CREATING VALUE

REPORT FOR THE 2ND QUARTER AND 1ST HALF YEAR 2008

ARQUES INDUSTRIES AG

KEY FIGURES

EUR'000	01/01/ – 06/30/2008	01/01/ – 06/30/2007*	%
Consolidated revenues	2,627.8	628.9	318
Earnings before interest, taxes, depreciation and amortization (EBITDA)	45.2	50.8	(11)
Earnings before interest and taxes (EBIT)	(19.3)	35.1	-
Consolidated net profit	(36.3)	30.9	-
Free cash flow	39.1	(18.3)	-
Earnings per share (diluted in EUR)	(1.37)	1.15	-

	06/30/2008	12/31/2007	%
Balance sheet total	1,645.6	1,831.8	(10)
Shareholders' equity	364.4	398.8	(9)
Equity ratio in %	22.1	21.8	1

*Please refer to the explanatory note "Adjustment of comparison information from the consolidated financial statements for the first half of 2007" in the notes to the financial statements.

INFORMATION ON THE ARQUES SHARE

WKN	515600
ISIN	DE0005156004
Stock market code	AQU
Reuters Xetra code	AQUG.DE
Bloomberg Xetra code	AQU GY
Stock type	No-par bearer shares
Share indexes	SDAX, CDAX, Classic All Share, GEX, Prime All Share, BayX30
Shares in issue as of June 30, 2008	26,450,000
Capital stock as of June 30, 2008 (in EUR)	26,450,000.00
Share price as of June 30, 2008 (in EUR)	5.80
Market capitalization as of June 30, 2008 (in Mio. EUR)	153.41
52-week high* in EUR	34.45
52-week low* in EUR	5.22
Earnings per share (diluted) (01/01/2008 – 06/30/2008)	(1.37)

*at the time of the report

HIGHLIGHTS

- Consolidated revenues in the first half quadrupled to more than EUR 2.63 billion
- EBITDA in the second quarter plus 67% to EUR 29.9 million with negative impact on the remaining key financial figures from non-recurring effects
- Free cash flow and operating cash flow increase significantly to EUR 39.1 million and EUR 57.1 million
- Net indebtedness significantly reduced by 25%
- Earnings forecast for 2008 adjusted: EBITDA on previous year's level > EUR 200 million expected

CONSOLIDATED MANAGEMENT REPORT OF ARQUES INDUSTRIES AG

THE ARQUES INDUSTRIES AG BUSINESS MODEL

The ARQUES Group focuses on a specific segment of the equity investment market, acquiring companies in situations of transition. This includes classic turnaround candidates, companies in need of rationalization investment that are on the disinvestment lists of large corporations, and companies with unresolved succession issues. As a general rule, these companies have already been generating losses for some time when they are acquired by ARQUES. Unsuccessful attempts have been made in some cases to restructure the companies or restore them to economic health. As a result, ARQUES is frequently in a position to acquire these companies for less than their book value, and in some cases even for negative purchase prices.

When acquiring these companies, ARQUES concentrates increasingly on spin-offs from corporations, which now make up around 80% of the companies acquired by ARQUES. The remaining 20% of the companies acquired were family-owned before being purchased by ARQUES.

THE ARQUES BUSINESS MODEL VERSUS PRIVATE EQUITY

One major distinction from the targets of so-called private equity companies is that ARQUES primarily takes over companies which are in transition situations, frequently with weak earnings and in need of reorganization. ARQUES restructures these newly acquired subsidiaries with its own restructuring department – the so-called Task Force – and attempts to restore them to profitability by resolving specific operating and/or structural problems and positioning them back on the market as competitive businesses with high earnings. In contrast, the private equity industry focuses less on reorganization/restructuring than on optimizing profits in the companies they take over by applying financial engineering and cost-cutting techniques before making a profitable short-term exit.

THE BUYING MARKET

The buying market for company acquisitions under the ARQUES business model will also remain stable in the future, as the main factors underlying spin-offs of corporate operations and takeovers of family-run companies under the ARQUES model are largely independent of specific economic conditions. These factors include:

- corporations focusing on their core lines of business,
- the funding crisis faced by many small and mid-sized companies as a result of banks‘ unwillingness to extend credit (Basel II), and
- the increasing number of unresolved successor issues as a result of demographic trends in Germany.

THE SELLING MARKET

The selling market, which is driven by the demand for reorganized companies with boosted earnings, fluctuates and generally depends on the economic environment and especially the prosperity of the industry in question. As a rule, it will always be possible to find parties from the respective industry who are interested in the companies restructured by ARQUES in the form of strategic investors. Among other things, this is because ARQUES does not sell at theoretical maximum prices, but rather begins the selling process as soon as the investment enters a profitable growth phase, which appeals to a wide base of buyers who – building on the reorganization work performed by ARQUES – can realize further earnings and growth potential.

The ARQUES model's dependence on economic conditions

The ARQUES business model works in both weak and strong market environments. In a weak market environment, there tend to be more companies getting into serious difficulties, which makes acquisition easier than in a healthy environment. However, the reorganization must then be carried out in a difficult environment. This is where the strong restructuring expertise that ARQUES can bring to bear comes into play.

In a healthy economic environment, on the other hand, fewer companies tend to become crisis-stricken and it is easier to paper over weaknesses. There are nevertheless still enough companies in transition situations on the market on account of the major structural changes in the world economy and the generally difficult financial situation of small and mid-sized companies. The reorganization itself is easier to carry out in a period of economic expansion, with structural stimuli helping the revenues side in particular. This makes it possible to complete successful restructuring steps faster and simultaneously boosts the demand for reorganized companies. The amount of the sale proceeds is subject to the fluctuations in the economic environment, which influences the valuation multiples companies can achieve. Since the ARQUES model is not geared to having to sell at maximum prices, it is also possible to sell companies profitably in times of lower valuations. Thus, the ARQUES business model can prove successful in both a positive and a negative market environment.

Acquisition process

When selecting its targets, ARQUES does not concentrate on specific industries, but rather on the acquisition of mid-sized companies with a revenue volume of between EUR 30 million and EUR 1 billion. Its track record has convinced more and more large corporations to actively approach ARQUES as a partner in spinning off subsidiaries which are no longer a part of their core business. As a result, the average deal size of acquired companies has increased significantly.

Each year, around 200 of the 1,000 or so companies that are offered to ARQUES from its own network, directly by corporate groups, or from contacts with M&A consultants and investment banks, or which the Acquisition department identifies on the market, make it to the short list. The subsequent due-diligence process is carried out exclusively by in-house staff from the Analysis, Legal, Tax, and Finance departments.

Restrukturierung

After completing the acquisition, ARQUES generally installs managers with experience in restructuring in the new subsidiary (so-called ARQUES subsidiary managers) in order to carry out the reorganization along with the staff of the acquired company in the shortest possible period of time.

In the first few months, the subsidiary managers receive intensive support from the ARQUES Task Force, a group of highly specialized restructuring experts. The following reorganization steps, among other things, are implemented – in some cases even shortly after the acquisition phase – depending on the individual company situation:

- Creation of new management structures
- Bank debt relief and rescheduling of bank liabilities
- Setting up new, beneficial supplier relationships while settling left-over debt and arranging partial concessions, where appropriate
- Employee contributions
- Redundancy plans, agreements with works councils and trade unions
- Targeted partial disinvestments

- Improvement of working capital positions
- Reorganization of production processes
- Replacement of intragroup relationships
- Analysis of existing computer systems and frequently roll-out of state-of-the-art systems
- Streamlining of the product portfolio
- Development of new sales and marketing concepts

After a subsidiary has been successfully restructured, a new management team trained and deployed by the ARQUES subsidiary manager continues to further develop operations with the goal of achieving sustainable profitability.

The managing director appointed by ARQUES generally takes a 10% stake in the subsidiary by acquiring a corresponding proportion of the actual purchase price. This results in the manager identifying strongly with “his” subsidiary, which helps to secure a high level of commitment and motivation.

Exit

As soon as the basic reorganization steps have been completed in the respective subsidiary and it enters a profitable growth phase, the ARQUES Exit department begins the process of selling the company in coordination with the subsidiary’s manager. The ARQUES subsidiary manager withdraws increasingly from the operational side of the business and transfers management to a successor, who will also remain with the business after the sale. At the same time, the legal and organizational structures are simplified – if this has not already occurred during restructuring – so that the exit process is transparent and “simple. “ Generally, the buyers of ARQUES companies are strategic investors, as was the case with the sales of Missel, Jahnel-Kestermann and Oxiris in 2008. The possibility of an IPO is examined if this appears sensible, considering the size and structure of the respective company.

In contrast to the acquisition and operational management phases, in which ARQUES is guided by the maxim of executing all important process steps with its own employees, external experts are regularly called in during the exit process. This makes it is possible to optimize the external perception of the sale process and to make use of transaction-specific know-how and networks.

Value-based management

The ARQUES Group is managed on the basis of a value-based, two-phase model. Phase 1 concentrates on stabilizing the liquidity situation of the new acquisitions in need of restructuring. The key performance indicator in this respect is the company’s operational cash flow. Effects serving to boost liquidity are achieved in the first phase, which can last up to one year, by means of agreements with creditors, employees, suppliers, and customers of the newly acquired companies. The earnings position of the acquired companies is improved in Phase 2. Management uses EBIT (earnings before interest and taxes) to monitor the progress of the measures implemented to achieve this. The organization of the ARQUES Group, under which the managing director appointed as the subsidiary manager usually holds an equity stake in the target company, guarantees an uncomplicated, direct form of checks and balances in the companies. The subsidiary manager receives a direct stake in the subsequent sale proceeds and will therefore be motivated to bring about such a sale.

General economic climate and industry development

Western industrial nations with recessionary fears

The sub-prime crisis continues to hold the global economy in its grip. The consequences are now also becoming increasingly evident outside of the United States. More and more economists are warning of pending recession in the traditional industrial nations, as rising inflation is also slowing economic growth. Thus the International Monetary Fund (IMF) expects growth in the euro area to total a mere 1.7% in 2008. Although robust growth of 2.0% is forecast for Germany on the back of the good start to the calendar year, here too skepticism is also rife regarding the second half of the year. Many experts already consider countries like Italy, Spain, Ireland, and Denmark on the brink of recession, and warnings are increasingly being sounded for France and Britain.

The U.S. economy is expected to contract slightly in the second half of the year, as the strong boost from the economic stimulus package felt in the first six months recedes. All in all, the IMF believes the United States will record growth of 1.3% in 2008. Japan is predicted to fair little better, with growth of 1.5%. That the global economy is still forecast to expand by 4.1% can again be attributed to strong growth in emerging markets. The OECD expects the Chinese economy to expand by 10.0% and its Indian counterpart by 7.8%. Economic output in Russia is predicted to rise by 7.5%.

Rarely in the past have the economic researchers pointed out the uncertainties in their forecasts so clearly as they are doing half way through 2008. Given the almost impossible task of assessing the risk of further write-downs arising from the sub-prime crisis, coupled with high inflation rates, further corrections can be expected through to the end of the year. Export-oriented nations, e.g. in Europe, are also suffering from the strength of the euro against the U.S. dollar.

Equity investment market and industry environment

Sub-prime crisis slows M&A activities

The much tighter lending policies adopted by banks in response to the sub-prime crisis are having a dampening effect on the global market for mergers and acquisitions. Thus, according to figures from KPMG, the global volume of transactions in the first half of 2008 declined by around 30%, to $1,876 billion, compared with the equivalent period last year. Although the number of transactions fell by only around 3%, to 19,219, the average transaction size decreased far more markedly. The M&A market in Germany has all but collapsed, with the volume of transactions announced through the end of June falling by nearly 45%, to $50 billion. On the other hand, the number of M&A activities declined by a relatively small 10%, to 645. This puts Germany in third place in Europe, behind the UK and Russia. For the coming twelve months, the KPMG experts predict that transaction volumes and the number of transactions will continue to fall. Besides the general economic climate, the further development of the market will depend heavily on the availability of debt; this can be expected to remain in short supply, given the precarious situation on the credit markets. Furthermore, it is expected that industrial purchasers will be more active on the buyer side than players from the private equity industry, as these are currently busy building up their equity ratios. In this context, smaller to medium-sized projects are more likely over the rest of 2008 as well.

The market for companies in transition situations, in which ARQUES Industries AG is active, is not affected by this, as the purchase prices are generally only symbolic. In this context, major corporations continuing to focus on their core competencies should ensure further high potential for transactions.

Assets, financial position and earnings of the ARQUES Group in the first half of 2008

In the first half of 2008, ARQUES was able to sell three successfully restructured companies – the building supplier Missel, the chemical company Oxiris, and the gear manufacturer Jahnel-Kestermann. ARQUES also sold the Austrian fashion chain Schöps for a symbolic price to a strategic investor as part of its portfolio adjustment in the third quarter.

With the purchase of the Spanish transportation service provider ASM (Agencia Servicios Mensajeria) and the manufacturer of welded precision steel pipes Carl Froh, ARQUES was able to announce two significant acquisitions in the first half of the year.

In the third quarter, ARQUES took over 80.2% of the shares in Siemens Home and Office Communication Devices (SHC). SHC specializes in wireless telephones as well as broadband and home entertainment devices and generated annual sales of EUR 792 million in 2007. The transaction is subject to anti-trust approval. In addition, the ARQUES subsidiary Rohé, which is based in Vienna, acquired the German gas station supplier Hünert in August. Thus, the internationally operating Rohé Group considerably expanded its market position in Germany.

Earnings position

Revenues

In the first half of 2008, the ARQUES Group generated revenues of EUR 2,627.8 million and therefore EUR 1,998.9 million or 318% more than in the first half of 2007. Revenues in the second quarter amounted to EUR 1,279.8 million and exceeded revenues in the second quarter of 2007 by EUR 946.3 million or 284%. Most of the increase in revenues can be attributed to the companies acquired in the second half of 2007 – in particular the high-volume Actebis Group.

Significant items of the income statement

Following EUR 64.1 million in the first half of the previous year, other operating income in the first half of 2008 amounted to EUR 59.9 million, of which EUR 39.9 million can be attributed to the second quarter of 2008 (second quarter of 2007: EUR 27.8 million). In addition to income from deconsolidations in the amount of EUR 11.0 million and income from the reversal of negative goodwill from capital consolidation (so-called bargain purchase) in the amount of EUR 10.1 million, other operating income in the first half of 2008 included above all income from debt waivers, income from the sale of assets as part of the Missel Group's asset deal, income from the retransfer of provisions, rental income, and other operating income such as insurance benefits or changes in exchange rates.

Compared to the first half of 2007, the material expense for raw materials, goods, finished goods, and purchased services increased by EUR 1,782.6 million to EUR 2,251.5 million. The Group's material rate increased from 75% to 86%. The increase can be attributed above all to the IT companies acquired in the second half of 2007, which normally operate with low margins. The material rate improved slightly from 86% in the first quarter of 2008 to 85% in the second quarter of 2008.

Personnel expenses (wages, salaries, social insurance contributions, and old age provision) amounted to EUR 229.7 million in the first half of 2008 and exceeded the previous year's reference value by EUR 127.9 million or 126%. Personnel costs for the second quarter of 2008 amounted to EUR 115.9 million and thus remained at the same level as in the first quarter of 2008 (EUR 113.8 million).

Other operating expenses totaled EUR 177.0 million in the reporting period and include general administrative costs, expenses for facility management, transport costs, consultation and marketing expenses, general operating overheads, and valuation allowances for receivables. Therefore, they exceed the previous year's value of EUR 77.9 million by EUR 99.1

million or 127%. With EUR 89.8 million, other operating expenses in the second quarter of 2008 considerably exceed the previous year's value, but are only slightly more than other operating expenses of the first quarter of 2008 in the amount of EUR 87.2 million.

Scheduled amortization of intangible assets and depreciation of fixed assets amounts to EUR 39.9 as of half-year 2008 and EUR 20.8 million for the second quarter of 2008. Depreciation and amortization in the first quarter of 2008 amounted to EUR 19.1 million.

The impairment losses of EUR 24.6 million in the second quarter of 2008 pertain to Richard Schöps & Co AG, which was sold on August 14, 2008, and are the result of the amortization of goodwill and the brand name and the necessary write-down of assets held for sale.

