capacities, accompanied by employee training and hiring measures, the company has also invested considerable sums to modernize its IT systems. A new ERP system is expected to help the company counter the effects of rising prices for raw materials. In order to boost capacities, certain produc-

tion tasks have been outsourced to other companies. In its production activities, which are running at full capacity, Jahnel-Kestermann encountered temporary shortages of raw materials and components on the purchasing side.

Jahnel-Kestermann continues to intensify its research and development activities. One positive result of these efforts was the development of an innovative new specialty gear for use in wind power applications, which the company intends to market in the near future. In the segment of wind power, moreover, the Bochum-based gear manufacturer founded a service company to provide expert advice and support to its customers and to capture a larger share of the value chain.

### Outlook

Jahnel-Kestermann's production capacities have been fully booked for 2007 already since the beginning of the year. Furthermore, the outlook for orders in 2008 is similarly positive. In the rest of 2007, therefore, the company will focus on the concentrated and efficient execution of its customers' orders. In connection with its efforts to expand production capacities, Jahnel-Kestermann intends to purchase additional machinery and install additional IT systems. The company will seek to manage its growth by means of further outsourcing measures, as well as through international sourcing and more efficient processes. Furthermore, the company will continue to extend its production shifts and hire additional personnel. Thus, Jahnel-Kestermann expects to boost its production capacities and revenues considerably, while improving its earnings at the same time.

## Golf House Direktversand



### Company situation, business developments, restructuring and development measures

In the first six months of 2007, Golf House Direktversand, Germany's leading retailer of golf-related products and services, experienced a very positive development on the whole. Besides being ahead of budget, the company's revenues and earnings for the first six months were also better than those of the other market players.

In the first half of 2007, Golf House continued to implement its new site concept, which was originally devised in 2006 and has been well received by the textile industry. Following the successful renovation and expansion of the former warehouse in Hamburg to serve as a sales outlet, the company is currently negotiating the leases for three new stores, which the company believes can be connected to the existing store network by no later than the summer of next year. At the same time, Golf House sponsored various continuing education measures for its management personnel, especially in the subjects of business organization, selling techniques, conflict resolution and time management.

The restructured and restaffed marketing department is currently working on the new Golf House Catalog for Fall & Winter 2007. In this catalog, the concept developed for Spring & Summer 2007, which was very well received by customers, the trade press and the industry, will be retained. At the Rheingolf 2007 trade exhibition in Cologne, the biggest trade show for consumers of golf-related products in Europe, Golf House presented the company to a wide audience and made numerous new trade contacts. Also, the company successfully reinforced the loyalty of its existing customers by means of targeted direct marketing activities, which were made possible in part by the new cash register system introduced in 2006.

### Outlook

In the second half of 2007, Golf House will continue to make investments in its stores and in the training of its employees. The company also intends to extend its mail-order activities to Austria. A newly hired Sales Director, who will begin working for the company at the start of the fourth quarter, will pursue the strategic expansion of the store network and harmonize the company's existing stores. The company also intends to optimize its online commerce activities. By strengthening all three distribution channels – stationary stores, online shops and mail-order sales – Golf House anticipates that it will be able to achieve a permanent increase in its revenues and further gains in its profitability.

Evotape S.p.A.



## Company situation, business developments, restructuring and development measures

The Italian company Evotape is one of Europe's biggest industrial manufacturers of packaging and transparent tape products. In the first six months of 2007, the company's market continued to exhibit the effects of high production capacities and unrelenting price pressures. These effects are being further exacerbated by competitors from Asia, and especially China. At the same time, European manufacturers have had to contend with the negative effects of the unfavorable euro-U.S. dollar exchange rate. Due to rising oil prices and the strong global demand for natural rubber, the company's production costs have remained at a very high level.

Despite these trends, Evotape managed to generate higher revenues in the first six months of 2007, compared with the corresponding year-ago period. In particular, the volume of new orders received for the plant in Novara were substantially higher than the year-ago figure. The company's earnings were burdened by the high costs of raw materials, which could be passed on to customers only in part and only after a certain delay. Nonetheless, the Italian company managed to offset a considerable portion of the higher costs on the purchasing side by optimizing its production processes.

Evotape registered a very strong inflow of new orders throughout the first six months of 2007. At both its plants, the Italian company has been operating at full capacity and even had to schedule special shifts to accommodate the strong demand for its products. At the Novara plant, the company expanded the production capacity of its key equipment by operating three full shifts a day for six days a week, instead of five.

Besides increasing the output and efficiency of both its plants, Evotape also succeeded, on the sales side, in introducing certain specialty products developed by the company to the market. The installation of a new flexoprint machine, which is capable of printing multi-color patterns onto packaging tapes, will enable the company to expand its product portfolio. In fact, a big customer for this type of product has been acquired in the United States already. Furthermore, the plant and equipment upgrades performed in connection with the capital expenditure program have helped the company lower its operating expenses.

## Outlook

Thanks to the strong order flow, Evotape is assured of excellent capacity utilization in the second half of 2007 as well. The company intends to make additional capital investments to boost its productivity further. Also, Evotape will continue to implement the energy cost reduction projects that have already been initiated. The product innovations developed within the company's R&D program will be marketed intensively, leading to higher revenues.

## Sommer Fahrzeugbau Group

# SOMMER®

### Company situation, business developments, restructuring and development measures

In the first six months of 2007, the Sommer Fahrzeugbau Group benefited from the generally positive state of the automotive industry. The company's revenues and earnings were higher, in some cases much higher, than the corresponding year-ago figures. Sommer's performance in Eastern Europe was particularly promising. Due to supply bottlenecks for raw materials and components, however, the company had to pay higher prices on the purchasing side. This situation also gave rise to temporarily much longer delivery lead times throughout the industry. Some of the cost increases could be passed on to customers.

In the first half of 2007, Sommer continued to upgrade and restructure its production sites in Germany and Poland. In Russia, the company implemented a series of actions to boost its production capacities in that country. Sommer also continued to pursue the organizational and structural optimization of the warehouse in Laucha. A large-scale order for the production of special package delivery vehicles (known as courier, express and parcel post vehicles) is currently being filled at the company's plant in the German state of Saxony. In Poland, the activities related to the insourcing of small parts were continued and new skilled workers were hired to bring about a permanent increase in production capacities. In Russia, Sommer introduced an additional shift to work off the extremely high volume of orders. Refrigeration vehicles have been produced on a serial basis at the plant in Novgorod since the first half of 2007. This plant is operating at full capacity.

In matters of personnel, the company hired a new senior manager in Germany, an expert in production processes and materials management, who is expected to implement improvements in these areas. Sommer also hired a new business administration executive. Under the direction of a new IT executive, Sommer is in the process of optimizing and upgrading all its IT systems. Also, Sommer intensified its sales activities by entering into strategic partnerships in the Netherlands and in Romania. And the Bielefeld-based vehicle manufacturer participated in trade shows in Munich and Moscow, where it received a very positive response from the trade public and held preliminary talks on the subject of attractive new orders. The company's order books are well-filled.

### Outlook

In its production activities, Sommer intends to implement additional standardization measures and further optimize its operating procedures and processes. Also, the company will be undertaking construction work to expand the capacity of its Russian plant in the third quarter. Accordingly, Sommer anticipates significantly higher sales for its site in Novgorod. A new product developed in the company's R&D program is currently being tested in a pilot installation with a customer. Sommer intends to intensify its internationalization efforts, with a particular focus on Eastern Europe and the former CIS countries, in order to achieve further increases in revenues and earnings.



ticon AG

**tiscön**

## Company situation, business developments, restructuring and development measures

ticon AG is a holding company for investments in IT distribution companies. Among its subsidiaries, COS Distribution operates in the B2B segment and Avitos operates in the consumer segment; Chikara specializes in supplying retail store chains and TOPEDO is a PC assembler. The strong demand for information and telecommunications technology (ITC) products that prevailed at the start of 2007 weakened somewhat towards the end of the second quarter, in accordance with seasonal trends. The best-selling products that contributed most of the revenue growth in the first half of 2007 were notebooks, large LCD monitors, operating systems (such as Microsoft's Vista) and security programs. The demand for desktop computers, on the other hand, was significantly lower than it was in the corresponding year-ago period. In the first six months of 2007, ticon was not able to achieve its ambitious sales goals. In particular, consumer sales and PC assembly revenues came out below expectations. However, the IT distributor did manage to meet its budgeted earnings targets, thanks to the restructuring measures that have been implemented, which resulted in a more favorable cost structure.

COS Distribution lowered its operating costs and acquired new customers by instituting a leaner business unit organization for its purchasing and marketing departments, by optimizing its logistical processes and by reorganizing the sales department. The installation of a new controlling software has improved the company's ability to monitor and manage its inventories, measure the efficacy of marketing activities and handle merchandise returns. The product assortment was upgraded considerably by the addition of new manufacturer lines, which also facilitated the acquisition of new customers. Furthermore, the new shop system, which had been redesigned to better accommodate customers' needs, was very well received in the market. In late July, COS Distribution acquired the business activities of the Typhoon brand from Anubis GmbH. As part of this transaction, the company also acquired extensive brand rights and inventories from Anubis. This acquisition represents another step in the systematic implementation of the multi-channel strategy of COS Distribution. Being able to market the well-established Typhoon brand puts COS Distribution in an excellent position to serve the growing demand for multimedia products. Typhoon's business will also permanently strengthen the company's position in peripheral devices. The Typhoon product line is being marketed from Kaiserslautern as a self-standing business unit within COS Distribution. The PC assembler TOPEDO, whose business is very much dependent on the business of COS Distribution, responded to the industry trends by adopting a new strategy of focusing primarily on the modification of notebooks and high-performance servers.

The subsidiary Avitos, which operates in the B2C segment, expanded its product portfolio to include more software, in particular, in order to participate in the growing customer demand for such products. The company has also instituted partner programs and initiated a series of targeted marketing activities. Thanks to general improvements in its business processes, and especially in logistics, Avitos achieved a significant optimization of its cost structure.

The IT distributor Chikara was acquired by the tiscon group in February of this year. After making adjustments to its administrative structures, Chikara initiated a series of measures to boost its sales. Besides hiring new staff in the purchasing department, the company also reorganized its merchandise assortment and added new, high-margin products. Also, the company completed the process of networking the central merchandise management system with those of its subsidiaries, which will give rise to significant synergies in the future.

## Outlook

The optimization of business processes, especially in the area of logistics, which was initiated in the first half of 2007 will continue to yield cost savings. The company intends to win additional market shares and increase both its revenues and its earnings by engaging in targeted marketing activities, resuming export activities and adjusting its product portfolio to suit its customers' needs. Furthermore, tiscon will evaluate other strategic acquisitions in accordance with its "buy & build" strategy.

## Rohner AG



### Company situation, business developments, restructuring and development measures

Rohner is a Swiss chemicals company that specializes in the production of intermediate pharmaceutical products and has established itself in the segment of specialty chemicals. By the end of 2006, Rohner AG (RohnerChem) had successfully completed an extensive program of restructuring measures, generating significant cost savings as a result. Also, Rohner finished making appointments to its sales team in the first half of 2007. The order situation continued to improve, thanks to targeted marketing activities in the sectors of specialty chemicals and pharmaceuticals. By the end of the first quarter, the company had already received orders that were equivalent to the budgeted full-year order volume for 2007. Additional orders were received in the second quarter. Amid the positive economic environment, the company's revenues were slightly lower than the budgeted figure and the operating earnings were slightly higher than the budgeted figure. Having repaid all the loans from its former shareholder ahead of schedule, Rohner is now debt-free.

To accommodate the strong business growth, Rohner continually hired new employees in production. Thanks to the very high level of orders, the company is well ahead of budget in this respect. Insofar as the company can successfully prepare its new employees to meet the high quality standard cGMP (Good Manufacturing Practice) in the coming months and achieve the required additional output in a timely manner, Rohner will be able to exceed its financial performance targets for 2007.

Furthermore, RohnerChem is making intensive preparations for the audit by the U.S. Food & Drug Administration, to be conducted in the autumn of 2007. If Rohner can pass this audit, it will be able to establish a position in the U.S. market, the world's largest and most important market for pharmaceutical products.

## Outlook

The evaluation phase regarding the strategic focus on demanding, high-growth pharmaceutical markets and so-called performance chemicals is nearly complete. In the remaining months of 2007, the company's now-complete sales team will focus on implementing the associated action plans for each identified target customer and project. The new strategy has already yielded some early successes, which will have a positive impact on the company's revenues and earnings.

## Hottinger Maschinenbau



### Company situation, business developments, restructuring and development measures

Benefiting from the positive economic environment, Hottinger Maschinenbau, the plant engineering firm that specializes in the production of core casting machines, raised its revenues by nearly 60% in the first half of 2007, according to plan. The earnings figure was slightly negative, due to the loss of a receivable in the second quarter and special, non-recurring charges.

A highlight of the first six months was Hottinger's participation in the international foundry trade show GIFA 2007 in Düsseldorf, where the company presented its new "Compact Line," a model series that can be equipped optionally with one, two or four casting heads and a casting volume of 8 to 35 liters. The small and mid-sized model series, which were designed with the help of an international cooperation partner, are extremely flexible and almost universal in their applications. Hottinger made numerous valuable contacts at the trade show and expects to receive several large and small orders in the second half of the year. In pursuit of the new contacts made at the trade show, Hottinger intensified its national and international sales activities.

The temporary shortages of necessary raw materials for production that occurred at the start of the year have since been resolved by expanding the supplier base. Capacity utilization, both in terms of personnel and equipment, continues to be very high. Hottinger implemented additional improvements in its operating procedures. For example,

the newly instituted project management system was extended to cover additional areas. Also, controlling instruments were installed in the purchasing department and a quality management system was introduced to assure the achievement of restructuring goals. The company also optimized its coordination and adjustment procedures. These improvements will make it easier for Hottinger to cost and execute its projects. A newly appointed project manager will oversee the sustained efficiency of the installed project management system. Also in the first half of 2007, Hottinger conducted additional training measures for its employees and introduced a new software program for financial accounting. Having installed a new management level at Hottinger, Managing Director Jan Satek will turn his attention to a new ARQUES subsidiary in the second half of the year, in accordance with the ARQUES business model.