Net financial income was EUR -14.7 million in the first half-year and was mostly the result of the companies newly acquired in the second half of 2007. Net financial income in the second quarter of 2008 was EUR -7.1 million following EUR -7.6 million in the first quarter.

Earnings performance

The EBITDA (earnings before interest, taxes, depreciation, and amortization) was EUR 45.2 million in the first half of 2008 and thus EUR 5.6 million lower than the previous year's value of EUR 50.8 million.

Owing to the high scheduled depreciation of fixed assets and the impairment losses related to the sale of Richard Schöps & Co AG in the third quarter, the EBIT in the first half of 2008 amounts to EUR -19.3 million following EUR 35.1 million in the first half of 2007.

Consolidated profit or loss after minority interests amounts to EUR -36.3 million following EUR 30.9 million in the reference period of the previous year. Earnings per share (diluted) amount to EUR -1.37.

Assets

The ARQUES Group's total assets as of June 30, 2008, amount to EUR 1,645.6 million and thus EUR 186.2 million less than the total assets as of December 31, 2007, of EUR 1,831.8 million. Non-current assets decreased by EUR 18.2 million to EUR 542.2 million, which can be attributed above all to the decrease in intangible assets. This can be explained by regular amortization of capitalized development services, licenses, trademark rights, and customer bases, as well as the amortization of goodwill and the brand name of Richard Schöps & Co AG. Tangible assets increased slightly in the same period to EUR 364.4 million.

The significant EUR 168.0 million decrease in current assets to EUR 1,103.4 reflects the significant decrease in trade receivables and other assets. Around EUR 40.8 million of the decrease in trade receivables can be explained by the sale of receivables (factoring) in the Actebis Group. The other assets are the result, among other things, of the reclassification of assets held for sale.

Total debt amounts to EUR 1,281.2 million as of June 30, 2008, and is thus EUR 151.8 million less than the December 31, 2007, amount of EUR 1,433.0 million. The share of current debt in the first half of 2008 amounts to EUR 962.6 million or 75% of total debt.

It was possible to repay EUR 170.7 million of the current debt and the purchase price commitments included therein as a result of the cash flow generated and the sale of receivables.

Financial position

In the first half of 2008, ARQUES was able to generate a very positive cash flow of EUR 57.1 million (previous year: EUR -15.8 million) from operating activities. Above all the strong reduction in trade receivables and other receivables led to increased operating payments received. The reduction in receivables as a result of the first-time sale of receivables in the ACTEBIS Group is adjusted in the operating cash flow and assigned to the cash flow from financing activities.

The cash flow from investment activities amounts to EUR -18.0 million and reflects above all investment expenses in the automotive supplier industry and industrial production and print segments.

The free cash flow in the first half of 2008 amounts to EUR 39.1 million following EUR -18.3 million in the previous year's reference period.

As a result of the additional repayment above all of short-term financial liabilities as well as finance leasing liabilities, the cash flow from financing activities in the reporting period amounts to EUR -41.6 million compared to EUR 31.1 million in the first half of 2007.

The positive operating cash flow was used in the first half of 2008 to repay liabilities and invest in assets. Net funds as of June 30, 2008, amount to EUR 51.4 million.

The balance of cash and cash equivalents as of June 30, 2008, is EUR 81.9 million compared to EUR 84.5 million as of December 31, 2007, and EUR 78.1 million as of March 31, 2008.

Significant events in the first half of the year

ARQUES sold three successfully restructured subsidiaries during the first half of 2008. Following the sale of the building supplier Missel to the globally active KOLEKTOR Group from Slovenia in the first quarter, ARQUES sold the Spanish chemicals company Oxiris Chemicals S.A. to the Ludwigshafen, Germany-based Raschig Group, and the gear manufacturer Jahnel-Kestermann to PSM, Inc., Busan, a listed South Korean company active in the field of metalworking. Thus ARQUES sold three subsidiaries in the first half of 2008, generating proceeds of around EUR 40 million.

ARQUES also carried out three acquisitions during the period under review. In April, ARQUES acquired the shipping service provider ASM from Grupo Agbar, a Spanish industrial holding company. The company generated revenues of EUR 45 million in 2007. In May 2008, ARQUES acquired the Sundern-based Carl Froh, a manufacturer of precision steel tubes which recorded revenues of around EUR 60 million last year. Effective June 1, 2008, the Swiss ARQUES subsidiary, Farbendruck Weber AG, acquired the operational business of Benteli Hallwag. By way of the amalgamation, the print and media service provider changed its name to weberbenteli.

A change took place on the Executive Board of ARQUES Industries AG at the start of fiscal 2008. The company's Supervisory Board appointed Dr. Michael Schumann to act as Chairman of the Executive Board of ARQUES Industries AG with effect from February 1, 2008. He replaced Dr. Martin Vorderwülbecke, who had requested the Supervisory Board to terminate his Executive Board employment contract by mutual agreement with effect from January 31, 2008. Thus since February 1, 2008 the Executive Board of ARQUES Industries has consisted of Dr. Michael Schumann (Chairman and Executive Board member responsible for Acquisitions), Bernd Schell (Executive Board member responsible for Operations) and Felix Frohn-Bernau (Executive Board member responsible for Exit).

Q2

The ARQUES Group and its subsidiaries

ARQUES Industries AG is the parent company of the ARQUES Group. It directly or indirectly holds all investments in the Group's subsidiaries. ARQUES Industries AG is financed through its own resources as well as borrowed capital.

The industry and company situation of Group subsidiaries defined as major subsidiaries based on their size is described in detail in the following section. Major subsidiaries are those with annualized revenues of at least EUR 50 million.

Evotape

The Evotape Group, based in San Pietro Mosezzo, Italy, has belonged to the ARQUES Group since June 2005. Evotape is one of the largest industrial manufacturers of packaging and masking tape in Europe, with two separate plants in San Pietro Mosezzo (NO) and SS. Cosma e Damiano (LT).

Critical industry appraisal

The market for the production of packaging and masking tape is characterized by high production capacity and constant downward pressure on prices, which is exacerbated by competition primarily from Asia but also from Europe. Unfavorable exchange rates (U.S. dollar, pound sterling) prove an additional burden for European market players. Production costs remain at a consistently high level due to high oil prices and strong global demand for natural rubber.

Company situation, business developments, restructuring and development measures

Revenues at Evotape in the first half of 2008 were at almost the same level as last year, and hence ahead of plan, despite the withdrawal of low-margin products. Its earnings position has improved considerably compared with the equivalent period last year. Price rises necessitated by rising raw material costs can only be passed on to customers to a limited extent and at later dates.

Effective January 1, 2008, the two production plants were restructured in the form of independent companies connected solely by a holding company. The corporate reorganization in the administration and IT functions was almost completed in the first half of 2008. This strategic move, which facilitated a clearer distribution of competencies, helped to considerably enhance both customer relationship management and sales at both plants. Evotape succeeded in defending and in places even expanding its market position by improving customer relationships and by reorganizing and increasing the size of the sales force. Attending the interpack trade fair in Düsseldorf also resulted in potentially lucrative customer contacts.

Evotape‘s production ran at full capacity during the period under review on account of the strong order books. The Italian manufacturer of masking tape succeeded in recording tangible productivity improvements at both plants. Among other things, this was achieved by introducing a productivity-based bonus model for the workforce.

At both plants, the company continued its development programs geared to customer needs for new and existing products alike. In this context, Evotape successfully tested the use of cheaper materials, which simultaneously offer better characteristics. This will be reflected in the company‘s earnings position in the second half of the year.

Outlook

Evotape will establish the full independence of the two plants later in the year. At the same time, the two plants will be further developed in strategic terms to concentrate even more intensively on the respective target groups. Furthermore, Evotape will implement measures aimed at boosting both productivity and quality and reinforcing its marketing activities.

SOMMER® ROAD CARGO SOLUTIONS

Sommer Road Cargo Solutions

The Sommer Road Cargo Solutions Group produces commercial vehicle superstructures, trailers, and semi-trailers for the German and European market at plants in Germany, France, Poland, and Russia. The corporate group has belonged to the ARQUES Group since September 2005.

Critical industry appraisal

According to figures published by industry association VDA, sales of heavy goods vehicles (over 6t) in western Europe increased by 12% in the first half of 2008 compared with the equivalent period last year on account of the strong order books from 2007. The VDA expects growth to slow sharply during the rest of the year to total 2% on the back of rapidly shrinking demand. Growth of 14% is predicted for the commercial-vehicle market in Russia, while an increase of 17% was recorded in the new EU states through May 2008. According to the VDA, German manufacturers succeeded in boosting their exports to this growth market by 20%. A significant fall in demand and new orders has been evident in Germany since the start of the year.

Company situation, business developments, restructuring and development measures

Sommer Road Cargo Solutions increased its revenues sharply compared with the equivalent period last year. Whereas the positive trend slowed in Poland due to the strong zloty and an increase in truck toll charges, the Novgorod plant in Russia recorded consistently strong growth.

Sommer successfully completed the consolidation of German production at the Laucha plant in Saxony-Anhalt during the first half of the year. The company expanded its production premises in Laucha by buying an adjacent plot of land, whereas a new site with far better connections to trunk routes was leased in Bielefeld for service and repair operations.

On the production side, Sommer continued to optimize processes and standardize the product portfolio. A semi-trailer for tip trucks was added to the range in Poland, immediately winning a gold medal for the best product innovation at the Autostrada Polska 2008 trade fair in Kielce.

In addition, the sales force in Germany has been reinforced by adding new field staff. Sales activities centered on expansion in new growth markets in eastern Europe, to be managed primarily from the Polish plant. Sommer hired industry expert Michael Wotschke to act as the new management spokesman, replacing the existing ARQUES subsidiary manager who carried out the first phase of restructuring, as planned. Furthermore, the vehicle builder appointed a new head of the Strategic Purchasing department, who will take up his duties later in the year, and hired additional staff for quality assurance. In order to retain the capacity to cope with the growth above all at the eastern European plants, the workforce has been increased here as well.

Outlook

Sommer Road Cargo Solutions has completed a key restructuring step by implementing the plant concept, which will have a positive effect on revenues and earnings in conjunction with the further standardization and optimization of production processes. The vehicle builder intends to promote further growth above all at its eastern European plants and implement appropriate measures to expand capacity. Sommer is set to unveil and actively market the high-margin new developments from its R&D program at the IAA Commercial Vehicles exhibition in September.

TISCON AG

tiscon AG is an equity investment company which currently holds investments in companies operating in the IT distribution segment. The following key companies belong to the corporate group: COS Distribution, Avitos, TOPEDO IT-Handels GmbH, E-Logistics, Chikara, and tiscon Handels GmbH.

Critical industry appraisal

IT spending in western Europe has increased steadily in recent years. According to estimates, it is expected to continue rising by around 6% per year until 2011. In Germany, the pace of growth has slackened slightly following a good start to the year. According to industry association Bitkom, software and IT services will increase strongly during the current year, whereas the IT devices segment is set to become somewhat more difficult, and the situation for telecommunications devices will remain tight. The development of spending on IT products follows the general economic trend. Within this expanding market segment overall, demand for voice-over-IP products will rise and convergence between consumer electronics and information technology will increase at the same time. Excess capacity in the IT segment will lead to consolidation on the market. The demands in terms of innovation, diversification, cost management, geographical positioning and strategic partnerships are set to rise for all market players.

Company situation, business developments, restructuring and development measures

Despite a difficult market environment, tiscon AG's subsidiaries succeeded in maintaining their market position in the period under review and considerably increasing their revenues compared with the equivalent period last year. This was achieved primarily by stepping up international activities and expanding high volume operations. The earnings position was depressed by the weak U.S. dollar together with downward price pressures caused by greater competition.

On the operating side, tiscon AG focused on the operational further development of the subsidiaries in the first half of 2008 as well as the ongoing implementation of cost-cutting measures. In expanding the number of A brands in the portfolio, the COS Distribution subsidiary added new product lines to its range at the same time as boosting efficiency in its operating processes and structures. Further functions were also added to the new shop system. In addition, tiscon's COS Distribution subsidiary received a positive response at CeBIT, the world's biggest computer exhibition, where the company was represented for the sixth time in a row. The company was able to present itself as a full-service distributor at a stand it shared with its partners. Furthermore, COS Distribution presented its portfolio of products and services at numerous roadshows in Germany and in-house exhibitions, which enabled it to expand its customer base further.

The recruitment of sales staff from a computer manufacturer benefited both TOPEDO IT-Handels GmbH, a tiscon subsidiary active in the field of PC assembly which could greatly improve both its revenues and its capacity utilization as a result, and COS Distribution GmbH, which distributes these computers.

Outlook

tiscon AG aims to gain the further shares of the European IT distribution market through its subsidiaries. To this end, new distribution channels are to be developed in the existing business segments and further manufacturers and products added to the portfolio. At the same time, tiscon will press ahead the international activities of its subsidiaries, intensify bulk operations on the sales side, and increasingly target mid-sized ICT traders. In addition, tiscon will continue to optimize the operating processes and structures of the individual subsidiaries. The acquisition and integration of companies complementing the existing subsidiaries, coupled with the realization of synergy potential, are intended to reinforce the growth strategy adopted by tiscon AG. In addition, acquisitions of promising companies are possible, provided these represent a sensible fit with the tiscon strategy. The focus here is on companies in transition situations.

weberbenteli

WEBERBENTELI

weberbenteli (formerly known as Farbendruck Weber) is a new print and media service provider arising from the merger of Farbendruck Weber, which has belonged to the ARQUES Group since August 2006, with the printing operations of Benteli Hallwag with effect from June 1, 2008. Based in Biel, Switzerland, the company employs its state-of-the-art equipment and associated peripherals to offer its customers a wide range of print services for high quality image brochures, magazines, catalogs, annual reports, envelopes, and luxury printed materials as well as individual cross-media editorial and publication solutions. weberbenteli is one of the biggest jobbing printer in Switzerland after Swissprinter.

Critical industry appraisal

The print industry in Switzerland continues to be dominated by downward price pressure resulting from overcapacity. In addition, the industry is facing rising energy and paper prices. According to figures provided by the Swiss print industry association VSD, new orders in the print industry in the first half of 2008 were at around the same level as last year, although revenues were down. Experts predict that both revenues and earnings will decline during the current year and 2009 for the print and graphics industry as a whole. In this environment, suppliers with a modern equipment base who are capable of responding flexibly to customer needs and offering an extensive range of services have the best chances on the market.

Company situation, business developments, restructuring and development measures

Whereas weberbenteli concentrated primarily on optimizing its internal processes in the first quarter, the focus in the second quarter was on preparing and implementing the takeover of the print activities of Benteli Hallwag. The business combination taking effect on June 1, 2008, enabled the quality printer to tangibly expand its customer base and range of services, which will lead to rising revenues and improved earnings in the second half of the year.

An extensive sales and marketing plan was drawn up for the newly created print and media service provider as part of the merger. This includes a totally revamped market identity complete with new logo, brand, and homepage, and a new customer pitch built upon the new company situation. weberbenteli possesses one of the most modern equipment bases in Europe. As a result of the merger, it can offer its customers cross-media services as well as prepress and finishing. The goal is to expand these operations quickly in order to build an even more distinct profile from the competition. The newly added Layout, Crossmedia, and Magazines departments have been successfully integrated into the company.

Furthermore, weberbenteli has reinforced its management team with a new managing director – experienced industry expert Martin Brawand – and a new CFO. At the same time, the sales force has been reorganized and expanded in order to reflect the extended range of services offered. The Swiss company's sales force will be expected to approach more customers from other European countries for business in the future in order to utilize available free production capacity. weberbenteli has taken a strategic decision to update the machinery in its sheet-fed offset printing operations. The machines on order from manroland are compatible with the existing equipment base. The new printers will make weberbenteli the only jobbing printer in Switzerland to be able to offer its customers double-coating, and hence things like mat and gloss effects and UV coating, in a single pass.

Shortly before the merger, the predecessor companies of the present weberbenteli, Farbendruck Weber and Benteli Hallwag, were each named European Printers of the Year at the prestigious Sappi Awards; Farbendruck Weber received a silver award in the Magazines category and Benteli Hallwag similarly gained silver in the Catalogs category.