## Outlook

Hottinger is close to finalizing two important, large-scale orders. Due to the long lead times for these orders, the resulting revenues will likely be recognized as such in 2008. Hottinger believes that it will receive numerous smaller orders for its new Compact-Line, thereby reducing its dependency on relatively few large-scale orders. Hottinger intends to establish a permanent position in the maintenance and services segment, in order to capture a greater share of the value chain.

## Fritz Berger



### Company situation, business developments, restructuring and development measures

Fritz Berger is one of Europe's leading specialty mail-order vendors of products relating to caravanning, camping and leisure time pursuits, with a particular emphasis on Germany. In the first half of 2007, the caravan and recreational vehicle sector suffered from the effects of significantly lower registrations of new vehicles, which were more than 10% off the corresponding year-ago figure. This situation instigated a price war among the suppliers of caravanning accessories. In the camping and outdoor segment, the competition intensified due to the higher number of Internet vendors and the increased activities of discount stores offering particular camping accessories. Despite these trends, Fritz Berger managed to attain its targeted revenue figure for the first half of 2007, and improved its earnings over the year-ago figure, thanks to the systematic streamlining of its merchandise assortment and other cost reduction measures, including the discontinuation of ineffective advertising measures.

In its new Spring and Summer Catalog, Fritz Berger positioned itself as a supplier of camping and outdoor products, in addition to caravanning accessories. The new catalog concept features an attractive design and an

easy-to-follow format, divided into emotionally appealing categories. The slogan "For everyone who needs to get away" is aimed at a broad customer base. This concept has been very well received, as evidenced by a heightened response rate. At the same time, Berger began to implement a new store concept, with a completely new visual design. In the first half of 2007, Fritz Berger opened shops in Winsen-Luhe, Braunschweig and Deggendorf, converted eight other shops from consignment partners to company-owned stores, and opened a new Jack Wolfskin franchise store. Fritz Berger also launched a new training program for its market managers.

To reinforce customer loyalty, Fritz Berger successfully introduced a new customer card. Also, the outdoor specialist reduced its inventories by more than 25%, compared with the year-ago period, by means of special sales and a needs-based ordering system.

## Outlook

Fritz Berger will continue to implement its new store strategy in the second half of the year. The company is also in the process of acquiring new sites, which are to be connected with the store network in 2008. At the end of the year, Berger intends to withdraw from stores that are too small, so as to preserve a uniform look with uniform product assortments. This year's autumn catalog (entitled "The Little Berger") will contain an additional supplement advertising special sales, in order to reach price-conscious customers and continue reducing inventory levels. The company also intends to further optimize its merchandise lines.

## Farbendruck Weber



### Company situation, business developments, restructuring and development measures

Farbendruck Weber's revenues and earnings for the first six months of 2007 were higher than the corresponding year-ago figures. Although the first-quarter results were ahead of budget, the company's second-quarter results came out below expectations, due to temporary sales-related problems, which caused a sharp decline in revenues for the month of June. Nonetheless, the major Swiss printing company continued to generate positive earnings on an EBITDA basis.

Besides making adjustments to its administrative and organizational structures, Farbendruck Weber made considerable investments in its prepress and post-production operations in the first six months of 2007. The newly installed machines will not only shorten throughput times and boost production capacities, but also enhance the quality of the company's print products. After introducing a new computer system for order processing, Weber acquired new software for prepress operations and quality management. The new programs will be installed in the near future.

With regard to personnel matters, the company completed the process of reorganizing the management structure and appointing new executives. The former Managing Director Ulli Seibel will move to the new ARQUES subsidiary Actebis as a Vice President. Following the departure of two key executives, it became necessary to completely reorganize the sales department. Weber has already hired new experts and will rectify the personnel shortfall completely in the second half of the year.

## Outlook

In the second half of 2007, Farbendruck Weber intends to complete the reorganization of the sales department and actively pursue the task of winning new customers and orders. A new Engineering Director will oversee the installation of the ordered machinery and take additional measures to improve the production processes. The restructuring activities that have been initiated and have since been completed in some cases will begin to yield their full effects in the further course of this year, leading to permanent improvements in the company's revenues and earnings.

Salto Paper AG



## Company situation, business developments, restructuring and development measures

As announced already in the interim report for the first quarter of 2007, ARQUES has sold Salto Paper AG (Papiermühle Wolfsheck) to a strategic investor. With this move, ARQUES responded to the problematic conditions in the papermaking industry, which is suffering under the effects of significantly higher costs for raw materials. ARQUES was ultimately able to reduce the losses of Salto Paper by means of extensive restructuring measures. This transaction will not have a significant effect on the full-year profit for 2007.

Oxxynova



## Company situation, business developments, restructuring and development measures

With production facilities in Lüssdorf und Steyerberg, Oxxynova is Europe's leading producer of liquid and solid dimethyl terephthalate (DMT), an input chemical for polyester production. Among other applications, DMT is used in the production of textile fibers and technical fibers, films, paints and adhesives and foils. The sector in which Oxxynova operates is characterized by excess DMT production capacities, which has triggered a price war. The industry is also exposed to rising energy costs and the ability of customers to substitute other products for DMT. Despite the problematic environment, however, Oxxynova managed to assert its dominant position in the market.

Oxxynova was able to improve its cost structure by renegotiating contracts with suppliers and service providers. Furthermore, the new management team appointed by ARQUES developed a plan to boost efficiency and has commenced implementation of that plan. By means of a capital expenditure program designed to lower production costs and boost efficiency, Oxxynova intends to extend its position as the European market leader in DMT production and gain market shares.

The closure of a competing plant in the Netherlands in mid-2007 provoked a certain consolidation of DMT supplies in the European market, to the benefit of Oxxynova.

## Outlook

Oxxynova is currently conducting a strategic analysis to determine the extent to which the existing production capacities can be utilized through the introduction of newly developed products, process conversions or the entry into new markets. Also, Oxxynova intends to acquire new customer shares in its core business. In the second half of the year, the initiated restructuring measures will continue to yield positive effects, leading to higher productivity and lower production costs.

## BEA TDL



## Company situation, business developments, restructuring and development measures

Amid the positive economic conditions in its industry sector, the technical service provider BEA TDL completely achieved its ambitious revenue targets and surpassed its budgeted earnings figures in the first half of 2007. BEA TDL builds electromechanical equipment and automation solutions for conveyance and energy engineering applications. The company benefited from the extensive capital investments of the European energy industry, which had a very positive effect on BEA TDL's order inflow in the first half of the year.

In the first six months of 2007, BEA TDL took steps to optimize its purchasing function and its internal processes. The company also initiated the introduction of an update for the existing ERP system. The layoff mitigation plan and supplementary collective bargaining agreement adopted in the first quarter were successfully implemented in the second quarter. By means of these measures, which were implemented with the support of the ARQUES Task Force, BEA TDL achieved significant cost savings. Because the technical expertise of its employees represents the basis for the company's success, BEA TDL regularly conducts training programs and continuing education activities.

## Outlook

The restructuring measures that have been initiated and in some cases already completed have enabled BEA TDL to lower its costs and institute more efficient operating procedures, which will have a positive impact on the company's earnings. The technical service provider intends to serve the markets of southeastern Europe and Kazakhstan to a greater degree, in order to participate in the growth of opencast mining that can be observed in those regions. BEA TDL also expects to benefit from the capital investments of the energy industry in the reopened opencast mine at Reichwald and from the growing market for the reconstruction of power plants.

In the future, BEA TDL will engage in close cooperation with the SAG Austria Group, an Austrian supplier of electrical plant engineering and infrastructure services, which was acquired by ARQUES in the third quarter of 2007. In this connection, SAG Austria will change its name to BEA Electrics. The close cooperation between these two affiliated companies of the ARQUES Group will generate useful synergies.



## Wanfried-Druck Kalden



### Company situation, business developments, restructuring and development measures

Wanfried-Druck Kalden is a packaging and label printer based in Wanfried (Hesse). The company's business development in the first six months of 2007 has been positive since the beginning of the year. In June, Wanfried-Druck's order backlog and new orders received reached new highs for the year. The higher prices for raw materials like paper and cardboard, energy and freight could be passed on in part to the company's customers. Production operations were temporarily compromised by construction work and by unscheduled maintenance and repairs. At the present time, the company is operating at close to full capacity. To bridge the existing capacity bottlenecks, some orders had to be referred to the company's partners in the alliance known as Joint Specialists in Offset Labels (JSO). Overall, the company's revenues were higher than the corresponding year-ago figure.

The restructuring of Wanfried-Druck is proceeding according to plan. The new printing hall and shipping hall were largely completed in the second quarter. The preparations for installing the ultra-modern, highly efficient press MAN Roland 707 were completed on time, so that the machine can be installed on schedule in the third quarter.

The JSO label printers alliance was expanded to seven members with the addition of one printing company in Spain and one in Britain. Country-specific Task Forces were established in France, Germany and Russia to pursue the acquisition of key accounts in each country. The alliance made joint appearances at trade shows and initiated a series of targeted marketing activities.

Wanfried-Druck refined its "Euroträger" packaging system in the first half of 2007. It is currently working to improve the application in the area of metallic effect colors.

### Outlook

In the second half of 2007, Wanfried-Druck intends to complete the implementation of its capital expenditure program worth more than EUR 6 million and consequently expand its technical capacities by around 30%. The company is currently working hard to acquire new orders to ensure full capacity utilization of the additional printing machine. Also, the company will work intensively to hire new employees for print and post-production operations, as it adjusts the workforce to accommodate the growing capacities and orders. By means of these capital expenditures, Wanfried-Druck will be in a position to increase both its revenues and its earnings substantially in the future. Also, the planned acquisition of new software and hardware for production planning, prepress and document management will enhance the efficiency of the company's operational processes. Also in the second half, the company intends to intensify its sales activities within the JSO alliance.

## Van Netten



### Company situation, business developments, restructuring and development measures

ARQUES acquired the Dortmund-based candy maker van Netten with effect from March 30, 2007. Amid a stagnant sector environment, this long-established company was not able to acquire enough new orders to make up for the loss of a significant retail store customer, with the result that the company was not able to meet its budgeted revenue targets. However, the basic restructuring measures initiated immediately after the acquisition helped to reduce the company's operating losses considerably.

Van Netten is going through the first phase of the restructuring process. Following the acquisition, the company negotiated a substantial decrease in bank liabilities, including a partial waiver of old claims. Furthermore, the company initiated steps to reduce its inventories of finished goods, raw materials and supplies. A restructuring agreement was adopted in consultation with the employee representatives and the NGG trade union. This agreement, the term of which extends to 2009, is currently being implemented. In addition, the ARQUES Task Force has begun the process of renegotiating supplier contracts. By means of these measures, significant cost savings have been achieved already.

Van Netten currently has idle production capacities, which are to be filled by means of intensified sales activities and by short-term supplementary orders. In May 2007, the candy maker participated in the PLMA, Europe's biggest private-label trade show, in Amsterdam. The company generated a very positive response at the trade show and

shortly thereafter made its first deliveries to new customers, e.g. in the Netherlands and Sweden. Van Netten presented its Calypso range of chewy fruit candies at the international candy trade show ISM 2007 in Cologne, leading to additional listings for the company, both in Germany and abroad. The company is currently negotiating the terms of additional listings. To complement the company's traditional customer base of retail grocery stores, van Netten acquired new commercial customers as well. Thanks to the strong demand for its "dragees," van Netten made the national action list and annual list of an international retail sales company.

### Outlook

In the second half of the year, van Netten will reorganize its business administration function, optimize the purchasing function by instituting a greater degree of standardization and by introducing a new software program, and take steps to boost productivity and significantly expand the company's sales activities, especially outside Germany. In the private-label sector, van Netten sees considerable potential to boost its exports to the growing markets of Eastern Europe, in particular. Also, the candy maker will seek to position itself in the Asian markets by attending the Sweet China trade show in Shanghai. The company's sales activities are being supported by new product strategies and newly tapped distribution channels. By means of these measures, van Netten intends to increase its revenues considerably and reduce its dependence on the German market. Initially, however, the company's strategic focus will be on stabilizing existing customer relationships while sticking to the company's core competence. In the second half of 2007, the company stands to lose additional revenues from the discontinuation of retail partner orders. Due to the product-specific lead time for market introduction ("time to market" lasting six to nine months), the company will not be able to offset these lost revenues in the current calendar year.

Richard Schöps & Co AG

# SCHÖPS

## Company situation, business developments, restructuring and development measures

The Austrian retail clothing chain Richard Schöps & Co AG joined the ARQUES Group with effect from May 2, 2007. Schöps is one of the biggest and best-known clothing store chains in Austria, with an extensive network of stores. Right after this long-established company was acquired in a loss-making situation, the ARQUES Task Force immediately went to work, renegotiating supplier contracts and leases, instituting higher-quality planning and controlling processes and optimizing the company's administrative procedures. By means of these measures, significant cost savings have already been achieved. Also, Schöps' computer systems are being modernized, which will lead to significant improvements in the planning of purchasing activities and sales coordination. Furthermore, a new store concept has been implemented, to better reflect regional market differences and different store sizes with regard to the product mix, merchandising and organizational structure. As part of this process, unprofitable stores will be closed and workforce reduction measures, developed in close coordination with the company's works council, will be implemented in a manner that takes employees' needs into account. Until the final closing date, these stores will be used to sell off old inventories from the previous year.

The company intends to reposition the Schöps brand by focusing on modern, affordable and feminine merchandise lines and eliminating non-core merchandise, and by seeking to serve attractive niche markets such as plus sizes and mothers (children's fashion). In addition, Schöps will offer higher-quality and higher-priced fashion collections as well. The response to the spring and summer collection has been increasingly positive, through somewhat less dynamic than originally hoped.

## Outlook

Schöps intends to acquire new customers and boost its revenues and profit margins by means of extensive marketing and PR activities and by improving store design and merchandise presentation for its 2007 fall and winter collection. The company also intends to fine-tune and complete the implementation of the initiated restructuring program, including the outsourcing of IT and logistical functions, for example. The company has also launched a series of training measures for its sales staff.