Outlook

Thanks to the extended range of services and its state-of-the-art equipment base, weberbenteli boasts enough unique selling points to benefit from the ongoing consolidation process in the print industry. The company intends to use targeted PR and marketing activities to position itself on the marketplace as a competent European print and media service provider. To this end, weberbenteli will participate in the Swiss Prokom trade fair and stage an in-house exhibition at the end of the year. The sheet-fed offset printers on order will be installed and commissioned during July and September. Furthermore, the extended range of services it offers will enable weberbenteli to participate more fully in the value chain.

Oxxynova

Oxxynova is the leading European producer of liquid dimethyl terephthalat (DMT), an input for polyester production, and was acquired in September 2006. Among other things, DMT is used in the production of textile and technical fibers, films, input materials for paint and adhesive products, and industrial plastics. DMT offers concrete advantages over substitute products that can also be used as an input for polyester production. Oxxynova is the largest European producer of DMT for the free market. The company has belonged to the ARQUES Group since October 2006.

Critical industry appraisal

The rising cost of raw materials and energy continues to burden the polyester industry. Owing to the market situation, it was not possible – or only after a delay – to pass on the higher production costs to customers. This circumstance had a significant impact on the earnings performance of the market players. The closure of a competitor's plant in the Netherlands and the discontinuation of DMT production at Oxxynova's Lülsdorf plant have served to largely eliminate the excess capacity previously dominating the industry. The pressure on the European market from Asian suppliers of products in the polyester value chain remains unchanged alongside the option for customers to substitute DMT.

Company situation, business developments, restructuring and development measures

Oxxynova discontinued DMT production at its Lülsdorf plant at the start of 2008 and carried out the necessary removal and cleaning work at the site. A reconciliation of interests and redundancy plan for the plant were negotiated with the works council. Oxxynova is currently in the process of preparing a detailed business plan for an alternative use of the Lülsdorf site, involving the entry into a new market.

Oxxynova continues to produce DMT at the Steyerberg plant. The discontinuation of production at the Lülsdorf plant and the closure of a competitor's production facility led to the extensive elimination of excess capacity in the European DMT market and to a easing of the market, which in turn helped to greatly improve the earnings position of the Steyerberg plant.

Outlook

Optimization measures affecting production and internal processes are intended to further enhance the earnings position in Steyerberg, where DMT continues to be produced.

BEA TDL and BEA Electrics

The Lausitz-based technical service provider BEA TDL installs electrical and automation systems in the following business segments: conveyor systems, water technology, and energy and environmental technology. The company, which has belonged to the ARQUES Group since November 2006, offers its customers services in the fields of planning, engineering, assembly, commissioning, and maintenance. BEA Electrics, based in Vienna and acquired in the third quarter of 2007, is also a technical service provider specializing in electrical plant engineering and infrastructure.

Critical industry appraisal

As technical service providers, the BEA companies belonging to the ARQUES Group benefited from the large investments made in the European energy industry. Lignite mining in eastern Germany (Lausitz, Mitteldeutschland) and the Rhineland stands to gain from the planned strategic changes in the energy mix in Germany. In the light of this, German energy utilities plan to invest several hundred million euros in strip mining, for which BEA TDL, among others, is developing, installing, and maintaining parts of the electrical and automation systems. The area of energy and environmental technology is gaining in significance in connection with the planned investment of billions of euros by utilities in power plants. Again in 2008, BEA Electrics is concentrating a large share of its revenues on the areas of industry, infrastructure, and power grids.

Company situation, business developments, restructuring and development measures

BEA TDL and BEA Electrics benefited from the continued positive trend in the industry. New orders in the BEA Group in the first half of 2008 were up one third on the figure for the equivalent period last year. Whereas BEA TDL was able to record the highest new orders in the company's history, Austria-based BEA Electrics succeeded in offsetting the budgeted decline in the infrastructure segment by means of growth in the industry and power grid segments and the new oil and gas line of business.

The two BEA companies belonging to the ARQUES Group continued to adjust and standardize their internal structures in the first half of 2008, enabling them to realize further synergies. The main focus was on enhancing purchasing and optimizing IT. This included starting to install a computer-aided HR management system, setting up a project server to optimize HR capacity planning, and pressing ahead with enhancing the ERP system used to manage company resources.

The BEA Group continued to consolidate its sales function, which included adopting a standard style guide and a common homepage, among other things. At the same time, the presentation materials were updated to reflect the newly elaborated, uniform corporate identity in a move aimed at reinforcing the common profile. Pooling the capacity and core competencies of the BEA companies makes it possible to carry out large-scale international projects. To cite one example, the BEA Group has received a major order from a European customer in the power grid segment and another in the oil and gas exploration segment.

Outlook

The BEA companies belonging to the ARQUES Group are looking to accelerate the consolidation of individual departments and intensify cooperation. This will enable them to realize further synergies and expand their market position as a corporate group in Germany and Austria. Besides stepping up sales activities in the regional growth markets in Kazakhstan, southeastern Europe, Russia, and Poland, the BEA companies will also benefit from the expanding market for the reconstruction of power plants, primarily in southern Germany. The corporate group also hopes to benefit from the investment being made in the reopened Reichwalde strip mine.

Van Netten

Van Netten, based in Dortmund, is a general supplier of innovative, high quality candy products. As a partner and service provider for business and industry customers, the company maintains not only a private label range but also its own diverse portfolio of brands. Van Netten has belonged to the ARQUES Group since the end of March 2007.

Critical industry appraisal

According to information provided by the Association of the German Confectionery Industry, exports are again driving growth among German candy producers in 2008. Surveys by leading market researchers indicate that the positive trend of 2007 continued through the spring of 2008. Whereas candy revenues increased by 5.3% and sales volumes by 0.7%, the results of many manufacturers were depressed by high raw material and energy costs.

Company situation, business developments, restructuring and development measures

Van Netten succeeded in increasing its revenues again in the first half of 2008. The main driver in this regard was the dragee product group, in which the long-established, Dortmund-based company managed to more than double its sales compared with the equivalent period last year.

Van Netten intensified its research and development activities for product areas with under-utilized capacity in the first half of the year. At the same time, the candy maker made adjustments to its recipes in order to enhance the management and consumption of raw materials. The company has initiated measures aimed at expanding production capacity in the fast-growing dragee and jelly segment. In terms of information technology, van Netten made necessary investments in new servers.

At the same time, the candy maker has stepped up its sales activities and its international strategy with a view to gaining from increasing demand outside its home country. Thus, van Netten presented a new, completely revised concept at the key ISM international trade fair in Cologne, where it was able to record potentially profitable contacts with international customers which since then have already yielded one new contract.

On the cost side, van Netten has continued to systematically implement the restructuring plan and has achieved considerable savings by deploying new energy equipment, for instance.

Outlook

Van Netten intends to constantly increase its revenues during the rest of the year by expanding its export operations and focusing on product groups with growing demand. At the same time, it is looking to strengthen and expand existing customer contacts. Van Netten also aims to gain further shares of the market with newly developed products, and the further consistent implementation of the restructuring plan should enhance the company's earnings position.

Anvis

The Anvis Group is a primary developer and manufacturer of innovative functional solutions for motion stability, driving comfort, and safety. The corporate group's operational range includes the entire process chain with respect to anti-vibration systems from the initial idea through to serial production. The former joint venture of the Woco Group and Michelin has belonged to the ARQUES Group since the end of September 2007.

Critical industry appraisal

The automotive industry grew again in the first half of the year in both western Europe and the booming markets of China, India, Latin America, and eastern Europe, despite difficult underlying conditions. In western Europe, prospects have been dimmed by prevailing risks and uncertainties for future business such as high fuel prices, rising raw material costs, expensive climate protection standards, and the strong euro. Expert opinion calls for the export markets of Russia, China, and India together with Brazil and Mexico to continue recording robust growth rates into the future.

Company situation, business developments, restructuring and development measures

The Anvis Group benefited from the positive market development in China and Brazil in the first half of 2008. It succeeded in increasing its revenues slightly compared with last year, which puts it ahead of its targets. Although the earnings position is positive, it was depressed by costs relating to the creation of standalone structures and negative currency effects (U.S. dollar and Czech koruna).

Anvis completed its full uncoupling from the Woco Group during the first half of the year. Alongside an increase in the workforce in the transferred administrative functions like logistics and finance, the IT landscape was rebuilt from scratch and detached from Woco. Payroll accounting was successfully outsourced to a service provider, and a new CFO was hired.

Parts of the purchasing and sales functions have been centralized, which will help to realize synergy effects. Starting in the second half of the year, a new COO will progressively coordinate collaboration between the individual Anvis Group plants and press ahead with the optimization of internal processes. The restructuring plan that was elaborated is being systematically implemented and constantly refined. The goal is to enhance collaboration between the individual plants and optimize production processes. At the same time, the Anvis Group has intensified its sales activities and started to expand into new growth markets.

Outlook

The optimization of internal processes and the improvement of cooperation between the different plants are expected to boost productivity and offset rising prices for raw materials and supplies. The corporate group aims to reduce its dependence on the western European market, which is characterized by high fuel prices and weak consumption, by exploiting new growth markets.

ACTEBIS®

Actebis

The Actebis Group is the third-largest ICT distributor in Europe, selling items for information and communication technology, mobile communications, and entertainment electronics. Formed in 1986, the company now employs some 1,800 people working for more than 70,000 business customers in the whole of Europe. Actebis has its own national companies operating in Germany, France, the Netherlands, Austria, Denmark, Norway, and Sweden. In addition, NTplus AG, a telecommunications distributor active on the German market, belongs to the Actebis Group. Alongside its comprehensive product portfolio, the Actebis Group also provides sales and marketing services, e-services (including electronic connections), and financial and logistics services for specialized traders.

Critical industry appraisal

IT spending in western Europe has increased steadily in recent years. According to estimates, it is expected to continue rising by around 6% per year until 2011. In Germany, the pace of growth has slackened slightly following a good start to the year. According to industry association Bitkom, software and IT services will increase strongly during the current year, whereas the IT devices segment is set to become somewhat more difficult and the situation for telecommunications devices will remain tight. The development of spending on IT products follows the general economic trend. Within this expanding market segment overall, demand for voice-over-IP products will rise and convergence between consumer electronics and information technology will increase at the same time. Excess capacity in the IT segment will lead to consolidation on the market. The demands in terms of innovation, diversification, cost management, geographical positioning and strategic partnerships are set to rise for all market players.

Company situation, business developments, restructuring and development measures

The Actebis Group continued to grow in the first half of 2008. The national Actebis companies in Germany and the Netherlands above all, but also in Denmark, Norway, and Sweden, recorded considerable growth compared with the equivalent period last year growth. NTplus was able to gain market share and expand its position in Germany in a difficult environment characterized by negative growth rates in the first half of 2008. However, NTplus's export operations were affected by the persistently weak U.S. dollar.

During the period under review, Actebis successfully completed the integration of its national subsidiaries in Denmark, Norway, and Sweden which had been acquired at the end of December 2007. In addition, work has started on integrating telecommunications distributor NTplus into the Actebis Group. The concept calls for a two-brand strategy (NTplus and Actebis Peacock) operating with a common holding company. Roll-out of the corporate-wide SAP system began at NTplus during the course of the integration. Moreover, there was a change at the very top of the telecommunications distributor, with Volker Schwellenberg, a long-serving Actebis manager, taking over the reins at NTplus with a mission to actively press ahead with the integration of the company into the corporate group.

In March, Actebis attended the CeBIT trade fair in Hanover for the first time in five years, meeting with a very positive reception from customers and manufacturers alike. In addition, Actebis Peacock organized a large trade fair in Bochum, called Channel Trends 2008, which attracted around 2,500 visitors. Actebis appeared jointly with NTplus for the first time at this event. The Channel Trends trade fair garnered praise from both the participants and the trade press, which characterized it as an important IT industry event.

The companies of the Actebis Group continued to enjoy success in their operating activities. Besides continually adding high-quality items to its product ranges, the corporate group also succeeded in expanding its customer base. Actebis Peacock became the first ICT distributor to have its credit management system certified by the TÜV-Rheinland engineering inspection association. According to a recent study conducted by market research firm GfK, Actebis has advanced to second place in terms of market coverage, relegating the former long-term number two in Germany, Tech Data, to third place. The Actebis Group completed all the necessary steps relating to the announced IPO on schedule.

Outlook

Operating as it does in a market that is progressively consolidating, Actebis is in a position to win market share by crowding out competitors and tapping new market segments, such as fulfillment, by virtue of being cost leader in nearly all the core distribution processes. The strategic expansion of the manufacturer portfolio and the related development of buying customers provides the corporate group with potential for further growth. The planned IPO of the Actebis Group should enable the company to continue with its consolidation strategy on the European distribution market. The Actebis Group intends to actively advance the consolidation process in ICT distribution in Europe by making targeted acquisitions in the future. The integration of telecommunications distributor NTplus has given rise to one of the first distributors in Germany to unite information and communications technology under a single roof in the form of the Actebis Group. This combination opens up the opportunity for Actebis as a corporate group to help shape the European market for convergence solutions linking information technology and telecommunications.

Rohé

The Vienna-based Rohé Group specializes in the construction, installation, and maintenance of hydraulic, electrical, and electronic systems at gas stations and car washes. Rohé operates as an independent service provider with its own offices in 17 countries and has belonged to the ARQUES Group since October 2007.

Critical industry appraisal

As a service provider for the gas station and car wash segments, Rohé depends primarily on petroleum corporations expanding their networks of gas stations. Whereas the number of gas stations in western Europe is falling, especially in Germany, the number of gas stations in the growth markets of eastern Europe is constantly increasing.

Company situation, business developments, restructuring and development measures

The Rohé Group stepped up the restructuring of its national subsidiaries in Germany and Austria in the first half of 2008 and continued with the reorganization of the company. At holding level, Rohé enlarged the workforce in its Human Resources, IT, Sales, Supply Chain Management, and Administration departments. In eastern Europe, suitable successors could be found

for two departing national directors and highly trained new employees hired for management posts. The corporate group succeeded in generating new projects in eastern Europe, and hence compensating for the loss of an order in Germany, by intensifying its sales activities. The supplier of gas station equipment was able to maintain its revenues at around the same level as last year as a result. In Germany, Rohé reached agreement with its employees on a new working time model, which is currently in the implementation phase. At the same time, supply contracts have been renegotiated in Austria and Germany at better terms.

Also in the first half of 2008, Rohé started to roll-out SAP in Germany, the Czech Republic, and Poland and to develop its own software services solution to be installed in all offices by 2010. In addition, the Vienna-based international company implemented measures to reduce travel and communication costs, such as the introduction of video-conferences and IP telephony.

On the sales side, Rohé stepped up its activities in the growth markets of eastern Europe and took measures to prepare for entering the Turkish and Ukrainian market. In addition, sales controlling and sales planning were integrated in the workflow. The Austrian company aims to position itself more clearly on the market by streamlining the portfolio of products and services it offers, helping it to concentrate on its core business of installing and maintaining equipment in gas stations and car washes. A presence at international trade fairs during the rest of the year should help to achieve this goal.

Outlook

Rohé intends to press ahead with its growth strategy, looking into the possibility of acquiring competitors as well as establishing further foreign subsidiaries. The company intends to sound out and, where appropriate, enter new target markets by attending international trade fairs in Russia and other places. At the same time, Rohé will continue to implement its restructuring plan and concentrate on its core business. Intensive preparations for the next international tenders will also be prioritized.

eUROSTYLE

Eurostyle

Eurostyle is an automotive supplier specializing in the development and production of systems, modules, and individual components made of plastic for the interior of automobiles. The Eurostyle Group, which consists of former operating units of the Möller Group, has belonged to the ARQUES Group since the end of 2007. It has production plants in France, Spain, and Brazil, and also operates several technology centers with extensive research and development programs.

Critical industry appraisal

The automotive industry grew again in the first half of the year in both western Europe and the booming markets of China, India, Latin America, and eastern Europe, despite difficult underlying conditions. In western Europe, prospects have been dimmed by prevailing risks and uncertainties for future business such as high fuel prices, rising raw material costs, expensive climate protection standards, and the strong euro. Expert opinion calls for the export markets of Russia, China, and India together with Brazil and Mexico to continue recording robust growth rates in the future.