Oxiris



## Company situation, business developments, restructuring and development measures

ARQUES acquired Degussa's antioxidant activities with effect from May 3, 2007. This acquisition covers the company's own production facilities in Spain (in Sant Celoni, close to Barcelona) and in England (Knottingley), as well as a sales office with laboratory in Germany (Ludwigshafen). At this latter site, the company produces antioxidants under contract for a business partner (toll manufacturing). Antioxidants are used to protect products against harmful effects such as oxidation, embrittlement, resinification, discoloration and odors. The antioxidants produced by Oxiris are distributed under the well-established brand name IONOL. They are used in a variety of products, including plastics, rubber and latex, lubricants and fuels, human foods and animal feeds, cosmetics and pharmaceuticals, paints and printing inks. In the two months following the acquisition, the company's sales and earnings have developed roughly according to plan, although the business performance varied considerably from one site to the next. The performance of the lubricants business, which is based in Germany, was worse than budgeted, due to the growing number of suppliers in this segment, most of which from Asia, and the associated price pressures. On the other hand, the BHT production business based in Spain performed significantly better than expected.

Following the acquisition, the ARQUES Task Force developed a detailed restructuring plan, which is currently being implemented. Initially, the restructuring efforts will be focused on strict management of fixed costs and optimizing the supplier structure. In addition, administrative structures will be established to perform the tasks that had once been provided by the Degussa Group. The sales function will be reorganized and greater attention will be given to the U.S. market, among others. By developing new products for biodiesel fuel production, an area in which antioxidants are being used to an increasing degree, the company intends to win new customers and additional market shares. Also, the company will implement planned capital investments in its production equipment.

## Outlook

Oxiris intends to fine-tune and complete the implementation of the adopted cost reduction program. In this connection, the company will renegotiate contracts with suppliers and service providers, restructure its warehouse operations and sell off obsolete materials. The company also intends to reorganize its purchasing processes and introduce strict controlling of expenditures. The company will seek to increase its revenues by optimizing the sales department, tapping new markets and developing new niche products.

Capresa



Company situation, business developments, restructuring and development measures

The Spanish company Calibrados de Precisión, S.A. (Capresa), acquired in June 2007, is a primary steel processor that primarily supplies the automotive industry. The product portfolio includes spring steel, carbon steel and free-cutting steel, as well as various special steel alloys, which are cut and mechanically formed to suit the customers' individual specifications. Capresa operates plants in La Llagosta, close to Barcelona, and in Mexico (CapreMex), where the company produces and distributes its products for the overall North American market. Founded in 1960, Capresa has a broad international presence, with regular customers in more than 15 countries.

Following the acquisition, the first step will be to introduce a new accounting system and adapt the company's administrative structures to those of the ARQUES Group. The company also intends to introduce a controlling system, as a precise planning and coordination instrument that will optimize internal structures in sales, purchasing and production. Based on the results of cost analyses, the company's sales activities will be focused on high-margin product families. The concentration of orders will boost the gross profit margin and reduce retooling times. The freed-up capacities will be used to manufacture products with positive profit contributions, to cover the company's fixed costs.

The company sees further potential in expanding its business in the Americas, with the support of its subsidiary CapreMex. Because of its very good infrastructure and low production costs, the Mexican plant is thought to have outstanding development potential.

Companies consolidated by the equity method

ARQUANA International Print &amp; Media AG



The ARQUANA Group is composed of different web offset printing companies, which have been combined with the objective of consolidating the highly fragmented European web offset print market, which is dominated by small and medium-sized printers, and becoming the European market leader in this sector over the medium term.

As of December 29, 2006, ARQUANA is no longer included in the consolidation group of ARQUES Industries AG. After two capital increases and various share sales, the percentage of ARQUANA's equity held by ARQUES Industries AG had fallen below the 50% mark. Since this date, therefore, ARQUANA has been presented at equity in the ARQUES consolidated financial statements.

Additional information on ARQUANA will be contained in that company's interim report for the first six months of 2007, to be published on August 31, 2007.

## Net assets, financial position and earnings

### High volume of transactions boosts revenues by nearly 150% over the year-ago figure

In the time between July 1, 2006 and June 30, 2007, ARQUES acquired 12 companies, sold one and deconsolidated one other. As a result of this activity, the consolidated revenues for the first six months of 2007 rose to EUR 628.9 million, 148% higher than the corresponding year-ago figure. After the additional acquisitions and sales effected at the start of the third quarter, including the acquisition of Actebis in July, the Group's annualized revenues have risen to approximately EUR 3.6 billion.

### Slight EBITDA improvement in the first half

The earnings performance in the first six months of 2007 is typical of the ARQUES business model. Due to the high volume of acquisitions, the Group's revenues increased substantially. Also, the income from the reversal of negative consolidation differences arising on the consolidation of the companies acquired in the first half of 2007 increased by EUR 7 million to reach EUR 48.0 million. As can be expected under the ARQUES business model, the operating results of the newly acquired companies were burdened by the typical start-up losses and restructuring expenses. The combined start-up losses of all the companies acquired in 2007 amounted to more than EUR 7 million, in line with expectations. The EBITDA for the six-month period ended June 30, 2007 amounted to EUR 50.8 million, higher than the corresponding year-ago figure of EUR 49.2 million. The EBITDA for the second quarter amounted to EUR 17.9 million, lower than the corresponding year-ago figure of EUR 26.1 million because the income from the reversal of negative consolidation differences was lower in the second quarter. Due to the higher level of total assets (+86.6% over the corresponding figure at June 30, 2006), the consolidated depreciation, amortization and impairments were accordingly higher as well, with the result that the EBIT of EUR 35.1 million was less than the corresponding year-ago figure of EUR 42.9 million and the pretax profit of EUR 32.8 million was less than the corresponding year-ago figure of EUR 43.0 million. The year-ago figures were higher than the

figures reported last year because Arquana, classified as a discontinuing operation, had brought down the prior-year results. The consolidated net profit was EUR 30.0 million and the earnings per share (diluted) amounted to EUR 1.15 (year-ago figure: EUR 1.73).

### Free cash flow reflective of strong growth and working capital accumulation

The balance sheet structure and cash flow performance were reflective of the sharply higher number of subsidiaries, as well as the dividend payment and the capital increase conducted in June. At the end of the first six months of 2007, the total assets amounted to EUR 891.3 million, 34% higher than the year-end 2006 figure of EUR 665.3 million. The equity ratio, at 38.5% for the Group and 72.1% for the holding company, was still quite solid (year-end 2006: 41.3%). The combined total enterprise value of all the Group's portfolio companies ("net asset value") rose from EUR 310.5 million at year-end 2006 to EUR 500.7 million at August 15, 2007. This value is 47% higher than the last published value of EUR 340.6 million (March 31, 2007). This value is not the same as the carrying amounts of the portfolio companies on the ARQUES balance sheet (which are much lower). At EUR -15.8 million, the net cash flow for the first six months of 2007 was heavily affected by the capital investments in the working capital of the subsidiaries (especially in inventories and receivables financing), which amounted to EUR 25 million. On balance, the Group's net funds increased from EUR 88.2 million at year-end 2006 to EUR 93.4 million at June 30, 2007. The cash flow will increase in the second half of fiscal year 2007 due to the exits of SKW Metallurgie, SKS Stakusit and further exit activities.

## Risks and opportunities of the company's future development

With regard to its future development, the ARQUES Group is subject to certain risks and opportunities. The company's risk strategy calls for taking advantage of available opportunities while implementing appropriate tools to limit the associated risks.

In the following discussion, the order of presentation is not intended to imply any weighting or relative importance of the individual opportunities and risks, nor their probability of occurrence.

### Opportunities of the ARQUES business model

The business model of ARQUES Industries AG involves the acquisition and active restructuring of companies in situations of crisis. Once they have been successfully restructured, they are either sold (IPO, trade sale) or held over the long term. ARQUES strives for medium-term investment periods (3 to 5 years). Short-term involvement is not in the company's interest. In all three phases (acquisition, restructuring, exit), ARQUES is presented with great business opportunities.

#### Acquisitions

ARQUES has a 14-member acquisitions team with extensive experience in the acquisition of companies in crisis situations. Thanks to the sophisticated network of contacts built up by the acquisitions team, ARQUES always has information on a large number of attractive acquisition candidates and can thus make investment decisions from a pool of 1,000 companies a year. ARQUES has also established itself as a partner to major corporations for corporate spin-offs, and additional transactions are expected in this area. As an SDAX-listed company, ARQUES is appreciated as a serious, transparent and fair partner in transactions. The result is that ARQUES always has an adequate supply

of acquisition offers. A unique, proven method of analysis in selecting candidates minimizes the risk of acquiring a company that, in the view of the previous owner, can no longer be turned around.

#### Expanding the acquisitions market through internationalization

ARQUES Industries AG has internationalized its business model, beginning with Spain, Austria and Switzerland. The result is not only a geographic and thus quantitative expansion of the acquisitions market, but a strategic advantage as well, allowing for the operational development of its subsidiaries on a pan-European level ("buy & build" strategy). The extensive experience of the acquisitions team has made it possible for ARQUES to acquire companies with annual sales in excess of EUR 1 billion, while still performing an appropriately thorough business analysis.

#### Restructuring

In restructuring its subsidiaries, ARQUES benefits from its own team of restructuring experts with expertise in all key business areas. These highly specialized teams of the ARQUES Task Force are deployed under the leadership of an ARQUES subsidiary manager. Broad-based restructuring successes can be achieved within the shortest possible time, as multiple, project-specific teams are usually involved with one company at a time.

The ARQUES subsidiary manager is the operational head of the on-site restructuring program. He holds a significant stake in the subsidiary's capital and implements the restructuring activities under this own initiative and responsibility, much like an executive body (general manager or board of directors). The high degree of decentralized autonomy enables the subsidiary manager to realize his full potential. The absence of typical corporate approval chains and bureaucratic controls gives the subsidiary manager great leeway, allowing for extreme mobility and speeding the implementation of restructuring plans considerably.



This particular organization, involving a subsidiary manager and a task force, makes it possible for ARQUES Industries AG to restructure its subsidiaries quickly and effectively. ARQUES will continue to employ this methodology in the future to successfully restructure its subsidiaries and attract highly qualified management and restructuring experts, who are naturally interested in the high degree of autonomy and the high level of performance-based compensation.

### Exits

In accordance with the company's business model, which calls for selling a revitalized subsidiary after three to five years, ARQUES established Exits as a new Executive Board division, to accommodate the increased volume of activity in this area. A multi-person team headed by Executive Board member Felix Frohn-Bernau will conduct additional sales of successfully restructured subsidiaries. As the acquisition activities of ARQUES Industries AG have increased, so too will the volume of exit activities.

## Company-related risks

### Management risks

The purpose of ARQUES Industries AG is to hold direct and indirect equity interests in companies or groups of companies that form an economic unit (referred to as "subsidiaries" in the following).

In selecting its acquisition targets, ARQUES concentrates on companies that can be acquired at the lowest possible purchase price and have plenty of potential to increase in value. This presupposes that the companies in question are often in an acute distress at the time of acquisition and are in great need of restructuring. When selecting companies, the Company does not focus on any specific industry. The success of the Company's business model depends to a large extent on the people at ARQUES who are responsible for the transaction. They must first select companies that can be restructured fairly quickly at an appropriate cost. The responsible people must also continue to manage the company profitably after the restructuring. ARQUES can be financially successful only when all of these conditions are met. ARQUES deploys its own people, meaning either permanent employees of the ARQUES Group or non-employees who work with the Company on a permanent basis, to select, restructure and manage its subsidiaries.

Consequently, the Company relies heavily on the management skills and especially the business management expertise of these people. It is also dependent on the sufficient availability of skilled employees to render support, as needed, to the acquisition, restructuring and operational management of the subsidiaries. An expansion of the investment portfolio alone, be it planned or due to a lack of exit options, would constitute a situation in which ARQUES would have to hire additional, qualified employees. This can be difficult, as ARQUES is reliant on highly trained personnel with practical experience for its business model to succeed. The restructuring of distressed companies in particular places high demands on the responsible managers.



## Controlling

At the time of acquisition, many ARQUES' subsidiaries are in situations of acute distress that need to be remedied quickly and effectively. This depends very much on the skills of the ARQUES employees assigned to that task and on effective supervision by the Executive Board. A comprehensive, reliable information system is required to keep the Executive Board informed of unfavorable developments in the subsidiaries as they occur. The ARQUES Group has such an information system in place and is continually developing it further. Nevertheless, there is always the possibility that, in isolated cases, the information system can fail or be misapplied by the employees involved, resulting in a failure to promptly identify negative economic developments within a subsidiary.

## Failure of restructuring

ARQUES' goal is always to achieve the fastest possible restructuring of a subsidiary in order to keep its operating losses as low as possible after the acquisition. This can fail if, for example, it becomes evident that the cost of restructuring would be too high, the market position of the industry deteriorates or the management makes mistakes in the restructuring process. In the worst case, the subsidiary could become insolvent, and ARQUES could, under certain circumstances, lose all the financial resources it had used to acquire and finance the subsidiary. If ARQUES had used bank loans to fund the acquisition and restructuring of that subsidiary, it would be obligated to continue repaying these funds even after the subsidiary became insolvent. All costs accruing to ARQUES in connection with a given subsidiary, including the costs of the subsidiary manager and other members of the task force provided by ARQUES, are allocated to the subsidiary. If the restructuring fails, ARQUES would not receive any repayment of such costs from the subsidiary concerned.

To date, no subsidiary of ARQUES has become insolvent except the SKW subsidiary La Roche de Rame, which had already been shut down at the time of acquisition.

## Dependencies on people in key positions

One of the main factors underpinning the company's long-term success is the wealth of experience gained in acquiring, restructuring, and selling companies by the members of the Executive Board, Dr. Martin Vorderwülbecke, Mr. Markus Zöllner, Dr. Michael Schumann and Mr. Felix Frohn-Bernau. If one of these key persons were to leave the company, it might prove difficult or impossible to hire a suitable executive capable of carrying on the business successfully. This in turn could have a serious impact on the development of the ARQUES Group.

On May 1, the former Vice Chairman of the Executive Board, Dr. Martin Vorderwülbecke, was appointed Chairman to succeed Dr. Dr. Peter Löw, who decided not to renew his Executive Board contract for personal reasons. Dr. Vorderwülbecke has served on the Executive Board of ARQUES Industries AG since 2004. His appointment to the post of Executive Board Chairman ensures the continuity of the ARQUES business model. On March 29, 2007, the ARQUES Supervisory Board appointed Mr. Felix Frohn-Bernau to the Executive Board, where he will be responsible for the newly created Exit division.

Unlike typical corporations, executive responsibilities are highly compartmentalized at ARQUES, thereby reducing any dependencies on individual persons. The successful replacement of Dr. Dr. Peter Löw, which was effected without negative consequences on the company's business performance, attests to this fact. Other staffing changes are conducted on a similar basis throughout the company, ensuring a high degree of independence.

## Economic and market-related risks

### Economic risks

The general economic climate in Germany, the European Union and the world has a varied impact on the company's business development. As a general rule, a weak economic climate means an improved acquisitions market for ARQUES Industries AG, as more companies will become distressed, be put up for sale or seek to dispose of individual business lines to raise liquidity. Conversely, a weak economic market makes conditions worse on the exit side, as fewer buyers are potentially interested in acquiring such companies. A poor economic environment can also adversely affect the restructuring and development of the subsidiaries, whereas a stronger economy normally improves the market for company sales, due to the improved economic situation of the subsidiaries, but makes company acquisitions more expensive. Success therefore depends in part on the ability of ARQUES' employees to leverage the current economic situation and future trend to the best effect for the company.

### Sector risks

Sector risks are risks that affect a particular market, such as the falling demand for print media due to the heightened use of other media like the Internet, or the entry of aggressive new competitors. Such risks generally only affect the ARQUES subsidiaries in a specific market segment. The specific sector risk for companies like ARQUES Industries AG is a different type of risk.

### Sector risks and opportunities of the subsidiaries

The subsidiaries of the ARQUES Group distribute different kinds of products and services in different markets. Thus, the Group's overall sector risk is widely diversified and therefore rather low.

The economic development of each subsidiary can be adversely affected by a worsening market position in the respective economic sector, leading in extreme cases to the insolvency of the subsidiary, without the management being able to do anything to prevent it.

The sector risks of the subsidiaries currently held by ARQUES Industries AG are discussed below.

The **SKW Stahl-Metallurgie Group** is a supplier of high-quality steel additives to the global steel industry. The global scope of SKW's business limits its dependence on the demand and price conditions of specific regional markets. But the global steel market is subject to price cycles that can affect the ability and willingness of customers to pay and can also affect the quantity of long-term sales where demand is price-sensitive. The high global market share of the SKW Group is based on its leadership in quality. There is a potential risk of shrinking profit margins if competitors can lessen SKW's quality advantage. The attractiveness of the market could entice new competitors to enter it. No specific environmental risks to SKW Stahl-Metallurgie are known, although such risks can not be entirely excluded, especially at the plant in France. Risks could develop through fires or other sources of environmental degradation as a result of improper handling or storage of the materials used. The strong focus on expertise and the decentralized structure create a particular dependency on the company's executives.

The SKW Stahl-Metallurgie Group sees its business opportunities primarily in the increasing global demand for steel and the trend toward higher-quality steels. Thanks to the successful IPO and the associated capital increase, the Group has enough capital available to implement an

active strategy of expansion. The SKW management also sees an opportunity to win new market shares as a result of the concentration process affecting its customers. In the future, the international steel groups will choose their suppliers based on their capacity to supply them internationally. The SKW Stahl-Metallurgie Group's international presence gives it a further opportunity for growth here. A high level of technical expertise and strong R&D focus make the SKW Group well poised to position itself even more as an expert partner for global steel groups.

**Quab Inc.** manufactures additives for the production of industrial starch, which is used primarily in the paper industry. Confounding many predictions, sales in the paper industry have risen at a uniform rate in recent years, more or less parallel to the growth of the overall economy. This trend is expected to continue in the years ahead. Another downstream market for Quab products is the personal hygiene industry, where Quab additives are used in shampoos, conditioners and liquid soaps. This industry is also relatively crisis-resistant and is growing disproportionately fast in emerging countries like India and China.

In July 2007, ARQUES Industries AG sold its remaining shares in the SKW Group, which therefore no longer belongs to the ARQUES Group.

The **Missel Group** is an industrial supplier of soundproofing, insulation and fireproofing systems for heating, plumbing and sewage pipes in the premium segment. Compact elements and front-wall installation systems are also produced and sold in the sanitary wares market under the brands Missel and Schwab. With these products, Missel is proportionally exposed to the general development of the construction industry. A large percentage of the company's sales in Germany are with a few large purchasing associations and retail chains and thus the Group is dependent on their commercial success. This position also weakens the Missel Group's position in price negotiations. Furthermore, the fast-growing market for the in-house brands of the purchasing associations puts additional pressure on the brands of industrial suppliers. Some patents expired

in 2005, intensifying the competition for certain solutions. There is no known environmental risk facing Missel. The company's international business is dominated by a few OEM customers. Exports account for about 40% of the Group's revenues. Missel is responding to the developments in Germany's construction industry by adding new sound insulation products to its product line, promoting multi-channel management and intensifying its internationalization efforts.

The Missel Group sees considerable business potential in the systematic pursuit of internationalization. The strong brand recognition of the Schwab brand outside Germany will also help to open up new markets for Missel products. The company has identified eastern Europe and especially southeastern Europe as attractive markets with growing demand for high-quality products. Here the Missel Group plans to improve its position and tap new markets by introducing new, high-quality products and intensifying its sales activities. In the home market of Germany, Missel can win additional market shares by deepening its cooperation with purchasing associations and large retailers.

With a new product, which will be ready for delivery in August 2007, Missel intends to enter the market for rubber insulation products, which currently accounts for 50% of the overall market in Germany, and will continue to increase. By means of this new product, which will be systematically exploited in terms of product breadth and depth, Missel can reduce its dependence on the PE market and position its own brand against the retail brands, in order to win additional market shares.

The **ddp Group** expanded its customer base further in the first six months of 2007. The competition landscape has not changed and the market leader dpa exerts a powerful influence on the overall market.

Recently, dpa has begun to offer individual services for subscription, a move that promises sales opportunities for ddp. Journalistic online portals are becoming increasingly important for agency products. In the short term, there-

fore, ddp anticipates enhanced sales opportunities. Over the long term, however, the Internet and other electronic distribution paths could be used increasingly as substitutes, to some extent, for the products and services of the press agencies.

The ddp Group believes that additional business potential can be tapped by expanding its photo business, developing more online content and distributing third-party products such as weather reports and television programming. In addition, ddp will continue to expand its "ddp direkt" platform for marketing press releases and business reports.

Over the long term, the Internet as an information medium still poses a threat to the core customer group of daily newspapers.

The **SKS Stakusit Group** supplies intelligent roller shutter and insect protection systems for windows, making it dependent on the general trend of the construction industry. This market dependency is offset in part by broad geographical diversification. SKS has several key customers and is therefore subject to a certain dependency in this regard as well. Due to intense competition, the company is subject to strong price pressures. No environmental risks are known. There is a certain dependency on the company's executives, especially in the eastern European distribution centers, as the executives there possess regionally specific distribution and production know-how.

The new developments introduced in 2006 (Top Duo and Profilia II) will help the SKS Stakusit Group extend its good market position as the construction industry recovers. Through its newly founded subsidiary in Belgrade, SKS will be able to strengthen its position in exports and gain market share in the southeastern European construction industry, which is characterized by a growing demand for quality products. After successfully testing its products, the SKS Group will also manage to establish itself in the French market. Further optimization of its production processes and capital expenditures on machinery will serve to boost the Group's capacities and thus improve its revenues and earnings.

At the end of July, ARQUES Industries AG sold SKS Stakusit to a strategic investor from Austria. Therefore, the manufacturer of roller shutter and insect protection systems no longer belongs to the ARQUES Group.

The **Jahnel-Kestermann Group** produces special gear and drive units for use in a variety of industries that are quite independent of each other, including wind power, maritime and other industrial applications. The major area of business growth is centered around applications for wind farms. A longer period of sustained growth at the international level is anticipated in this market segment, due to the importance placed on climate change in the current political environment. The international distribution of the company's customers, which are located throughout the world (United States, Canada, Germany, India, China, etc.), means that the corresponding risks are well-diversified. As a result of increasing serial production in the industry, profit margin pressures are growing in certain segments, including gears for wind energy applications, for example. Jahnel-Kestermann is responding to this trend by focusing systematically on the serial production business, backed by capital investments in the corresponding machinery and systems. By outsourcing gear testing to Deutsche Montan Technologie GmbH, the company has been able to achieve quality and distribution advantages over its competitors, but there is a strong dependency on this service provider. There are potential environmental risks at the production facility in Bochum as a result of the long-standing production and operation of a hardening shop. However, no active cleanup projects are currently pending. There is a dependency on executives, especially in the areas of design and development.

The capacities of the Jahnel-Kestermann Group are already completely booked for 2007 and no new orders are being accepted for this year. Jahnel-Kestermann intends to extend its position in the growth markets for wind energy (United States, India, China) through increased sales activities. At the same time, extensive investments in machinery will allow the Group to significantly expand both the capacity and the efficiency of its production operations, thereby

boosting revenues and earnings. Jahnel-Kestermann also intends to reduce its in-house production content and alleviate supply bottlenecks for raw materials used in production by entering into partnerships with new suppliers.

As a retail sales company, the **Golf House Group** is primarily exposed to the general fluctuations in consumer spending behavior. The sport of golf is gaining mass appeal, so the risks are similar to those in the overall sports equipment market. The end consumer is very price-sensitive on account of the high degree of transparency. The supply pool is dominated by a few suppliers, which are consequently very powerful. This is the reason for the development of in-house brands. In terms of personnel, business success is particularly dependent on the branch managers, as is typical in this sector. Periods of extreme weather such as a long, snowy winter or a very hot summer can have negative effects on customer buying patterns.

Planned investments in the network of branch offices and online direct mail business will enable the Golf House Group to achieve permanent increases in its revenues and earnings. Furthermore, the positive performance of a pilot project that is currently being conducted could pave the way for expansion of the business model to a wholesale function for so-called Pro Shops.

The **Evotape Group** manufactures packaging and adhesive tape and various specialized tapes for the standard and premium segments. Evotape products are distributed worldwide. Customers include the makers of familiar brands of tape and other businesses, such as automobile manufacturers. Since adhesive tape is used in almost all sectors, there is no dependency on a particular industry. There is a risk of dependency on sales executives due to their close relationship with certain key customers. There is also a considerable dependence on a few suppliers with large market shares.

There is a risk of further price increases for raw materials, especially for petroleum derivatives and rubber. It is still quite difficult to get customers to accept price increases. Due to excess capacities, the margin and competition pressures are still quite high. Increased competition from Asia is anticipated. The difficult situation of the packaging tape segment is fueling the competition in the higher-margin segment of transparent tape, which a growing number of market players is trying to serve. In this segment, increased competition is expected, together with growing pressure on sales and prices.

The site in Santi Cosma e Damiano shows some environmental contamination. A specialized company is carrying out ongoing clean-up operations. When this work is complete, the past environmental degradation will be cleaned up. The contaminated sections of the building's roof have since been successfully cleaned up and all environmental commitments have been fulfilled.

The Evotape Group intends to reduce its production costs and further enhance its product quality by means of the replacement and renewal investments that have been initiated in the direct production process and through measures to lower energy costs and recover solvents used in the production process.

The **Sommer Fahrzeugbau Group** produces specialized vehicles for the German and European market at several facilities in Europe. There is a certain dependency on a few large customers. The company is exposed to considerable price pressure in some segments through competition from other companies who specialize in mass production with simplified solutions. In some areas, suppliers have monopoly power, enabling them to dictate prices. Throughout the industry, supply bottlenecks for raw materials and components have resulted in higher prices and longer delivery lead times, in some cases. Some of the cost increases on the procurement side have been passed on to customers. Controlling the independently-minded managers of the Eastern European facilities is difficult. There are no reports

of significant environmental risks. The decentralized structure of the production facilities entails a pronounced dependency on the local executives.

The company's production capacities were boosted by the successful introduction of a new manufacturing and tool concept, both in Germany and at the foreign sites. Also, the intensification of sales activities and the establishment of strategic partnerships in Eastern Europe and in the Commonwealth of Independent States have already generated a significantly higher inflow of new orders. Furthermore, Sommer intends to reinforce customer loyalty by expanding its repair services throughout Germany.

The **tiscon Group**, with its subsidiaries COS Distribution, Avitos, TOPEDO, E-Logistics, Chikara and the tiscon trading company, operates in the IT distribution segment and is therefore subject to the typical risks of that industry. The IT distribution industry, especially among small and medium-sized businesses, is characterized by very strong competition and a very high number of market participants (approximately 40,000 active IT dealers). In Germany, moreover, IT customers are very price-sensitive, which has a negative impact on profit margins. The tiscon Group is countering these challenges by means of a pan-European "buy & build" strategy, to tap new markets and significantly increase the proportion of its business represented by exports. There is a certain dependency on management and technical personnel with specialized knowledge of IT and distribution. The tendency to put off IT expenditures as a result of the increased rate of value-added tax in effect since the beginning of this year is being offset by the growing expenditures of consumers and rising business investment in new software (Microsoft Vista) and hardware. Due to the rapid pace of technological change, prices of certain types of products (storage media, TFT monitors) are falling quickly as well.

The companies of the tiscon Group have a broad base of customers and suppliers, insulating them from dependencies in this area. By optimizing work processes, among other measures, the subsidiaries have been able to achieve significant cost reductions. Also, they have been able to win new customers and boost their sales and profit margins as a result of the improvements initiated in the sales area, including the redesign of the e-shop and the expansion of their product portfolios. By conducting additional restructuring and optimization measures, tiscon will be in an excellent position to benefit from the positive overall state of the B2B and B2C markets. The operational opportunities and risks of tiscon AG will change as a result of new acquisitions in the future.

The **ARQUANA Group** is composed of different web offset printing companies, which have been combined with the objective of consolidating the European web offset print market, which is strongly fragmented and characterized by small and medium-sized businesses, and becoming the European market leader in this sector over the medium term.

As of December 29, 2006, ARQUANA no longer belongs to the consolidation group of ARQUES Industries AG. After two capital increases and sales of shareholdings, ARQUES Industries AG's share in ARQUANA fell below the 50% mark. Since this time, ARQUANA has been accounted for at equity in the consolidated financial statements of ARQUES.

Additional information on the ARQUANA Group will be available in the company's interim financial report for the first six months of 2007, to be published on August 31, 2007.