Company situation, business developments, restructuring and development measures

The development of revenues in the Eurostyle Group varied greatly from region to region. The plant in Brazil benefited from robust growth in the region, booking growth of around 30% compared with the same period last year which put it well ahead of budget. At the same time, though, the development of the French plants has been dominated by weak demand for certain types of vehicle for which Eurostyle manufactures interior plastic systems. Furthermore, the Spanish plants have suffered from the strike by the national logistics providers, which resulted in losses of production lasting several days. This also had an adverse effect on the earnings position, but this was largely offset by the positive effects of the restructuring measures already implemented. The automotive supplier has to date been able to pass on rising raw material prices to its customers.

Q2

As a first step, Eurostyle drew up a restructuring plan on the basis of a comprehensive analysis of the company, including strict controls on spending among other things. At the same time, the corporate group imitated measures to optimize its production processes. Eurostyle is performing a make-or-buy analysis to determine whether individual components should continue to be produced in-house or sourced from an external partner. Eurostyle is also making preparations to insource logistics to ensure a better flow of materials in the individual plants. The Task Force was able to negotiate new, improved terms with contractual partners in the fields of energy and insurance. Moreover, Eurostyle is looking to pool purchasing group-wide with a view to realizing synergies. The automotive supplier is also stepping up its development activities and has opened a new technical office in Romania.

Eurostyle installed proprietary IT systems when detaching itself from the structure of the former owner. Furthermore, in all plants the automotive supplier completed a revalidation of the central ISO TS 16949 quality management system, which unifies all the quality standards and requirements of the automotive industry for a modern quality management system previously existing and published throughout the world. On the customer side, Eurostyle has succeeded in establishing itself as an independent company, safeguarding existing customers, and acquiring new customers. Under the management of a new CFO for France, Eurostyle carried out measures aimed at stabilizing its equity ratio and its liquidity situation, which has helped it to greatly improve its bank rating.

Outlook

During the rest of the year, Eurostyle will continue to refine and systematically implement its restructuring plan. Eurostyle aims to improve its market position and thus generate new customer orders by strengthening its in-house development capacities, setting up and expanding the development office in Romania, and investing in innovative technologies. Furthermore, the automotive supplier will look to expand its international position by entering into new cooperation deals and joint ventures.

SM Electronic

SM Electronic markets satellite and antenna receivers (digital TV) under the Skymaster brand, as well as electronic accessories among other things for audio, video, home entertainment, and multimedia applications. SM Electronic has belonged to the ARQUES Group since the end of 2007.

Critical industry appraisal

The German consumer electronics market (CE) is characterized by a high number of participants and strong downward pressure on prices. At the same time, consumer interest in technical advancements in innovative CE products is high, and replacement demand is on the rise. This results in qualitative market growth, which, however, is subject to price sensitivity on the part of customers. With the growth segment CE, a significant increase in demand for set-top boxes and LCD screens can be seen as a result of the digitization of TV reception in recent years.

Company situation, business developments, restructuring and development measures

SM Electronic was generating losses when taken over and is currently in the first phase of restructuring. As planned, SM Electronics' revenues are below last year's level as a result of the streamlining of the product range.

A restructuring plan based on a comprehensive data analysis was drawn up for SM Electronic immediately after its acquisition by ARQUES. This has since been systematically refined and implemented. SM Electronic has started to concentrate on its core business, which has included analyzing the product range to identify the loss-making product groups that are to be discontinued. In addition, the layout of certain product groups is being revised. Unprofitable business relationships have been terminated or renegotiated. At the same time, Hyundai has been signed up as a new brand of high-end receiver equipment.

In the first half of 2008, measures affecting staffing levels were implemented in a socially responsible manner in close consultation with the works council. During the course of this, one management level was removed, which served to shorten decision paths. A restructuring agreement calling for the waiver of salary components and increased working hours was adopted. The ARQUES Task Force has been able to negotiate new, better terms with suppliers, service providers, and banks. Furthermore, SM Electronic has started to insource returns processing and refurbishment (quality-assured overhaul and maintenance of products).

SM Electronic has initiated wide-ranging marketing, PR, and sales activities with a view to tapping new sales markets at home and abroad with the streamlined and in places revised product range.

Outlook

SM Electronic will continue to systematically implement the restructuring plan that has been drawn up. This will again include streamlining the product range and insourcing as well as expanding sales and marketing activities, which is expected to result in positive revenue and earnings trends at SM Electronic.

asm
rápido. seguro. siempre.

Agencia Servicios Mensajeria (ASM)

ASM is a Spanish transport service provider working mainly for major customers in the fields of telecommunications, banking and insurance, automotive, optics, dental medicine, and pharmaceuticals. Madrid-based ASM offers its customers courier, transport, and special logistics services. Some 1,190 people work for the ASM Red Group in more than 70 offices and branches in Spain, Portugal, and Andorra. The company has belonged to ARQUES since April 2008.

Critical industry appraisal

The transport services industry is dependent on the general economic climate. In Spain, the industry recorded a slight increase despite the economic downturn. The earnings position of transport service providers is being affected by rising fuel prices overall.

Company situation, business developments, restructuring and development measures

The ARQUES Task Force started to draw up a restructuring plan immediately after the acquisition. This is now being further refined and systematically implemented. The focus at first is on the central structures and work processes that are to be improved. In addition, collaboration within the ASM Group is being optimized. The Task Force is currently in the process of renegotiating or terminating unprofitable contracts with customer.

At the same time, ASM intends to revise its corporate identity and its market profile. ASM is looking to tap new customer groups by repositioning itself on the market. In addition, the new senior management team at ASM will implement staff motivation measures with a view to ensuring the company's turnaround with the assistance of the workforce.

Outlook

ASM will systematically apply the restructuring plan that has been drawn up. The measures that have already been initiated and implemented will take full effect during the second half of the year and enhance the earnings position. Its repositioning and the exploitation of new customer groups will help the company to generate higher revenues.

carl froh

Carl Froh

Sundern-based (Sauerland) Carl Froh is a leading manufacturer of custom-made precision tubes and components. The company produces high quality, welded precision steel tubes with special requirements and develops integrated solutions for high-grade components and modules for a wide variety of uses. Carl Froh, which was acquired from the Finland-based Ruukki Group, has belonged to the ARQUES Group since May 2008.

Critical industry appraisal

The steel-processing industry is characterized by rising prices for raw materials and energy. On account of the industrial areas of application for precision steel tubes, the steel tube manufacturing industry evolves in line with the global economy. Consequently, demand for steel tubes is expected to rise through 2010. Exports to the global growth markets are key factor in this regard.

Company situation, business developments, restructuring and development measures

Following the acquisition by ARQUES, an action plan was drawn up for Carl Froh on the basis of a thorough data analysis, which is to be systematically implemented. Besides the complete uncoupling from the Ruukki Group, this plan calls among other things for the optimization of the production processes and internal structures. Carl Froh will work the market as a fully independent company in the future.

Carl Froh possesses modern production equipment that is completely state-of-the-art. Replacing the equipment base is intended to help boost productivity in both upstream and downstream areas. In addition, investment is to be made in innovation in conjunction with new orders with the goal of enhancing product quality in the short and medium term. This is intended to open up new areas of production with a view to participating to a greater extent in the value chain.

Outlook

Carl Froh aims to boost its productivity by optimizing its processes. Furthermore, the company is looking to stabilize and expand its market position by investing in innovation. This will enable the steel processor to benefit from the rising global demand for precision steel tubes.

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.

Therefore, risk management is an integral component of planning and implementing ARQUES' business strategies. Owing to the company's relatively small number of employees, the Executive Board is directly involved in all risk-related decisions. As a part of the company's strategy, the risk strategy of ARQUES Industries AG is oriented on increasing the value of the corporate group. The risk strategy respectively applied requires a continuous and systematic evaluation of risk as well as the associated opportunities. ARQUES consciously incurs appropriate, manageable, and controllable risk when an adequate increase in value can be expected.

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). Fundamentally, short-term involvement is not in the company's interest. In all three phases (acquisition, restructuring, exit), ARQUES is presented with great business opportunities that primarily manifest themselves in increases in value between the acquisition price and sales price of the respective subsidiaries. In addition, the operating results of the restructured companies contribute to the success of the ARQUES Group. So-called bargain purchase proceeds from the takeover of companies can also increase operating results.

Acquisitions

ARQUES has a specialized acquisition team with extensive experience in the acquisition of companies in crisis situations. Owing 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; more such transactions can be expected. As a listed company, ARQUES is also 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 seeks to minimize the risk of acquiring a company.

Expanding the acquisitions market through internationalization

ARQUES Industries AG has internationalized its business model, beginning with Spain, Austria, Italy, Great Britain, and Switzerland. The result is not only a geographic – and thus quantitative – expansion of the acquisitions market, but also a strategic advantage, allowing for the operational development of its subsidiaries on a pan-European level. For instance, the extensive experience and reputation 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 several, 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. As a rule, he holds a 10% stake in the subsidiary's capital and implements the restructuring activities under his own initiative and responsibility as an executive body, i.e. general manager or member of the board of directors. The high degree of decentralized autonomy enhances additional personal potential and provides for the harmonization of interests between the subsidiary manager and ARQUES. This provides the subsidiary manager with great leeway and the subsidiary with large degree of flexibility. This way, restructuring can be conducted significantly more efficiently.

This particular organization involving a subsidiary manager and a task force makes it possible for ARQUES to restructure its subsidiaries quickly and effectively. With this concept, ARQUES will continue to be successful at restructuring subsidiaries in the future. It will also be an attractive employer for numerous management and restructuring experts, owing to the high degree of autonomy and 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 in FY 2007 in order to accommodate the increased volume of activity in this area. A team was assembled whose only task is to sell successfully restructured subsidiaries.

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 (hereinafter referred to as "subsidiaries").

On the one hand , 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 crisis at the time of acquisition and are in great need of restructuring. On the other hand, ARQUES is an established partner to large corporations for the spin-off of subsidiaries. When selecting companies, ARQUES does not focus on any specific industry. The success of its business model depends largely on the people at ARQUES who are responsible for the transaction and for restructuring the subsidiaries; if they were to leave the company, it could have a sustained negative impact on ARQUES industries' business development. They must first select companies that can be restructured quickly at a reasonable 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 selects, restructures, and manages the company with its own personnel – meaning either permanent employees of the ARQUES Group or non-employees who work with ARQUES on a permanent basis. In this context, there is a risk that management will make poor decisions and, for instance, acquire a company that either cannot be restructured or whose restructuring involves unreasonable effort (see 'acquisition risks'), or whose restructuring fails when the wrong measures are implemented (see 'restructuring failure').

Thus, ARQUES' economic development also depends on management expertise and, in particular, the business know-how of the managers. An expansion of the investment portfolio – whether planned or owing to a lack of opportunity to sell – would require ARQUES to attract additional qualified personnel. This can be difficult, since ARQUES relies on highly qualified employees with practical experience for the success of its business model. In particular, the restructuring of companies in crisis situations places high demands on the responsible managers. If ARQUES does not succeed in attracting sufficiently qualified personnel, the targeted growth will either not be achieved or only partially.

Dependence 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 – namely, Dr. Michael Schumann (Chairman of the Executive Board since February 2008), Felix Frohn-Bernau (Executive Board Member, Exits since March 2007), and Bernd Schell (Executive Board Member, Operations since January 2008). All three board members have been active in managing positions of the ARQUES Group for a number of years. If one of these key persons were to leave ARQUES, it might prove difficult or impossible to hire a suitable executive capable of conducting the business successfully, which could have a serious impact on the development of the ARQUES Group.

Experienced ARQUES managers have been appointed to the Executive Board. All of the board members signed a three-year contract when they were appointed.

Efficient controlling

At the time of acquisition, many of ARQUES' subsidiaries are in an acute crisis that must be remedied quickly and effectively. This depends very much on the skills of the ARQUES employees assigned to that task as well as on effective supervision by the Executive Board. A comprehensive and reliable information system is necessary to keep the Executive Board informed in advance of unfavorable developments in the subsidiaries. The ARQUES Group has such an information system in place and continues to develop it further. Nevertheless, there is always the possibility of the information system failing in isolated cases or being misapplied by the employees involved, resulting in a failure to promptly identify negative economic developments within a subsidiary.

Acquisition risks

The ARQUES Group is focused on the acquisition of companies in situations of crisis (e.g. classic turnaround candidates, corporate spin-offs, succession issues, technological change). As a general rule, these companies have already been generating losses for some time when they are acquired by ARQUES. Every year, around 200 of the 1,000 or so companies make it to the short list. The subsequent due-diligence process is typically carried out by in-house staff from the Analysis, Legal, Tax, and Finance departments.

Despite careful examination, there is the risk of ARQUES purchasing a company that cannot be restructured or can only be restructured with an unreasonable amount of effort and financial resources (risk of erroneous purchase). In such a case, ARQUES must attempt to sell the company prematurely and write off all of the financial resources used to acquire and finance the subsidiary which are not recovered by the sale.

In the worst case, the subsidiary could become insolvent if ARQUES does not succeed in selling it quickly enough (see 'restructuring failure').

Restructuring failure

ARQUES' goal is always to restructure a subsidiary as quickly as possible 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 situation of the industry deteriorates, or management makes mistakes in the restructuring process. In the worst case, the subsidiary could become insolvent and ARQUES could lose all the financial resources it had used to acquire and finance the subsidiary under certain circumstances. If ARQUES financed or secured the acquisition of the subsidiary with bank loans and guaranteed them, it is obligated to continue repaying them even after the subsidiary becomes insolvent. All costs incurred by ARQUES in connection with the respective 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 will not be reimbursed for these costs by the respective subsidiary.

Risks associated with the sale of companies

The risk with respect to the sale of restructured companies is that no buyer can be found. In this case, ARQUES will continue to manage and further develop the subsidiary operationally. At the same time, it could be necessary to invest funds in the subsidiary within the scope of strategic decisions, e.g. the development of new markets, expansion of the product and service portfolio, or investment in new production units.

Economic and market-related risks

Economic risks

General economic development in Germany, the European Union, and the world has a varied impact on the company's business development. In contrast to what applies to most other companies, the following can be said of ARQUES: a weak economic climate means an improved acquisitions market for ARQUES Industries AG. More companies enter into crisis, are put up for sale, or large corporations dispose of "underperforming assets" in order to increase the overall performance of the remaining company. However, the sales market is possibly more difficult, as potentially fewer companies are interested in acquisitions, the restructuring of subsidiaries is more difficult, and valuations are lower. 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 and the general economic development of the subsidiaries while increasing the price of acquisitions. Success therefore depends in part on the ability of ARQUES' employees to take advantage of the current economic situation and future trend.

Industry risks

Industry risks are risks that affect a certain market; for instance, declining demand for a certain chemical product that can be substituted by a cheaper substance, or the entry of new and aggressive competitors. Such risks generally only affect ARQUES subsidiaries in a specific market segment. The specific industry risk for companies like ARQUES Industries AG as a holding company (for instance, direct liability of the controlling shareholder, contractual risk, guarantees) is a different type of risk.

Risks and opportunities of the subsidiaries

The subsidiaries of the ARQUES Group operate in various markets with different products. The industry-specific risk is therefore highly diversified and low overall for the subsidiaries.

The economic development of each individual subsidiary can be negatively impacted by a potentially fast deteriorating market situation in the respective industry - in extreme cases even resulting in insolvency for the subsidiary that cannot be prevented by the subsidiary's management.

The following section presents the industry-specific opportunities and risks facing the subsidiaries currently being held by ARQUES Industries AG.

The **ddp Group** was able to increase its total sales in the first half of 2008 compared to the previous year. Long-term contracts were concluded in its core news agency business, so that the position as the second agency behind the market leader dpa was further reinforced. Profitability was significantly improved, because the full amount of the newly concluded contracts can be recognized as affecting net income.

Photography sales were affected in the first half of the year by strong downward price pressure. This development is expected to continue throughout the entire year.

In the long run, ddp expects customer consolidation to continue as a consequence of the increasing significance of the internet and changing use patterns (increasing use of search machines and non-media portals).

As a commercial enterprise, **Golf House Direktversand GmbH** is primarily exposed to general fluctuations in consumer trends. The consumer is highly sensitive to prices owing to the comparability of products and their high transparency in the information media. The supply pool is focused on a few suppliers, who as a result are very powerful. This is the reason for the further development of house brands. Typical for the industry in the area of human resources, business success is particularly dependent on the quality of the employees. Periods of extreme weather, such as a very hot summer or an early, snowy winter can impact customer buying patterns.

After the company successfully concluded the restructuring phase, Golf House's old retail outlets in Berlin and Hamburg were closed in the first half of 2008, as was the last remaining Golf Discount store in Berlin, and new properties were occupied in Berlin and Hamburg. In addition, Bremen was developed as a new location.

In the second half of 2008, the planned CRM tool will be introduced and the expansion in the retail network will be continued.

Beginning in the fall of 2008, the company will work in the area of logistics with a new service provider who can meet the requirements of a multi-channel retailer (distance and retail trade).

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 areas, there is no focus on a particular industry. However, there is a dependency on individual suppliers with large market shares.

There is the risk of further price increases for raw materials, above all for crude oil derivatives and rubber. In addition, it is still difficult to pass price increases on to customers. As a result of excess capacities, margin pressure and pressure from competition remain high. Evotape is expecting competition from Asia to increase. The difficult situation in the packaging tape segment increases the competition in the high-margin masking tape segment, into which an increasing number of market participants are pushing themselves. Increasing competition, as well as increasing downward pressure on sales and prices can be expected here. The strong increase in value of the euro resulted in margin losses on the U.S. and British markets.

The property in Santi Cosma e Damiano shows some environmental contamination, which is currently being cleaned up by a specialty firm. When work is complete, the past environmental degradation will be cleaned up. In the meantime, contaminated portions of the roof have been successfully cleaned up and all environmental regulations have been satisfied.

As a result of investments made directly in the production process to replace and renew, as well as measures conducted to reduce the cost of energy consumption and recover solvents, the Evotape Group was able to further reduce production costs while improving production quality.

The **Sommer Road Cargo Solutions Group** produces commercial vehicle superstructures, trailers, and semi-trailers for the entire European market at four locations in Europe. The company addresses its dependency on large customers and the price pressure from competitors oriented on standard production with simplified solutions by growing in existing markets and developing new markets. This way, the Sommer Group can successively disengage itself from this dependency and the price pressure. The change in the company's name to "Summer Road Cargo Solutions" at the end of 2007 is an expression of this increasing internationalization. In the current year, Sommer is already generating considerably more than 50% of its sales abroad; this development continues to be promoted. The intensification of sales activities and strategic partnerships in Eastern Europe and the CIS States continued to result in a robust inflow of customer orders. Whereas the Russian factory in Novgorod continued to record high growth rates following a significant increase in production capacity, development in Poland was impacted by the strong zloty and rising fuel and toll costs for the entire industry. The Polish factory will reduce its dependency on the domestic market by further developing Eastern European export markets.

The provision of materials, which was characterized in recent months by bottlenecks, considerably increased supply times, and the rising price of raw materials and components, continues to improve. Sommer will further improve procurement with a planned revision of purchasing structures.

There are no reports regarding noteworthy environmental risks. The decentralized structure of the production facilities leads to a particular dependency on the local executives.

Innovations internally developed and recently added to the product range, such as the semi-trailer dump truck series, were received with enthusiasm by the market and already awarded a gold medal at the company's first appearance at an international trade fair in a strongly competitive environment.

Sommer was able to strengthen its management team with two internationally-oriented managers with industry experience who are replacing ARQUES' previous subsidiary manager. Furthermore, the management team will be supplemented shortly by a new manager for strategic purchasing.

Overall, the success of the reorganization depends significantly on the success of the restructuring and redesign of the business processes and the employees involved therein. In addition to regular training for some employees, Sommer continues to be supported actively by employees of the ARQUES Task Force.

The **tiscon Group** is an equity investment company currently operating with its subsidiaries COS Distribution, Avitos, TOPEDO IT-Handels GmbH, E-Logistics, Chikara, and tiscon Handelsgesellschaft GmbH with IT products in the retail and wholesale segments and is therefore subject to the typical industry risks. The IT distribution industry and IT customer business are characterized by stiff competition and a large number of market participants. There is also high price-sensitivity in both market segments, which continues to have a negative impact on margins. tiscon and its current subsidiaries are responding to this environment with a "Buy & Build" strategy all over Europe in order to enter into additional market segments and further develop additional distribution channels and new markets, which, in addition to the increase in the share of exports, will significantly increase the share in the German domestic ITC market with a focus on bulk sales, IT system resellers, and ITC specialty retailers. There is a certain dependency on management and skilled employees with special IT and sales know-how. As a result of rapid further technological development, which however is still not distinguished by technological innovations, a successive decline in prices can be ascertained with respect to certain product groups (notebooks, navigational devices, and plasma and LCD monitors), which, under certain circumstances, can negatively impact earnings when older products with longer storage periods are sold off.

The companies of the tiscon Group have a broad customer and supplier structure at their disposal, so that there are few dependencies here. A sustained reduction in costs in relation to sales in the subsidiaries was achieved, among other ways, through continuous improvement of work processes. Additionally, new customers were attracted through continued measures for improving logistics, returned goods, and by increasing the number of sales employees, as well as continuous enhancement of the product portfolio. This resulted in an increase in sales revenues. tiscon will profit from the further improvement of its work processes. In addition, the subsidiary is continually examining possibilities for external growth. Similar to the takeover of additional new companies, the operational opportunities and risks of tiscon AG are also changing.

The greatest entrepreneurial challenge for **Rohner** is repositioning itself. That means concentrating on the identification of and orientation on high-margin niche markets in the pharmaceutical industry and specialty chemicals with complex, multi-layer small-volume syntheses, as well as building up a broader customer base and product range. The focus lies on market penetration and increasing volume in high-margin segments. After successfully passing the audit conducted by the American Food and Drug Administration (FDA) in autumn 2007, Rohner can now enter the market as a "FDA-approved supplier", whereby the opportunities increase considerably as a result of the positive image effect - in particular in the global pharmaceutical market. Rohner supports the expansion into the worldwide largest pharmaceutical market through Rohner Inc., founded in the fall of 2007 in the U.S.A. The weak dollar will slow the expansion slightly in the U.S. market. Nevertheless, currency exposure is not high.

In the area of non-complex syntheses, Rohner AG is exposed to strong downward pricing pressure from Asia. The industry leaders exert additional price pressure on the suppliers through their market power. Rising raw materials prices and especially rising energy prices can be expected.

Owing to limited human resources for cost reasons, preparing incoming customer orders and delivering them in a timely fashion will present an additional challenge. With its modern production facilities, the existing know-how, and also highly-qualified employees in all functions, Rohner can offer the customer additional utility.

Regarding environmental matters, cleanup is required in the ground beneath the company's offices, and Rohner must also participate in the cleanup required at two waste dumps. In addition to these two known and calculable risks, there may also be a cost disadvantage from the new EU legislation relating to the registration, evaluation, and authorization of chemicals (REACH) in comparison to non-European markets. Stronger legal requirements related to building earthquake safety are expected in the coming years, especially for buildings with a potential risk, such as chemical storage plants. Clarifications regarding this, including among other things, an examination of the potential of stored products, led overall to a lower risk as a consequence of the changed composition of the products; the authorities certified Rohner's lower risk, so that the expected stricter regulation will not result in significantly greater costs.

The **Hottinger Maschinenbau Group** manufactures core casting equipment for foundries. The main customers are currently automobile manufacturers and independent foundries supplying the automobile manufacturers. This customer structure creates a dependency on the performance of the automotive industry and the cycles of motor models. There is also a dependency on certain suppliers stipulated by customers based on company standards; thus, these suppliers take on virtual monopoly positions with the corresponding effect on purchase prices. The degree of complexity of the machines and projects requires the use of qualified technicians and engineers in sales, production, and construction. Therefore, Hottinger competes with numerous other employers regarding the recruitment of personnel. There are no environmental risks from residual pollution. There are no environmental risks posed by the production process per se.

Hottinger can profit from the dominant drive toward innovation (reduction of CO_2 emissions) in the automotive industry: The demand for lightweight cast aluminum products and thin-walled motors is likely to increase. Hottinger has experience and a good reputation in this technology - not least through the delivery of a large number of core packaging plants for major customers. At the same time, the Hottinger Group's business development is positively influenced by the expansion of the replacement part business.

Regarding capital funds, the company's continued positive trend depends on its liquidity and the amount of guarantee furnished. The loss of larger customer payments could have a negative effect on liquidity, as well as the market power of major customers that take advantage of opportunities to delay or reduce payments. In contrast, owing to creditworthiness checks and the classic instrument of payment collateral in foreign transactions, the total default risk owing to customer insolvency can be rated as very low. Regarding the financing framework, it was possible to negotiate a guarantee large enough to meet current needs.

On the one hand, regarding diversification and the spreading of risks, the need for advanced financing for the production of large plants with very long project durations and corresponding advance financing requirements is reduced. Accordingly, the sale of medium-sized plants and the development of a corresponding customer group are being accelerated. On the other hand, the activities in new markets, such as the U.S.A., Turkey, India, China, and South America are being intensified, while operations continue in existing markets in Europe and Mexico.

The **Fritz Berger Group**, as a commercial enterprise, is primarily exposed to general fluctuations in consumer trends. The camping and outdoor industry is also dependent in large measure on the weather. The position of Fritz Berger as a leading specialty mail-order business in this segment can be limited by market penetration of new competitors such as the manufacturers of camping trailers. At the same time, the expansion of activities of other distribution channels, such as discounter retailers and price-aggressive internet dealers, also led to reductions in sales. Tax increases for camping trailers and recreational vehicles, or a further rise in the price of gasoline – especially for diesel fuel – an unfavorable pollution rating, as well as insecurities regarding future additional expenses fueled by the CO_2 discussion could lead to a decline in sales of these vehicles and thus have an indirect negative effect on the purchase of accessories. Typical for the industry in the area of human resources, business success is particularly dependent on the branch managers.

The Fritz Berger Group was able to increase acceptance among existing customers and attract new customers through its new main catalog layout and redesigned website. The new Fritz Berger customer card helped achieve greater brand loyalty. The “return to the brand” campaign yielded positive business results in the textile division, which is continuously expanded. With regard to POA sales, new facilities should lead to an increase in sales, while the closing of outlets that are too small or unprofitable will optimize results.

The **weberbenteli Group** is one of the leading high-quality offset printers in Switzerland. The current company was formed in June 2008 from the merger of Farbendruck Weber AG and Benteli Hallwag’s printing activities. The printing market in Switzerland continues to be characterized by excess capacities, technical innovation, and very strong competition. The price level and market volume will continue to decline over the next few years and adjust to the level of neighboring EU countries in the medium term. The result is continued high investment pressure in the industry, as a company can only produce at competitive prices with modern machinery. weberbenteli is meeting these challenges first by modernizing throughout the company. Building on that, weberbenteli has positioned itself in the market as a high-quality print and media service provider with high added value. As a result of the market effect described here, as well as the capital intensity, there is also investment pressure with the resulting financial, procurement, and production risks. The production of printing materials can potentially harm the environment.

As a result of comprehensive investments in machines and the merger, the newly formed weberbenteli Group can assert its leading role in the Swiss printing market and gain some market share.

Oxxynova GmbH produces Dimethylterephthalat (DMT) - a raw material for the production of polyester. These polyesters are used primarily for the production of textile fibers and technical fibers, foils, and films, and as a specialized plastic for the electronics and automotive industries. The main risks of the business, besides the industry-specific risks of the customers, are rising energy costs, the possibility that customers might replace DMT with something else, and the fact that a large share of sales, which cannot be collateralized, is attributable to a few large customers. No specific environmental risks are known at the production facilities. There are certain dependencies on the various executives owing to specific expertise in marketing and production. There is a three and a half year binding contract through a sale & lease-back agreement for the Steyerberg location. The premature sale of the equipment could result in residual financial risk.

The production of DMT at Lülsdorf has been discontinued since February 2008. The assets should be spun off into a new company. These restructuring measures reduced the risks of excess capacities in the area of DMT production and secured the earnings position of the remaining locations in the long term. At the same time, Oxxynova is conducting a strategic analysis to determine to what extent existing production capacities can be used for new product developments, procedural changes, or for the entry into a new market. This involves planning risk with respect to technical realization, legality, financing, and acceptance of these new developments. If the introduction of new products should not be possible, additional costs would be incurred for the Lülsdorf location.

Finally, the new EU legislation relating to the registration, evaluation, and authorization of chemicals (REACH) could result in a cost disadvantage compared to non-European markets.

BEA consists of **BEA TDL** (Germany) and **BEA Electrics** (Austria), which was acquired in 2007. Cooperation has already boosted synergies, which positively influenced business development. The companies construct electrical engineering and automation systems in the fields of conveyance technology, water technology, energy technology, environmental technology, and infrastructure projects. The risks to which BEA companies are exposed through their business operations include unanticipated technical problems or problems at business partners. BEA responds to these risks not only through careful selection of business partners, but also through consistent project management, which is monitored by a system of project-controlling measures and communicated through monthly reports to management. In addition to hedging receivables, BEA minimizes credit risks by securing collateral for partially rendered services and intense collaboration with its key customers, who have high creditworthiness, as well as through consistent and timely debtor management.

BEA has a high number of commercial employees owing to BEA TDL's history, which was characterized by numerous employee takeovers from the spin-off of opencast mines and power plants. There are still employment risks in the continuous high utilization of such employees in the face of high price pressure and price competition, the drop in orders for the cleanup of opencast mines, and the growing use of technology requiring less maintenance. The recruitment of sufficient skilled employees (engineers) in order to achieve the planned growth rates will be a challenge for the ARQUES Group's BEA subsidiaries.

BEA TDL has initiated steps to profit from investments in lignite mining in Central and Eastern Europe, Russia, and Kazakhstan. BEA Electrics is concentrating a high share of revenues from 2008 on infrastructure projects and is continuing its efforts to develop sales and results in business fields such as industry, high-voltage switchgear, and oil & gas. The companies will profit in 2008 through the expansion and internationalization of sales in growth markets.

Wanfried-Druck Kalden produces folding boxes and labels. Its customers mainly include large corporate groups in the food and beverage and consumer goods industries. Insofar, the company is exposed to the general fluctuations of the consumer climate. The market segments labels and folding boxes are primarily characterized by medium-sized enterprises. There is strong competition among market participants with the risk of falling market prices. There is also high pressure to invest in new, more efficient machines. Wanfried-Druck Kalden has a relatively small customer base, so the loss of one major customer would immediately have a sustained effect on revenues and earnings. The continuing concentration process among the company's customers increases the pressure on the profit margin. Owing to the limited number of paper and box suppliers, there is a certain dependency on the procurement market. Price increases in this area can generally only be passed on to customers with a delay.

As a result of the investments in infrastructure, machines, and computers, Wanfried-Druck Kalden was able to optimize all main production processes and significantly increase production capacity, thereby laying the foundation for increasing revenues and profit margins. At the same time, a degression of fixed costs can be realized in the future. The installed and certified management system (ISO9001/2000 quality management / ISO 14000 environmental management) was expanded by a hygiene certification system in 2008, whereby the risk of contamination of packages will be reduced and new customer potential can be developed in the food industry. Another unique selling point of Wanfried-Druck Kalden is the international alliance (Joint Specialists in Offset Labels - JSL) in the label printing segment. This cooperation was met with enthusiasm from numerous customers and has led to increased revenues since 2007.

Van Netten is a confectionary manufacturer based in Dortmund that supplies large business chains and discounters with private labels and trademarks and is thus exposed to the general fluctuations of the consumer climate. There are a few important major customers with the associated dependency.

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The loss of a major customer would have a sustained negative influence on van Netten's business development. The downward pressure on prices is high owing to strong competition. Furthermore, there is cost pressure as a result of the rising costs of energy, logistics, and raw materials. There is a certain dependency on employees with know-how in product development and sales. Van Netten has a broad supplier base at its disposal, so there is hardly any dependency on individual suppliers.

The company has modern production and development equipment at its disposal and is therefore capable of completely satisfying individual customer requests. Accordingly, van Netten will expand existing customer relationships, intensify its business with industrial customers, and promote the internationalization of its operations. At the same time, the traditional Dortmund company intends to strengthen its trademarks through newly developed confections and also step up operations in this segment. Van Netten sees considerable opportunities for expansion, above all in the export markets.