In the segment of non-complex product synthesis, **Rohner AG** is subject to intense price pressures posed by Asian competitors. Industry leaders also use their market power to exert further price pressure on suppliers. The greatest challenge facing Rohner today is to position itself in niche markets in the pharmaceuticals and specialty chemicals industry with complex, multiphase, limited-scale product synthesis, and to create a broader customer and product portfolio.

With regard to environmental risks, the ground beneath the company's main site needs to be decontaminated. Also, Rohner is required to contribute to the clean-up of two waste dumps. In addition to these known and calculable risks, the company may incur cost disadvantages, compared to its non-European competitors, as a result of new EU laws relating to the registration, evaluation and authorization of chemicals (REACH). Also, stricter earthquake safety requirements are to be expected in the coming years, especially for buildings with heightened risk potential, such as chemical storage facilities.

In the pharmaceuticals segment, an audit by the Food and Drug Administration (FDA) of the United States, the world's most important pharmaceuticals market, is expected in the autumn of 2007. A negative result could significantly weaken Rohner's customer base. With regard to personnel, Rohner is dependent on being able to hire and retain chemistry specialists, of whom there is no shortage, thankfully, in the "chemistry triangle" where Germany, France and Switzerland meet near Basel.

Assuming a positive outcome of the FDA audit, Rohner will be able to establish itself in the U.S. market, one of the world's largest and most important, thereby significantly expanding its customer base. Furthermore, Rohner's modern production facilities and production expertise will enable it to establish itself in profitable niche markets, thereby boosting its capacity utilization, revenues and earnings.

The **Hottinger Maschinenbau Group** manufactures core casting equipment for foundries. Its customers are primarily automobile manufacturers and the independent foundries which supply them. This customer structure creates a dependency on the performance of the automotive industry and the life cycles of the various car models. There is also a dependency on certain suppliers specified by the company's customers in connection with their product standards. Because the industry can be characterized as being conservative, this risk is considered minor. The complexity of the machinery creates a dependency on technical personnel, especially engineers and sales personnel. One of Hottinger sites shows environmental contamination, which is the subject of litigation with the previous owner. No environmental risks emanate from the production process itself.

Hottinger stands to benefit from the prevailing innovation trend in the automotive industry (reduction of CO<sub>2</sub> emissions), as that trend is likely to boost demand for lightweight cast aluminum products and thin-walled motors, the production of which requires innovative core casting equipment of the type that Hottinger manufactures. An expansion of the replacement parts business will also have a positive impact on the business development of the Hottinger Group. Finally, the equipment manufacturer has the potential to sign lucrative service agreements with its customers when new orders are placed.

With regard to capital funding, the company's continued success will depend on its liquidity and on the level of the guarantee facilities furnished by banks. Failure to collect larger customer payments could have a negative impact on the company's liquidity. This risk can be classified as very slight due to the fact that the company's customers are comprised of large corporations with excellent credit ratings. Hottinger intends to counter this risk by purchasing trade credit insurance. The level of guarantee facilities furnished by banks is more critical. Negotiations with banks and guarantee insurers are in progress to ensure the continued increase in the scope of guarantee facilities.



At the international foundry trade show GIFA 2007, Hottinger was able to establish numerous valuable contacts, especially in the markets of the United States, Turkey, India and China. Tapping these markets will require considerable resources in terms of personnel and money. Because the work of building relationships in the capital goods industry is a long-term project, such work typically does not lead to cash inflows in the near term. Besides establishing new contacts, Hottinger has been able to solidify and extend its existing contacts. The loss of confidence among numerous customers as a result of problems in the past could have a negative impact on the company's business.

The **Fritz Berger Group**, as a commercial enterprise, is primarily exposed to the general fluctuations in consumer spending behavior. The camping and outdoor industry is also dependent in large measure on weather conditions. The position of Fritz Berger as a leading specialty mail-order vendor in this sector can be challenged by the market penetration of new competitors such as the manufacturers of camping trailers. At the same time, the expansion of activities of other sectors, such as discount retailers and aggressive, low-priced Internet dealers, could also limit the company's sales. Tax increases for camping trailers and recreational vehicles as well as a further rise in gasoline prices and an unfavorable emissions rating could lead to a drop in sales of these vehicles and thus have an indirect, negative impact on the purchase of accessories. With regard to personnel, business success is particularly dependent on the branch managers, as is typical for this sector.

The Fritz Berger Group successfully acquired new customers through its new main catalog layout and redesigned website. Also, the newly introduced Fritz Berger customer card strengthened the brand loyalty of its customers. The "return to the brand" strategy is expected to yield positive results, especially in the clothing division. With regard to stationary store sales, Fritz Berger will seek to boost its sales by opening new stores and optimize its earnings by closing stores that are too small or unprofitable. Finally, the acquisition of new Fritz Berger outlets will boost efficiency and sales.

The **Salto Paper Group** produces base paper for wallpaper, magazine paper and specialty papers. These markets are characterized by excess capacities due to the ongoing investments in more effective machinery. The risk of a continuing slide in profit margins is especially acute in the magazine paper sector. Salto Paper products are distributed worldwide. This brings with it a currency risk, as a portion of the invoices are issued in U.S. dollars. With regard to raw materials, the availability of fresh lumber presents a risk for the company. No environmental risks are known. The separation of Salto Paper from the distribution organization of the previous owner created a risk of unsecured capacity for one papermaking machine. Another risk exists in the age of some papermaking machines. The decentralized structure of Salto Paper leads to a particular dependency on the local executives. There is also a risk that third parties may exercise their preemptive rights to the water supply, which could severely limit or completely block access to the water needed in production and increase the company's operating costs significantly. The recent shift in focus to specialty papers carries an additional investment risk related to the upgrade or modification of an existing papermaking machine.

The Salto Paper Group intends to enhance its brand recognition and win new customers through its active participation in international trade fairs. Product innovations stemming from the R&D program, specialty papers for the wood processing industry and release papers may even enable Salto Paper to establish itself in a high-margin niche market. The Salto Paper Group will be able to maintain its position as the market leader for base paper for wallpaper.

Having been sold to a strategic investor, Salto Paper will no longer be a part of the ARQUES Group as of the third quarter.

The **Farbendruck Weber Group** is one of the leading quality web offset printing companies in Switzerland. The web offset market in Switzerland is characterized by excess capacities and tough competition among the different printing companies. Both prices and sales volumes will continue



to fall in the coming years. Over the medium term, prices will adjust to the level of the neighboring EU countries. The result will be continued high capital investment pressure in the industry, because companies will be able to operate at competitive prices only by using the most modern machinery. Farbendruck Weber is meeting these challenges first of all by modernizing its operations throughout the company. It will then use the resulting advantages to consistently expand its market position as a quality printer to attain a high degree of value-added with correspondingly higher profit margins. The market effects described here and the capital intensity entails capital investment pressures, together with the associated financial, procurement and production risks. The production of printing materials can potentially be harmful to the environment.

By means of extensive capital expenditures on its plant and machinery, the Farbendruck Weber Group can maintain its leading role in the web offset printing market in Switzerland. The strategic partnership with the print holding ARQUANA International Print & Media AG will yield synergies in distribution and production capacity, which will have a significant positive effect on the company's business performance in 2007.

The **Oxxynova Group** produces dimethyl terephthalate (DMT), a raw material used in the production of polyester, at two facilities. These polyesters are used primarily for the production of textile fibers and technical fibers, industrial foils and films and as a specialized plastic for the electronics and automotive industries. The main risks of the business, besides the sector-specific risks of its customers, are the excess capacities in DMT production, as well as the possibility of further energy cost increases, the possibility that customers might replace DMT with something else and the fact that a large percentage of the company's sales are generated with only a few large customers. No specific environmental risks are known at the production facilities. There are certain dependencies on the various executives due to their specific expertise in marketing and production.

The Oxxynova Group plans to expand its position as the European market leader in DMT production by means of the capital investment program that has been introduced, which is designed to lower production costs and increase efficiency. The company still has a need for liquidity in 2007. This need must be covered by banks or the shareholders.

The **BEA TDL Group** constructs electrical engineering and automation systems in the fields of conveyance technology, water technology, energy technology and environmental technology. The risks to which BEA TDL is exposed through its business include unanticipated technical problems or problems with its business partners. BEA TDL seeks to counter these risks by means of a very careful selection process for its business partners and through systematic project management monitored by a system of project-controlling measures and communicated through monthly reports to the management. BEA TDL minimizes its credit risks by taking steps to hedge its receivables and partially rendered services, by engaging in close cooperation with its key customers, which have solid credit ratings, through systematic, timely debtor management and through trade credit insurance coverage. Due to its history of assuming employees from corporate spin-offs of opencast mines and power plants, BEA TDL has a large number of industrial workers. The company is subject to the risk that it will not be able to provide sufficient work for all its employees, due to weakening economic conditions, intense price pressures from competition, a decreased volume of orders for cleaning up opencast mines and the growing use of technology requiring less maintenance. As a medium-sized company, BEA TDL has to contend with fierce competition from big companies like Siemens and ABB, which also operate in this field.

The BEA TDL Group has initiated steps to benefit from the capital investments that have been made in lignite mines in Germany. In 2007, BEA also intends to boost its sales by internationalizing its business to include regional growth markets.

ARQUES acquired the **SAG Austria Group**, a supplier of electronic plant engineering products and infrastructure services, in July 2007. As they are both active in the sector of energy engineering and automation, SAG Austria and BEA TDL intend to cooperate closely in these areas, which will contribute to a positive business development.

**Wanfried-Druck Kalden (WDK)**, Wanfried (Hessen), produces collapsible boxes and labels. Its customers include large-scale producers of food and beverage products and other consumer goods. The label and packaging printing segments are served mainly by small to medium-sized companies. Accordingly, there is strong competitive pressure among the numerous market players. Both market segments are subject to the risk of falling prices, a problem that would be exacerbated by slowing economic growth. The players in this market are also subject to capital investment pressures, to acquire new, more efficient machinery. Because WDK has a relatively small customer base, the loss of a single large customer would have an immediate and lasting effect on the company's revenues and earnings. Furthermore, the progressive concentration process on the customer side will put additional pressure on prices and profit margins. Because the suppliers of paper and cardboard are somewhat limited, the company is subject to certain dependencies in its purchasing market. Often, price increases on the purchasing side cannot be passed on to customers without a certain delay. Due to the capital investments in a new printing machine and in infrastructure improvements, the company is subject to risks associated with the heightened lease payment obligations under leasing contracts.

Thanks to the capital investments that have been made to upgrade the company's infrastructure, machinery and computer systems, WDK has successfully optimized its most important production processes, boosted its production capacity significantly and has thus laid the groundwork for rising revenues and widening profit margins. These investments will also create economies of scale. The company's management system, which is certified under ISO9001/2000 Quality Management and ISO 14000 Environmental Management, will be broadened to incorporate a hygiene management system, which the company intends to have certified as well, in order to lower the risk of contamination in its packaging products. This step will enable the company to gain access to other customers in the food and beverage industry. Another unique advantage of WDK is represented by its membership in the international alliance JSO (Joint Specialists in Offset Labels) in the label printing segment. This cooperation arrangement has been positively accepted by many customers, leading to a broader customer base, growing order volumes and higher capacity utilization for its machines.

**Oxiris** is a producer of antioxidants, with its own production facilities in Spain and England and a sales office including a laboratory in Germany. A contractual partner is producing antioxidants at this location. The sites in Spain and Germany specialize in the production of antioxidants which are used directly in their customers' products. Antioxidants are used to protect products against harmful effects such as oxidation, embrittlement, resinification, discoloration or odors. As a result of the growing competition from Asia, prices and profit margins have been falling in the chemicals sector. Oxiris is meeting this challenge by means of strict cost management and purchasing cost optimization measures. The company is subject to the risk of further price increases for raw materials, especially petroleum derivatives. Furthermore, the current euro-U.S. dollar exchange rate is unfavorable for Oxiris.

Oxiris sees a significant opportunity in the sector of biodiesel fuel production, an area in which the use and potential of antioxidants are on the rise. In the United States, the company intends to participate in the growing demand for the antioxidant known as butylated hydroxytoluene (BHT). In the segment of polyolefins and phosphates, Oxiris intends to gain new customers and market shares with innovative new products that are currently under development. Also, Oxiris intends to boost its production capacity and efficiency by means of planned, smaller investments at its factories.

ARQUES acquired the Austrian clothing store chain **Schöps** in a loss-making situation in early April 2007. Like any other clothing retail company, Schöps has to contend with the basic uncertainties surrounding the customer acceptance of new fashion trends. By focusing on modern, affordable, feminine product lines for the fashion-conscious woman aged 25 to 55, and by serving attractive niche markets such as fashionable plus sizes and children's fashion, the company intends to establish a clear positioning for itself within the Austrian retail clothing market. In addition, Schöps intends to attract new customers with high-quality fashion collections in the higher-end average price range. This change of strategy on the product side is associated with the typical start-up risk of losing established regular customers before acquiring sufficient numbers of new customers. With regard to personnel, the company is particularly dependent on key managers in the areas of fashion, retail and purchasing, and on the business success of store managers, which is typical in this sector.

Schöps intends to benefit from economies of scale by reorganizing the purchasing function and reducing the number of suppliers. In the fashion area, Schöps recruited a well-known product manager who will actively promote the repositioning of the Schöps brand. This repositioning will be supported by targeted marketing and PR activities. By improving its market positioning and implement-

ing a new site concept, Schöps intends to benefit from the positive economic conditions and rising consumer spending in Austria.

Candy maker **van Netten** has belonged to the ARQUES Group since the end of March 2007. Van Netten supplies big store chains and discounters with store brands and proprietary brands. The company supplies a small number of large customers and is therefore subject to dependencies in this regard. The company is also subject to price pressures due to intense competition. With regard to personnel, the company is subject to a certain dependency on key experts in product development and sales. On the purchasing side, the rising costs of glucose are being offset by the falling costs of sugar and gelatin. With a broad supplier base, van Netten is not subject to any dependencies in this regard.

The company disposes of modern production and development equipment and is completely capable of accommodating its customers' individual wishes. Accordingly, van Netten intends to expand and internationalize its commercial business. The longstanding Dortmund-based firm will also seek to bolster its proprietary brand and increase the sales of these products by introducing newly developed candy products. Van Netten sees considerable expansion potential especially in the fast-growing markets of Eastern Europe.

**Calibrados de Precisión, S.A.**, (Capresa) is a primary steel processor based in Spain, which supplies its products primarily to the automotive industry. However, the company also supplies customers in the sectors of textile machinery, hydraulics and building construction. Capresa's product portfolio includes spring steel, carbon steel and free-cutting steel, as well as special steel alloys, which are cut and formed mechanically to suit the customers' specifications.

The company's customer base extends across 15 countries. Thus, the company's dependence on the demand and price conditions of specific regional markets is limited. Nonetheless, the typical price cycle of the steel industry and fluctuating conditions in key customer industries, especially the automotive industry, have a direct impact on customers' payment behavior, and over the long on the possible sales quantities as well. Because the company conducts most of its business with well-established customers in their respective sectors, the default risk is low. Capresa is seeking to counter the growing global competition from low-wage countries in particular by using the production facilities of its Mexican subsidiary Capremex. Also, the company is evaluating additional production sites.

The company is subject to greater dependencies on the supplier side, where the market consolidation process is gathering steam. The company is exposed to the risk of further price increases for raw materials, which it will not be able to fully pass on to its customers, particularly if the company's competitors manage to improve their product quality. Thus, the company is subject to the risk of smaller profit margins because alternative procurement sources are limited in scope. In some cases, the company's suppliers are also its customers. Also, unforeseeable geopolitical developments could generate additional price pressures on the purchasing side.

To some degree, the company is somewhat dependent on certain skilled employees who have many years of experience in the company's production processes and were in fact instrumental in developing them.

If the euro continues to appreciate against other currencies, that could limit the company's sales opportunities outside the euro zone and intensify the competition within the European Community.

## Events after the balance sheet date

In the third quarter of 2007, ARQUES announced what was by far the biggest acquisition in its history. ARQUES purchased the national subsidiaries of the IT distributor **Actebis** in Germany, France, Austria and the Netherlands, which together generate annual revenues of EUR 2.5 billion on a profitable basis in FY 2006. Actebis is the third-biggest IT wholesaler in Central Europe and is the profitable cost leader with significant growth potential. The purchase price of EUR 110 million, half of which was paid in cash from the company's own resources, is less than Actebis' net asset value. By means of a sale-and-lease back transaction involving the real estate acquired as part of the transaction, ARQUES will be able to repay most of the borrowed funds on a short-term basis. Thereafter, ARQUES' equity commitment will remain at EUR 20 million, while the remaining debt will have been reduced to EUR 25 million.

Actebis, founded in 1986, is the cost leader in IT wholesaling. Distributing more than 50,000 products of more than 200 well-known manufacturers to approximately 35,000 customers, Actebis has a broad customer and supplier base. Because the customer structure is homogeneous, the company is not subject to dependencies on individual customers. Its suppliers include HP, Microsoft, Acer, Intel, Fujitsu/Siemens and Sony. Its product portfolio is comprised of PCs, notebooks, IT peripheral equipment and software, as well as items from the fast-growing segments of networks, telecommunications and entertainment electronics. The purchased companies have about 1,300 employees. Actebis intends to boost its sales and profitability by adding new product categories (from growth segments such as Voice-over-IP, for example), additional quality brands and white-label products to its line-up. Actebis is also studying and making preparations for additional acquisitions in new sectors (digital lifestyle). By these means, the company will be prepared for the IPO which has already been planned for next year.

Also in the third quarter, ARQUES acquired the **SAG Austria Group**. Based in Vienna, SAG Austria Group is a supplier of plant engineering and infrastructure products and services, which generated revenues of EUR 35 million in 2006. Close cooperation is planned between this company and the ARQUES subsidiary BEA TDL. In this connection, SAG Austria is renamed to BEA Electrics. The close cooperation is expected to yield synergies between the two newly affiliated companies.

Finally, ARQUES acquired the internationally active **Rohé Group**. As the biggest independent service provider to gas stations in Europe, Rohé specializes in the construction, installation and maintenance of hydraulic, electrical and electronic systems for gas stations and car wash facilities. In 2006, Rohé generated revenues in excess of EUR 100 million, with more than 1,000 employees. In the coming years, the company intends to increase its revenues and earnings considerably.

In August ARQUES announced the targets acquisition in the industrial segment so far. ARQUES will take over all shares in an international automobile supplier with annual revenues above EUR 250 million. The company produces on several continents with approximately 2,400 employees and is currently slightly deficit.

Including the acquisitions effected in the third quarter, ARQUES has now acquired eleven companies with combined annual revenues of more than EUR 3 billion in FY 2007. Thus, the annualized revenues of the ARQUES Group have jumped to EUR 3.6 billion.

Also with regard to company disposals, ARQUES announced some successful transactions in the third quarter. Besides selling Salto Paper AG, ARQUES also sold its subsidiary SKS Stakusit for EUR 17 million. ARQUES had acquired this manufacturer of roller shutter and insect protection systems for approximately EUR 1 million in April 2005. The sale price is higher than the company's net asset value of EUR 16 million that was indicated in the ARQUES interim financial report for the first quarter of 2007. Also in the third quarter, ARQUES Industries AG sold its remaining shares in SKW Metallurgie and collected more than EUR 80 million on this transaction. ARQUES had already collected EUR 10 million on the sale of SKW shares in the previous month (June 2007).

## Outlook

### Plan targets for 2007 raised substantially

In view of the record acquisitions effected in the current third quarter, as well as two major, highly profitable company sales, the management anticipates significantly higher earnings for the current reporting period. The acquisitions of Rohé, SAG Austria and especially Actebis contributed annualized revenues of more than EUR 2.6 billion. Furthermore, the operating results of these companies are clearly positive. The company sales of SKW Stahl-Metallurgie and SKS Stakusit yielded profit contributions that are well into the double-digit millions. However, an exact forecast of third-quarter results cannot be made until the initial consolidation date of the major acquisition Actebis is known. The initial consolidation will be effected after the transaction closing date, which is expected to occur in the third quarter, but could possibly occur at the beginning of the fourth quarter, depending on the consultations with the competent anti-trust authorities. Notwithstanding the foregoing, ARQUES is raising its full-year revenue forecast for 2007 from EUR 1.5 billion to more than EUR 2 billion and the full-year EBITDA forecast for 2007 from EUR 180 million to more than EUR 200 million, in view of the very positive developments within the Group.

For 2008, the Executive Board anticipates consolidated revenues of EUR 5.1 billion, accompanied by an at least proportional increase in earnings from the level in 2007.

# CONSOLIDATED FINANCIAL STATEMENTS OF ARQUES INDUSTRIES AG

Consolidated income statement for the first half and second quarter of 2007

EUR'000	1st half 2007 1/1 - 6/30/2007	1st half 2006 1/1 - 6/30/2006	Q2 2007 4/1 - 6/30/2007	Q2 2006 4/1 - 6/30/2006
1. Revenues	628,948	253,640	333,465	143,186
2. Change in finished goods and work in progress	4,867	270	-2,599	-2,065
3. Other own work capitalized	1,399	1,020	731	660
4. Other operating income	64,114	53,499	27,760	27,215
5. Cost of materials	-468,866	-172,536	-241,912	-95,029
6. Personnel expenses	-101,776	-49,938	-57,916	-27,293
7. Other operating expenses	-77,888	-36,710	-41,607	-20,606
Earnings before interest, taxes, depreciation and amortization (EBITDA)	50,798	49,245	17,922	26,068
8. Depreciation and amortization	-15,716	-6,303	-8,772	-3,861
Earnings before interest and taxes (EBIT)	35,082	42,942	9,150	22,207
9. Income from associated companies	534	315	-190	123
10. Other interest and similar income	1,629	340	770	243
11. Interest and similar expenses	-4,441	-635	-2,866	-167
Income from ordinary activities	32,804	42,962	6,864	22,406
12. Income taxes	2,760	-1,045	-642	-1,960
Consolidated profit for the year	30,044	41,917	6,222	20,446
Minority interests	862	233	739	-1,453
Shareholders of ARQUES Industries AG	30,906	42,150	6,961	18,993
Earnings per share				
- Basic earnings per share in EUR	1.17	1.74	0.26	0.78
- Diluted earnings per share in EUR	1.15	1.73	0.26	0.78

## Consolidated balance sheet at June 30, 2007

<b>ASSETS</b>		
<b>EUR'000</b>	<b>6/30/2007</b>	<b>12/31/2006</b>
<b>Non-current assets</b>		
Intangible assets	50,639	18,171
Property, plant and equipment	220,595	152,541
Investment property	2,080	2,119
Shares in associated companies	18,198	17,762
Financial assets	10,032	9,751
Other non-current assets	87	88
Deferred tax assets	33,384	26,718
<b>Total non-current assets</b>	<b>335,015</b>	<b>227,150</b>
<b>Current assets</b>		
Inventories	156,761	114,095
Receivables from percentage of completion	23,895	16,641
Trade receivables	190,789	138,783
Available-for-sale financial assets	184	65
Other assets	60,151	55,190
Tax refund claims	4,245	5,839
Cash and cash equivalents	105,065	92,006
	541,090	422,619
Non-current assets held for sale	15,236	15,514
<b>Total current assets</b>	<b>556,326</b>	<b>438,133</b>
<b>Total assets</b>	<b>891,341</b>	<b>665,283</b>



## Consolidated balance sheet at June 30, 2007

SHAREHOLDERS' EQUITY AND LIABILITIES		
EUR'000	6/30/2007	12/31/2006
<b>Shareholders' equity</b>		
Subscribed capital	26,450	24,267
Additional paid-in capital	76,421	31,444
Profit reserves	5,302	5,302
Other cumulative shareholders' equity	201,248	186,413
	309,421	247,426
Minority interests	33,333	27,378
<b>Total shareholders' equity</b>	<b>342,754</b>	<b>274,804</b>
<b>Non-current liabilities</b>		
Provisions for pensions	26,039	23,962
Provisions	13,827	17,991
Financial liabilities	33,119	11,661
Liabilities from finance lease	38,730	35,237
Other liabilities	4,101	500
Deferred tax liabilities	37,444	29,049
<b>Total non-current liabilities</b>	<b>153,260</b>	<b>118,400</b>
<b>Current liabilities</b>		
Provisions	32,603	20,813
Financial liabilities	69,977	38,051
Trade payables	171,083	144,517
Tax liabilities	13,101	12,142
Other liabilities	108,563	56,556
<b>Total current liabilities</b>	<b>395,327</b>	<b>272,079</b>
<b>Total shareholders' equity and liabilities</b>	<b>891,341</b>	<b>665,283</b>

## Statement of changes in consolidated equity

	EUR'000	Subscribed capital	Additional paid-in capital
	<b>December 31, 2005</b>	<b>2,427</b>	<b>53,284</b>
	Adjustment compliant with IFRS 3.61ff		
	<b>December 31, 2005</b>	<b>2,427</b>	<b>53,284</b>
1	<b>Appropriation to profit reserves</b>		
2	Dividend payment 2005		
3	Capital increase		
4	Change in minority interests		
5	Other changes		
6	<b>Total transactions with shareholders</b>	<b>0</b>	<b>0</b>
7	Consolidated net profit		
8	Minority interests		
9	<b>Consolidated profit after minority interests</b>	<b>0</b>	<b>0</b>
10	Stock option program		
11	Currency translation differences		
12	<b>Total changes not recognized in profit or loss</b>	<b>0</b>	<b>0</b>
13	Total net income (9+12)	0	0
	<b>June 30, 2006</b>	<b>2,427</b>	<b>53,284</b>
	<b>December 31, 2006</b>	<b>24,267</b>	<b>31,444</b>
1	<b>Appropriation to profit reserves</b>		
2	Dividend payment 2007		
3	Stock split	2,183	44,977
4	Change in minority interests		
5	Other changes		
6	<b>Total transactions with shareholders</b>	<b>2,183</b>	<b>44,977</b>
7	Consolidated net profit 2007		
8	Minority interests		
9	<b>Consolidated profit after minority interests</b>	<b>0</b>	<b>0</b>
10	Stock option program		
11	Currency translation differences		
12	Available-for-sale securities		
13	Other changes		
14	<b>Total changes not recognized in profit or loss</b>	<b>0</b>	<b>0</b>
15	Total net income (9+14)	0	0
	<b>June 30, 2007</b>	<b>26,450</b>	<b>76,421</b>

Profit reserves	Other cumulative shareholders' equity	Minority interests	Consolidated equity
4,866	81,005	1,120	142,702
	-419	-106	-525
4,866	80,586	1,014	142,177
436	-436		0
	-4,975		-4,975
			0
	633	-4,545	-3,912
	24		24
0	-4,318	-4,545	-8,863
	37,596		37,596
		633	633
0	37,596	633	38,229
	133		133
	-690		-690
0	-557	0	-557
0	37,039	633	37,672
5,302	112,871	-2,898	170,986
5,302	186,413	27,378	274,804
			0
	-12,376		-12,376
			47,160
		5,856	5,856
	-766	-763	-1,529
0	-13,142	5,093	39,111
	30,044		30,044
		862	862
0	30,044	862	30,906
	-125		-125
	-1,736		-1,736
	-206		-206
	0		0
0	-2,067	0	-2,067
0	27,977	862	28,839
5,302	201,248	33,333	342,754