The **Anvis Group** (formerly Woco-Michelin-AVS), which was taken over in September 2007, is a primary developer and manufacturer of innovative functional solutions for driving dynamic, comfort, and safety, and primarily supplies the automotive industry. The company has its own locations and branches at its disposal beside the automobile industry in Europe, Asia, and South Africa (joint venture). Accordingly, the company is subject to the general economic risks of the automotive industry. Anvis has a relatively high dependency on the Volkswagen Group (approximately 30%, with subsuppliers), as well as on Renault/Nissan and PSA (10% each), so that the loss of one major customer would negatively impact the development of revenues and earnings. The supplier structure is generally stabile; however, in the area of aluminum die casting, there is increasing downward pricing pressure owing to few suppliers. The costs for raw materials and materials used in the production of anti-vibration systems are increasing for the entire industry. Any further increase in the price of raw materials and materials could only be partially passed on to the customers. In order to offset these increasing expenses, the Anvis Group has introduced measures to increase productivities, optimize processes, and reduce labor costs, and has already partially implemented them. The location in Mexico is subject to the risk of fluctuating euro/U.S. dollar exchange rate. There is the dependency on managing employees in the areas of development, purchasing, and sales which is typical for the industry. The prevailing lack of skilled workers, above all in Germany, could slow the Anvis Group's planned growth.

In the meantime, the spin-off of the former joint venture from the former owner's corporate group structure into its own corporate structure has basically been successfully completed. Thus, Anvis has installed instruments to prepare and control liquidity, developed a dedicated IT structure, and established a central corporate administration with the corresponding controlling bodies.

The company sees entrepreneurial opportunities in its international position and the associated participation in rapidly growing markets, such as Russia and India. In addition, Anvis will strengthen its position in the U.S. market. Finally, the automotive supplier will profit from its international position via the prevailing trend towards global automobiles - that is, from the production of each series locally. Since automobile manufacturers select new suppliers respectively only within the scope of redesigning a model or introducing a new model and then remain with them for the duration of the product cycle, considerable increases in sales revenues are generally only possible via new contracts in the medium term and not in the short term. Additionally, there is a dependency on the selling success of each specific automobile model for which components are delivered.

Calibrados de Precisión, S.A., (Capresa) is a Spanish primary processor of steels operating foremost as a supplier for the automotive industry. However, Capresa's customers also come from the areas of mechanical engineering, textile machines, hydraulics, and the construction industry. In addition to spring steels, carbon steels, and machine steels, the product range also includes various special alloy steels cut and mechanically formed according to individual customer requests.

The company has a customer base in more than 15 countries at its disposal. Thus, the company's dependency on the demand and price situation of regional markets is limited. However, price cycles of the steel industry and fluctuations in particular in the automotive industry have an effect on payment practices, as well as on potential sales volume in the long term. The payment default risk is low owing to the customer structure, since the majority of the customer base and volume is comprised of established companies in the respective industries. Additionally, Capresa's customers appreciate that it is an independent company and not a subsidiary of a large steel manufacturer.

A greater dependency exists on suppliers, since market consolidation is increasing. Despite efforts to develop the supplier base, there is a high dependency on one large supplier. In the first half of 2008, steel prices have already risen by more than 50%; this development is expected to continue. There is the risk of further price increases for raw materials which cannot be entirely passed on to customers - in particular when the suppliers are large steel manufacturers and the customers are large automotive suppliers. The resulting potentially declining margin is therefore a risk, since there are only limited alternative procurement opportunities. Unforeseeable geopolitical developments could also affect procurement prices.

There is a certain dependency on certain skilled workers who possess many years of experience in production processes and were active in their development. An increasing euro price could also limit sales potential outside of the EU and further increase competition within the community.

Capresa is developing strategic supplier relationships for certain high-quality product areas in order to secure its competitiveness.

The **Actebis Group** is the third largest European IT distributor with regional companies in Germany, Austria, France, Denmark, Norway, Sweden, and the Netherlands, as well as the telecommunications wholesaler NTplus. The Actebis regional companies in G, F, A, and NL have belonged to the ARQUES Group since the end of the third quarter 2007, whereas NTplus and the Actebis regional companies in DK, N, S were acquired at the end of the fourth quarter. As a wholesaler in the ITC segment (informations and telecommunications technology), the Actebis Group is proportionally dependent on economic development and consumer mood. Actebis has a very broad customer structure at its disposal. The ITC distributor is well-regarded by its customers and enjoys the reputation of a reliable business partner. Furthermore, the corporate group succeeded in adjusting itself to changing demand structures and increased sales through consumer-oriented distribution channels. Additionally, the Actebis Group was able to expand its customer base by consumer electronics retailers, specialty electronic stores, and also online shops.

The Actebis Group offers more than 85,000 products from more than 400 manufacturers and is oriented equally in breadth and depth to accompany all ITC business transactions. The Actebis Group receives a significant portion of products from a relatively small number of main suppliers, whose loss could significantly impact Group operations. However, there are long-term contractual relationships with these suppliers, so that the risk of termination of one of these important business relationships can be regarded as very low. A part of the working capital is financed on the basis of the payment periods allowed by the suppliers. There is a risk of Actebis' liquidity situation worsening if the suppliers tighten their payment terms. If Actebis should not be able to comply with precisely defined customer delivery schedules, this could lead to fines in individual cases. There is no guarantee that the current customer structure of the Actebis Group will not change considerably in the future or that the dependency on individual customers will not increase. The loss of one or more important customers can result in declining sales revenues and impact the Actebis Group's net assets, financial position and results of operations.

The Actebis Group reacted early to the prevailing lack of skilled workers, particularly in the area of IT, and invested in the training and advanced training of employees. The number of apprentices and trainees has continuously increased in recent years. Furthermore, a high degree of individual responsibility and the promotion of entrepreneurial decision-making results in a high degree of continuity in the company's senior positions. Many employees live in the communities immediately surrounding Actebis locations. In the future as well, the success of the Actebis Group will depend on its ability to attract and retain highly qualified employees.

At the same time, there is a certain dependency on managers in key positions. In addition to the Executive Board and the managers of the regional companies, those individuals responsible for the areas of finance, purchasing, sales, logistics, and IT can be mentioned here. If one or more managers from these areas were to leave the Actebis Group, it could have negative consequences for the company.

The planned IPO is a decisive opportunity for the Actebis Group. This will make it possible to continue with the adopted consolidation strategy in the European distribution market. The Actebis Group will also promote consolidation in the European ITC distribution segment in the future through targeted acquisitions. The Actebis Group created one of the first distributors in Germany to unite the concepts of telecommunications and information technology under one roof through the acquisition of the telecommunications wholesaler NTplus. Thus, Actebis has the opportunity as a corporate group to characterize the European market for convergence solutions - the merging of IT and telecommunications. Systems and applications for data processing merge with networks that transmit speech, pictures, and data. If the Actebis Group's planned IPO is delayed, it will consequently remain in the ARQUES portfolio longer than planned.

The combination of NTplus with the Actebis Group is associated with various risks. These include, for instance, that management resources will be tied up in the merger processes, the possibility that difficulties in adjusting processes, systems, and structures will occur during the integration, or that it will not be possible to implement uniform quality standards in a timely manner. As a result, the expected synergy effects and the customer and manufacturer potential could be delayed or incompletely utilized.

The **Rohé Group** is an independent, internationally operating company based in Vienna. Rohé specializes in the construction, installation, and maintenance of hydraulic, electric, and electronic systems at gas stations and car washes. Rohé generates around 40% of its revenues in Western Europe, and the rest in Eastern Europe. The markets in Western Europe are generally characterized by predatory competition with the high associated price pressure and a successive decline in margins. Rohé has taken up a leading position in the growth markets of most countries in Eastern Europe. Rohé generates around 60% of its revenues from two major customers, with whom there are long-term contracts. The complete loss of a major customer in all countries would have a sustained negative influence on the Rohé Group's operational development. The corporate group has a broad supplier base at its disposal. Even the acquisition of input products and materials occurs smoothly, since there are long-term contracts with all essential suppliers.

Rohé has sufficient qualified skilled employees. The corporate group ensures the transfer of know-how within the company through the internal training of employees. Only in Eastern Europe does the rapidly increasing level of wages present a challenge for the local branches. Despite extensive training in the areas of quality and safety, there is a residual risk with respect to working with hazardous materials - especially in the explosion-proof area. This also pertains to environmental risks, which can arise, for instance, through product withdrawals owing to improper installation. High safety standards and precise process specifications largely minimize these risks. Within the scope of the QHSE program (Quality, Health, Safety, and Environment), quality and safety inspections are continuously conducted on site without prior notice.

There are entrepreneurial opportunities for the Rohé Group above all in the Eastern European growth markets. As an independent service provider for the gas station and car wash segment, Rohé can increase its market share thanks to its innovative products and high product quality. The company will also attract new customer groups through increased international sales activities and the expansion of operations and thus further improve the development of revenues and earnings. There are opportunities in Western Europe – above all in Germany – owing to the progressing market consolidation. The number of competitors is declining as a result of market exits and/or takeovers. In the field of competitor takeovers, Rohé is also currently actively seeking interesting candidates.

Eurostyle has belonged to the ARQUES Group since the end of 2007 and is an automotive supplier specializing in the development and production of systems, modules, and individual components out of plastic for the interior of automobiles. The Eurostyle Group has production plants in France, Spain, and Brazil. In France and Spain, the company also operates technology centers with comprehensive research and development programs. As an international automobile supplier, Eurostyle is proportionally dependent on the development of the automotive industry. The company currently has a relatively small customer base, which is why the loss of one major customer would sustainably impact revenues and profitability. In the production of plastic, the supplier base has an oligopolistic structure throughout the industry, so that there is a certain dependency on the few suppliers. The prices for raw materials which are used in the production of plastic are tied to the price of oil. Any industry-wide cost increases owing to further rising crude oil prices can only be passed on to the customer with difficulty. There is the dependency on managing employees in the areas of development, purchasing, and sales which is typical for the industry.

The Eurostyle Group sees great entrepreneurial opportunities in the expansion of sales activities. Previously overlooked automobile manufactures should be attracted as customers, which will improve the development of revenues and earnings, while reducing dependency on major customers. Through investments in production, Eurostyle will also increase productivity, as well as the quality of the systems, modules, and individual components. Finally, the automotive supplier will profit from its international position via the prevailing trend towards global automobiles - that is, from the production of each series locally. Since automobile manufacturers select new suppliers respectively only within the scope of redesigning a model or introducing a new model and then remain with them for the duration of the product cycle, considerable increases in sales revenues are generally only possible via new contracts in the medium term and not in the short term.

Additionally, there is a dependency on the selling success of each specific automobile model for which components are delivered. The company will also expand its research and development activity to areas of application outside of the automotive industry, whereby new customer groups can be attracted. Overall, Eurostyle expects to profit from the prevailing consolidation process in the automotive supplier sector.

SM Electronic offers satellite and antennae receivers (digital TV) under the brandname “Skymaster”, as well as electronic accessories, among other things, for the areas of audio, video, home cinema, car hi-fi, navigation, and multimedia. The company, based in Stapelfeld near Hamburg, has a relatively broad customer base at its disposal and supplies large specialty markets, warehouses, and trade chains in Germany and other European countries. It has long-term customer contracts with major customers, but is still exposed to the general fluctuations of the consumer climate. SM Electronic is continually expanding its business activities with new areas and segments in order to develop the existing product and customer portfolio. The German consumer electronics market is characterized by a high number of participants and strong downward pricing pressure. The majority of suppliers of SM Electronic come from the Far East and there are isolated quality issues with the delivered electronic products. There is a relatively high rate of return of products. Regarding purchasing, operations are subject to the fluctuation of the U.S. dollar.

There is the dependency on managing employees in the areas of purchasing and sales, which is typical for the industry. Because the former owner openly considered closing the company, there was initially a high fluctuation of employees. This has been regulated in the meantime and transformed into increasing motivation on the part of the existing core personnel.

Q2

The volume of incoming orders fluctuates significantly.

SM Electronic sees great entrepreneurial opportunities in the optimization of the product range and reorientation of its foreign operations. SM Electronic can make significant and sustainable improvements to its cost structure through the optimization of internal processes, the modernization of IT, and centralization of services.

Carl Froh is manufacturer of customer-specific precision pipes and components based in Sundern (Sauerland). The company produces low-tolerance welded precision steel pipes with special requirements and develops comprehensive solutions for high-quality components and modules for a wide variety of applications. Owing to its location-specific know-how, Carl Froh is capable of manufacturing welded and rolled-to-size pipes in accordance with the highest quality expectations. The steel processor has a broad customer structure at its disposal. The company generates just under half of its sales with customers from the automotive industry. As a result of discontinued product series, there is a possibility of cancellation of smaller orders, which Carl Froh will compensate through the acquisition of new orders.

On the procurement side, there is a dependency in the area of strip steel which is typical for the industry. Overall, the costs for input products and materials have risen by more than 50% – above all, owing to the price of steel. Carl Froh was only slightly affected by price increases as a result of annual contracts with suppliers. It should be possible to pass additional expected price increases on to the customers.

Carl Froh has modern production facilities at its disposal that completely correspond to current technological standards. A continuous renewal of the machinery is planned in order to also raise upstream and downstream areas to current technological standards. In addition, Carl Froh plans to invest in innovation related to new contracts. As a result, product quality should improve in the short to medium term and additional production areas should be developed in order to increase participation in the value chain.

Employee fluctuation has been low for years at Carl Froh, so the company has complete access to topnotch employees in key positions. Carl Froh continually develops its employees' expertise with regularly scheduled training and continuing education measures.

Agencia Servicios Mensajeria (ASM) is a Spanish transportation service provider serving primarily large customers from the areas of telecommunications, banking and insurance, the automobile industry, optics, dental medicine, and the pharmaceutical industry. ASM is based in Madrid and offers its customers courier, transportation, and special logistics services. ASM has successfully positioned itself in the large customer supplier niche of the fragmenting transportation service segment in Spain and has a comparably broad customer basis at its disposal. The company has access to a well-developed network of more than 70 branches and outposts in Spain, Portugal, and Andorra. As a medium-sized company, ASM can profit from the growth and increasing consolidation on the transportation service provider market and increase its market share.

As a transportation service provider, ASM is basically exposed to economic fluctuations; however, this risk can be regarded as low owing to its focus on large customers. ASM works within its branch network together with strategic partners whose loss would negatively impact the geographic scope of its ability to deliver. Rising fuel prices are affecting the profitability of the entire industry. As a result of the subprime crisis, which is also increasingly affecting Spain, ASM could lose credit lines that are currently sufficient for its needs, which could result in liquidity problems.

Significant events after the reporting date

On July 9, 2008, ARQUES sold two properties it had obtained last year as part of the acquisition of Soest-based Actebis Peacock GmbH. The proceeds from the transaction totaled EUR 32 million.

On August 1, 2008, ARQUES acquired a stake of 80.2% in Siemens Home and Office Communication Devices (SHC) from Siemens AG. SHC, which encompasses the activities involving cordless phones, broadband and home entertainment devices, generated annual revenues of EUR 792 million in fiscal 2007. Two thirds of SHC's revenues come from operations involving Gigaset cordless phones. SHC is European market leader in this segment and is one of the biggest suppliers in the world. The company employs 2,100 people working in 17 countries, and sells its products in around 70 countries. Its biggest facility is the state-of-the-art production plant in Bocholt with 1,400 employees.

On August 6, the ARQUES subsidiary, Rohé, took over the German gas station supplier, Hünert Tanktechnik GmbH, Gödenstorf (Lower Saxony). In 2007 Hünert generated revenues to the value of EUR 12 million.

Mid-August ARQUES sold the Austrian fashion chain, Schöps, to the Austrian retail and real estate entrepreneurial family, Al-Wazzan for a symbolic price.

Forecast report

So far, the third quarter of 2008 has been clearly characterized by the takeover of 80.2% of Siemens Home and Office Communication Devices (SHC) from Siemens AG. ARQUES acquired the subsidiary (key figures 2006/07: sales, EUR 792 million; EBIT, EUR 13 million) under highly favorable conditions. The balance sheet ratios in the ARQUES Group will improve as a result of the transaction. Consolidation is expected to occur after the closing beginning with the fourth quarter of 2008.