## Consolidated cash flow statement for the period from January 1 to June 30, 2007

EUR'000	1/1/2007 - 6/30/2007 *	1/1/2006 6/30/2006 *
<b>Earnings before taxes (EBT)</b>	32,804	42,962
Reversal of negative consolidation differences	-48,298	-39,398
Depreciation and amortization of PP&E and intangible assets	15,716	6,303
Increase (+)/decrease (-) in pension provisions	168	-1,498
Profit (+)/loss (-) on the sale of property, plant and equipment	-796	37
Profit (+)/loss (-) on the sale of non-current financial assets	-6,483	-2,509
Profit (+)/loss (-) on currency translation	-483	0
Issuance of stock options	-125	133
At-equity valuation result	-534	-315
Net interest income/expenses	2,812	295
Other non-cash income and expenses	-26	0
Dividends received	734	557
Interest paid	-2,706	-801
Income taxes paid	-1,545	-722
Increase (+)/decrease (-) in inventories	-8,421	2,975
Increase (+)/decrease (-) in trade receivables and other receivables	-17,162	-8,905
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	19,791	-1,080
Increase (+)/decrease (-) in other balance sheet items	-1,249	-1,300
<b>Cash inflow (+)/outflow (-) from/for operating activities (net cash flow)</b>	<b>-15,803</b>	<b>-3,266</b>
Purchase price paid for shares in companies	-13,509	-1,480
Cash acquired with the acquisition of shares	2,208	7,785
Cash transferred on the sale of shares	-925	0
Proceeds from the sale of shares in companies	18,308	2,211
Cash inflows from the sale of non-current assets	2,100	1,792
Cash outflows for investments in non-current assets	-10,685	-11,175
<b>Cash inflow (+)/outflow (-) from/for investing activities</b>	<b>-2,503</b>	<b>-867</b>
<b>Free cash flow</b>	<b>-18,306</b>	<b>-4,133</b>
Cash flows from borrowing (+)/repayment (-) of current financial liabilities	9,396	4,288
Cash flows from borrowing (+)/repayment (-) of non-current financial liabilities	-8,836	2,731
Cash outflows for liabilities under finance lease	-4,229	-924
Capital increase of ARQUES Industries AG	47,160	0
Dividend payment	-12,376	-4,975
<b>Cash inflow (+)/outflow (-) from/for financing activities</b>	<b>31,115</b>	<b>1,120</b>
Net funds at beginning of period	88,154	36,467
Increase (+)/decrease (-) in restricted cash	-7,566	748
Change in net funds	12,809	-3,013
<b>Net funds at end of period</b>	<b>93,397</b>	<b>34,202</b>

\* Prior-year figures have been adjusted

## Consolidated segment reporting

First half of 2007 EUR'000	Steel	Print	Industrial Production	Specialty Chemistry	Holding	Other	Elimi- nations	Consoli- dation
<b>Revenues</b>								
External revenues	52,106	30,909	87,649	207,731	0	250,553		628,949
Internal revenues	0	0	0	0	1,886	0	-1,886	0
<b>Total revenues</b>	<b>52,106</b>	<b>30,909</b>	<b>87,649</b>	<b>207,731</b>	<b>1,886</b>	<b>250,553</b>	<b>-1,886</b>	<b>628,949</b>
Depreciation, amortization and impairments	1,546	2,937	2,281	4,723	119	4,110	0	15,717
<b>Segment profit or loss/ EBIT</b>	<b>-3,633</b>	<b>-987</b>	<b>24,796</b>	<b>16,532</b>	<b>9,787</b>	<b>-10,595</b>	<b>-818</b>	<b>35,082</b>

First half of 2006 EUR'000	Steel	Print	Industrial Production	Specialty Chemistry	Holding	Other	Elimi- nations	Consoli- dation
<b>Revenues</b>								
External revenues (continuing operations)	41,110	0	62,059	99,304	111	51,056	0	253,640
<i>discontinued operations</i>	0	69,921	0	0	0	0	0	69,921
Internal revenues (continuing operations)	0	0	0	0	743	0	-743	0
<i>discontinued operations</i>	0	104	0	0	0	0	-104	0
Total revenues (continuing operations)	41,110	0	62,059	99,304	854	51,056	-743	253,640
<i>discontinued operations</i>	0	70,025	0	0	0	0	-104	69,921
Depreciation, amortization and impairments (continuing operations)	2,815	0	1,043	921	95	1,429	0	6,303
<i>discontinued operations</i>	0	4,417	0	0	0	0	0	4,417
<b>Segment profit or loss/ EBIT</b>								
(continuing operations)	-3,865	0	6,747	5,079	1,845	33,136	0	42,942
<i>discontinued operations</i>	0	-3,405	0	0	0	0	0	-3,405

## Notes to the interim report at June 30, 2007

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 present, unaudited interim report at June 30, 2007 has been prepared in compliance with IAS 34 accordingly. It has not been reviewed by the auditors. The key accounting policies applied when preparing the interim report and determining the comparison figures for the prior year are the same as those used in the consolidated financial statements at December 31, 2006. These principles are described in detail in the notes to the consolidated financial statements in the ARQUES Annual Report for 2006.

Expenses occurring at irregular intervals during the fiscal year are included in the interim report only insofar as it would be appropriate to include such expenses in the annual report at the end of the fiscal year.

For detailed information on the business cycle and/or seasons factors affecting the subsidiaries, please refer to the comments in the section entitled "News from the subsidiaries."

### A. Adjustments to the comparison information in the interim report for the second quarter of 2006

On December 29, 2006, as a result of disposals as shareholdings in the ARQUANA sub-group, a provisional consolidation was performed at ARQUES in order to transition to equity consolidation. Consequently, the ARQUANA sub-group was shown as a discontinued operation in the consolidated financial statements at December 31, 2006.

IFRS 5 contains special disclosure rules with regard to discontinued operations. The amounts allocable to the discontinued operation in the consolidated financial statements of ARQUES Industries AG encompass both the Print segment and all the assets, liabilities, income, and expenses that are allocable to the ARQUANA activities to be discontinued.

In order to increase the transparency and comparability of our interim report, primary emphasis has been placed on showing the continuing operations for the prior-year period (first half of 2006).

The following reconciliation shows the effects of these adjustments on the consolidated income statement for the period from January 1 to June 30, 2006:

EUR'000	1st half 2006 Full Group 1/1 - 6/30/2006	1st half 2006 Discontinued operations 1/1 - 6/30/2006	1st half 2006 Continuing operations 1/1 - 6/30/2006
Revenues	<b>323,561</b>	69,921	253,640
Change in finished goods and work in progress	<b>-537</b>	-807	270
Other own work capitalized	<b>1,033</b>	13	1,020
Other operating income	<b>58,461</b>	4,962	53,499
Cost of materials	<b>-215,136</b>	-42,600	-172,536
Personnel expenses	<b>-70,568</b>	-20,630	-49,938
Other operating expenses	<b>-46,557</b>	-9,847	-36,710
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<b>50,257</b>	1,012	49,245
Depreciation and amortization	<b>-10,720</b>	-4,417	-6,303
Earnings before interest and taxes (EBIT)	<b>39,537</b>	-3,405	42,942
Income from associated companies	<b>315</b>	0	315
Other interest and similar income	<b>400</b>	60	340
Interest and similar expenses	<b>-1,734</b>	-1,099	-635
Income from ordinary activities	<b>38,518</b>	-4,444	42,962
Income taxes	<b>-922</b>	123	-1,045
Consolidated profit for the year	<b>37,596</b>	-4,321	41,917
Minority interests	<b>633</b>	400	233
Shareholders of ARQUES Industries AG	<b>38,229</b>	-3,921	42,150
Earnings per share			
- Basic earnings per share in EUR	<b>1.58</b>	-0.16	1.74
- Diluted earnings per share in EUR	<b>1.57</b>	-0.16	1.73

EUR'000	Q2 2006 Full Group 4/1 - 6/30/2006	Q2 2006 Discontinued operations 4/1 - 6/30/2006	Q2 2006 Continuing operations 4/1 - 6/30/2006
Revenues	183,466	40,280	143,186
Change in finished goods and work in progress	-3,408	-1,343	-2,065
Other own work capitalized	673	13	660
Other operating income	30,072	2,857	27,215
Cost of materials	-118,459	-23,430	-95,029
Personnel expenses	-39,562	-12,269	-27,293
Other operating expenses	-25,363	-4,757	-20,606
Earnings before interest, taxes, depreciation and amortization (EBITDA)	27,419	1,351	26,068
Depreciation and amortization	-6,399	-2,538	-3,861
Earnings before interest and taxes (EBIT)	21,020	-1,187	22,207
Income from associated companies	123	0	123
Other interest and similar income	249	6	243
Interest and similar expenses	-889	-722	-167
Income from ordinary activities	20,503	-1,903	22,406
Income taxes	-1,875	85	-1,960
Consolidated profit for the year	18,628	-1,818	20,446
Minority interests	-492	961	-1,453
Shareholders of ARQUES Industries AG	18,136	-857	18,993
<i>Earnings per share</i>			
- Basic earnings per share in EUR	0.75	-0.03	0.78
- Diluted earnings per share in EUR	0.75	-0.03	0.78



## B. CHANGES IN THE CONSOLIDATED GROUP

### Company acquisitions

In January 2007, ARQUES acquired the Quab activities of Degussa Corporation, which belongs to the RAG Group, via the listed SKW Group by way of an asset deal. The absorbing company is SKW QUAB Chemicals, Inc., USA. The Quab business was included in the consolidated financial statements of ARQUES with effect from January 16, 2007.

At the end of February 2007, ARQUES acquired 90% of the shares in Chikara Handels GmbH, Tiefenbach near Passau, via its listed ticon AG subsidiary. The company was included in the consolidated financial statements of ARQUES with effect from March 1, 2007.

At the end of March 2007, ARQUES acquired 85% of the shares in the Wanfried Group, comprising Wanfried Druck Kalden GmbH and its wholly owned Wanfried SARL subsidiary, from ARQUANA International Print & Media AG.

Similarly at the end of March 2007, ARQUES acquired 90% of the shares in confectioner van Netten, comprising Van Netten GmbH and its wholly owned Sonnina Süßwaren GmbH and Sweets Project Verkaufsgesellschaft subsidiaries, by way of a share deal.

These companies were included in the consolidated financial statements of ARQUES with effect from March 31, 2007.

In February 2007, ARQUES acquired the antioxidants business of Degussa by way of a mixed share and asset deal via its Spanish subsidiary, ARQUES Iberia S.A., Madrid. In accordance with the “subsidiary manager” model practiced at ARQUES, the acquisition involved a 90% stake. Degussa Sant Celoni S.A. (Spain) was acquired by way of the share deal and the material assets and liabilities of Degussa Knottingley Ltd. (UK) by way of the asset deal. The acquired activities now operate under the Oxiris brand, comprising essentially Oxiris Chemicals S.A. (Spain) and

Oxiris Operational Ltd. (UK). The closing for this acquisition was completed at the beginning of May, meaning that the companies have been included in the consolidated financial statements of ARQUES with effect from May 1, 2007.

At the end of March 2007, ARQUES acquired 51% of the shares in the Austrian fashion store chain Richard Schöps & Co AG via its ARQUES Austria Invest AG, Vienna, subsidiary. All of the conditions arising from the purchase agreement had been satisfied by the end of April 2007, meaning that the company has been included in the consolidated financial statements of ARQUES with effect from May 1, 2007.

In April 2007, 100% of the shares in Calibrados de Precisión, S.A. (Capresa), a Spanish specialist in the first transformation of steel, were acquired via Arques Iberia S.A. Capresa's wholly owned Mexican subsidiary, Capremex, S.A. de C.V., was acquired at the same time. ARQUES was able to assume control of the company at the beginning of June, so it has been included in the consolidated financial statements of ARQUES with effect from June 1, 2007.

All the companies acquired have been included in the consolidated financial statements on the basis of preliminary figures. Because the processes of converting the financial statements to IFRS and conducting the purchase price allocation are time-intensive, the best available information at the time of preparing the financial statements was used.

Of the business combinations carried out in the first half of 2007, only the acquisition of Van Netten GmbH satisfies the materiality criteria of IFRS 3.68 and is shown separately here. The individual criteria applied by the ARQUES Group to determine the materiality of business combinations are listed in the notes to the consolidated financial statements of ARQUES Industries AG at December 31, 2006 (Note 36 in the notes to the income statement and balance sheet). These criteria have not changed in the first half of 2007.

The purchase price for the shares in Van Netten GmbH acquired amounted to EUR 3. In addition, loans with a nominal amount of EUR 35,994 thousand were acquired for a purchase price of EUR 4 together with a trade payable of EUR 1,805 thousand for a purchase price of EUR 1. Incidental costs totaling an aggregate of EUR 179 thousand accrued. These cash flows, together with the assets and liabilities acquired, gave rise to a negative consolidation difference of EUR 30,443 thousand, which has been recognized as income in the income statement under other operating income.

The loss generated by the acquired companies from the acquisition date to June 30, 2007 amounted to EUR 5,706 thousand. This figure already includes significant start-up and acquisition losses, as well as restructuring losses. It does not contain the other operating income from the reversal of negative consolidation differences. The revenues generated from January 1, 2007 to the respective acquisition date amounted to EUR 13,670 thousand and the aggregate half-yearly revenues amounted to EUR 25,182 thousand. The profit or loss generated from January 1, 2007 to the respective acquisition date was not determined because it was not relevant to the consolidation process. A retroactive restatement of the values at January 1, 2007 was not effected, as the values for the months prior to the acquisition would not be comparable with those after the acquisition, due to the restructuring measures that have been initiated and would therefore be misleading.

The following table shows the assets and liabilities acquired in connection with the transactions:

EUR'000	Carrying amount	Fair value
<b>Non-current assets</b>		
Intangible assets	1,264	1,246
Land	2,882	6,574
Buildings	6,713	7,426
Technical equipment, plant and machinery	14,231	23,623
Other assets	3,616	2,790
Financial assets	19	19
Deferred tax assets	0	2,123
<b>Current assets</b>		
Inventories	7,120	6,926
Trade receivables	1,225	1,225
Other assets	10,539	10,539
Cash and cash equivalents	15	15
<b>Liabilities</b>		
Provisions	-2,022	-2,022
Trade payables	-17,794	-17,794
Other liabilities	-39,537	-46,790
Deferred tax liabilities	0	-3,699
<b>Net asset values</b>		<b>-7,799</b>
Minority interests		622
<b>Net asset values acquired</b>		<b>-7,177</b>

The cash acquired amounted to EUR 15 thousand, giving rise to an overall cash outflow of EUR 164 thousand.

No business divisions were discontinued or sold in connection with these acquisitions.

The aggregate purchase price for the other companies acquired amounted to EUR 22,469 thousand. Of this amount, EUR 12,683 thousand was paid in cash. Incidental costs of EUR 85 thousand also accrued, which were paid in cash.

Owner loans in the total amount of EUR 8,942 thousand were acquired as part of the business combinations. There are still liabilities of EUR 7,010 thousand arising from purchase price payments, which are to be settled in cash. The acquisition of Chikara Handels GmbH involved the issuance of 40,000 shares of ticon AG, which were trading at a price of EUR 5.47 at the time of transfer. Moreover, the acquisition of the shares in Chikara Handels GmbH is subject to earn-out clauses which may lead to the transfer of a further 200,000 shares of ticon AG by December 31, 2009 if revenue and profit targets are achieved. At the time of purchase, the probability of use was estimated at a mere 92,500 shares of ticon AG, which was taken into account in the purchase price. The acquisition of the companies gave rise to negative consolidation differences in the amount of EUR 17,808 thousand and goodwill of EUR 13,772 thousand.