Although a greater contribution to operating results for the entire year compared to the previous year is expected, ARQUES lowered its earnings guidance for 2008 in light of continued difficult general conditions. Whereas consolidated sales are still expected to be more than EUR 6 billion, the EBITDA is now expected to be on the previous year´s level of EUR 200 million following the previous announcement of EUR 275 million, whereby above all the bargain purchase proceeds will no longer reach the extraordinarily high amount of the previous year (EUR 214.7 million). The exit proceeds are also not expected to reach the previous year's level (EUR 51.0 million). Profits before and after taxes will be impacted by non-recurring effects occurring in the first half of the year, higher amortization and depreciation, and greater negative financial results. The exact amount of sales and earnings will, however, depend greatly on the number of company purchases and acquisitions to be realized and the timing of the consolidation of SHC. For the sale of Actebis, all options continue to be examined. Owing to the difficult situation in the M&A market and the fact that ARQUES has only examined purchases of companies with revenues in excess of EUR 30 million since the beginning of the fiscal year, ARQUES is reducing its previous expectation of 10-15 company purchases in the current fiscal year to 7-10 whereas it is still expecting to sell 5-7 subsidiaries.

ARQUES is expecting a significant reduction in debt and a considerable improvement in cash flow in 2008. These key figures will be further improved in the third quarter, among other things, as a result of the already completed sale of one property.

NET ASSET VALUE OF THE INVESTMENT PORTFOLIO

The total value of the ARQUES investment portfolio at August 19, 2008 is presented in the table below:

NAME OF GROUP	AUGUST 19, 2008 COMPANY VALUE (IN EUR MILLIONS)
ddp	10.1
Golf House	11.8
Evotape	4.4
Sommer Road Cargo Solutions	21.4
tiscon AG	14.3
Hottinger	2.5
Fritz Berger	9.5
Rohner	21.0
Farbendruck Weber	6.1
Oxxynova	36.7
BEA TDL	13.0
BEA Electrics	14.0
Wanfried Druck Kalden	5.8
Van Netten	12.5
Capresa	5.6
Rohé	9.1
Eurostyle	28.0
SM Electronic	2.9
Actebis	253.0
Anvis	49.0
ASM	5.0
Carl Froh	10.0
TOTAL	**545.7**

The value of the investment portfolio of ARQUES Industries AG was determined and subjected to a review on the basis of a free-cash flow-to-equity method according to Standard IDW S 1: “Principles for Conducting Company valuations“ of the German accounting 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 medium-term financing plans developed on that basis. The free cash flows were discounted to present value by application of a discount rate that is relevant to the company, which was determined, in turn, by application of a CAPM (Capital Asset Pricing Model) on the basis of up-to-date capital markets data.

The exchange-listed subsidiary, tiscon AG, was included in the calculations at its proportional market capitalization at August 19, 2008.

The net asset value of the investment portfolio differs from the figures presented in the consolidated financial statements (carrying amount of investments); in particular, the net asset value can be higher or lower than the figures presented in the consolidated financial statements.

Those companies whose budgets and medium-term financing plans were not yet sufficiently reliable were not included in the determination of the net asset value. This can be the case with newly acquired companies, in particular.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2008

Consolidated Income Statement for the first half of 2008

EUR'000	CONTINUING OPERATIONS
Revenues	2,627,787
Change in inventories of finished and unfinished goods	9,498
Other internal production capitalized	6,165
Other operating income	59,930
Purchased goods and services	-2,251,535
Personnel expenses	-229,663
Other operating expenses	-177,016
EBITDA	**45,166**
Depreciation and amortization	-39,898
Impairment losses	-24,609
EBIT	**-19,341**
Income/expenses of non-current financial assets accounted for by the equity method	597
Other interest and similar income	3,049
Interest and similar expenses	-18,322
Financial results	**-14,676**
Income from ordinary activities	**-34,017**
Income taxes	-4,113
Consolidated profit for the year	**-38,130**
Minority interests	-1,879
Shareholders of ARQUES Industries AG	**-36,251**
Earnings per share	
- Basic earnings per share in EUR	-1.37
- Diluted earnings per share in EUR	-1.37

[1] As a result of the sale of the shares in the SKW Group, the comparison figures for 2007 are presented separately under "continuing operations" and "discontinued operations" in accordance with IFRS 5

H1 2008		H1 2007[1)]		
DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
0	2,627,787	522,915	106,033	628,948
0	9,498	2,952	1,915	4,867
0	6,165	1,399	0	1,399
0	59,930	60,814	3,300	64,114
0	-2,251,535	-386,980	-81,886	-468,866
0	-229,663	-94,396	-7,380	-101,776
0	-177,016	-66,427	-11,461	-77,888
0	**45,166**	**40,277**	**10,521**	**50,798**
0	-39,898	-14,415	-1,301	-15,716
0	-24,609	0	0	0
0	**-19,341**	**25,862**	**9,220**	**35,082**
0	597	301	233	534
0	3,049	1,075	554	1,629
0	-18,322	-3,794	-647	-4,441
0	**-14,676**	**-2,418**	**140**	**-2,278**
0	**-34,017**	**23,444**	**9,360**	**32,804**
0	-4,113	-938	-1,822	-2,760
0	**-38,130**	**22,506**	**7,538**	**30,044**
0	-1,879	-3,146	2,284	-862
0	**-36,251**	**25,652**	**5,254**	**30,906**
0.00	-1.37	0.96	0.21	1.17
0.00	-1.37	0.95	0.20	1.15

Consolidated Income Statement for the second quarter of 2008

EUR'000	CONTINUING OPERATIONS
Revenues	1,279,818
Change in inventories of finished and unfinished goods	6,528
Other internal production capitalized	3,020
Other operating income	39,854
Purchased goods and services	-1,093,634
Personnel expenses	-115,916
Other operating expenses	-89,819
EBITDA	**29,851**
Depreciation and amortization	-20,798
Impairment losses	-24,609
EBIT	**-15,556**
Income/expenses of non-current financial assets accounted for by the equity method	214
Other interest and similar income	1,836
Interest and similar expenses	-9,130
Financial results	**-7,080**
Income from ordinary activities	**-22,636**
Income taxes	-668
Consolidated profit for the year	**-23,304**
Minority interests	-1,027
Shareholders of ARQUES Industries AG	**-22,277**
Earnings per share	
- Basic earnings per share in EUR	-0.84
- Diluted earnings per share in EUR	-0.84

[1] As a result of the sale of the shares in the SKW Group, the comparison figures for 2007 are presented separately under "continuing operations" and "discontinued operations" in accordance with IFRS 5

Q2 2008		Q2 2007[1]		
DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
0	1,279,818	277,415	56,050	333,465
0	6,528	-3,450	851	-2,599
0	3,020	731	0	731
0	39,854	27,065	695	27,760
0	-1,093,634	-199,225	-42,687	-241,912
0	-115,916	-54,253	-3,663	-57,916
0	-89,819	-35,681	-5,926	-41,607
0	**29,851**	**12,602**	**5,320**	**17,922**
0	-20,798	-8,065	-707	-8,772
0	-24,609	00	0	0
0	**-15,556**	**4,537**	**4,613**	**9,150**
0	214	-190	0	-190
0	1,836	502	268	770
0	-9,130	-2,460	-406	-2,866
0	**-7,080**	**-2,148**	**-138**	**-2,286**
0	**-22,636**	**2,389**	**4,475**	**6,864**
0	-668	389	-1,031	-642
0	**-23,304**	**2,778**	**3,444**	**6,222**
0	-1,027	-2,263	1,524	-739
0	**-22,277**	**5,041**	**1,920**	**6,961**
0.00	-0.84	0.19	0.07	0.26
0.00	-0.84	0.19	0.07	0.26

Consolidated Balance Sheet at June 30, 2008

ASSETS

EUR'000	06/30/2008	12/31/2007[1)]
Non-current assets		
Intangible assets	131,240	154,764
Property, plant and equipment	364,370	362,379
Investment property	244	250
Non-current financial assets accounted for by the equity method	5,013	4,564
Financial assets	5,965	3,784
Other non-current assets	208	219
Deferred tax assets	35,185	34,496
Total non-current assets	**542,225**	**560,456**
Current assets		
Inventories	430,228	439,029
Receivables from percentage of completion	6,900	15,040
Trade receivables	326,404	428,104
Available-for-sale financial assets	1,501	1,418
Other assets	194,527	228,923
Tax refund claims	2,989	13,932
Cash and cash equivalents	81,945	84,540
	1,044,494	**1,210,986**
Non-current assets held for sale	58,884	60,359
Total current assets	**1,103,378**	**1,271,345**
Total assets	**1,645,603**	**1,831,801**

1) In this regard, please refer to the explanatory note "Adjustment of comparison information from the consolidated financial statements for the first half of 2007" in the notes to the financial statements

EQUITY AND LIABILITIES

EUR'000	06/30/2008	12/31/2007[1)]
Equity		
Subscribed capital	26,402	26,357
Additional paid-in capital	72,818	72,473
Retained earnings	20,290	20,290
Accumulated other comprehensive income	238,517	272,973
	358,027	392,093
Minority interest	6,339	6,712
Total equity	**364,366**	**398,805**
Non-current liabilities		
Pension obligations	36,657	32,201
Provisions	44,309	31,466
Financial liabilities	83,644	81,906
Liabilities under finance leases	41,394	41,426
Other liabilities	60,918	53,192
Deferred tax liabilities	51,727	59,486
Total non-current liabilities	**318,649**	**299,677**
Current liabilities		
Provisions	18,709	36,046
Financial liabilities	187,430	257,597
Trade payables	499,614	581,472
Tax liabilities	18,145	28,564
Other liabilities	213,253	221,097
	937,151	**1,124,776**
Liabilities related to assets held for sale	25,437	8,543
Total current liabilities	**962,588**	**1,133,319**
Total equity and liabilities	**1,645,603**	**1,831,801**

Statement of Changes in Consolidated Equity at June 30, 2008

EUR`000	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL
December 31, 2006	**24,267**	**31,444**
Appropriation to retained earnings	**0**	**0**
Dividend payment 2007	0	0
Capital increase	2,183	44,091
Changes in minority interests	0	0
Other changes	0	0
Total transactions with shareholders	**2,183**	**44,091**
Consolidated net profit	0	0
Minority interests	0	0
Consolidated net profit after minority interests	0	0
Stock option program	0	0
Currency changes	0	0
Available-for-sale securities	0	0
Other changes	0	0
Total changes not recognized in the income statement	0	0
Total net profit	**0**	**0**
Treasury shares	**-93**	**-3,062**
December 31, 2007	**26,357**	**72,473**
IFRS 3.61ff		
December 31, 2007	**26,357**	**72,473**
Appropriation to retained earnings	**0**	**0**
Dividend payment 2007	0	0
Capital increase	0	0
Changes in minority interests	0	0
Other changes	0	0
Total transactions with shareholders	**0**	**0**
Consolidated net profit 2007	0	0
Minority interests	0	0
Consolidated net profit after minority interests	0	0
Stock option program	0	0
Currency changes	0	0
Available-for-sale securities	0	0
Other changes	0	0
Total changes not recognized in the income statement	0	0
Total net profit	**0**	**0**
Treasury shares	**45**	**345**
June 30, 2008	**26,402**	**72,818**

RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	ADJUSTMENTS FOR MINORITY INTERESTS	CONSOLIDATED EQUITY
5,302	**186,413**	**27,378**	**274,804**
14,988	**-14,988**	**0**	**0**
0	-12,376	0	-12,376
0	0	0	46,274
0	0	-20,912	-20,912
0	0	0	0
0	**-12,376**	**-20,912**	**12,986**
0	114,551	0	114,551
0	0	175	175
0	114,551	175	114,726
0	353	0	353
0	-1,373	0	-1,373
0	2	0	2
0	-249	0	-249
0	-1,267	0	-1,267
0	**113,284**	**175**	**113,459**
0	**0**	**0**	**-3,155**
20,290	**272,333**	**6,641**	**398,094**
	640	**71**	**711**
20,290	**272,973**	**6,712**	**398,805**
0	**0**	**0**	**0**
0	0	0	0
0	0	0	0
0	0	1,556	1,556
0	-464	-51	-515
0	**-464**	**1,505**	**1,041**
0	-36,251	0	-36,251
0	0	-1,879	-1,879
0	-36,251	-1,879	-38,131
0	503	0	503
0	1,068	0	1,068
0	0	0	0
0	690	0	690
0	2,261	0	2,261
0	**-33,992**	**-1,879**	**-35,870**
0	**0**	**0**	**390**
20,290	**238,517**	**6,339**	**364,366**

Consolidated Cash Flow Statement for the First Half of 2008

EUR`000	01/01/ - 06/30/2008	01/01/ - 06/30/2007
Earnings before taxes (EBT)	**-34,017**	**32,804**
Reversal of negative consolidation differences	-10,099	-48,298
Depreciation and amortization of PP&E and intangible assets	64,507	15,716
Increase (+)/decrease (-) in pension provisions	-268	168
Profit (-)/loss (+) on the sale of property, plant and equipment	-3,219	-796
Profit (-)/loss (+) on the sale of non-current financial assets	-7,359	-6,483
Profit (-)/loss (+) on currency translation	1,076	-483
Issuance of stock options	503	-125
At-equity valuation result	-597	-534
Other non-cash income and expenses	-15,792	-26
Net interest income/expenses	15,273	2,812
Interest received	961	734
Interest paid	-10,695	-2,706
Income taxes paid	-10,509	-1,545
Increase (-)/decrease (+) in inventories	-18,786	-8,421
Increase (-)/decrease (+) in trade receivables and other receivables	83,257	-17,162
Increase (+)/decrease (-) in trade payables, other liabilities and other provisions	-17,094	19,791
Increase (+)/decrease (-) in assets held for sale and liabilities related to assets held for sale	18,296	-278
Increase (+)/decrease (-) in other balance sheet items	1,621	-971
Cash inflow (+)/outflow (-) from/for operating activities (net cash flow)	**57,058**	**-15,803**
Purchase price paid for shares in companies	-10,670	-13,509
Cash acquired in connection with the purchase of shares	949	2,208
Proceeds from the sale of shares in companies	22,423	18,308
Cash transferred on the sale of shares	-849	-925
Cash inflows from the sale of non-current assets	580	2,100
Cash outflows for investments in non-current assets	-30,441	-10,685
Cash inflow (+)/outflow (-) from/for investing activities	**-18,008**	**-2,503**
Free cash flow	**39,050**	**-18,306**
Payments for the borrowing (+)/repayment (-) of current financial liabilities	-75,357	9,396
Payments for the borrowing (+)/repayment (-) of non-current financial liabilities	-4,038	-8,836
Cash inflow from the initial sale of accounts receivables (factoring)	40,776	0
Payments in connection with liabilities under finance leases	-2,005	-4,229
Capital increase of ARQUES Industries AG	0	47,160
Acquisition of treasury shares	-506	0
Dividend payment	-515	-12,376
Cash inflow (+)/outflow (-) from/for financing activities	**-41,645**	**31,115**
Net funds at beginning of period	69,865	88,154
Increase (-)/decrease (+) in restricted cash	-15,839	-7,566
Change in net funds	-2,595	12,809
Net funds at end of period	**51,431**	**93,397**
Restricted cash	30,514	11,668
Cash and cash equivalents	**81,945**	**105,065**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2008

1. General information on accounting and valuation methods

The consolidated financial statements of ARQUES Industries AG for the first half of 2008 and the prior-year comparison figures were prepared in accordance with the International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and in accordance with the interpretations of those standards by the Standard Interpretations Committee (SIC) or the International Financial Reporting Interpretations Committee (IFRIC), as they are to be applied in the European Union, and in accordance with IFRS in their entirety. All standards that were in effect and obligatory as of June 30, 2008 were observed, leading to the presentation of a true and fair view of the assets, financial position and earnings of the ARQUES Group.

2. Adjustment of the comparison information from the consolidated financial statements for the first half of 2008

The figures at January 1, 2008 have been adjusted in accordance with IFRS 3.61 ff. The purchase price allocation at December 31, 2007 for the subsidiary SM Electronic GmbH, which was acquired in the fourth quarter of 2007, was preliminary according to the definition of IFRS 3.61 ff.