The losses generated by the acquired companies from the acquisition date to June 30, 2007 amounted to EUR 1,409 thousand. This figure already includes significant start-up and acquisition losses, as well as restructuring losses. It does not contain the other operating income from the reversal of negative consolidation differences. The revenues generated from January 1, 2007 to the respective acquisition date amounted to EUR 70,850 thousand and the aggregate half-yearly revenues of the other acquisitions amounted to EUR 120,228 thousand. The profit or loss generated from January 1, 2007 to the respective acquisition date was not determined because it was not relevant to the consolidation process. A retroactive restatement of the values at January 1, 2007 was not effected, as the values for the months prior to the acquisition would not be comparable with those after the acquisition, due to the restructuring measures that have been initiated and would therefore be misleading.

The following table shows the assets and liabilities acquired in connection with the transactions:

EUR'000	Carrying amount	Fair value
<b>Non-current assets</b>		
Intangible assets	6,465	20,187
Land	1,400	2,500
Buildings	3,875	5,409
Technical equipment, plant and machinery	12,817	15,680
Other assets	9,148	12,083
Financial assets	869	869
Deferred tax assets	1,542	5,146
<b>Current assets</b>		
Inventories	29,353	29,846
Trade receivables	31,482	31,482
Other assets	6,359	6,359
Cash and cash equivalents	2,443	2,443
<b>Liabilities</b>		
Provisions	-13,143	-13,300
Trade payables	-31,882	-31,882
Other liabilities	-56,508	-59,347
Deferred tax liabilities	-1,762	-8,338
<b>Net asset values</b>		<b>19,137</b>
Minority interests		-1,574
<b>Net asset values acquired</b>		<b>17,563</b>

The cash acquired amounted to EUR 2,443 thousand, giving rise to an overall cash outflow of EUR 10,325 thousand. The cash acquired included restricted cash totaling EUR 250 thousand.

No business divisions were discontinued or sold in connection with these acquisitions.

The disclosures required by IFRS 3.70 are not practicable. In the opinion of the management, the disclosures would be misleading in view of the restructuring measures that have been initiated.

The acquisition of new immaterial shelf companies is not shown separately.

Similarly before the end of the first half of 2007, the majority of the shares in Rohé, an equipment provider for gas stations, were acquired via ARQUES' Austrian subsidiary, ARQUES Industries AG, Vienna. Vienna-based A. Rohé Holding GmbH was acquired. Since the control criterion had not been fulfilled by June 30, 2007 due to the economic and legal situation, the company has not yet been included in the consolidated financial statements of ARQUES. The closing for this transaction is still outstanding, as a consequence of which ARQUES does not yet fulfill the control criteria.

## Company acquisitions after June 30, 2007

After the reporting date, the shares in the Austria-based SAG Group were acquired via ARQUES Industries AG, Vienna, in July 2007. The purchase price is still subject to further negotiation and cannot be definitively stated at this stage. The closing for this transaction is still outstanding.

Similarly in July 2007, ARQUES acquired all of the shares in the local companies of Actebis, an IT distributor, in Germany, France, Austria, and the Netherlands from the Otto Group. The purchase price for this transaction totaled EUR 110 million. The closing for this transaction is still outstanding.

ARQUES will probably take over all shares in an international automobile supplier in the third quarter. The company produces on several continents with approximately 2,400 employees in 13 plants and realises annual revenues above EUR 250 million. The company is current-

ly slightly in deficit and is being sold within the context of concentrating on core business. The takeover is by far the largest industrial takeover by ARQUES to date.

## Company disposals

The following companies were deconsolidated in the first half of 2007 in connection with the sale of shares in teutonia Kinderwagenfabrik GmbH:

- teutonia Kinderwagenfabrik GmbH
- teutonia Polska Sp.z.o.o.

The following table provides a summary of the significant asset and liability items transferred in connection with the company disposals:

	3/15/2007 EUR'000
<b>Assets transferred</b>	
Intangible assets	159
Property, plant and equipment	3,235
Inventories	2,527
Trade receivables	2,006
Other assets	1,710
<b>Total assets</b>	<b>9,637</b>
<b>Liabilities transferred</b>	
Pension provisions	451
Provisions	635
Current financial liabilities	8
Non-current financial liabilities	0
Trade payables	828
Other liabilities	613
<b>Total liabilities</b>	<b>2,535</b>

The disposal of teutonia resulted in a cash inflow of EUR 7,959 thousand and a gain of EUR 1,682 thousand, which is carried under other operating income. The difference between the cash inflow and the other operating income disclosed results from the charging off of an owner loan not recognized in income as part of consolidation in fiscal 2004 compliant with IAS 22 – the predecessor to IFRS 3 – and the other net assets of the subsidiary transferred in connection with the disposal. Consequently, the majority of the proceeds from the disposal of teutonia have an impact on cash positions but not net income, due to the changes in accounting under IFRS outlined above.

In June 2007, ARQUES sold a tranche of 300,000 shares in its listed SKW Stahl Metallurgie Holding AG subsidiary. The placement yielded proceeds of EUR 10 million and a gain of EUR 5.5 million, which is included in other operating income. Following this sale, ARQUES continued to hold more than 50% of the shares in SKW Stahl Metallurgie Holding AG, meaning that the company was not deconsolidated at June 30, 2007.

## Company disposals after June 30, 2007

The following Group companies, all of which are being deconsolidated in the third quarter of 2007, were sold after the reporting date:

In July 2007, ARQUES sold Salto Paper AG (formerly Papiermühle Wolfsheck) to a strategic investor for a purchase price CHF 150 thousand.

Similarly in July 2007, ARQUES sold all outstanding shares in its listed SKW Stahl Metallurgie Holding AG subsidiary. The placement was completed at a price of EUR 37 per share and netted proceeds of EUR 82 million.

At the end of July 2007, ARQUES sold all of the shares it held in the SKS Stakusit Group, Duisburg, to a strategic investor. The transaction yielded a gain on disposal of EUR 17 million.

## C. NET ASSETS, FINANCIAL POSITION AND EARNINGS

The Group's total assets at June 30, 2007 amounted to EUR 891,341 thousand (prior year: EUR 665,283 thousand). This corresponds to an increase of 34.0%, which can be attributed primarily to the considerable acquisition activities in the period under review.

The most important category of non-current assets continues to be property, plant and equipment, accounting for EUR 220,595 thousand or 65.9% of non-current assets (prior year: 67.2%) and 24.8% of total assets (prior year: 22.9%).

Inventories increased by EUR 42,666 thousand to EUR 156,761 thousand, of which EUR 21,682 thousand relates to the second quarter of 2007.

Trade receivables amount to EUR 190,789 thousand (prior year: EUR 138,783 thousand).

At the end of the second quarter of 2007, the Group held cash and cash equivalents in the total amount of EUR 105,065 thousand (prior year: EUR 92,006 thousand).

The Group's equity ratio (including minority interests) declined to 38.5% from 41.3% at December 31, 2006.

The following table shows the development of the maturity structure of the Group's assets and liabilities:

	June 30, 2007		December 31, 2006	
	EURm	%	EURm	%
Non-current assets	335.0	37.6	227.2	34.2
Current assets excluding cash and cash equivalents	451.2	50.6	346.1	52.0
Cash and cash equivalents	105.1	11.8	92.0	13.8
<b>Total assets</b>	<b>891.3</b>	<b>100.0</b>	<b>665.3</b>	<b>100.0</b>
Shareholders' equity and liabilities	342.7	38.4	274.8	41.3
Non-current liabilities	153.3	17.2	118.4	17.8
Current liabilities	395.3	44.4	272.1	40.9
<b>Total shareholders' equity and liabilities</b>	<b>891.3</b>	<b>100.0</b>	<b>665.3</b>	<b>100.0</b>

The revenues of the ARQUES Group increased by EUR 305.3 million compared with the same period last year, to EUR 628.9 million. The following table shows the main changes in detail:

REVENUES	1st half 2007 EURm	1st half 2006 EURm	Change %
Specialty Chemistry	207.7	99.3	109.2
Print	30.9	0.0	-
Industrial Production	87.6	62.1	41.1
Holding	0.0	0.1	-
Steel	52.1	41.1	26.8
Other	250.6	51.1	390.4
Continuing operations	628.9	253.7	147.9
Discontinued operations	-	69.9	-
<b>Total</b>	<b>628.9</b>	<b>323.6</b>	<b>94.4</b>

EBIT	1st half 2007 EURm	1st half 2006 EURm	Change %
Specialty Chemistry	16.5	5.1	223.5
Print	-1.0	0.0	-
Industrial Production	24.8	6.7	270.1
Holding	9.8	1.8	444.4
Steel	-3.6	-3.9	-7.7
Other	-10.6	33.2	-132.0
Eliminations	-0.8	0.0	-
Continuing operations	35.1	42.9	-18.0
Discontinued operations	-	-3.4	-
<b>Total</b>	<b>35.1</b>	<b>39.5</b>	<b>-10.9</b>

## Cash flow

The cash and cash equivalents totaling EUR 93.4 million consist of checks, cash on hand, and cash in banks less the cash that ARQUES is not able to use for operational purposes because it has been pledged as security for liabilities, which amounted to EUR 11.7 million at the balance sheet date. Since the cash and equivalents recorded for the equivalent quarter last year still included the restricted cash, the comparative figures have been adjusted to reflect the new definition of cash and cash equivalents.

The Group recorded a cash outflow of EUR 15.8 million for operating activities in the first half of 2007, most of which relates to the rise in working capital recorded under inventories and trade receivables. These two items increased by an aggregate of EUR 106.9 million, of which EUR 81.3 million relates to changes in the scope of consolidation of

the ARQUES Group. The ARQUES Group invested a total of EUR 28.6 million in inventories and trade receivables. Trade payables (including other liabilities and other provisions) increased EUR 89.8 million, of which EUR 72.1 million relates to changes in the consolidated group.

The cash outflow for investing activities totaled EUR 2.5 million in the first half of the fiscal year. Essentially this total is the balance of purchase prices of EUR 13.5 million paid for shares in companies, investments of EUR 10.7 million in non-current assets, and proceeds of EUR 18.3 million from the sale of shares in companies.

ARQUES recorded a cash inflow of EUR 31.1 million from financing activities. This inflow results primarily from the capital increase of ARQUES Industries AG carried out in June 2007, which yielded EUR 47.2 million, set against a dividend payment of EUR 12.4 million.

## Balance sheet and financial indicators

Indicator	Definition	June 2007 %	2006 %
Gross profit margin	$\frac{\text{EBIT}}{\text{Revenues}}$	5.6	18.8
Asset intensity	$\frac{\text{Property, plant \& equipment, \& intangible assets}}{\text{Total assets}}$	30.5	25.7
Current liabilities to total liabilities	$\frac{\text{Current liabilities}}{\text{Total liabilities}}$	72.1	69.7
Financing ratio	$\frac{\text{Scheduled depreciation/amortization}}{\text{Capital investments}}$	147.1	76.1
Equity ratio	$\frac{\text{Equity}}{\text{Total assets}}$	38.5	41.3

## D. RELATED PARTY DISCLOSURES

Related parties include the members of the Executive Board of ARQUES Industries AG, EMG Holding GmbH, and The Growth Group AG, as they can be, or have been, influenced by active members of ARQUES Group Executive Board.

The following material transactions involving the ARQUES Group and related parties were conducted in the first half of 2007:

	H1 2007 EUR'000
<b>Expenses for purchased services and cost allocation charges</b>	
- EMG Holding GmbH	742
- The Growth Group AG	46
<b>TOTAL</b>	<b>788</b>



The payments made to EMG Holding GmbH for consulting services and lease payments consisted entirely of Executive Board compensation for Dr. Martin Vorderwülbecke, the Chairman of the Executive Board. The payments made to The Growth Group AG result from marketing services.

Dr. Michael Schumann held participating interests in a number of companies in which the ARQUES Group holds a majority interest. ARQUES held these interests in trust. Since the disposal of the shares in these subsidiaries is planned, the trust relationship was terminated in order to provide for the full power of control internally and sold to ARQUES Industries AG. ARQUES Industries AG acquired the following individual participating interests from Dr. Schumann for an aggregate purchase price of EUR 1,732 thousand:

Subsidiary (name)	Participating interest in %
Arques Finanz GmbH - Golf House	0.891
Arques Industrie Finanz GmbH - SKS	0.891
Arques Wert Consult GmbH / Arques Wert Invest GmbH - Missel	0.891
WS 2018 Vermögensverwaltung GmbH - Jahnel-Kestermann	0.891
Fritz Berger GmbH - Fritz Berger	0.990
WS 3022 Vermögensverwaltungs AG - DDP	0.990
IVMP AG - Rohner AG	0.969
Zugspitze 66. Vermögensverwaltungs AG - Evotape	0.890

Members of the Executive Board – Dr. Martin Vorderwülbecke, Markus Zöllner, and Felix Frohn-Bernau – have each acquired minority interests in ARQUES Iberia S.A., a foreign company in which ARQUES indirectly holds a majority interest, amounting to 2% of the capital stock at par value for a purchase price of EUR 1 thousand.

Members of the Executive Board – Dr. Dr. Peter Löw (member/Chairman of the Executive Board until April 30, 2007), Dr. Martin Vorderwülbecke, Markus Zöllner, and Felix Frohn-Bernau – have each acquired minority interests in ARQUES AUSTRIA Invest AG, a foreign company in which ARQUES indirectly holds a majority interest, amounting to 2% of the capital stock at par value for a purchase price of EUR 2 thousand.

## E. STATEMENT BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Management Report includes a fair review of the development and performance of the business and the position of the Group, together with the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Starnberg, August 23, 2007

The Executive Board



Dr. Martin Vorderwülbecke (Chairman of the Executive Board)



Markus Zöllner (Chief Officer Operations)



Dr. Michael Schumann (Head of Acquisitions)



Felix Frohn-Bernau (Head of Exits)



## Scheduled Dates

Information regarding dates and events of ARQUES Industries AG.

August 23, 2007 2nd quarterly report for the 2007 fiscal year

November 22, 2007 3rd quarterly report for the 2007 fiscal year

## Publisher Information

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