Preliminary purchase price allocations according to IFRS 3.61 ff. are typical to the ARQUES business model. They are unavoidable due to the time-intensive and complex demands to be met in the process of a purchase price allocation and the time required to arrange an audit by an independent auditor. Depending on the complexity of a given acquisition, this process can take several months. According to IFRS 3.61 ff., however, such acquisitions should be presented in the financial statements as soon as valid preliminary figures are available and the presentation should not be delayed until the purchase price allocation is finally completed. In accordance with the qualitative demands placed on the financial statements in the IFRS Framework, the prompt provision of information to users of the financial statements is more important than providing more exact information at a later date.

The adjustments to the figures for SM Electronic GmbH related essentially to the measurement of inventories and receivables and the adjustment of warranty provisions. Due to the fact that the company was acquired at December 31, 2007, certain assumptions had to be applied which in retrospect have been found to be too negative. In other words, if the calculation had been performed in this manner already at December 31, 2007, the negative goodwill would have been higher by EUR 711 thousand. In connection with the adjustments prescribed by IFRS 3.61 ff., this adjustment was recognized directly in equity as an increase in equity at January 1, 2008.

The effects of the adjustments on the various balance sheet items are presented in the following tables:

EUR`000	12/31/2007	ADJUSTMENT AS PER IFRS 3.61	12/31/2007 ADJUSTED
ASSETS			
Non-current assets			
Intangible assets	154,764		154,764
Property, plant and equipment	362,379		362,379
Investment property	250		250
Non-current financial assets accounted for by the equity method	4,564		4,564
Financial assets	3,784		3,784
Other non-current assets	219		219
Deferred tax assets	34,496		34,496
Total non-current assets	**560,456**	**0**	**560,456**
Current assets			
Inventories	437,780	1,249	439,029
Receivables under percentage of completion	15,040		15,040
Trade receivables	428,390	-286	428,104
Available-for-sale financial assets	1,418		1,418
Other assets	228,923		228,923
Tax refund claims	13,932		13,932
Cash and cash equivalents	84,540		84,540
	1,210,023	**963**	**1,210,986**
Assets held for sale	60,359		60,359
Total current assets	**1,270,382**	**963**	**1,271,345**
Total assets	**1,830,838**	**963**	**1,831,801**

EUR`000	12/31/2007	ADJUSTMENT AS PER IFRS 3.61	12/31/2007 ADJUSTED
EQUITY AND LIABILITIES			
Subscribed capital	26,357		26,357
Additional paid-in capital	72,473		72,473
Retained earnings	20,290		20,290
Accumulated other comprehensive income	272,333	640	272,973
	391,453	640	392,093
Minority interests	6,641	71	6,712
Total equity	**398,094**	**711**	**398,805**
Non-current liabilities			
Pension obligations	32,201		32,201
Provisions	31,214	252	31,466
Financial liabilities	81,906		81,906
Liabilities under finance leases	41,426		41,426
Other liabilities	53,192		53,192
Deferred tax liabilities	59,486		59,486
Total non-current liabilities	**299,425**	**252**	**299,677**
Current liabilities			
Provisions	36,046		36,046
Financial liabilities	257,597		257,597
Trade payables	581,472		581,472
Tax liabilities	28,564		28,564
Other liabilities	221,097		221,097
	1,124,776	**0**	**1,124,776**
Liabilities related to assets held for sale	8,543		8,543
Total current liabilities	**1,133,319**	**0**	**1,133,319**
Total equity and liabilities	**1,830,838**	**963**	**1,831,801**

3. Disposal groups

Long-term assets that are being held for sale are classified as such in the balance sheet as the proceeds will be realised from the sale and not from the respective operating businesses. The respective long-term debts are also classified accordingly and are hence separated from other debt within the balance sheet.

Effective August 14, 2008, Richard Schöps & Co AG, Austria (part of the Retail segment) was sold to an investor for a symbolic price under the terms of a share purchase agreement. An impairment loss of EUR 10,321 thousand was recognized against the assets. After the impairment, the assets and debt of the Richard Schöps & Co AG that were held for sale were recorded as having the same value (EUR 8,726 thousand).

Due to the current negotiations being conducted regarding the sale of the Hottinger Group, Mannheim, the long-term assets and debt of Hottinger have also been reclassified as held-for-sale. The long-term assets being held for sale carried a value of EUR 18,417 thousand on June 30, 2008, the liabilities held for sale carried a value of EUR 16,712 thousand.

Other assets held for sale at the balance sheet date relate to two properties of the Actebis Group (part of the IT segment) amounting to EUR 30,000 thousand, which were already sold on July 9, for EUR 32,000 thousand. In addition, properties of Oxiris Ltd., UK, amounting to EUR 1,010 thousand (part of the Specialty Chemistry segment), machinery of Anvis de Mexico S.A. de C.V. amounting to EUR 76 thousand (part of the Automotive segment), and real estate and buildings of Capremex S.A. de C.V., Mexico amounting to EUR 656 thousand are classified as assets held-for-sale.

4. Changes in the group of consolidated companies

4.1. Notes on company acquisitions

Company acquisitions in the first half of 2008

At the end of April 2008, ARQUES Industries AG acquired the entire equity of shipping service provider Agencia Servicios Mensajeria S.A. (ASM), Madrid, and its ASM Transporte Urgente Andalucía, S.A. (70.15% shareholding) and Mallorca Servicios Mensajería, S.L. (70.59% shareholding) subsidiaries through its 90%-owned Spanish subsidiary Tractive Gestión, S.L. The sellers were Grupo Agbar, one of the biggest Spanish industrial holding companies, and JPL Noray SL. ASM was included in the consolidated financial statements of ARQUES Industries AG as of May 1, 2008.

At the end of April 2008, ARQUES Industries AG acquired all the equity of Carl Froh GmbH, based in Sundern, Germany, through its Arques Wert Potenzial GmbH subsidiary. Carl Froh GmbH is a manufacturer of precision steel tubes. The seller was the exchange-listed Finnish Rautaruukki Corporation (Ruukki) based in Helsinki. The closing, and hence transfer of control over the company, took place on May 31, 2008. Consequently, the company was included in the consolidated financial statements of ARQUES Industries AG as of May 31, 2008.

All acquired companies were included in the consolidated financial statements on the basis of a provisional, initial accounting. Since the changeover to IFRS accounting methods and the execution of the purchase price allocation are time-consuming, we applied the best possible information available at the time that the financial statements were prepared.

None of the company acquisitions carried out in the first half of 2008 satisfied the materiality criteria of IFRS 3.68. Consequently, the disclosures regarding the company acquisitions are shown on a cumulative basis. 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, 2007 (Note 40 in the notes to the income statement and balance sheet). These criteria have not changed in the first half of 2008.

The combined purchase prices for the acquired companies amounted to EUR 15,636 thousand, of which EUR 10,091 thousand was paid in cash. In addition, incidental costs totaling an aggregate of EUR 45 thousand accrued, which was paid in cash. There are still liabilities of EUR 5,500 thousand arising from purchase price payments, which are to be settled in cash. Shareholder loans in the amount of EUR 4,903 thousand were assumed in connection with the company acquisitions. The acquisition of the companies resulted in negative goodwill in a total amount of EUR 10,099 thousand.

The net losses of the acquired companies from the acquisition date to June 30, 2008, totaled EUR 1,915 thousand. This figure includes all material start-up and takeover losses, as well as restructuring losses, but does not include the other operating income from the reversal of negative goodwill. The revenues generated in the period from January 1, 2008, to the respective acquisition dates amounted to EUR 38,026 thousand; the total revenues of the acquisitions for the first half of the year amounted to EUR 50,179 thousand. The earnings contribution for the period from January 1, 2008 to the respective acquisition dates was not determined because those results were not relevant for consolidation. These amounts were not retroactively adjusted from January 1, 2008 because the figures calculated for the preceding months were not comparable with those after the restructuring owing to the measures implemented in the meantime; thus, they would have led to distorted results.

The following table shows the assets and liabilities acquired:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	104	994
Real estate	854	2,029
Buildings	2,597	7,171
Technical plant and machinery	6,910	10,744
Other assets	2,337	3,449
Financial assets	677	677
Deferred tax assets	0	1,005
Current assets		
Inventories	8,611	8,611
Trade payables	14,431	14,431
Other assets	5,812	5,782
Cash and cash equivalents	949	949
Liabilities		
Provisions	-14,307	-14,307
Trade payables	-7,613	-7,613
Other liabilities	-12,038	-12,039
Deferred tax liabilities	0	-950
Net assets		**20,933**
Minority interests		-101
Net assets acquired		**20,832**

The cash acquired amounted to EUR 949 thousand, which resulted in a total cash outflow of EUR 9,187 thousand.

No business units were sold or discontinued in connection with these business combinations.

The disclosures required by IFRS 3.70 would be impractical. As a result of the implemented restructuring measures, the company believes that the calculated values would lead to distorted results.

The acquisition of new shelf companies is not disclosed separately as these are immaterial.

Company acquisitions after June 30, 2008

On August 1, 2008, ARQUES Industries AG and Siemens AG reached an agreement under which 80.2% of the shares in Siemens Home and Office Communication Devices GmbH & Co. KG (SHC) would be transferred to ARQUES. The transaction is subject to the approval of the antitrust authorities. The closing for this acquisition is still outstanding and is scheduled for October 1, 2008.

Similarly in August 2008, the Rohé Group, which belongs to the ARQUES Group, acquired 100% of the shares in Hünert Tanktechnik GmbH, Gödensdorf, a German petrol station service provider. The transaction is subject to the approval of the antitrust authorities. The closing for this acquisition is still outstanding.

4.2. Notes on company sales

Company sales in the first half of 2008

On February 22, 2008, ARQUES sold the operating business of the building supplier Missel GmbH & Co. KG (part of Industrial Production segment) to the globally active KOLEKTOR Group from Slovenia for a sale price of EUR 7.9 million under the terms of an asset deal. The other assets, including the land and buildings in particular, as well as the other debts, will remain with the company.

The assets of Missel GmbH & Co. KG that were classified as held-for-sale at this time were valued at the time of deconsolidation at EUR 8,142 thousand, the respective liabilities at EUR 2,728 thousand. The sale of Missel allowing for the effect of minority shareholders resulted in a provisional profit of EUR 3.2 million which has been recorded within other income.

Effective April 14, 2008, ARQUES sold Oxiris Chemicals S.A., Spain, (part of the Specialty Chemistry segment) to a strategic investor under the terms of a share purchase agreement. The transaction volume was EUR 10.5 million. The assets of Oxiris Chemicals S.A. that were classified as held-for-sale at this time were valued at the time of deconsolidation at EUR 15,602 thousand, the respective liabilities at EUR 13,849 thousand. The sale of the company allowing for the effect of minority shareholders resulted in a provisional profit of EUR 1.5 million which has been recorded within the other income.

Also effective April 14, 2008, ARQUES sold the Jahnel-Kestermann Group (part of the Steel segment), which had been acquired in 2005 to a South Korean investor for EUR 18.5 million. If certain defined targets for 2008 are met, additional purchase price payments of EUR 1.5 million will be received.

The following table shows the breakdown of the transferred assets and liabilities of the Jahnel-Kestermann Group at the disposal date:

EUR'000	2008
Assets	
Non-current assets	18,561
Inventories	22,988
Current assets	25,054
Bank accounts	335
	66,938
Liabilities	
Current liabilities	60,133

The sale of the company allowing for the effect of minority shareholders resulted in a provisional profit of EUR 6.7 million which has been recorded within the other income.

Furthermore, ARQUES Industries AG sold its entire shares in Xerius AG (part of Holding segment) with effect from June 30, 2008. The sale proceeds resulted in a provisional profit of EUR 236 thousand, the deconsolidation loss allowing for the effect of minority shareholders was EUR -354 thousand.

5. Business segments

FIRST HALF OF 2008 EUR'000	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
External revenues	**47,311**	**34,903**	**70,291**	**1,891,166**
Internal revenues	**0**	**0**	**0**	**14**
Total revenues	**47,311**	**34,903**	**70,291**	**1,891,180**
Segment profit or loss/EBITDA	**3,288**	**-335**	**343**	**17,939**
Amortization, depreciation and impairments	**-1,614**	**-3,962**	**-2,989**	**-9,321**
Segment profit or loss/EBIT	**1,674**	**-4,297**	**-2,646**	**8,618**

1. HALBJAHR 2007 EUR'000	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	**24,071**	**30,867**	**87,649**	**142,419**
of which, discontinued operations	0	0	0	0
Internal revenues	**0**	**39**	**0**	**0**
of which, discontinued operations	0	0	0	0
Total revenues	**24,071**	**30,906**	**87,649**	**142,419**
of which, discontinued operations	0	0	0	0
Segment profit or loss/EBITDA	**-56**	**1,950**	**27,096**	**-899**
of which, discontinued operations	0	0	0	0
Amortization, depreciation and impairments	**-990**	**-2,937**	**-2,281**	**-1,299**
of which, discontinued operations	0	0	0	0
Segment profit or loss/EBIT	**-1,046**	**-987**	**24,815**	**-2,198**
of which, discontinued operations	0	0	0	0

	AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	HOLDING	SERVICE	ELIMINATIONS	CONSOLIDATED
	307,537	**69,247**	**105,217**	**22**	**102,093**	**0**	**2,627,787**
	0	**0**	**0**	**607**	**26**	**-647**	**0**
	307,537	**69,247**	**105,217**	**629**	**102,119**	**-647**	**2,627,787**
	11,619	**-84**	**-866**	**10,431**	**2,831**	**0**	**45,166**
	-15,587	**-26,047**	**-1,913**	**-73**	**-3,001**	**0**	**-64,507**
	-3,969	**-26,131**	**-2,779**	**10,358**	**-170**	**0**	**-19,341**

	AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	HOLDING	SERVICE	ELIMINATIONS	CONSOLIDATED
	28,034	**41,006**	**207,731**	**0**	**67,171**	**0**	**628,948**
	0	0	106,033	0	0	0	106,033
	0	**3**	**0**	**1,852**	**-7**	**-1,887**	**0**
	0	0	0	0	0	0	0
	28,034	**41,009**	**207,731**	**1,852**	**67,164**	**-1,887**	**628,948**
	0	0	106,033	0	0	0	106,033
	-2,031	**-31**	**21,236**	**9,906**	**-5,555**	**-818**	**50,798**
	0	0	10,521	0	0	0	10,521
	-555	**-977**	**-4,723**	**-120**	**-1,834**	**0**	**-15,716**
	0	0	-1,301	0	0	0	-1,301
	-2,586	**-1,008**	**16,513**	**9,786**	**-7,389**	**-818**	**35,082**
	0	0	9,220	0	0	0	9,220

6. Disclosures concerning relations with related parties

IAS 24 defines related parties as persons or companies that can be influenced by or can influence the reporting company.

From ARQUES' perspective, only EMG Holding GmbH was a related party in the first half of 2008 according to the definition of IAS 24 because it could have been influenced by an active member of the Executive Board of the ARQUES Group during this time.

The following business transactions were conducted by the ARQUES Group with EMG Holding GmbH:

EUR`000 **EMG HOLDING GMBH**	**01/01 – 06/30/2008**	**01/01 – 06/30/2007**
Cost of consulting services and lease payments	21	742

The consulting services and lease payments of EMG Holding GmbH shown relate to the services of Dr. Martin Vorderwülbecke, the Executive Board Chairman who resigned with effect from January 31, 2008.

7. Significant events after the balance sheet date

Events after the balance sheet date that could have a significant influence on the company's development are described in the section of the management entitled "Significant events after the reporting date" and in the notes to the consolidated financial statements under "Changes in the consolidation group." Beyond this, no significant events after the balance sheet date are known.

8. Responsibility statement

"To the best of our knowledge, and in accordance with the required accounting principles, the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and earnings of the corporate group, and the consolidated management report provides a true and fair view of the Group's performance and situation, along with a fair description of the principal opportunities and risks of the Group's future development."

Starnberg, August 2008

ARQUES Industries AG

The Executive Board

Dr. Michael Schumann　　Felix Frohn-Bernau　　Bernd Schell

Financial Calender

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